INVESTING IN OUR STRENGTHS

ANNUAL REPORT AND ACCOUNTS 2016

easyJet plc

2016 has been a year of uncertainty. The aviation industry in particular has faced many challenges: low oil prices and interest rates; the continuing impact of terrorism; the decision for the UK to exit the European Union; and increased market capacity sustained by a low fuel price, have all contributed significantly to the position of our business today. However, in these unpredictable times easyJet has continued to pursue its strategy for disciplined growth and long-term shareholder value.

This year we have made considerable investments in our business. We have further strengthened the network, continued to invest in projects to deliver customer benefits and cost savings and reinforced the balance sheet. This will enable us to target long-term earnings growth and drive long-term value to our shareholders.

STRATEGIC REPORT

GOVERNANCE

ACCOUNTS

OTHER INFORMATION

VISIT OUR WEBSITE FOR OTHER INVESTOR INFORMATION

http://corporate.easyJet.com/investors

OUR STRENGTHS

INVESTMENT CASE

Unparalleled network

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

97.6%

PERCENTAGE OF EASYJET CAPACITY THAT TOUCHES A NUMBER ONE OR NUMBER TWO AIRPORT(3)

803

ROUTES OPERATED(1)

132

AIRPORTS IN 31 COUNTRIES

Well-known brand

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

NUMBER 1 OR 2

BRAND IN THE UK, FRANCE AND SWITZERLAND(2)

74%

OF OUR CUSTOMERS ARE RETURNING CUSTOMERS(3)

91.6%

LOAD FACTOR(3)

Low-cost model

We are driven by our strong focus on cost savings, with a commitment to maintaining easyJet's structural cost advantage against the legacy and charter operators who are its major competitors in its markets.

COST PER SEAT DECREASE

4.6%

YEAR-ON-YEAR AT CONSTANT CURRENCY

FLAT

TARGET FOR COST PER SEAT EXCLUDING FUEL(4)

167

AVERAGE NUMBER OF SEATS PER PLANE(1)

(1) As at 30 September 2016.
(2) Based on data received for brand awareness for the 2016 financial year from the Millward Brown Brand tracker.
(3) In the year ending 30 September 2016.
(4) At constant currency, performance from 2015 financial year compared to 2019 financial year at normal levels of disruption.

Strong balance sheet

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

LIQUIDITY PER 100 SEATS OF[1]

£3.2M

NET CASH OF[1]

£213M

156

UNENCUMBERED AIRCRAFT[1]

Driving revenue growth

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

18.3M

APP DOWNLOADS TO 30 SEPTEMBER 2016

73.1M

PASSENGERS[3]

INTRODUCTION OF

easyJet | Pay

Disciplined use of capital

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

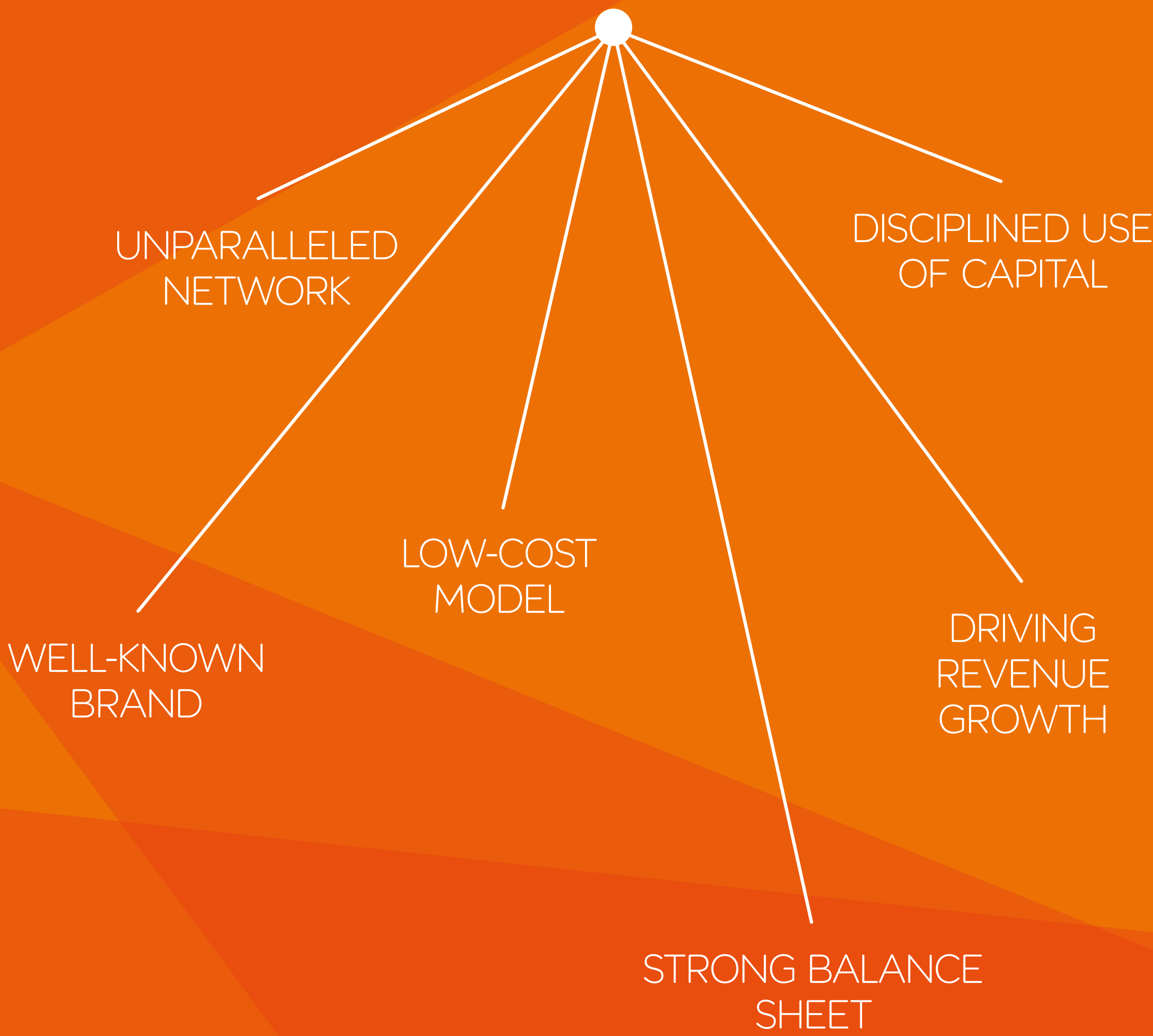
50%

DIVIDEND PAYOUT RATIO

237%

TOTAL SHAREHOLDER RETURN OVER FIVE YEARS TO 30 SEPTEMBER 2016

INVESTING IN
OUR STRENGTHS



UNDERPINNED BY OUR PEOPLE

Strengthening our network

WHAT WE DO

Low-cost European point-to-point airline.

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

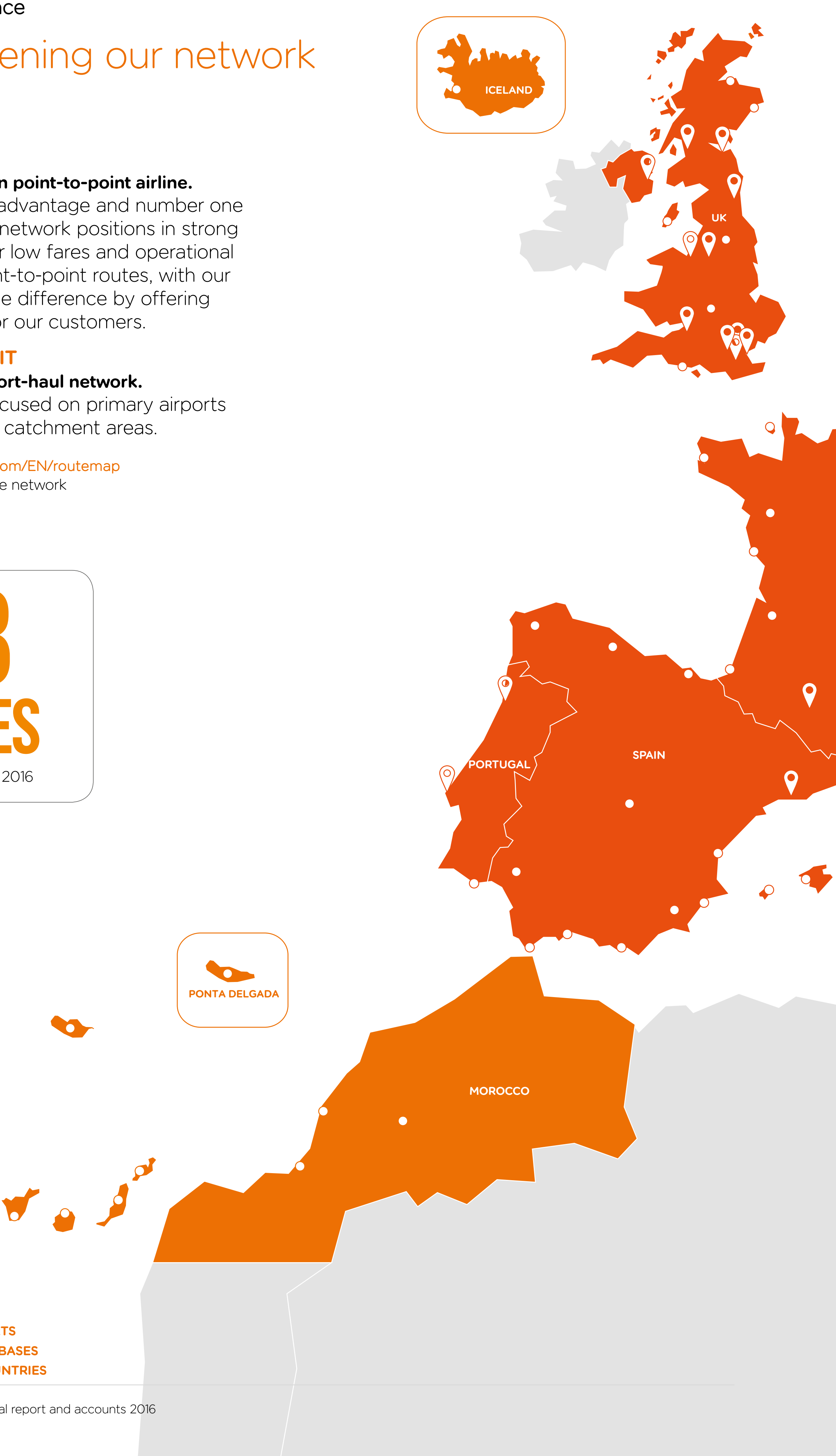
WHERE WE DO IT

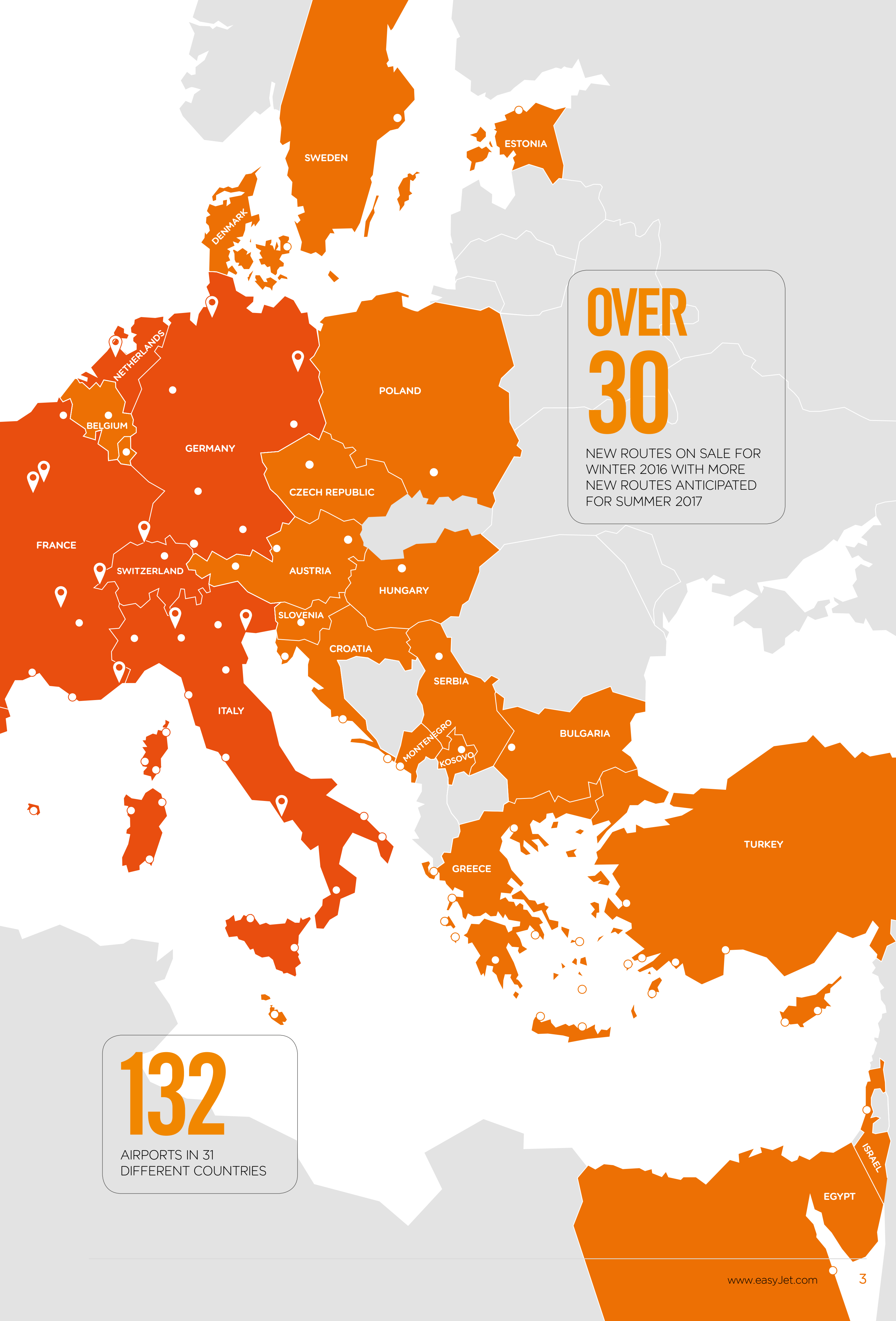
Intra-European short-haul network.

Our network is focused on primary airports serving high GDP catchment areas.

www.easyJet.com/EN/routemap
to see our entire network

803
ROUTES
AT 30 SEPTEMBER 2016




SWEDEN
ESTONIA
DENMARK
NETHERLANDS
BELGIUM
GERMANY
POLAND
CZECH REPUBLIC
FRANCE
SWITZERLAND
AUSTRIA
HUNGARY
SLOVENIA
CROATIA
SERBIA
MONTENEGRO
KOSOVO
BULGARIA
ITALY
GREECE
TURKEY
ISRAEL
EGYPT
OVER 30
NEW ROUTES ON SALE FOR WINTER 2016 WITH MORE NEW ROUTES ANTICIPATED FOR SUMMER 2017
132
AIRPORTS IN 31 DIFFERENT COUNTRIES

An efficient low-cost model to drive above-market returns

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

KEY RESOURCES

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

Capital

easyJet has a strong capital base, with market capitalisation of £4 billion(1) and a net cash position of £213 million at 30 September 2016. easyJet's credit ratings are amongst the strongest in the world for an airline.

£ Market cap of **£4B**

Aircraft

easyJet operates a modern Airbus fleet, using the A320 family of aircraft, and is up-gauging its fleet to 186 seat cabins and the new fuel efficient A320neo aircraft. This provides customer, operating and maintenance benefits to the Group.

257 aircraft

People

easyJet has a dedicated workforce of over 10,000 people, including 2,865 pilots and 6,516 cabin crew members as at 30 September 2016.

Over **10,000** people

Technology and insight

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

18.3M app downloads

Stakeholders

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

over **73.1M** passengers

OUR VALUES

Safety
We never compromise on safety

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

One team
Together we'll always find a way

SAFETY UNDERPINS EVERYTHING WE DO

(1) Based on a share price of £10.07 at 30 September 2016.

HOW WE DO IT

We build on our business through our strategic pillars:

OUTCOMES

Build strong number one and two network positions

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

A lean cost advantage

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

Customer and operational excellence

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

Data and digital

easyJet's award-winning digital platform continues to be a major enabler of revenue and customer satisfaction. easyJet's app has been downloaded 18.3 million times at 30 September 2016 and as it becomes more established it is driving increasing contribution to revenue.

Grow revenue

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

The best people

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

Generating high returns for our shareholders
50%
dividend payout ratio

Customer satisfaction
72%

Operational excellence
77%
On-time performance

Employee engagement
76%

Turn to page: 9
for more details on Strategy

Turn to page: 16
for more details on KPIs

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

Integrity
We stand by our word and do what we say

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

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

SAFETY UNDERPINS EVERYTHING WE DO

Driving stakeholder returns

JOHN BARTON
Chairman

easyJet has delivered a resilient financial performance this year, with record passenger numbers showing continued strong demand for its services. We are investing for the future in order to deliver sustainable long-term value for shareholders.

50%
DIVIDEND PAYOUT RATIO

73.1m
RECORD PASSENGER NUMBERS IN THE YEAR ENDING 30 SEPTEMBER 2016

Financial performance

easyJet has delivered a resilient financial performance this year, despite a number of events that have disproportionately affected easyJet when compared with other airlines.

easyJet grew its passenger numbers to a new high of 73.1 million, showing continued strong demand for its services. This record level of flying generated slightly reduced revenues of £4,669 million in 2016, as passengers benefitted from low fares, with a reinforced programme of cost controls, that delivered savings ahead of target of £95 million. easyJet's profit before tax was £495 million.

Strategy

easyJet's strategy is founded on leadership positions at many of Europe's foremost airports, providing the frequency and wide range of convenient destinations demanded by customers combined with a relentless focus on cost control which allows us to offer excellent value fares, making travel easy and affordable. Despite challenging market conditions characterised by multiple terrorist actions, industrial strikes, geopolitical instability and currency movements as well as excess market capacity, easyJet's lean business model and effective strategy continue to identify opportunities for highly targeted and profitable growth, which will deliver long-term value to shareholders.

EU referendum

easyJet remains committed to the UK and has taken steps to secure the future of the business following the outcome of the EU referendum. We are in the process of selecting a preferred country in which to obtain an EU-based Air Operator Certificate (AOC), securing flying rights in Europe. easyJet will continue to work closely with the UK Government and the EU to maintain a liberal aviation market in Europe.

People

easyJet's focus on its culture and people, its "Orange spirit", is a key contributor to easyJet's success. In a very difficult year it has been this spirit of commitment to passengers, particularly by front-line staff, that has ensured easyJet remains amongst the strongest airlines in Europe.

During the year Chris Browne joined as a Non-Executive Director and, with a strong background in aviation, has made a significant contribution to board discussions. I am pleased that she has now accepted an executive role in the business as our Chief Operating Officer, in which I believe she will make a major contribution in developing that part of the business.

Shareholder returns

In May, the Board increased the dividend payout ratio to 50%. This is a further demonstration of its confidence in the future of the business. Since starting to pay a dividend in 2011, easyJet has steadily increased the ratio. In total easyJet has returned more than £1 billion in dividends to shareholders since 2011 and the Board is pleased to recommend a dividend for the year of 53.8 pence per share.

Looking ahead

Looking ahead to 2017, easyJet expects the European short-haul aviation market to continue to grow. However, with continuing uncertainty in the economic and political outlook, we will remain vigilant with regards to changes in demand and market behaviour.

In the meantime, easyJet is investing in initiatives that will drive efficiency and innovation to support long-term revenue growth and mitigate the effect of factors that are outside of the airline's control, such as disruption and the impact of foreign exchange rate changes on demand and on the cost base.

We firmly believe that our business model, cost position and strong balance sheet mean that our strategy is the right one to deliver sustainable long-term value for shareholders.

John Barton

JOHN BARTON
Non-Executive Chairman

Investing in our strengths

CAROLYN MCCALL DBE
Chief Executive

We remain focused on our network advantage, digital leadership and offering our customers great low fares and high-quality service.

£495m
PROFIT BEFORE TAX (2015: £686M)

2.0%
TOTAL COST PER SEAT IMPROVEMENT FROM THE 2015 FINANCIAL YEAR

OVERVIEW

easyJet has delivered a resilient performance in the 2016 financial year, in the midst of a challenging environment. Over four million more passengers flew with easyJet during the year reaching 73.1 million, and the Company achieved another year of record load factor at 91.6%. This reflects easyJet's successful strategy of defending and maintaining market-leading positions in high-traffic, slot-constrained airports.

Medium-term fundamentals across Europe remain robust with continued GDP growth supporting spending in all our major markets. Although low fuel prices continue to encourage increased capacity which impacts yields, easyJet has performed strongly in a highly competitive market by focusing on building number one positions in selected markets and strong cost control. The Company's business model and strategy leave it well positioned to be a structural winner within its chosen markets in the overall European short-haul market.

Strong passenger growth and resilient revenue performance:

- Record number of passengers at 73.1 million, increasing by 4.5 million (6.6%) during the year. Load factor also increased to a record level of 91.6%, an increase of 0.1 ppts from last year, reflecting the attractiveness of easyJet's network of destinations and frequencies at affordable prices.
- Capacity increased by 6.5%, with growth focused on strengthening easyJet's leading network of number one positions at Europe's primary airports.
- Total revenue declined by 0.4% to £4,669 million (2015: £4,686 million). Revenue per seat decreased by 6.4% to £58.46 due to:
  - increased market capacity and aggressive pricing stimulated by a sustained low fuel price;
  - cooling of demand and reduced consumer confidence following multiple terrorism-related incidents;
  - higher holiday costs for UK travellers following the EU referendum and subsequent weakening of sterling; and
  - severe disruption during the year (due to strikes, severe weather, airport issues) which resulted in 8,349 flights (2015: 6,789) being either cancelled, delayed over three hours or diverted.
- Total impact of external events[(1)] during the year on profit before tax of an estimated £150 million.
- Non-seat revenue growth of 17% due primarily to tailoring our on-board product range, reflecting increasing knowledge about our customers.

Taking control on costs:

- Total cost per seat improved by 2.0%, decreasing to £52.26. Total cost per seat at constant currency[(2)] improved by 4.6%, primarily driven by fuel price savings. Total cost per seat excluding fuel increased by 2.6% due to the impact of foreign exchange and at constant currency improved by 1.1%, slightly ahead of target.
- Our reinvigorated lean cost programme delivered savings of £95 million, in airport, ground handling and maintenance costs, as well as supplier management improvements, overhead reductions and benefits realised from lean basing.
- This partially offset increasing costs of disruption and underlying airport and ground handling cost inflation.
- Foreign exchange cost headwinds of £112 million.
- Pre-tax profit margin decreased by four percentage points to 10.6% (profit before tax of £495 million in the 2016 financial year versus £686 million in the 2015 financial year) mainly due to the decline in revenue and foreign exchange impact.
- easyJet continues to target flat cost per seat excluding fuel at constant currency for the 2019 financial year versus the 2015 financial year at normal levels of disruption.

(1) Includes terrorist related events (Paris, Egypt, Brussels, Nice and Turkey) and the immediate impact of the EU referendum outcome.

(2) Constant currency is calculated by comparing the 2016 financial year performance translated at the 2015 financial year effective exchange rate to the 2015 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.

Our market context

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

TREND

Macro

Economic trends are currently favourable, with GDP growth in all our main markets. GDP growth is generally accepted as having a positive multiplier effect on air passenger traffic.

+2.3%
UK GDP growth year-on-year in the three months to September 2016

Capacity

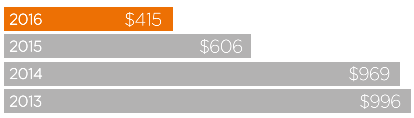
The total European short-haul market[4] grew by 6% year-on-year and by 8% on easyJet's markets, driven primarily by a continued low fuel price.

6%
market capacity growth in 2016

Fuel

Continued low fuel prices are sustaining market capacity growth and weaker airlines.

Average jet fuel price $ per MT



Foreign exchange

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

GBP:EUR EXCHANGE RATE
1.28
FY2016

GBP:USD EXCHANGE RATE
1.58
FY2016

Sector-leading balance sheet and dividend policy:

- Raised €500 million bond in February and secured a sector-leading credit rating (Standard and Poor's: BBB+, Moody's: Baa1). In October 2016 a further €500 million bond has been issued on improved, industry-leading terms.
- Cash and money market deposits at 30 September 2016 of £969 million (2015: £939 million).
- Return on capital employed[3] at 14.6%, significantly above easyJet's cost of capital.
- Dividend payout ratio increased to 50% of profit after tax delivering a proposed ordinary dividend per share of 53.8 pence (2015: 55.2 pence).

MARKET ENVIRONMENT

easyJet operates in the European short-haul aviation market, with a focused business model that has enabled it consistently to generate higher levels of profitability compared to legacy carriers, its main competitors. The overall short-haul market has grown by 25% over the last 10 years and its fundamentals remain strong. During this period, low-cost carriers have taken significant market share, with legacy carriers cutting mainline capacity and transferring capacity from flag airlines to lower cost subsidiaries in order to improve their competitiveness. In this environment, easyJet has grown to hold an estimated 8% of the European short-haul market. As competitors continue to struggle to restructure their high cost bases or operate with inadequate financial resources, easyJet is well positioned to continue selectively to strengthen its market positions.

easyJet is focused primarily in Western and Northern Europe, where it flies to a network of primary airports and routes that tap into affluent markets with populations that have a high propensity to travel. Economic trends remain broadly favourable, with GDP growth expected in all our main markets.

Developments this year

The total European short-haul market[4] grew by 6% year-on-year in the year ending 30 September 2016 and by 8% in easyJet's markets, driven primarily by a continued low fuel price. easyJet grew capacity by 7% during the period, with growth of 8% in the first half and of 6% in the second half. In the same period, easyJet's competitors increased capacity by 8% in its markets, with particularly strong growth in Spain and Germany.

(3) Return on capital employed shown adjusted for leases with leases capitalised at 7 times.

(4) 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 2015 to September 2016.

Our strategy

easyJet is confident that through its strategy it will deliver sustainable growth and returns for shareholders

OUR STRATEGY

easyJet focuses on developing strong positions in Europe's leading airports – flying between airports people want to travel to with optimised frequency. Its principal competitors at these leading airports are the legacy airlines and charter carriers. easyJet's structural cost advantage relative to these airlines allows it to offer customers more affordable fares. This cost advantage is created through a combination of factors including:

- aircraft configuration enabling a higher number of seats per aircraft;
- higher load factor and aircraft utilisation driven by its point-to-point model; and
- younger fleet and advantaged fleet deal reducing ownership and maintenance costs.

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

easyJet is delivering its strategy through its six strategic pillars:

1. Build strong number one and two network positions
2. A lean cost advantage
3. Customer and operational excellence
4. Data and digital
5. Grow revenue
6. The best people

1. Build strong number one and two network positions

easyJet's strategy is focused on key airports, serving valuable catchment areas that represent Europe's top markets by GDP, driving both leisure and business travel. easyJet has developed a more economically resilient network than its competitors, helping to support consumer demand throughout the cycle. These are strong, existing markets, built up over a period of time by legacy carriers.

easyJet's portfolio of peak time slots at airports, where either total slot availability or availability at customer-friendly times is constrained, further reinforces its competitive advantage. easyJet currently holds 16 number one market positions and has identified a number of potential targets for the next five years where GDP is high, there are high passenger volumes and where there is no clear winner today. We have the opportunity to both capture further market share and to grow the overall market.

Driven by strong underlying demand, an attractive customer proposition and a structural advantage, we will continue to invest up to 9% annual capacity increases in growing its network to drive the highest returns in the long-term. In 2016 we have refined our network strategy to ensure a greater focus on:

- Achieving number one positions both at primary airports and on our routes:
  - On average, a number one airport and route position delivers over 50% greater contribution than a number two position on both.
  - 83% of easyJet's capacity touches an airport where it has the number one position by share.
- Investing in scale:
  - Leading positions, route frequencies and multiple destinations create flexibility for customers, as well as reinforcing the easyJet brand to ensure that it is 'top of mind'.
- Investing with purpose:
  - easyJet has a track record of generating returns from purposeful investments. 54% of the top 25% of routes by contribution were not in the top 25% in 2012.

To build on this, easyJet has a clear network strategy to:

- protect its number one positions in the UK and Switzerland;
- secure a significantly stronger position in France;
- invest in lean bases to drive more efficient capacity growth across the network; and
- target specific market opportunities, such as city-based strategies in Germany, Italy and the Netherlands.

easyJet regularly reviews its route network in order to maximise returns and exploit demand opportunities in the market. During the year easyJet added 106 routes to the network, slightly more than last year. These were focused on bases which supported the consolidation of its leading positions, including the UK, Switzerland and Italy; growing its share of the overall market in France (Paris Charles de Gaulle, Lyon, Toulouse); or allocated to new bases such as Amsterdam, Venice and Oporto. In February we opened a new base in Barcelona and in April announced a plan to open a seasonal base in Palma de Mallorca for summer 2017. Along with Oporto and Lisbon these latter two form a core part of easyJet's lean basing strategy. Reflecting our discipline, it also discontinued 38 routes which either did not meet expected return criteria, or became secondary to a more attractive route elsewhere.

Over time, increased route maturity and frequencies have contributed to increasing profitability and returns. easyJet has continued to establish stronger leadership positions in all of its main markets, to achieve the aim of holding the number one position in each market or a number two position to a weak flag carrier.

Progress in easyJet's main markets is as follows:

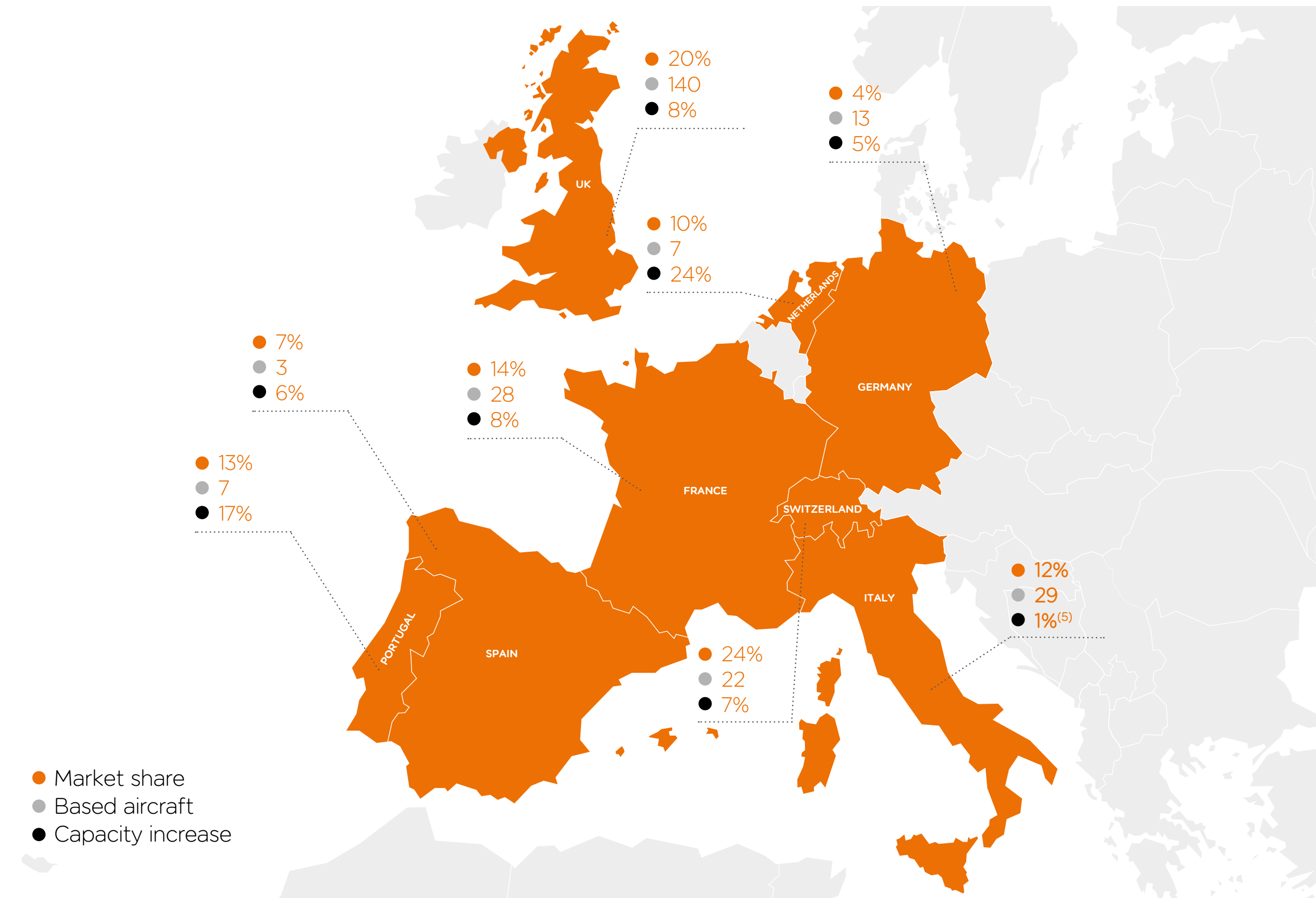
United Kingdom
easyJet continues to reinforce its strong position in the UK market, both London-based and regional. We remain the number one carrier by market share at almost all of our UK bases, including its major bases of London Gatwick, London Luton, Bristol, Belfast and Edinburgh. Our positioning, market share and airport bases are driving both leisure and business passengers. easyJet increased capacity by 8% in the year ending 30 September 2016, maintaining market share on the key London to Scotland routes while investing in growth in Luton, Bristol and Manchester. easyJet's competitors increased their capacity on our markets by 9%.

Italy
easyJet's main focus in Italy is on the higher-value catchment areas, reflecting our regional and city-based strategy. easyJet is the biggest operator at Milan Malpensa with 21 based aircraft, has recently opened a new base at Venice (with 4 based aircraft) and added a fourth aircraft to the base in Naples (and is the number one airline at both). During the year we successfully closed Rome Fiumicino, which still remains an important part of the network with an expected two million passengers a year. easyJet increased net capacity in Italy by 1%, after taking into account the closure of the Rome base, against competitor growth on its markets of 8%.

France
easyJet sees opportunities to grow its market share in France, leveraging its competitive market position against the flag carrier, adding capacity at Charles de Gaulle airport through up-gauging and strengthening its domestic network. easyJet is the number one carrier in Nice and number two after Air France in most of the remaining airports where it operates. We increased capacity in France by 8% in the year, against competitor growth on our markets of 5%.

Switzerland
easyJet is the number one operator at both Geneva and Basel airports, with the latter also part of the Zurich catchment area. We increased capacity by 7% in the year ending 30 September 2016, building and reinforcing our leading positions at both airports. As the leading airline brand in Geneva and Basel, easyJet's strategy is to continue to build customer preference in the market. Competitor capacity declined by 1% in easyJet's markets, impacted by easyJet's strong action over the past two years.

Germany
Germany is a large and attractive market, although with a more regional, federal structure than other European countries. easyJet's strategy is therefore city-based, not



(5) Net capacity after taking into account the closure of the Rome base.

country-wide. easyJet is focused on its two bases at Berlin Schönefeld, where it is the number one airline, and Hamburg, which was opened in 2014. We are targeting continued growth in Germany, taking share from the incumbent operators. We have increased capacity by 5% during the year. Competitor growth on easyJet's markets was 11%, with high growth at Berlin Schönefeld in particular.

Netherlands

The Netherlands is a significant opportunity for easyJet, as Amsterdam is a major business and leisure market. Having opened a new base at Schiphol Airport, Amsterdam in March 2015 we are now the second-biggest operator and are continuing to invest in growth of our market share. easyJet increased capacity by 24% during the year against competitor growth on our markets of 8%.

Portugal and Spain

Portugal and Spain are easyJet's primary focus for lean basing, as well as inbound markets with strong demand on key flows to the region from the rest of Europe. We increased capacity by 17% and 6% in Portugal and Spain respectively. easyJet opened its new base at Barcelona in February 2016. Competitor market growth on easyJet's markets was 14% in Portugal and 16% in Spain.

2. A lean cost advantage

easyJet has a strong cost-focused culture, with structural advantages in key areas that enable it to combine a leading airport network with affordable fares. easyJet's lean culture consistently delivers substantial cost savings against underlying cost inflation and we are committed to delivering our target of flat cost per seat excluding fuel at constant currency in the 2019 financial year versus the 2015 financial year at normal levels of disruption.

In 2016, cost per seat improved by 2.0% primarily reflecting benefits from fuel, partially offset by the £112 million impact of foreign exchange. At constant currency, cost per seat excluding fuel improved by 1.1%.

Existing easyJet lean initiatives delivered savings of £95 million, an increase of 106% year-on-year. These savings were primarily the result of improvements in airports, maintenance and ground handling costs.

easyJet has a number of initiatives in place that will help to deliver its future cost per seat target:

- Leveraging increasingly large positions in our airports. Through our size, we are able to drive economies of scale from long-term deals with airport owners and operators, as well as with ground handling agents at those airports. We are now in our third year of a seven-year contract with Gatwick airport, as the largest operator at the airport, and will be consolidating our position into one terminal in 2017 to enhance our operational efficiency. Similarly, we are the largest airline at Luton airport, where we are in year three of a ten-year contract. As we grow our positions in new bases such as Amsterdam and Venice we will benefit from volume-related pricing agreements. In ground handling we annualised the benefit of our contract in Italy and saw savings from our growth in airports in the UK, Netherlands and Germany. We expect to agree a number of new airport and ground handling contracts in 2017 and 2018.
- Continue to leverage our scale in maintenance. Our new component support arrangement, which started in October 2015, combined with other parts and heavy maintenance contracts, delivered savings of around £40 million during the year. This was supported by better distribution of parts across the network to enable faster repairs to aircraft. We have also begun using predictive analysis with the target to reduce parts failures and improve aircraft reliability and utilisation.
- Tackling disruption. To control costs of strikes, airport congestion and aircraft unavailability to the business, we are investing some of our cost savings to increase resilience in our operations, including more flexibility in the network. We are also implementing improvements to rosters and scheduling to improve fatigue management, better lifestyles for crew as well as increase our ability to recruit and retain future talent. This will deliver passenger benefits and longer-term cost improvements.
- Organisational review. Although easyJet is not encumbered with the significant historic costs of a legacy carrier (e.g. expensive pension arrangements) we are reviewing our structure and ways of working to enable easyJet to better deliver on our core strengths of our network, delivering for our customers, data and digital and maintaining our relative cost advantage. We expect this to result in a simpler, more efficient organisation and will deliver meaningful annualised savings once implemented. Further information on this will be provided throughout the 2017 financial year.
- Efficient fleet management. We operate an exclusively Airbus A320 family fleet. This delivers operational flexibility as well as efficiencies in engineering and maintenance, crew, ownership and fuel. As the second largest operator of Airbus A320 family aircraft in the world we also benefit from significant economies of scale on acquisition. Between 2016 and 2021 we will derive a major benefit from up-gauging our fleet, from a majority 156-seat A319 composition to a fleet that is over 70% 186-seat A320s. The 186-seat A320neo aircraft are expected to have a 13% to 14% cost per seat benefit[(6)] compared to the 156-seat A319s.

As indicated in the 6 October 2016 trading update, easyJet expects to incur a number of non-headline costs during the 2017 financial year. These costs will be separately disclosed as non-headline profit before tax items:

- As a result of the UK's referendum vote to leave the European Union, easyJet plans to establish an Air Operator Certificate (AOC) in another EU member state. This will secure the flying rights of the 30% of our network that remains wholly within and between EU states, excluding the UK. This one-off cost is expected to total around £10 million over two years with up to £5 million incurred in the 2017 financial year. The primary driver of the cost is the re-registering of aircraft in an EU AOC jurisdiction.
- We are planning to enter into a sale and leaseback arrangement for 10 aircraft which is expected to take place in early December 2016. Due to the age of the selected aircraft at the time of this transaction and maintenance provision accounting, easyJet expects to incur a one-off, non-cash charge of approximately £20 million.

(6) Based on fuel price quoted in original plan.

- The expense associated with implementing the Organisational Review in the 2017 financial year. Further details will be provided throughout 2017, however any costs associated with that will be targeting a six to nine month payback.

easyJet will continue to relentlessly focus on lean cost control. Our cost saving programme will build on the strong momentum from 2016, leveraging our increasing scale and reviewing our cost management down to the most granular level.

3. Customer and operational excellence

easyJet's strong operational and cost performance is built around ensuring aircraft depart and arrive on time. This minimises disruption costs and improves customer satisfaction and repeat purchases, which in turn increases revenue.

Disruption due to air traffic and other strikes in Europe, as well as severe weather and runway closures at Gatwick airport, has severely impacted easyJet's performance during the year. During the year, easyJet cancelled 3,268 flights (2015: 2,637) and on-time performance was 77% across the network, a decrease of three percentage points from 2015. Given the level of disruption this is a resilient performance and excluding the UK, which was disproportionately affected, on-time performance was 80%.

To secure better on-time performance easyJet has set up a taskforce to focus on the following main areas:

- Reduce the number of events due to technical issues, using predictive maintenance and enhanced parts management and distribution.
- Improve disruption management through better processes and communication with our customers as well as using technology to reduce cost and improve effectiveness.
- Influence structural improvements through discussions with airports, national Governments and the EU.

OTP % arrivals within 15 minutes[7]	Q1	Q2	Q3	Q4	Full year
2015 Network	86%	86%	79%	74%	80%
2015 Network excluding UK	86%	87%	81%	77%	82%
2016 Network	82%	82%	74%	71%	77%
2016 Network excluding UK	83%	84%	78%	76%	80%

Our Gatwick North Terminal programme is already driving operational and customer benefits. The consolidation process will complete in January 2017 and total operational cost savings are anticipated of around £5 million. The auto-bag drop area, the biggest in the world, has now processed three million bags since it opened last October and we have added greater functionality to collect payment for additional or excess charges for luggage. 97% of our customers now wait less than five minutes to go through the bag drop experience which has improved customer satisfaction. We are now rolling out our "customer-host assist" that is expected to drive lower cost and greater customer satisfaction primarily through mobile-based functionality to self-serve.

4. Data and digital

A core part of easyJet's strategy is the implementation of its wider digital strategy. This includes leveraging data and easyJet's digital platforms to support its network, customer focus and operational excellence by enhancing its customer relationship management capabilities. These tools help build customer loyalty and drive revenue growth. easyJet's increasingly sophisticated use of data will enable it to make travel easy and affordable in the long-term.

Loyalty and data

In the last year 74% of our seats were booked by returning customers. We have seen a strong increase in customer loyalty in our core markets, with returning customers in the UK increasing by 9%, France by 11%, Switzerland by 11% and Amsterdam by 20%. easyJet's marketable customers have now reached over 26 million, up 5%, providing further potential for growth.

Following its launch earlier this year, Flight Club has now been successfully rolled out to our most valuable flyers, as identified through our customer database. We have seen a 14% uplift in retention and 32% uplift in CSAT amongst our Flight Club members. At the same time, easyJet Plus membership has grown by 40% following successful campaigns across our digital channels and Customer Relationship Management (CRM) programme. Flight Club aims to recognise and retain our high-value and loyal customers with a scheme that makes travel with easyJet even easier. Very different to legacy frequent flyer programs, which are highly expensive and complex, Flight Club makes the simple things even easier for our customers. The programme offers a range of benefits such as free name changes, free booking changes and a low price promise, all reinforced by a dedicated customer support team.

Our CRM enables our customers to benefit from increasing levels of personalisation across multiple channels, with examples such as saved passport details, targeted marketing campaigns via email and text message, and bespoke offers from our affiliate partners. The user experience has been further developed over the year, with greater ease of interaction on the website and mobile and optimised layouts and design.

Innovation and digital leadership

Our digital platform is a key point of differentiation from our competitors. We believe that we have significant advantages in the capability of our web platform and our mobile offering. Our award winning App has now been downloaded 18.3 million times, an increase of 30% on last year. 20% of bookings are now on mobile, with ApplePay a significant step forward this year. Passengers are also increasingly using mobile boarding passes, which has increased 63% year-on-year. Enhancements like these add to the customer experience and drive customer loyalty, as well as driving our cost advantage.

Since the year end easyJet has also signed a five-year contract with Founders Factory, the corporate backed accelerator and incubator. The partnership will create value for easyJet and our passengers by putting disruptive thinking at the centre of our digital strategy, helping us to explore opportunities for advanced TravelTech services that will help us to keep making travel easy and affordable.

(7) On-time performance measured by internal easyJet system.

We will continue investing substantially in our digital capability, building on our success in enhancing the digital customer interface. The rollout of our new commercial platform is under way with live new homepages featuring an innovative flight search and low-fare finder tool. Full rollout is expected during Q2 2017. The primary objective is to give us significantly better flexibility and capability, specifically improving our ability to offer customers bespoke, attractive options.

The combination of increasingly insightful customer knowledge and our digital programme offers increasing amounts of personalisation, tailoring booking journeys based on previous behaviour. This is expected to drive higher footfall and conversion rates, as well as higher attachment rates for a wider range of ancillary partners. It will also enable greater self-management capability through the entire journey chain, from booking to check-in, through the airport and in the event of disruption.

5. Grow revenue

easyJet has driven its leading customer and digital proposition through constant innovation and by listening to its passengers, focusing on market demand and offering value.

Business passengers

Performance for the year has been encouraging with continued growth in business passenger numbers, and further investment in how we reach and interact with our corporate customers.

We have continued to target business passengers, growing the number of passengers by 6% to 12.5 million, with September 2016 a record month for easyJet. We also signed 137 corporate agreements over the year, representing a 25% increase against last year, serving to demonstrate the significant growth potential for business passengers. There has also been a growth in business-specific fares throughout the year with a 14% increase in Flexi fares, which carry a greater yield premium.

Our combination of using primary airports in large economic markets, alongside high frequencies and attractive flight timings, makes easyJet a logical choice for business passengers. We are focused on providing a bespoke business offering through distribution platforms, Travel Management Companies and direct to small and medium-sized enterprises. Growth in Global Distribution Systems (GDS) volume continued to drive revenue and channel movement from web bookings to GDS within the travel management company partners. The recent negotiations across our GDS partners extended our agreements with Amadeus, Sabre and Travelport for an additional term. Developments across our Self-Booking Tool partners have seen a 16% increase in bookings due to the lower fees applicable and customised set-up for our corporate accounts.

easyJet has recently won Business Traveller Magazine's "Best Low-Cost Carrier" for the 14th successive year. easyJet continues to see opportunities to sell its business product across Europe and we continue to strengthen our corporate sales capability through a new market, customer and industry structure.

New revenue streams

Non-seat revenue has performed strongly, increasing by 17%, offsetting pressure on ticket yields from the external environment.

easyJet has a programme to develop new revenue streams as well as enhancing existing revenue streams, leveraging its attributes of a primary airport-focused network, cost focus and track record of innovation. We are exploring new distribution channels, partner agreements and structures such as connectivity with other suitable airlines. Recent examples have been:

- Earlier Flight – a mobile app-only proposition, targeting customers who may wish to switch flights at short notice on the day of travel. This flexibility is offered to customers for just £15 and capitalises on the scale of our mobile app use when customers are on the move.
- In-flight – our investment continues to pay off with revenue growth of over 30% in the last 12 months. This year saw the introduction of pre-purchased in-flight vouchers, scaled through our targeted CRM programme.

6. The best people

easyJet is passionate about its people and we believe they set us apart. We believe that our customer-facing employees are the very best in the industry and contribute significantly to the positive experience that our passengers enjoy, leading to increased loyalty and repeat business.

It is our people who continue to deliver the business' strategy and will drive our future success. We continue to focus on recruiting the right people, helping them to understand easyJet's values and their role in the business and then giving them the tools to develop a high-performance culture.

easyJet's new Academy at Gatwick demonstrates our commitment to the development of our staff, providing a world-class training facility comprising of classrooms, cabin simulator, evacuation slide and fire training rig. The centre is an investment in our people, fulfilling easyJet's expected training needs to 2020.

We recruited during the year to help support our growth, adding over 360 pilots and 1,400 cabin crew, as well as 280 people within the management, administration, engineering and maintenance departments. In line with our target, 35% of positions were filled by internal candidates. Retention rates remain good with employee turnover at 9.0%, while engagement scores remain high at 76%.

Increasing diversity

easyJet's launch of the Amy Johnson Flying Initiative, in partnership with the British Women Pilots Association, is part of our long-term strategy to increase the number of our female pilots. easyJet set an initial target to double the proportion of its new entrant pilots who are female, from under 6% in 2015 to 12% over a two-year period. easyJet was able to meet its target within one year. Other activities to increase the number of female pilots include working with easyJet's pilot training providers to attract more women to apply for its cadet programme and working in partnership with organisations which promote female take-up of STEM (Science, Technology, Engineering and Maths) subjects and women in business.

Fleet

easyJet has a young fleet of Airbus A320-family aircraft, secured on very competitive terms which were most recently updated in our framework agreement with Airbus in 2013.

easyJet continues to maintain flexibility in its fleet planning arrangements to ensure that it can increase or decrease capacity deployed, subject to the opportunities available and prevailing economic conditions. easyJet uses the flexibility it has to move aircraft between routes and markets to improve returns. This flexibility is achieved through a number of ways that impact both the timing and scale of capacity deployment: new aircraft orders can be deferred, leases may be extended or not renewed, aircraft may be sold or utilisation can be reduced at times of low demand. easyJet continues to work with its suppliers to enhance its fleet flexibility.

easyJet's total fleet as at 30 September 2016 comprised 257 aircraft (2015: 241 aircraft), split between 156-seat Airbus A319s, 180-seat A320s and, since May 2016, 186-seat A320s. Over the next five years we will reduce cost by changing the fleet mix and ownership structure. We took delivery of 20 A320 aircraft in the year ending 30 September 2016, which provide a per seat cost saving of 7% to 8% compared to the A319 through economies of scale, efficiencies in crew, ownership, fuel and maintenance. Four A319 aircraft were returned to lessors and the average age of the fleet increased to 6.7 years (2015: 6.2 years). The larger A320 aircraft has been introduced over the last few years with increasing cost per seat benefits. The increase in the proportion of A320s and the increase in overall seat density delivered a 40 pence per seat cost saving in 2016.

Based on our current plan, our capital expenditure for the next three years is as follows:

Year	2017	2018	2019
Gross capital expenditure (£m)	650	1,100	1,050

Our objective is always to optimise our return on capital employed through the allocation of aircraft and capacity across the network, regularly moving them to airports and routes with better opportunities. In February we closed our base at Rome Fiumicino and redistributed the eight base aircraft to other bases in Italy, including the opening of a new base in Venice. Every year we also churn routes that have not reached their targeted objectives. These actions reiterate our focus on returns and will increase the return on capital employed of the Company as a whole, as we have done regularly in the past and will do so in the future.

We continue to add frequencies and commit to basing aircraft around the network in scale. In 2016 we broadly maintained our asset utilisation across the network, at an average of just under 11 block hours per day (2015: 11 hours).

Delivering shareholder return

easyJet's robust operational model and competitive position enable the Company to remain resilient in turbulent markets. With a strong balance sheet and cash flow generated from operations of over £700 million, easyJet comfortably has met its investment goals while maintaining its positive net cash position. easyJet ended the year with net cash of £213 million.

Return on capital employed declined to 14.6% from 22.2% last year, as the combined impact of severe disruption, external events and increased capacity impacted yields.

As we look forward, we expect that our ability to grow revenue and the renewed focus on cost will deliver strong earnings momentum and significant returns to shareholders.

easyJet's proposed ordinary dividend per share of 53.8 pence is expected to be paid on 17 March 2017, with a record date of 24 February 2017, subject to shareholder approval at the Annual General Meeting.

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short-term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months' anticipated fuel and currency exposures and between 45% and 65% of the following 12 months' anticipated requirements. Specific decisions may require consideration of a longer-term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives.

Fleet as at 30 September 2016:

	Owned	Operating leases	Finance leases	**Total**	% of fleet	Changes in year	Future committed deliveries	Unexercised purchase rights
A319	99	45	–	144	56%	(4)	–	–
A320	90	18	5	113	44%	20	36	–
A320neo	–	–	–	–		–	130	100
	189	63	5	257		16	166	100

Details of current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 31 March 2017	83%	79%	78%	73%
Average rate	$664 / metric tonne	$1.53	€1.36	CHF 1.42
Full year ending 30 September 2017	81%	74%	82%	71%
Average rate	$617 / metric tonne	$1.52	€1.35	CHF 1.41
Full year ending 30 September 2018	47%	50%	47%	47%
Average rate	$510 / metric tonne	$1.43	€1.27	CHF1.35

Sensitivities

- A $10 movement in fuel price per metric tonne impacts the 2017 financial year fuel bill by $2.8 million.
- A one cent movement in £/$ impacts the 2017 financial year profit before tax by £2.0 million.
- A one cent movement in £/€ impacts the 2017 financial year profit before tax by £0.4 million.
- A one cent movement in £/CHF impacts the 2017 financial year profit before tax by £0.3 million.

OUTLOOK

We remain confident in our ability to deliver long-term growth and returns for shareholders as we continue to execute our strategy. For the six months to 31 March 2017 capacity is expected to increase by 9% as we invest in markets and routes that will build on our resilient network, enhance our customer proposition and underpin returns for the long-term. For the year to 30 September 2017 we currently plan to increase capacity by up to 9%.

Based on current market fuel prices we expect the unit fuel[8] bill to decline by between £245 million and £275 million during the year to 30 September 2017. As you would expect, passengers will continue to benefit from the lower fuel cost and therefore we expect a mid to high single digit decline in revenue per seat at constant currency during the first half of the year.

We are targeting a decline in total cost per seat at constant currency including fuel for the full year of approximately 3%, based on jet fuel prices within a range of $400 metric tonne to $520 metric tonne. Cost per seat excluding fuel and at constant currency is targeted to increase by approximately 1% for the full year, at normal levels of disruption, excluding non-headline items. These are as follows:

- A non-cash, one-off £20 million charge as a result of the planned sale and leaseback of 10 A319 aircraft in December. This charge reflects a maintenance provision catch up and an accounting loss due to the construct of the transaction. We expect the transaction to result in a cash inflow of circa US$140 million.
- One-off costs relating to the set-up of an EU AOC, which are expected to be up to £5 million in the 2017 financial year and around £10 million in total, mostly driven by the costs to re-register aircraft.
- The one-off cost associated with our organisational review, which we expect to result in a simpler, more efficient organisation and which will deliver meaningful annualised savings when implemented. We will provide further details in due course, however any costs associated with this programme will be targeting a circa six to nine month payback.

While we remain committed to our target of flat cost per seat excluding fuel at constant currency in the 2019 financial year versus 2015 at normal levels of disruption, this year's expected increase reflects our investment in resilience, reducing disruption and improving customer experience, which will contribute to longer term cost efficiency. We may make further investments during the year if we believe the benefits of doing so are sure to deliver a stronger, more efficient operation.

Exchange rate movements[9] are likely to have an adverse impact of approximately £70 million in the first half year compared to the six months to 31 March 2016 and £90 million for the 12 months to 30 September 2017 compared to the 12 months to 30 September 2016.

We continue to see significant longer term opportunities to grow revenue, profit and shareholder returns. We expect market demand to remain strong and easyJet's unique model and strategy are well positioned to capture significant value from favourable trends in both leisure and business markets.

CAROLYN MCCALL DBE
Chief Executive

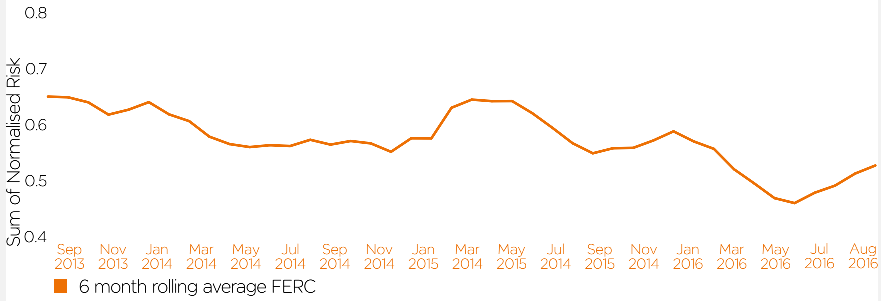
(8) Unit fuel calculated as the difference between latest estimate of the 2017 financial year fuel costs less the 2016 financial year fuel cost per seat multiplied by the 2017 financial year seat capacity.

(9) US $ to £ Sterling 1.2601, Euro to £ Sterling 1.1604. Currency and fuel increases are shown net of hedging impact.

Measuring our performance

SAFETY FIRST

FINAL EVENT RISK CLASSIFICATION (FERC)

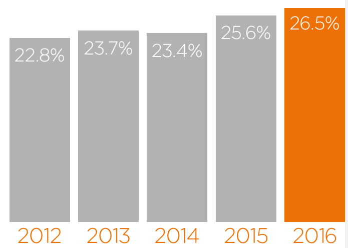


Definition:
All reported safety-related incidents are assessed and categorised with risk values assigned and aggregated to form a final event risk classification score.

Performance:
Safety remains our number one priority, supported by a strong safety reporting culture. Overall the final event risk classification score has decreased year-on-year.

See Risk on pages 24-31 for more information

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



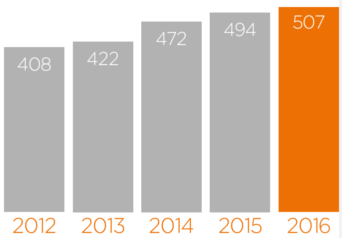
Definition:
Market share at airports where easyJet is the number one or number two carrier based on short-haul capacity.

Performance:
In line with our strategy we continued to increase our market share at airports where easyJet is the number one or number two carrier based on short-haul capacity, from 25.6% in 2015 to 26.5% in 2016. The improvement is reinforced by our continued growth in the percentage of easyJet capacity that touches a number one or two airport from 95.7% in 2015 to 97.6% in 2016.

See Chief Executive's review on pages 7-15 for more information

DATA AND DIGITAL

TOTAL NUMBER OF VISITS TO ALL DIGITAL PLATFORMS (m)

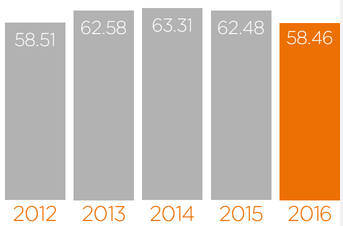


Performance:
easyJet's award-winning digital platform has driven an increase in number of visits to all digital platforms from 494 million in the 2015 financial year to 507 million in the 2016 financial year.

See Chief Executive's review on pages 7-15 for more information

GROW REVENUE

REVENUE PER SEAT (£)



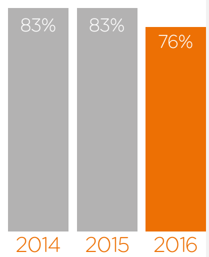
Definition:
Revenue divided by seats flown.

Performance:
Revenue per seat decreased by 6.4% to £58.46 (2015: £62.48) with a decrease of 6.9% at constant currency due to the impact from terrorism-related events, the increasingly competitive capacity environment associated with low oil prices and a more expensive Euro for British travellers during the summer.

See Financial review on pages 18-22 for more information

BEST PEOPLE

EMPLOYEE ENGAGEMENT – uSAY (%)[1]



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

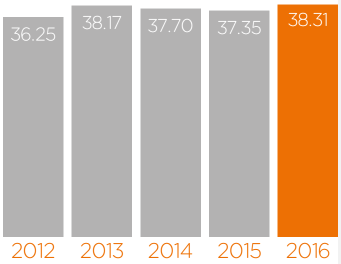
Performance:
The survey result saw a decrease compared to last year, reflecting the challenging year operationally and its effect on our people. However, the score continues to outperform the Ipsos Mori airline norm.[2]

See Corporate responsibility on pages 32-42 for more information

(1) Surveys carried out prior to 2014 were conducted using different methodology and the results are therefore not comparable.
(2) IPSOS Mori is a market leading research company.

LEAN COST ADVANTAGE

COST PER SEAT EXCLUDING FUEL (£)



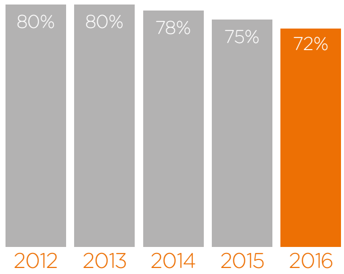
Definition:
Revenue less profit before tax, plus fuel costs, divided by seats flown.

Performance:
Cost per seat excluding fuel increased by 2.6% to £38.31, however decreased by 1.1% at constant currency due to savings from fleet up-gauging and easyJet lean initiatives which were partially offset by increases in charges at regulated airports and increased disruption costs.

See Financial review on pages 18-22 for more information

CUSTOMER AND OPERATIONAL EXCELLENCE

OVERALL CUSTOMER SATISFACTION (%)

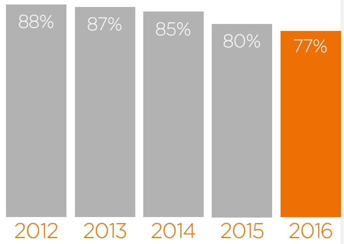


Definition:
Customer satisfaction index, based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight.

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

See Chief Executive's review on pages 7-15 for more information

ON-TIME PERFORMANCE (%)



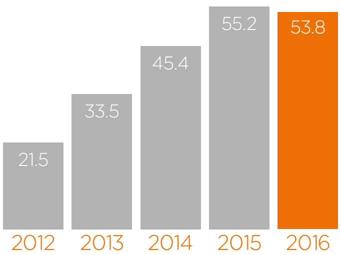
Definition:
Percentage of flights which arrive within 15 minutes of the scheduled arrival time.

Performance:
Increased disruption due to the continued air traffic control strikes and on-going congestion at London Gatwick contributed to the decrease in on-time performance to 77% (2015: 80%).

See Chief Executive's review on pages 7-15 for more information

DISCIPLINED USE OF CAPITAL

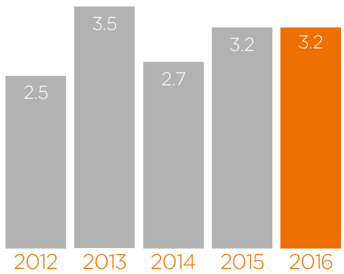
ORDINARY DIVIDEND (pence per share)



Performance:
As a result of easyJet's strong balance sheet and the Board's confidence in the future success of the business, the Board increased the payout ratio of the ordinary dividend from 40% to 50% of profit after tax. The Board has recommended a final dividend of 53.8 pence per share (2015: 55.2 pence), which is in line with the revised dividend policy.

See Financial review on pages 18-22 for more information

LIQUIDITY PER 100 SEATS (£m)

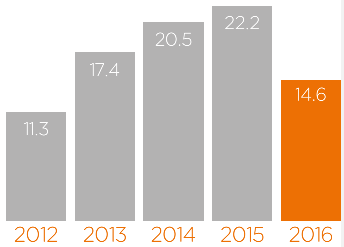


Definition:
Liquidity (cash plus revolving credit facility) per 100 aircraft seats.

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

See Financial review on pages 18-22 for more information

ROCE (%)



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

Performance:
ROCE decreased to 14.6% (2015: 22.2%) driven by a fall in operating profit.

See Financial review on pages 18-22 for more information

Our financial results

ANDREW FINDLAY
Chief Financial Officer

In the 2016 financial year, easyJet flew 73.1 million passengers (2015: 68.6 million) and delivered a profit before tax for the year of £495 million (profit of £6.20 per seat) a decrease of £191 million from a profit of £686 million (profit of £9.15 per seat) last year. The 2016 result includes an £88 million unfavourable movement from foreign exchange (which includes £7 million of foreign exchange losses on balance sheet revaluations). At constant currency, easyJet delivered a profit of £576 million during the year.

FINANCIAL OVERVIEW

	2016			2015		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Total revenue	4,669	58.46	5.32	4,686	62.48	5.59
Costs excluding fuel	(3,060)	(38.31)	(3.49)	(2,801)	(37.35)	(3.34)
Fuel	(1,114)	(13.95)	(1.27)	(1,199)	(15.98)	(1.43)
Profit before tax	495	6.20	0.56	686	9.15	0.82
Tax charge	(68)	(0.85)	(0.07)	(138)	(1.84)	(0.17)
Profit after tax	427	5.35	0.49	548	7.31	0.65
Operating profit*	498	6.23	0.57	688	9.18	0.81

* Operating profit represents profit before interest and tax

Seats flown grew by 6.5%. Total revenue per seat fell by 6.4% to £58.46. At constant currency, revenue per seat fell by 6.9% to £58.16. The decrease is attributable to the terrorist events in Egypt, Paris, Brussels, Turkey and Nice resulting in lower demand and yield, the increasingly competitive capacity environment associated with lower oil prices and the impact of the UK's vote to leave the European Union leading to a more expensive Euro for British travellers during the summer.

Excluding fuel, cost per seat increased by 2.6% to £38.31, but decreased by 1.1% at constant currency. This decrease is against a backdrop of continued inflationary pressure and significant disruption and was driven by volume deals on airport contracts, savings as a result of renegotiated airport and ground handling contracts and a new maintenance contract, together with unit cost savings arising from the up-gauging of the fleet. These were partially offset by higher airport costs at regulated airports and higher disruption costs following the terrorist events in Egypt, Paris, Brussels, Turkey and Nice, combined with industrial strike action and adverse weather conditions, resulting in an increase in EU261 associated costs. Disruption increased the cost per seat by £0.31 at constant currency.

Fuel costs fell by £85 million, and from £15.98 to £13.95 per seat, primarily driven by the significant reduction in market price.

Profit before tax per seat decreased by 32.3% to £6.20 per seat (2015: £9.15).

The tax charge for the year was £68 million. The effective tax rate for the period was 13.7% (2015: 20.1%), lower than the standard UK rate of 20%, due to the impact of a change in future corporation tax rates on deferred tax.

Earnings per share and dividends per share

	2016 pence per share	2015 pence per share	Change
Basic earnings per share	**108.4**	139.1	(22.1%)
Proposed ordinary dividend	**53.8**	55.2	(2.5%)

Basic earnings per share decreased by 22.1% as a consequence of the £121 million decrease in the profit after tax.

In line with the stated dividend policy of a payout ratio of 50% of profit after tax, the Board is recommending an ordinary dividend of £214 million or 53.8 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 9 February 2017. This will be paid on 17 March 2017 to shareholders on the register at close of business on 24 February 2017.

Return on capital employed (ROCE)

	2016	2015	Change
ROCE	**14.6%**	22.2%	(7.6ppt)

ROCE for the year was 14.6%, a decline of 7.6 percentage points on the prior year. The decrease in ROCE was due to the decrease in profit for the year and a 11.5% increase in the average adjusted capital employed excluding lease adjustments, primarily due to the acquisition of twenty aircraft during the year and favourable mark-to-market movements in derivative contracts. The ROCE calculation excludes borrowings, cash and money market deposits and includes an adjustment for the capital implicit in aircraft operating lease arrangements. The adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven.

EXCHANGE RATES

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

	Revenue		Costs	
	2016	2015	**2016**	2015
Sterling	**50%**	49%	**27%**	27%
Euro	**39%**	40%	**35%**	32%
US dollar	**1%**	1%	**32%**	35%
Other (principally Swiss franc)	**10%**	10%	**6%**	6%

Average exchange rates

	2016	2015
Euro - revenue	**€1.28**	€1.29
Euro - costs	**€1.27**	€1.35
US dollar	**$1.58**	$1.58
Swiss franc	**CHF 1.51**	CHF 1.48

The year-on-year variance in average Euro exchange rates for revenue and costs was principally due to the timing of revenue and cost cash flows. On average, revenue cash inflows occur several months before cost cash outflows, resulting in a change in Euro exchange rates impacting revenue later than costs. The net adverse impact on profit due to the year-on-year changes in exchange rates was mainly driven by the stronger average Euro rate:

Favourable/(adverse)

	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	8	10	4	2	24
Fuel	–	–	(3)	–	(3)
Prior year balance sheet revaluations	(3)	1	(5)	–	(7)
Costs excluding fuel and prior year balance sheet revaluations	(84)	(13)	(3)	(2)	(102)
Total	(79)	(2)	(7)	–	(88)

FINANCIAL PERFORMANCE

Revenue

	2016			2015		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Seat revenue	**4,587**	**57.43**	**5.23**	4,616	61.54	5.51
Non-seat revenue	**82**	**1.03**	**0.09**	70	0.94	0.08
Total revenue	**4,669**	**58.46**	**5.32**	4,686	62.48	5.59

Revenue per seat decreased by 6.4% to £58.46 (2015: £62.48). At constant currency, revenue per seat fell by 6.9% to £58.16. The decrease is attributable to the terrorist events in Egypt, Paris, Brussels, Turkey and Nice resulting in lower demand and yield, the increasingly competitive capacity environment associated with the lower oil prices and the impact of the UK's vote to leave the European Union leading to a more expensive Euro for British travellers during the summer.

Load factor increased by 0.1 percentage points to 91.6%.

Revenue per ASK decreased by 4.8% (or by 5.3% at constant currency), impacted by a 6.4% decrease in revenue per seat, partially offset by a 1.7% decrease in the average sector length, mainly from reduced flying to Egypt.

Costs excluding fuel

	2016			2015		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Operating costs						
Airports and ground handling	1,267	15.86	1.44	1,122	14.96	1.34
Crew	542	6.78	0.62	505	6.73	0.60
Navigation	336	4.21	0.38	313	4.17	0.38
Maintenance	237	2.97	0.27	229	3.06	0.27
Selling and marketing	107	1.33	0.13	102	1.36	0.12
Other costs	296	3.71	0.33	276	3.70	0.33
	2,785	34.86	3.17	2,547	33.98	3.04
Ownership costs						
Aircraft dry leasing	103	1.30	0.12	114	1.51	0.14
Depreciation	157	1.97	0.18	125	1.66	0.15
Amortisation	12	0.15	0.01	13	0.17	0.02
Net interest payable	6	0.08	0.01	8	0.12	–
Net exchange gains	(3)	(0.05)	–	(6)	(0.09)	(0.01)
	275	3.45	0.32	254	3.37	0.30
Total costs excluding fuel	3,060	38.31	3.49	2,801	37.35	3.34

Cost per seat excluding fuel increased by 2.6% to £38.31 but decreased by 1.1% per seat at constant currency.

Airports and ground handling cost per seat increased by 6.1% and by 1.5% at constant currency. Charges at regulated airports increased as anticipated, primarily in Italy, combined with an increase in airport and ground handling costs at Gatwick. However, these were partially offset by volume deals, combined with savings from renegotiated airport and ground handling contracts.

Crew cost per seat increased by 0.7% to £6.78 but decreased by 2.2% at constant currency. This was driven by efficiencies obtained from the up-gauging of our fleet, combined with a 1.7% decrease in average sector length and improved crew scheduling. This was partially offset by pay increases.

Navigation costs increased by 0.8% per seat to £4.21 but decreased by 4.7% at constant currency driven by a 1.7% decrease in average sector length, annual price decreases primarily in France and Germany and a one-off £8 million settlement with Eurocontrol in the 2015 financial year.

Maintenance costs per seat decreased by 3.0% to £2.97 and decreased by 5.3% at constant currency. A reduction in the number of leased aircraft resulted in reduced maintenance costs, combined with savings obtained from a new maintenance contract.

Other costs per seat increased by 0.8% to £3.71 per seat, and decreased by 1.9% at constant currency. This was driven by a reduction in aircraft wet leasing and savings in employee costs, which was largely offset by an increase in disruption costs as a result of the terrorist events in Egypt, Paris, Brussels, Turkey and Nice, combined with Air Traffic Control industrial action and adverse weather conditions, resulting in an increase in EU261 associated costs.

Aircraft dry leasing cost per seat decreased by 14.4% to £1.30 and by 14.3% at constant currency. Depreciation costs increased by 18.5% on a per seat basis. The movements are principally driven by the acquisition of 20 new aircraft last year and a decrease in the number of leased aircraft in the fleet. The average leased fleet decreased by 6.4% to 64 and the average owned and finance leased fleet increased by 12.6% to 185.

Fuel

	2016			2015		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Fuel	1,114	13.95	1.27	1,199	15.98	1.43

Fuel cost per seat decreased by 12.7% and by 13.0% at constant currency.

During the period the average market jet fuel price fell by 32.9% to $415 per tonne from $619 per tonne in the previous year. The operation of easyJet's fuel and US dollar hedging policy meant that the average effective fuel price movement only saw a decrease of 13.4% to £479 per tonne from £553 per tonne in the previous year.

NET CASH AND FINANCIAL POSITION

Summary net cash reconciliation

	2016 £ million	2015 £ million	Change £ million
Operating profit	**498**	688	(190)
Depreciation and amortisation	**169**	138	31
Net working capital movement	**35**	50	(15)
Net tax paid	**(99)**	(98)	(1)
Net capital expenditure	**(586)**	(536)	(50)
Purchase of own shares for employee share schemes	**(22)**	(92)	70
Net decrease in restricted cash	**6**	21	(15)
Other (including the effect of exchange rates)	**(4)**	22	(26)
Ordinary dividend paid	**(219)**	(180)	(39)
Net (decrease)/increase in net cash	**(222)**	13	(235)
Net cash at beginning of year	**435**	422	13
Net cash at end of year	**213**	435	(222)

Net cash at 30 September 2016 was £213 million (2015: £435 million) and comprised cash and money market deposits of £969 million (2015: £939 million) and borrowings of £756 million (2015: £504 million). After allowing for the impact of aircraft operating leases (seven times operating lease costs incurred in the year), adjusted net debt increased by £145 million to £508 million.

Net capital expenditure includes the acquisition of 20 A320 aircraft (2015: 20 aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases. The number of scheduled aircraft operating in the fleet increased from 233 at 30 September 2015 to 249 at 30 September 2016.

easyJet made net corporation tax payments totalling £99 million during the 2016 financial year (2015: £98 million).

Borrowings as at 30 September 2016 were £756 million, an increase of £252 million from 30 September 2015. During the period easyJet secured credit ratings from Moody's (Baa1 Stable) and Standard & Poor's (BBB+ Stable) and announced a £3,000 million Euro Medium Term Note Programme. Under this programme, on 9 February 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750%. This increase in borrowings was offset by the repayment of four finance leases and early repayment of five loans.

In the year ending 30 September 2015 easyJet signed a $500 million revolving credit facility with a minimum five-year term. The facility is due to mature in February 2021.

Summary consolidated statement of financial position

	2016 £ million	2015 £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**3,252**	2,877	375
Derivative financial instruments	**98**	(297)	395
Net working capital	**(968)**	(969)	1
Restricted cash	**7**	12	(5)
Net cash	**213**	435	(222)
Current and deferred taxation	**(258)**	(219)	(39)
Other non-current assets and liabilities	**3**	45	(42)
	2,712	2,249	463
Opening shareholders' equity	**2,249**	2,172	
Profit for the year	**427**	548	
Ordinary dividend paid	**(219)**	(180)	
Change in hedging reserve	**263**	(222)	
Other movements	**(8)**	(69)	
	2,712	2,249	

Net assets increased by £463 million, due to the profit generated in the period 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 primarily due to the maturity of out of the money contracts.

The net book value of property, plant and equipment increased by £375 million driven principally by the acquisition of 20 A320 family aircraft, and pre-delivery payments relating to aircraft purchases.

ANDREW FINDLAY
Chief Financial Officer

GOING CONCERN

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the strategic report on pages 1 to 42. Principal risks and uncertainties are described on pages 24 to 31. Note 22 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

At 30 September 2016, the Group held cash and cash equivalents of £714 million and money market deposits of £255 million. Total debt of £756 million is free from financial covenants, with £92 million due for repayment in the year to 30 September 2017.

Net current liabilities at 30 September 2016 were £119 million and included unearned revenue (payments made by customers for flights scheduled post year end) of £568 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 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 2019. This is based on three years of the 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, in severe but plausible scenarios, of the principal risks and uncertainties set out on pages 24 to 31, which includes 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 their liabilities as they fall due up to September 2019.

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 of the United Kingdom leaving the European Union are such that easyJet will be able to continue to operate over broadly the same network as at present.

Key statistics

Operating measures

	2016	2015	Increase/ (decrease)
Seats flown (millions)	79.9	75.0	6.5%
Passengers (millions)	73.1	68.6	6.6%
Load factor	91.6%	91.5%	0.1ppt
Available seat kilometres (ASK) (millions)	87,724	83,846	4.6%
Revenue passenger kilometres (RPK) (millions)	81,496	77,619	5.0%
Average sector length (kilometres)	1,098	1,118	(1.7%)
Sectors	482,110	457,479	5.4%
Block hours	934,223	892,052	4.7%
Number of aircraft owned/leased at end of year	257	241	6.6%
Average number of aircraft owned/leased during year	248.7	232.6	6.9%
Number of aircraft operated at end of year	249	233	6.9%
Average number of aircraft operated during year	234.6	221.1	6.1%
Operated aircraft utilisation (hours per day)	10.9	11.1	(1.8%)
Owned aircraft utilisation (hours per day)	10.3	10.5	(2.3%)
Number of routes operated at end of year	803	735	9.3%
Number of airports served at end of year	132	136	(2.9%)

Financial measures

	2016	2015	Increase/ (decrease)
Return on capital employed	14.6%	22.2%	(7.6ppt)
Liquidity per 100 seats (£m)	3.2	3.2	0.0%
Profit before tax per seat (£)	6.20	9.15	(32.3%)
Profit before tax per ASK (pence)	0.56	0.82	(31.1%)
Revenue			
Revenue per seat (£)	58.46	62.48	(6.4%)
Revenue per seat at constant currency (£)	58.16	62.48	(6.9%)
Revenue per passenger (£)	63.83	68.28	(6.5%)
Revenue per passenger at constant currency (£)	63.50	68.28	(7.0%)
Revenue per ASK (pence)	5.32	5.59	(4.8%)
Revenue per ASK at constant currency (pence)	5.29	5.59	(5.3%)
Costs			
Per seat measures			
Total cost per seat (£)	52.26	53.33	2.0%
Total cost per seat excluding fuel (£)	38.31	37.35	(2.6%)
Total cost per seat excluding fuel at constant currency (£)	37.04	37.44	1.1%
Operating cost per seat (£)	48.81	49.96	2.3%
Operating cost per seat excluding fuel (£)	34.86	33.98	(2.6%)
Operating cost per seat excluding fuel at constant currency (£)	33.55	33.98	1.2%
Ownership cost per seat (£)	3.45	3.37	(2.3%)
Per ASK measures			
Total cost per ASK (pence)	4.76	4.77	0.3%
Total cost per ASK excluding fuel (pence)	3.49	3.34	(4.4%)
Total cost per ASK excluding fuel at constant currency (pence)	3.36	3.35	(0.7%)
Operating cost per ASK (pence)	4.44	4.47	0.6%
Operating cost per ASK excluding fuel (pence)	3.17	3.04	(4.4%)
Operating cost per ASK excluding fuel at constant currency (pence)	3.05	3.04	(0.5%)
Ownership cost per ASK (pence)	0.32	0.30	(4.1%)

Risk management framework

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. The Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them effectively.

Risk appetite

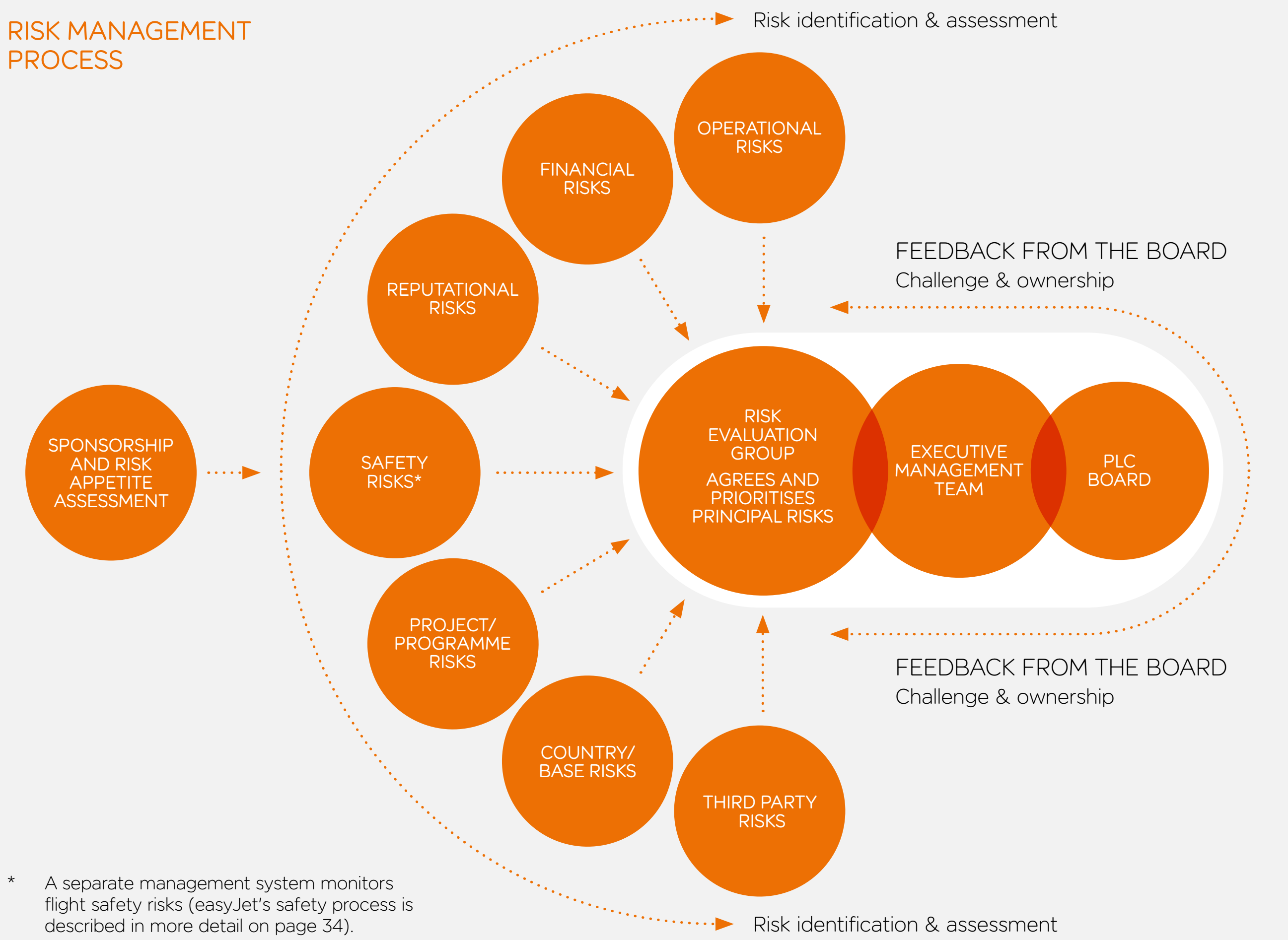
The level of risk it is considered appropriate to accept in achieving easyJet's strategic objectives is reviewed and validated by the Board on an annual basis. The appropriateness of the mitigating actions is determined in accordance with the Board's approved risk appetite for the relevant area.

Risk management process

The diagram below sets out easyJet's risk management process. This is co-ordinated by the risk team, which reports to the Chief Financial Officer. The key elements of the process are:

- The risk management process begins with the identification of significant risks by function. Risk identification workshops are run to identify matters which could materially impact on the functions or the wider business. These are attended by Executive Management Team members and senior managers.
- Risks are assessed taking into account the potential impact and likelihood of the risks occurring and the key mitigation measures identified. The current level of risk is compared to the Board's risk appetite to determine whether further mitigation measures are required. Risks specific to the function's activities are managed within the function on an on-going basis with regular follow-up by the risk team.
- The most significant risks from each function (based on materiality, cross functional impact and/or those which have common themes across the business) are reviewed by the Risk Evaluation Group, which consists of members of senior management from each function. This Group's role is to debate, agree and prioritise the principal risks.
- These risks, which form the basis of the principal risks and uncertainties detailed in this section, are challenged and validated by the Executive Management Team and the Board.
- The principal risks are monitored and managed throughout the year by the Executive Management Team and the Board in conjunction with the risk team. Risk reports are provided to the Board on a quarterly basis as a minimum.
- In addition to supporting the Board, the risk team supports the business in its management of risks relating to key projects, third parties, countries and bases.

Turn to page 53 for further details on Risk Management and Internal Control

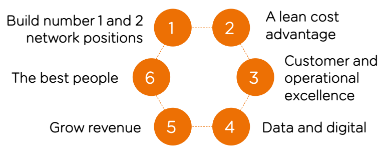


* A separate management system monitors flight safety risks (easyJet's safety process is described in more detail on page 34).

Principal risks and uncertainties

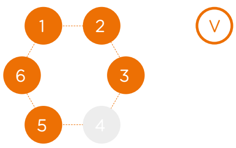
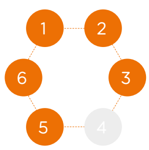
The risks and uncertainties described below are considered, at this point in time, to have the greatest effect on easyJet's strategic objectives. This list is not intended to be exhaustive. Whilst easyJet can monitor risks and prepare for adverse scenarios, the ability to affect the core drivers of many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

Link to strategy:



V Risks impacting the viability assessment (turn to page 22 for further details)

SAFETY FIRST

Risk description	Mitigation
Major safety incident A major safety incident (such as a hull loss) could adversely affect easyJet's reputation and its operational and financial performance. The impact of such an incident would be heightened if easyJet failed to react promptly and deal with it effectively. Link to strategy: 	easyJet's number one priority is the safety and security of its customers and people. A Safety Committee (a committee of the Board) oversees the management of easyJet's safety processes and systems. Turn to pages: 48-49 for further details A Safety Review Board (at Executive Management Team level) is responsible for directing overall safety policy and governance. This is chaired by the Chief Executive. Safety Action Groups from across the airline are responsible for the identification, evaluation and control of safety-related risks. easyJet operates a Safety Management System using a leading software system (SafetyNet). This is used to: • collect and analyse safety data (enabling potential areas of risk to be projected); and • enable learning from easyJet and industry events/incidents to be captured and embedded into future risk mitigations. A robust incident reporting process and "Just Culture" are in place. Turn to page: 34 for further details 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 EASA Flight Time Limitations regulations.
Security threat or attack Failure to identify or prevent a major security-related threat or attack, or react immediately and effectively, could adversely affect easyJet's reputation and its operational and financial performance. Such an incident has the potential to impact upon easyJet's business, regardless of the location or target. The threat of further security-related attacks (regardless of where they may occur) may impact the future demand for air travel. Link to strategy: 	A Security Decision Group, comprising the Chairman, Chief Executive, appropriate members of the Executive Management Team and other senior management, determines whether easyJet should continue to operate in countries or areas affected by security-related incidents or conflict. As part of that process the easyJet security team work to provide the Security Decision Group with timely, credible and reliable information upon which to base operational decisions. easyJet adheres to all recommendations and guidelines provided by the authorities. The Director of Safety and Security and the Head of Security work with authorities and governments around easyJet's network to assess whether security measures are effective and in compliance with regulatory requirements. A significant amount of work is carried out with the aim of enhancing: • early identification of developing and emerging security risks; • the active management of security risks; • the methods for reducing the impact of any security-related incident; and • the Group's security culture and awareness.

COMMERCIAL AND OPERATIONAL

Risk description

Competition, capacity and industry consolidation

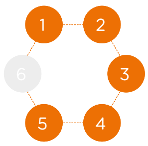
The aviation market is highly competitive and easyJet operates in competition with both flag carriers and other low-cost airlines.

Excess capacity in the market may arise due to a decrease in demand for air travel and/or additional capacity as a result of low fuel prices. This could have an adverse financial impact on easyJet.

easyJet's key competitive advantages include its network, cost base, brand, digital innovation and efficient and robust capital structure. Failure to retain these advantages or react quickly to competitor changes could have an adverse financial impact on easyJet.

Industry consolidation could also affect the competitive environment in a number of markets. This could cause a loss of market position and erosion of revenue.

Link to strategy:



Mitigation

easyJet seeks to rapidly respond to any such activity that may impact its ability to grow the business.

Competitor and consolidation activity is monitored, enabling strategic decision making on key routes and positions.

The Network Development Forum, a cross-functional panel of senior executives, approves new bases and the allocation of assets around the network.

Fleet framework arrangements, together with the Group's leasing policy, provide easyJet with significant flexibility in respect of scaling the fleet according to business requirements.

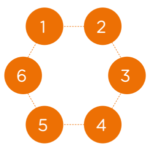
Strong cost control is a key behaviour across the Group, with initiatives to drive cost reduction and improve efficiency in targeted areas.

Significant network disruption

Widespread disruption to easyJet's network may be caused by a single event or factors that occur for a sustained period. Examples include forces of nature (extreme weather, volcanic ash, etc.), terrorism, air traffic management issues, epidemics/pandemics or the closure of a key airport.

Significant disruption to the network could adversely affect easyJet's reputation and its operational and financial performance.

Link to strategy:



Mitigation

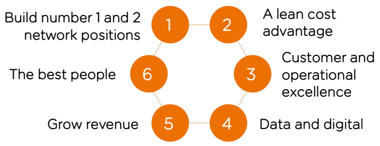
There are processes in place, and clear roles and responsibilities within teams across the business, to plan for and manage significant disruption.

A business disruption team, which includes senior management from relevant business areas, determines and initiates required action.

Board policy is to maintain a liquidity buffer which allows the Group to better manage the impact of downturns in business or temporary curtailment of activities.

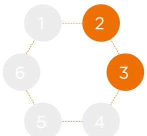
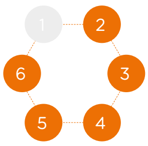
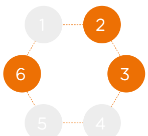
In addition, easyJet holds business disruption insurance.

Link to strategy:



V Risks impacting the viability assessment (turn to page 22 for further details)

COMMERCIAL AND OPERATIONAL CONTINUED

Risk description	Mitigation
Continuity of services easyJet is dependent on a number of key IT systems and processes. A loss of critical systems or access to facilities, including the website, may lead to significant disruption and could have an adverse operational, reputational and financial impact. Link to strategy: 	Critical systems are hosted either across two data centres or within third party provider locations. Recovery arrangements, including failover between the two data centres, are in place for all locations holding critical systems. An IT incident management team is in place to respond rapidly to any unforeseen incidents that may arise. IT disaster recovery plans are tested regularly to identify areas for improvement in resilience. Business continuity plans ensure easyJet is prepared in the event of loss of facilities, including alternative sites for the relocation of critical staff.
Third party service providers easyJet has entered into agreements with third party service providers for services covering a significant proportion of its operational and cost base. Failure to manage third party performance adequately may adversely affect easyJet's reputation and its operational and financial performance. Link to strategy: 	There is a defined procurement process, led by a centralised procurement team, which ensures a competitive and robust selection of suppliers. As part of the process, alternative service providers are identified and assessed against balanced evaluation criteria within the major markets in which easyJet operates. Any specific supplier risks are identified and assessed during the procurement process and controls and risk mitigation measures are included in the contracts entered into with the supplier. Contracts are managed according to easyJet's supplier relationship management framework, with key principles covering defined ownership and accountability, a governance framework and effective communication. Supplier performance is monitored through regular business reviews, including achievement of service level agreements and key performance indicators. Robust transition plans are agreed in the event of switching suppliers to enable an acceptable level of service to be maintained.
Industrial action easyJet, and the aviation industry in general, has a significant number of employees who are members of trade unions. Industrial action taken by easyJet employees, or by the employees of key third-party service providers, could impact on easyJet's ability to maintain its flight schedules. This could adversely affect easyJet's reputation and its operational and financial performance. Link to strategy: 	As easyJet operates across Europe there are 19 unions and nine representative bodies across eight countries which its crew are members of. easyJet seeks to maintain positive working relationships with all trade unions and other representative bodies. Each of the countries in which easyJet operates has localised employment terms and conditions. This mitigates the risk of large scale internal industrial action occurring at the same time. Processes are in place to adapt to disruptions as a result of industrial action.

COMMERCIAL AND OPERATIONAL CONTINUED

Risk description

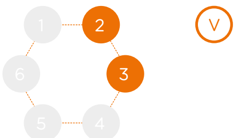
Single fleet risk

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

There are significant cost and efficiency advantages of a single fleet, however there are two main associated risks:

- technical or mechanical issues that could ground the full fleet, or part of the fleet, which could cause negative perception; and
- valuation risks which crystallise when aircraft exit the fleet. The main exposure at this time is with the ageing A319 fleet, where easyJet is reliant on the future demand for second-hand aircraft.

Link to strategy:



Mitigation

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

The Airbus A320 family (which includes the A319) is one of the two primary fleets used for short-haul travel, the other being the Boeing B737 family. There are approximately 6,800 A320 family aircraft operating with a proven track record for safety and reliability.

easyJet operates a rigorous established aircraft maintenance programme.

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

FINANCIAL

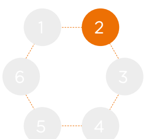
Risk description

Financial risk

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

- Market risks – easyJet's business model is sensitive to a sustained significant adverse movement in foreign currency exchange rates, jet fuel prices or interest rates, which can't be mitigated.
- Counterparty risk – non-performance of counterparties used for depositing surplus funds (e.g. money market funds, bank deposits) and hedging.
- Liquidity risk – misjudgement of the level of liquidity resulting in the inability to meet contractual/contingent financial obligations or the inability to fund the business when needed.

Link to strategy:



Mitigation

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

Turn to page: 55
for further details

The role of the Committee includes:

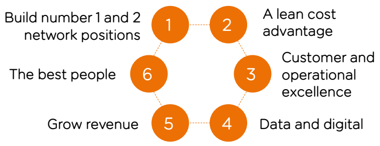
- maintaining and implementing a treasury policy setting out Board-approved strategies for foreign exchange and fuel hedging, along with liquidity, interest rate management, counterparties' limits; and
- reviewing and reporting on compliance with Board treasury policies.

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

Board policy is to maintain a liquidity buffer including cash and a $500 million five year revolving credit facility provided by a group of 12 relationship banks. This allows the Group to better manage the impact of downturns in business or temporary curtailment of activities. The basis for the liquidity policy was revised in 2016 to cover peak unearned revenue, with a minimum position of £2.6 million per 100 aircraft seats.

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

Link to strategy:



V Risks impacting the viability assessment (turn to page 22 for further details)

FINANCIAL CONTINUED

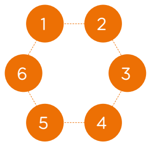
Risk description	Mitigation

Delivery of projects supporting the business strategy

The business is undertaking a number of key projects and programmes to deliver key elements of the strategy.

Failure to deliver the planned business benefits and cost savings from these projects may result in under achievement of easyJet's planned financial results.

Link to strategy:



Mitigation

The Executive Management Team meets monthly to review progress made on the portfolio of programmes and solve issues that require escalation.

Key IT projects or programmes have additional oversight through the IT Governance and Oversight Committee (a committee of the Board).

Turn to page: 55
for further details

Each project or programme has its own steering group which provides challenge to the project, monitors progress and ensures that decisions are made at the appropriate level.

A portfolio management office is in place to oversee delivery of projects and programmes, and track budgets and realisation of benefits.

A project management framework, which sets out governance requirements, key processes and controls, is followed by all projects and programmes. "Lessons learnt" reviews are undertaken to ensure continuous improvement to this approach.

PEOPLE

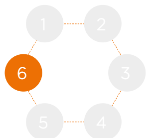
Risk description	Mitigation

Attraction and retention of talent

easyJet's current and future success is reliant on having the right people with the right capabilities.

Increased competition in the recruitment market may impact easyJet's ability to attract and retain key talent. This could adversely affect the delivery of strategic objectives.

Link to strategy:



Mitigation

There is a recruitment strategy for pilots and cabin crew. This includes pilot sponsorship and the Amy Johnson Flying Initiative to attract more female pilots. In addition, easyJet has developed a coherent employment brand to attract and retain top talent.

An annual survey is undertaken to measure staff engagement and identify any areas for further management attention.

easyJet's aim is to develop talent from within. There are several talent development programmes in place for individuals who have been identified for fast-tracking into more senior roles as vacancies arise.

Alongside this there is an annual succession planning process to ensure there are clear successors for all key business roles.

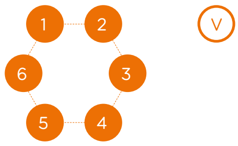
COMPLIANCE AND REGULATORY

Risk description | Mitigation

Impact of EU exit

Following the outcome of the UK referendum to leave the EU, there remains uncertainty as to how this will affect easyJet's current market access rights. If easyJet is unable to continue to fly its intra-EU network this would have a significant operational and financial impact.

Link to strategy:



Mitigation

An internal working group has been established to review all aspects of easyJet's operations.

easyJet is actively engaging with regulators, the UK Government and the EU to secure European flying rights through the continuation of a liberalised and deregulated aviation market across Europe.

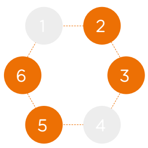
As a mitigant, easyJet is in the process of registering an Air Operator Certificate in an EU territory to enable access to the European aviation market in as similar a way as today in a post-Brexit landscape.

Legislative and regulatory risks

The airline industry is heavily regulated and there is a continual need to keep well informed and adapt to (as required) any legislative or regulatory changes across the jurisdictions in which easyJet operates.

Failure to comply with legislative and regulatory requirements (or interpretations thereof), such as local consumer laws, legal decisions or policy changes in relation to passenger compensation, environmental and airport regulation, in the jurisdictions in which easyJet operates, could have an adverse reputational and financial impact.

Link to strategy:



Mitigation

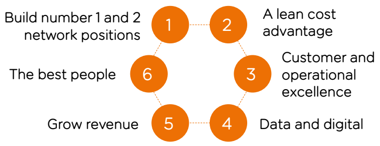
easyJet has an in-house legal team to advise on legal issues and developments, and to monitor compliance with formal regulatory requirements. It also has a panel of external legal advisers both in the UK and in key easyJet markets, who are briefed to keep easyJet informed of any changes or new legislation and to assist easyJet in developing appropriate responses to such legislation.

In addition, a Head of Compliance has recently been appointed to develop and lead internal compliance programmes.

The Regulatory Affairs Group co-ordinates easyJet's role in influencing future and existing policy and regulations that affect the airline industry and will work with industry bodies to assist in this, as appropriate.

Country Review Boards are established for easyJet's main markets, raising awareness of in-country issues, and providing a forum in which to highlight any potential legislative changes and impacts in the different countries.

Link to strategy:



V Risks impacting the viability assessment (turn to page 22 for further details)

REPUTATIONAL

Risk description	Mitigation

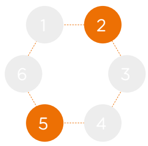
Major shareholder and brand owner relationship

easyJet has two major shareholders (easyGroup Holdings Limited and Polys Holdings Limited) which, as a concert party, control 33.73% 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.

Link to strategy:



Mitigation

easyJet has an active shareholder engagement programme led by its investor relations team. As part of that programme easyJet engages with easyGroup Holdings Limited on a regular basis alongside its other major shareholders.

In addition, the Company has a relationship agreement with easyGroup and Polys Holdings in line with the controlling shareholder regime as set out in the Financial Conduct Authority's Listing Rules.

Representatives from the Board and senior management take collective responsibility for addressing issues arising from any activist approach adopted by the major shareholders. The objective is to address issues when they arise and anticipate and plan for potential future activism.

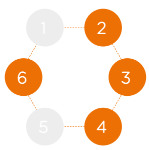
The brand licence agreement with easyGroup Ltd provides for the regular meeting of senior representatives from both sides to actively manage brand-related issues as they arise. Such meetings occur on a quarterly basis and have proven effective. easyJet also monitors compliance with brand licence service levels and has a right to take steps to remedy any instance of non-compliance.

Cyber threat and information security

easyJet receives most of its revenue through credit card transactions and operates as an e-commerce business. It faces both external cyber threats and internal risks to its data and systems.

A security breach could negatively impact easyJet's reputation and have an adverse operational and financial impact.

Link to strategy:



Mitigation

An Information Security Steering Group, chaired by the General Counsel, oversees any developments in data threats and controls and determines whether appropriate responses are being taken to them.

There are dedicated information security teams that monitor threats and ensure that the design, implementation and operation of easyJet systems are secure. This is through the following:

- achieving "secure by design" through a dedicated security architecture capability;
- monitoring of secure systems against unauthorised access;
- reviewing the security of external and internal systems and easyJet.com through periodic vulnerability scanning;
- considering information security risks within procurement processes and the introduction of new systems and IT services;
- reviewing and refreshing information acceptable use policies; and
- maintaining staff security awareness and education through a Security Champions network, online training materials and periodic awareness campaigns.

Given the nature of this risk the appropriateness of the controls is under continuous review.

How we run our business responsibly

20%
NEW TARGET TO INCREASE THE PROPORTION OF FEMALE PILOT CADETS TO, BY 2020

84%
CUSTOMER SATISFACTION AMONGST PASSENGERS WITH REDUCED MOBILITY(1)

<80g
CARBON EMISSIONS PER PASSENGER KILOMETRE(1)

£8m
RAISED FOR UNICEF SINCE 2012

easyJet's purpose

At easyJet we want to run our business with a true sense of purpose that both serves society and is based on a set of principles which helps us achieve sustainable profitability.

Over the last year we have been working with Blueprint for Business, an organisation which helps businesses develop their purpose and role in society.

We've always felt that people at easyJet know what the "right thing" to do is and they are passionate about making travel easy and affordable for our customers.

Now we are developing easyJet's role and impact in society and its purpose.

We are building our purpose around our cause of making travel easy and affordable, our pride in helping to connect people across Europe, and the recognition that businesses face many choices and that easyJet wants to do things in the right way.

This means being open, upfront and fair with our customers and suppliers, to build lasting relationships with both.

It means being a good employer so that easyJet is somewhere people want to work, where the "Orange Spirit" of our people can thrive.

It means being a good citizen and having a positive impact in the communities which we serve, and aiming to mitigate our impact on the environment.

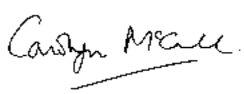
In this report we set out how easyJet is striving to live up to these principles.

We see this as a challenge to ourselves which will help us to grow sustainably and continue to be a business that people want to work for, fly with and invest in.

Achievements this year

I want to highlight some particular achievements this year:

- **Female pilots –** In the first year of our new Amy Johnson Flying Initiative we have met our target of doubling the proportion of our new entrant female pilots from under 6% last year to 12% selected this year, a year ahead of schedule. We have now set a new target to increase the proportion of our easyJet female pilot cadets to 20% by 2020.
- **Carbon reduction –** Last year we increased our carbon emissions reduction targets, first set in 2013. This year our carbon emissions per passenger kilometre dropped below 80 grams.
- **Compensating passengers when their travel is disrupted –** This year a series of mainly external events have affected some passengers' travel. We want to provide good support at the time, such as giving useful updates or overnight accommodation when it's needed. We also provide the appropriate compensation to passengers when it is due. In the year ending 30 September 2016 we processed over 521,000 out-of-pocket expenses and compensation claims for passengers.
- **Passengers who need special assistance –** We want to offer a good experience for all of our passengers, including those who need some extra assistance. The easyJet Special Assistance Advisory Group (ESAAG), chaired by Lord David Blunkett, continues to provide valuable advice. Customer satisfaction amongst these passengers was 84% for the year ending 30 September 2016, which remains higher than for all passengers.
- **UNICEF –** Our pan-European charity partnership continues and we have now raised more than £8 million in just over four years, thanks to the efforts of our crew and the generosity of our passengers. We are currently on course to meet our target of raising £10 million by 2018.



CAROLYN MCCALL DBE
Chief Executive

(1) In the year ending 30 September 2016.

easyJet's role and impact in society – using the Blueprint principles

1. Honest and fair with customers and suppliers

- An open and honest relationship with all customers
- Supporting customers during travel disruption
- Working in partnership with suppliers
- Committed to human rights

2. A responsible and responsive employer

- A good employer across Europe
- Fair reward and a stake in the Company for employees
- Learning and development opportunities
- A diverse workforce who are supported

3. Good citizen

- Contributing to local communities
- Reducing the impact of noise and emissions from aircraft on local communities
- Helping local charities that are important to employees

4. A guardian for future generations

- Efficient use of aircraft to reduce carbon emissions
- Waste reduction

Read our full corporate responsibility report on our website at corporate.easyjet.com

SAFETY

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

Safety

The Chief Executive of easyJet Airline Company Limited (EACL) and the Accountable Manager of easyJet Switzerland S.A. (EZS) are responsible for all aspects of safety delivery. The Director of Safety and Security reports directly to the Chief Executive and the Chairman and has a remit to act independently outside of other operational or commercial considerations.

The Safety Committee, made up of independent Non-Executive Directors, also reviews safety matters. More information on the Safety Committee is provided on pages 48 and 49.

Security

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

All easyJet aircraft have on-board defibrillators, for use by the crew or medical professionals travelling as passengers if someone on board is having severe heart problems.

Fatigue risk management

easyJet manages the risk of fatigue to make sure that its crew can operate flights safely.

The airline uses a Fatigue Risk Management system which provides data to help predict the risk of fatigue in pilots. The system was established over ten years ago and is one of only two such systems approved for use by the UK Civil Aviation Authority (CAA). easyJet has also collaborated with the US National Aeronautics and Space Administration (NASA) on fatigue research and analysis.

Fatigue Review

In 2015 the Board asked the Director of Safety and Security to undertake a review of fatigue within crew. This review was undertaken independently of all the operational departments.

The findings of the review were presented to the Board in March 2016 and included eight primary and 28 secondary recommendations. The business is currently considering its response to these recommendations and some actions are already being undertaken.

Disruptive behaviour

easyJet does not tolerate disruptive behaviour on its flights. Its crew are trained to assess all situations to make sure that the safety of the flight and other passengers is not compromised at any time.

This year easyJet signed the British Air Transport Association (BATA)'s Code of Conduct on this issue which seeks to minimise instances of disruptive behaviour and ensure a safe and enjoyable environment for passengers and employees.

The airline has introduced measures to discourage and try to prevent disruptive behaviour, as well as further increasing the support for its crew to respond when it does occur. This work is being targeted at particular flights which are known to be at higher risk of disruptive behaviour. This has included:

- communicating with customers in advance and at the gate that easyJet does not tolerate disruptive behaviour and that they cannot drink alcohol purchased in the airport on board;
- placing security guards at departure gates for specific flights;
- scheduling more experienced crew members to work on flights identified as higher risk;
- encouraging captains to reiterate the airline's messages through their announcements to passengers;
- a robust scheme to support crew from a welfare perspective when they have experienced an incident on board; and
- the easyJet security team taking action against disruptive passengers and working closely with the police to seek prosecutions.

Disruptive behaviour on board is often caused by passengers who have consumed too much alcohol whilst in the airport before their flight or who consume alcohol on board that has been purchased at the airport.

easyJet is determined to tackle this issue and is working with industry partners to find a voluntary solution. However, if this is not sufficient then easyJet will also press for necessary regulatory changes.

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 operations risk compliance monitoring team. The audit schedule is established on a risk-based programme focused on applicable standards throughout the supply chain.

RIDDOR

For the UK operation easyJet captures Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reports in its safety reporting system, SafetyNet.

HONEST AND FAIR WITH CUSTOMERS AND SUPPLIERS

Customers

easyJet's cause is to make travel easy and affordable. easyJet wants to provide its customers with a good, safe service and a friendly experience. easyJet wants to be open and honest with its customers to build lasting relationships with them.

In 2013 easyJet introduced a Customer Charter which sets out what customers can expect from easyJet. The Charter is available at: www.easyJet.com/customer-charter.

Please refer to the Chief Executive's review on pages 7 to 15 for more information on our customer and operational excellence.

Supporting passengers during disruption

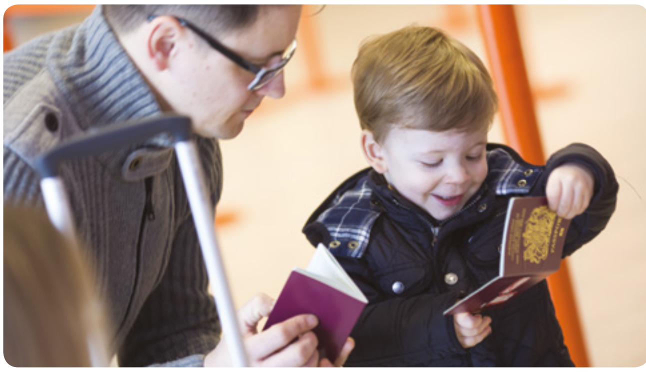
easyJet seeks to support passengers during disruption and this has become particularly important this year due to a range of factors which have led to increased disruption.

easyJet has continued to increase the support options available for passengers. Passengers are already given timely updates about their flight through text messages, emails and live updates on easyJet's Flight Tracker tool.

This year easyJet has introduced self-service management tools for passengers to use during times of disruption. This allows passengers whose flights are cancelled to directly transfer to other flights, request a refund and arrange for overnight accommodation.

easyJet covers all reasonable out-of-pocket expenses for extended delay situations and adheres to EU261 compensation requirements. In the year ending 30 September 2016 easyJet processed over 521,000 out-of-pocket expenses and compensation claims for passengers.

easyJet has also introduced a disrupted passenger survey to better understand the experience of these passengers. An apology email and the survey are sent to every passenger who has been affected by a delay of over three hours or a cancellation.



Customers who need special assistance

easyJet wants to make travel easy and affordable for all of its passengers, irrespective of any disability or other constraint they may have.

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

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

easyJet carried 456,821 passengers who needed special assistance in the year ending 30 September 2016. This increased by 9% from the year ending 30 September 2015. Customer satisfaction amongst these passengers was 84%. This was down by 3% year-on-year, however it was 12 percentage points higher than customer satisfaction amongst all passengers.

easyJet has a range of measures for passengers who require special assistance:

- A trained special assistance customer contact centre team.
- On-board wheelchairs on all aircraft.
- easyJet crew are trained in special assistance and understand the needs of passengers with disabilities, including how to identify and support those with hidden disabilities.

Report from the Chair of the easyJet Special Advisory Group - Rt Hon The Lord Blunkett, of Brightside and Hillsborough

The easyJet Special Assistance Advisory Group was established in 2012 and has continued to work with easyJet, as well as regulators and the wider aviation sector, to improve the experience for passengers who need special assistance and contribute to a better experience for all passengers.

This year easyJet's new 186-seat A320 aircraft with a re-designed cabin have started to come in to service, including an improved 'Space Flex' accessible toilet which was introduced based on the advice of ESAAG. This complements the on-board wheelchairs which are already standard across all easyJet aircraft.

Customers booking special assistance are now served by a new specialist team of customer contact centre agents, who are fully trained in special assistance issues. This is an important point of contact with special assistance customers and ESAAG is pleased to see the improvement in the service.

ESAAG has continued to work with easyJet on key projects for the airline, including the consolidation of easyJet's operations at London Gatwick in the North Terminal and the on-going development of its website and mobile apps. This has ensured that the needs of people with special assistance are considered throughout easyJet.

Further progress is reflected by the customer satisfaction score amongst passengers who use special assistance, which remains high and above that of the whole passenger population.

ESAAG has taken very seriously the importance of training at all levels of staffing and best practice elsewhere. In particular, work is being undertaken to improve the interface between the airline (which under regulation carries responsibility) and airports and their service providers, who are often the immediate source of either support or concern. There is much still to be done.

Airports and their special assistance providers remain a very important part of the overall journey experience for passengers. This is why ESAAG has continued to work with European aviation regulators, airports and special assistance providers on its pan-European Charter on meeting the needs of air travellers with disabilities.

I would like to thank the members of ESAAG for their work and easyJet for continuing to take on our advice to improve the service for all passengers.

RT HON THE LORD BLUNKETT, of Brightside and Hillsborough
Chair of easyJet Special Assistance Advisory Group

ESAAG members

Rt Hon The Lord Blunkett, of Brightside and Hillsborough – Chair

Ann Bates OBE – Transport Access Advisor - Aviation and Rail

Roberto Castiglioni – Access to Air Travel Expert, Member of UK CAA Disability Advisory Group

Ann Frye – Member of CAA Consumer Panel, Director, PassePartout Training Ltd, Visiting Professor, University College London

Mervyn Kholer – Age UK

Stefano Medaglia – Accessible transport adviser and architect based in Milan

Jean-Marie Munier – Former adviser at Association pour Adultes et Jeunes Handicap

Marcus Rocca – Mobility International Schweiz

Suppliers

easyJet's suppliers have an important role in making travel easy and affordable for the airline's customers. The business seeks to have an open, constructive and effective relationship with all suppliers, to contribute to its success.

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

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

Human Rights and the Modern Slavery Act 2015

easyJet seeks to comply with all relevant laws in the countries in which it operates, and co-operates with the efforts of national law enforcement agencies and border agencies to combat human rights abuses and crimes such as human trafficking. easyJet's security team work closely with the UK Government's Anti-Slavery Commission to try to identify human traffickers and fully cooperate and support police and other agencies with human trafficking investigations relating to its passengers.

easyJet's policies seek to respect human rights standards defined by internationally agreed principles: the International Bill of Human Rights; the International Labour Organisation Declaration on Fundamental Principles and Rights at Work; and the United Nations Guiding Principles on Business and Human Rights. It also expects third parties who deal on its behalf to observe these principles and includes specific obligations relating to human rights compliance in key new and renewed supplier agreements.

easyJet does not tolerate the use of any forced, compulsory or child labour or exploitation. easyJet welcomes the introduction of the UK Modern Slavery Act 2015 (MSA) and embraces the transparency objectives and principles of the MSA. easyJet is committed to enhancing its existing supply chain management policies and procedures and staff training to ensure improved transparency around working conditions of individuals working in its supply chain and greater staff awareness of the typical behaviours and actions of human traffickers.

easyJet welcomes the closer focus the UK Government has brought to the important issue of modern slavery and will seek to be a contributor to the development of best practice in this area. Prior to the end of March 2017, easyJet will publish its formal slavery and human trafficking statement and report in more detail on the MSA compliance programme work underway.

Bribery and corruption

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

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

A RESPONSIBLE AND RESPONSIVE EMPLOYER

Employment

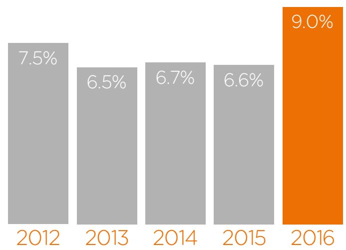
easyJet wants to be a responsive and responsible employer, creating an environment where people want to work and they can thrive. During the year ending 30 September 2016 easyJet has recruited:

- 368 pilots;
- 1,496 cabin crew; and
- 279 employees to its management and administration team and engineering and maintenance teams.

During the year ending 30 September 2016, 35% of management and administration vacancies were filled through internal recruitment (2015: 35%).

As at 30 September 2016 easyJet employed 10,774 people across its network (2015: 10,104).

Employee turnover



Overall employee turnover (based on voluntary departures) for the year ending 30 September 2016 was 9.0%, compared to 6.6% in the year ending 30 September 2015. Within the different easyJet communities the turnover this year was:

- Pilots – 5.7%
- Cabin crew – 10.1%
- Management and administration; and engineering and maintenance – 10.3%

Local employment

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

Trade unions and employee representation

easyJet works with 19 unions and nine representative bodies across eight countries. In the year ending 30 September 2016 easyJet released employee representatives for a total of 4,920 days.

easyJet also consults its employees across Europe on business issues through its European Works Council.

Engagement

easyJet's 2016 employee survey had a fall in engagement of seven percentage points to 76%. The results by community were:

- Pilots – 66%
- Cabin crew – 76%
- Engineering and maintenance – 85%
- Management and administration – 86%

easyJet believes these results reflected the more challenging operational environment and the effect of this on flight crew. easyJet is working to better protect crew from these operational challenges in the future, such as by seeking to make crew rosters more stable.

While the overall engagement figure was lower, easyJet believes the survey also shows there is still a strong belief in easyJet as a good place to work and a commitment to looking after customers, the business strategy and its future success.

94% of respondents agreed that they understood 'how important it is to make sure our customers have a great experience with easyJet' and 83% agreed that they understood 'how my role contributes to easyJet's commercial and financial success'.

Employee attendance in the year ending 30 September 2016 was 95.8% (2015: 96.2%).

Reward

easyJet offers a competitive reward package, focused on cash and variable pay rather than fixed benefits. The reward package includes an annual performance-driven bonus (based on personal and Group performance) and share awards (based on the financial performance of the Group).

All easyJet employees, with a minimum amount of service, have the opportunity to become shareholders in the business.

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. All UK employees can take part in the Buy As You Earn scheme, in which employees can buy shares from their salary each month and easyJet buys matching shares. The UK schemes are approved by Her Majesty's Revenue & Customs. easyJet also awards Performance (free) Shares to employees.

easyJet also offers a small number of associated airline benefits in line with the business' cost-focused approach. These include insurances and access to reduced cost travel on easyJet services.

easyJet contributes towards a group personal pension plan in the UK and, where negotiated, to pension arrangements for its employees in Germany and Portugal.

Part time and flexible working

easyJet aims to provide flexible working arrangements, part time working and job sharing that fit its business model and the personal circumstances of its people. As at 30 September 2016 there were 1,454 easyJet employees who worked part time (working less than 35 hours per week), making up 13.5% of the employee population.

Learning and development

easyJet provides significant new entrant and on-going training for its pilots and cabin crew. It has two training centres at London Gatwick and London Luton airports which are used by crew from across the easyJet network.

easyJet has an established pilot cadet programme, in partnership with CTC Aviation, CAE Oxford Aviation Academy and FTEJerez, to train people for their first full-time flying role.

In addition to role-specific training, easyJet also offers learning and development opportunities. In the year ending 30 September 2016 it offered 158 face-to-face training workshops for management and administration employees, which had over 781 participants, as well as 70 e-learning courses for all employees.

easyJet's graduate programme currently has 42 participants from across Europe, working in different parts of the airline to develop their skills and knowledge.

easyJet is part of an industry working group which is considering the use of apprenticeships and the new apprenticeship system being introduced by the UK Government.

Diversity

Gender

easyJet is an equal opportunities employer and works hard to create an environment where women have the opportunity to build careers in all communities and at all management levels of the organisation.

As at 14 November 2016 easyJet has two female Directors on its Board, the Chief Executive and the Chair of the Audit Committee. The Board's female make-up is 22.2%. The Group had three female Directors between 1 January 2016 and 30 September 2016, until Chris Browne stepped down from the Board.

As at 14 November 2016 55.6% (five out of nine) of easyJet's Executive Management Team were women.

easyJet is committed to ensuring there is a pipeline of women coming up through the organisation. Middle managers will provide the pipeline for future senior managers and easyJet wants to grow the number of women in its senior management team.

- Senior management team (including the Executive Management Team) as at 30 September 2016 – 17 people out of 62 in total were female (27.4%).
- Middle management as at 30 September 2016 – 89 people out of 252 in total were female (35.3%).

As at 30 September 2016 the overall easyJet workforce was 46.1% female. At 30 September 2015 this was 45.4%.

Gender pay

easyJet continues to support the UK government's commitment to address the gender pay gap. Last year, for the first time, easyJet provided information on its gender pay gap.

To be meaningful, pay gap comparisons need to be made by type of role. Otherwise the statistics, which should be a useful guide for companies and employees, risk becoming distorted and losing their value.

As an illustration, female pay as a percentage of male pay at easyJet, irrespective of the type of role or any other consideration, was 35% for the year ending 30 September 2016, an improvement of three percentage points compared to the year ending 30 September 2015. This is based on full-time equivalent basic salary of active UK employees. This is influenced by the salaries and gender make-up of easyJet's two largest communities, its pilots and cabin crew. Pilots are predominantly male and their salaries are higher than for cabin crew, the majority of whom are female.

However, easyJet salaries for equivalent roles are broadly equal across the genders, reflecting the business' commitment to gender equality. Salaries for pilots and cabin crew are collectively agreed, meaning for example that a female captain's basic salary will be 100% that of a male captain and a female cabin crew member's salary will be 100% that of a male cabin crew member.

Female pilots

easyJet has recognised that in the whole airline industry the proportion of female pilots is too low. The International Society of Women Airline Pilots estimates that there are around 130,000 airline pilots worldwide, of which 4,000 or just over 3% are female.

In 2015 easyJet introduced a new strategy to encourage more women to become pilots and to develop women already in pilot roles. This became the Amy Johnson Flying Initiative, in partnership with the British Women Pilots Association and named after the female aviation pioneer.

easyJet set an initial target to double the proportion of its new entrant pilots who are female, from under 6% in 2015 to 12% over a two-year period.

Over the first year the activities by easyJet included:

- working with the UK government and organisations which promote female take-up of STEM (science, technology, engineering and maths) subjects;
- offering loan underwriting of around £100,000 for six female new entrant pilots;
- offering up to 10 training loan underwritings for A320 type ratings for female pilots entering from other airlines;
- current pilots at easyJet have visited schools and youth organisations to talk about aviation careers; and
- easyJet female pilots have been highlighted in the media and through easyJet's own communication channels.

"On behalf of the family, this is a wonderful opportunity being offered to today's women and we know Amy would have been delighted."

JUDY CHILVERS AND SUSAN CROOK
nieces of Amy Johnson

easyJet was able to meet its target within one year, as just over 12% of new entrant pilots selected in the year ending 30 September 2016 were female. Some of the selected new entrants are already flying with easyJet or have started their training, while others will begin in the year ending 30 September 2017. As a result, easyJet has set a new target to increase the proportion of easyJet female pilot cadets to 20% by 2020.

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 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 that all applicants and current employees must comply with.

Diversity survey

This year easyJet carried out a voluntary and anonymous survey of its UK employees, to better understand the make-up of its workforce and how it can further support its people. The results of this survey are now being considered by the business.

easyJet will also discuss carrying out similar surveys with its employees' representative groups and relevant national authorities in other European countries. This would take account of local legal and cultural considerations.

easyJet is also a member of OUTStanding, an organisation which promotes equality and inclusion for people of all sexualities in the workplace.

GOOD CITIZEN

UNICEF

easyJet has a pan-European charity partnership with UNICEF, the world's leading children's organisation. Since the partnership began it has raised over £8 million, helping UNICEF to protect millions of children around the world from disease and keep them safe during emergencies.

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

The funds primarily support UNICEF's vaccination work to keep children safe from polio, as part of the global efforts to eradicate this deadly disease. Over the past year the funds raised through the partnership have helped UNICEF vaccinate more than seven million children against polio in Myanmar and purchase more than four million polio vaccines which have been used to protect children in Afghanistan.

In the year ending 30 September 2016 the partnership raised over £1.4 million, which included the on-board collections and other fundraising activity by easyJet employees.

This year easyJet collected on-board to support UNICEF's Soccer Aid 2016 appeal, which was focussed around a celebrity football match. The collection on UK-based aircraft raised over £50,000 and donations were doubled by the UK government bringing the total to over £100,000.

In addition to fundraising, easyJet also helps to raise awareness of UNICEF's work for children. This includes an easyJet aircraft with a special 'Change for Good' UNICEF livery, featuring the UNICEF partnership in the inflight magazine 'Traveller', and making announcements about UNICEF's work on-board flights during collection periods.

easyJet and UNICEF's target is to raise £10 million through the partnership by 2018.

Field trip

In April 2016 four easyJet employees visited Cameroon to witness first-hand how on-board donations are helping protect children from polio. They were selected through an application process that considered their support for UNICEF and ability to become an internal ambassador for the partnership.

Polio is no longer endemic in Cameroon, but in 2014 there was an outbreak in the eastern region. The group learnt about the complexities involved in ensuring every child is vaccinated in order to prevent future outbreaks. They joined a group of trained community volunteers as they went from house to house encouraging mothers to vaccinate their children, and they saw babies being vaccinated against polio in remote health clinics.

Employee fundraising for UNICEF

In November 2015, to mark easyJet's 20th birthday, 17 easyJet employees cycled from Glasgow to London, to reflect easyJet's first route. The group, which included pilots, cabin crew and engineers, covered over 400 miles and raised money for UNICEF.

"We remain hugely grateful to easyJet's customers and staff for their incredible support for UNICEF's global polio eradication work. Thanks to easyJet, UNICEF was able to quickly support the response to a sudden outbreak of polio in Myanmar. We have also been able to help protect millions of children against polio in Afghanistan, one of the last countries where polio is still endemic. A historic opportunity exists to end polio forever but while the disease continues to survive anywhere, children everywhere remain at risk as the recent polio outbreak in Nigeria shows. We would like to thank easyJet for their valued support at this pivotal time."

REZA HOSSAINI
UNICEF Polio Director

"I had the chance of a lifetime to see first-hand the work that UNICEF does and how the money we raise really makes a difference and changes people's lives. It was a humbling experience, but at the same time really positive. The people we met were amazing and really wanted to make a difference and were so keen to answer questions. They made us feel so welcome. Overall this was an experience I will never forget."

MARK WILKINSON
easyJet Corporate Sales for Northern Europe

Italian earthquake appeal

Following the earthquake in Italy in August 2016 easyJet carried out on-board collections on its Italian based aircraft for just over three weeks, raising over £149,000 to support the Italian Red Cross' efforts.

Charity Committee

easyJet has a Charity Committee made up of airline employees which provides support to charities which are important to employees. These tend to be smaller charities in the areas where easyJet's employees live. This year the Committee has made more than 140 awards of flight vouchers or financial donations, each to the value of £250 or €300.

Community work in Luton

easyJet has continued to make a significant contribution to the community in Luton and Bedfordshire, in the area near its head office and where the largest group of employees are based.

- easyJet funds a scheme with Luton Town Football Club to offer every primary school in Luton and Bedfordshire a free physical education session with the club.
- easyJet also continued to be a patron of Love Luton, an organisation which seeks to promote and improve the town.
- easyJet carried out a trial mentoring programme between easyJet female managers and young women in education in Luton and Bedfordshire.

Aircraft noise

easyJet seeks to reduce the impact of aircraft noise on residents who live near airports or under flights paths.

This includes:

- working locally with airports and ATC to put in place noise mitigation activities that best fit each airport;
- that easyJet aircraft meet the tightest international noise standards (ICAO Chapter 4); and
- easyJet pilots using flying techniques to reduce noise impact, such as continuous descent approaches.

From 2017 easyJet will start to receive the next generation A320neo aircraft. These aircraft were already expected to be quieter and more fuel efficient, but recent flight tests have shown that the A320neo aircraft are over 50% quieter than current generation aircraft during the take-off and landing phase.

Vortex generators

In recent years there has been some concern about a particular sound associated with A320 family aircraft of all airlines due to the airflow under the wing. A 'vortex generator' fitting has been introduced to address this.

All new aircraft delivered to easyJet since September 2014 are fitted with vortex generators. In November 2015 easyJet began an engineering programme to modify 197 existing aircraft with vortex generators. It expects to complete the programme by March 2018.

As at 30 September 2016 more than half of easyJet's fleet were fitted with vortex generators.

A GUARDIAN FOR FUTURE GENERATIONS

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

The whole airline industry will continue to rely on the use of fossil fuels in the medium term. easyJet believes the industry must make continual improvements in the efficient use of these fossil fuels, whilst also supporting the longer-term technological change necessary to deliver flights with significantly lower carbon emissions.

Carbon emissions

easyJet's CO_2 emissions in the year ending 30 September 2016 were 6.5 million tonnes, compared to 6.1 million tonnes in the year ending 30 September 2015. This is calculated based on easyJet's fuel uplift.

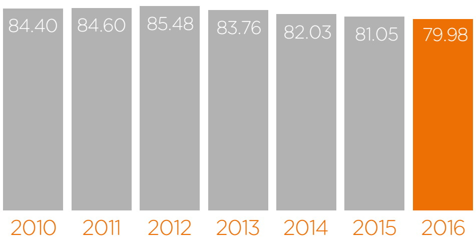
The increase in overall emissions has been due to the continued expansion of easyJet's operations. In the year ending 30 September 2016 easyJet's passenger numbers increased by 6.6% compared to the year ending 30 September 2015.

easyJet's calculation of emissions is based on fuel burn measurement, which is verified to comply with the European Union's Emission Trading System requirements. CO_2 equivalents from emissions of other greenhouse gases are not included as there are no conversion factors available for these emissions from aircraft fuel burn.

easyJet's carbon reduction target is based on carbon emissions per passenger kilometre. In 2015 easyJet strengthened this target, as it had already exceeded the target originally set in 2013. easyJet's current target, set in 2015, is to reduce its carbon emissions per passenger kilometre by 8% by 2020 compared to 2013.

In the year ending 30 September 2016 easyJet's carbon emissions per passenger kilometre were 79.98 grams (g), down from 81.05g per passenger kilometre in the year ending 30 September 2015.

Carbon emissions per passenger kilometre (g)



Efficient aircraft

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

In 2015 easyJet increased its order to 130 for the new generation Airbus A320neo aircraft, for delivery from 2017 to 2022 and has purchase rights on a further 100 aircraft. These aircraft, equipped with CFM LEAP-1A engines and wingtip "Sharklets", will be 13% to 15% more fuel efficient than existing aircraft types.

Operating efficiently

easyJet continues to focus on reducing emissions and fuel burn for each aircraft.

- easyJet worked with Airbus to develop a new cabin design for A320 family aircraft which adds a further six seats, whilst maintaining the level of passenger comfort. The first aircraft was delivered by Airbus in May 2016 and the cabin layout is planned to be retrofitted to existing A320 aircraft between autumn 2016 and spring 2018. This is contributing to the overall reduction in easyJet's carbon emissions per passenger kilometre.
- easyJet has started to introduce lightweight Recaro seats that make each aircraft over 580kg lighter, a 26% seat weight reduction. These seats have been a standard feature of aircraft delivered to easyJet since April 2013 and are now fitted in 57 aircraft.
- Sharklet wing tips make the aircraft more fuel efficient. This technology delivers up to 4% savings in fuel consumption and consequent reductions in CO_2 emissions. These have been standard on aircraft delivered to easyJet since August 2013 and have also been retrofitted to 6 existing aircraft, so are now a feature on 58 easyJet aircraft.
- easyJet's pilots have implemented measures to save fuel whilst still operating the aircraft safely and effectively, such as one engine taxiing, continuous descent approaches and minimum use of the auxiliary power unit when on the ground.
- easyJet's flight decks became paperless in 2014 and its entire fleet is now fitted with Panasonic Toughpads which replaced laptops and printed navigational charts. This has removed 27kg of paper per aircraft per flight, equating to a reduction of over 2,000 tonnes of CO_2 emissions for easyJet as a whole per year.
- easyJet's enhanced maintenance programme includes the washing of the engine's compressors routinely to ensure they operate as efficiently as possible.

Although some of these measures reduce CO_2 emissions per flight by relatively small amounts, easyJet's large number of flights per day means the total savings are significant.

Industry efforts and future technology

easyJet is an active participant in Sustainable Aviation, a UK body made up of airlines, aviation manufacturers, air traffic control providers and other organisations in the sector. It supports efforts to reduce carbon emissions and has produced a carbon emissions roadmap. This shows that UK aviation is able to accommodate significant growth to 2050, without a substantial increase in absolute carbon emissions, through a number of measures to improve aircraft fuel efficiency and international carbon trading.

Local air quality

Local air quality impact arises from nitrogen oxides (NOx) emissions during aircraft take-offs and landings. easyJet's new engines feature a tech insertion which reduces NOx emissions by around 25%. These are in use in 71% of easyJet's aircraft.

De-icing fluid

Aircraft de-icing fluid contains Glycol which can affect the water environment if not collected after use. easyJet chairs the UK Glycol recovery group, of 31 member companies who are working to introduce airport recycling systems and developing technologies to reduce the amount of fluid used, such as varying the spray blend based on air temperature.

Waste management

easyJet seeks to recycle as much waste as possible. On board the crew seek to separate recycled cans from general waste. The airline does not have control of the final management of on-board waste which is dependent on the facilities at each airport where waste is collected by local cleaning and ground handling contractors. easyJet also has recycling in place in its offices and hangars around its network.

Committed to corporate governance

Dear Shareholder

At easyJet, we are committed to maintaining high standards of corporate governance to enhance performance and for the protection of our shareholders. I would like to highlight, in particular, the following key areas of governance during 2016:

STRATEGY

Defining the long-term strategic objectives for the Group, continuing to assess their appropriateness, and evaluating progress against these objectives has continued to be a key focus for the Board, in particular in light of the challenging economic and operating environment. This year the Board held strategy sessions in March and September at which we challenged and shaped the strategic priorities brought by management.

BOARD AND COMMITTEE COMPOSITION

As reported in last year's Annual Report, there were a number of changes to the Board during the year.

After almost nine years of service, John Browett stepped down from the Board on 31 December 2015. I would like to thank John on behalf of the Board for his dedicated service and commitment.

We welcomed Chris Browne to the Board as Non-Executive Director in January 2016. On 30 September 2016 she stepped down from the Board to join the easyJet Executive Management Team as Chief Operating Officer from 1 October 2016. Andrew Findlay joined the Company and the Board as Chief Financial Officer at the start of the 2016 financial year. Both individuals have brought valuable experience to our business and further strengthened our composition in respect of experience, skills and personal attributes.

There have been several changes in the make-up of our Committees, with a change in the chairmanship of three Board Committees, with Andy Martin succeeding Adèle Anderson and John Browett as Chair of the Finance Committee (in December 2015) and the IT Oversight and Governance Committee (in January 2016) respectively. On the Safety Committee, Chris Browne succeeded Professor Rigas Doganis as Chair of the Safety Committee on 1 March 2016 and Dr. Andreas Bierwirth has subsequently become Chair following Chris Browne stepping down from the Board on 30 September 2016. The membership of the Board's Committees as at 14 November 2016, and the changes made during the 2016 financial year and up to this date, can be found on pages 44 to 45.

OUTCOME OF THE EU REFERENDUM

The Board has reviewed management's plans to ensure the airline will fully maintain its existing network and operations at every scheduled Board meeting following the outcome of the EU referendum. A Brexit sub-committee of the Board has been set up to review planning in more detail, which includes undertaking the formal process to acquire an Air Operator Certificate (AOC) in an EU jurisdiction. The sub-committee has received updates from the Company's working group relating to project progress and met in November for a deep dive into the project detail. The Board remains confident that the UK leaving the EU will not have a material impact on the Group's strategy or its ability to deliver long-term sustainable earnings growth and returns to shareholders.

BOARD EFFECTIVENESS

Each year, the Board undertakes a formal evaluation of its effectiveness. Following the externally facilitated review by Independent Audit Limited last year, this year the 2016 Board and Committees effectiveness review was facilitated by the Company Secretary and Group General Counsel, Kyla Mullins. In addition, Charles Gurassa, the Senior Independent Director, also led a review of my performance with input from the other Non-Executive Directors. Further details of the evaluation process are provided on page 57. Following this review, I am satisfied that the Board and its Committees are performing effectively and that there is the appropriate balance of skills, experience, independence and knowledge of the Group to enable the Directors to discharge their respective duties and responsibilities effectively. I am also satisfied that the members of the Board, in particular the Non-Executive Directors, have sufficient time to undertake their roles at Board and Committee level with the Company, so as to be able to discharge their responsibilities effectively.

BOARD COMMITTEES

The Board delegates certain of its responsibilities to the Board Committees to enable it to carry out its functions effectively. A diagram of the Board governance structure is set out on page 48.

STRUCTURE OF THE CORPORATE GOVERNANCE REPORT

The corporate governance report which follows is intended to give shareholders an understanding of the Company's corporate governance arrangements and how they operated during the year. The corporate governance report includes reports from each of the Committee Chairs to provide details on key matters addressed by the Committees during the year.

We have also set out a separate section (on pages 56 to 58) to provide a detailed description of how the Company has complied with the principles of the UK Corporate Governance Code.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board considers that it and the Company have, throughout the year, complied without exception with the provisions of the UK Corporate Governance Code (September 2014), which is the version of the Code which applies to the Company for its 2016 financial year. The Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's (FRC's) website: https://www.frc.org.uk

John Barton

JOHN BARTON
Non-Executive Chairman

An experienced and balanced board

BOARD COMMITTEE MEMBERSHIP AS AT 14 NOVEMBER 2016

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

CHANGES DURING THE 2016 YEAR AND UP TO 14 NOVEMBER 2016

- Andrew Findlay was appointed on 2 October 2015.
- John Browett stepped down from the Board on 31 December 2015.
- Chris Browne was a member of the Board between 1 January 2016 and 30 September 2016. She stepped down from the Board to join the Executive Management Team as Chief Operating Officer.

JOHN BARTON

N

Non-Executive Chairman

First appointed
May 2013

Key areas of prior experience
Finance, Governance

Current external appointments
Non-Executive Chairman, Next plc. Senior Independent Director of SSP Group plc and Luceco plc. Non-Executive Director of Matheson & Co Ltd.

Previous relevant experience
John has also served as Chairman of Catlin Group Limited (2012-2015), Cable and Wireless Worldwide plc (2010-2012), Brit Holdings plc (2007-2009) and Wellington Underwriting plc (2003-2006).

John was previously Senior Independent Director of WH Smith plc (2006-2011) and Hammerson plc (1998-2007). He was also the Chief Executive of insurance broker JIB Group plc (1984-1997). After JIB's merger with Lloyd Thomson he became Chairman of the combined group, Jardine Lloyd Thompson Group plc (1997-2001).

CHARLES GURASSA

F N R

Non-Executive Deputy Chairman and Senior Independent Director

First appointed
June 2011

Key areas of prior experience
Airline industry

Current external appointments
Non-Executive Chairman, Channel 4. Non-Executive Chairman, Genesis Housing Association. Senior Independent Director, Merlin Entertainments plc. Trustee, English Heritage. Trustee, Migration Museum.

Previous relevant 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 (1999-2003), Executive Chairman of TUI Northern Europe Limited (1999-2003) and Director of Passenger and Cargo at British Airways plc (1995-1999).

Charles retired from full time work in June 2003 to pursue a portfolio career. He was previously Non-Executive Chairman of LOVEFiLM International Limited (2006-2011), Phones4U Limited (2007-2011), Virgin Mobile plc (2004-2006), Alamo/ National Rent a Car (2004-2006), 7Days Ltd (2003-2010) and Non-Executive Director at Whitbread plc (2000-2009) and MACH (2007-2013).

CAROLYN MCCALL DBE

Chief Executive

First appointed
July 2010

Key areas of prior experience
Media

Current external appointments
Non-Executive Director, Burberry Group plc and member of the Audit and Nominations Committees. Director of French Chamber of Commerce.

Previous relevant experience
Prior to joining easyJet, Carolyn was Chief Executive of Guardian Media Group plc (2000-2010). She was also Non-Executive Director of Lloyds TSB Limited (2008-2009), Tesco plc (2005-2008) and New Look plc (1999-2005).

Carolyn was Chair of Opportunity Now (2005-2009) and former President of Women in Advertising and Communications London (WACL) (2002-2003).

ANDREW FINDLAY

Chief Financial Officer

First appointed
October 2015

Key areas of prior experience
Finance

Previous relevant experience
Andrew was previously Chief Financial Officer at Halfords plc (2011-2015). Prior to this, Andrew was Director of Finance, Tax and Treasury at Marks and Spencer Group plc (2009-2011). He has also held senior finance roles at the London Stock Exchange and at Cable and Wireless both in the UK and US.

ADÈLE ANDERSON

S R A I

Independent Non-Executive Director

First appointed
September 2011

Key areas of prior experience
Finance

Current external appointments
Non-Executive Director, Intu Properties plc and Chair of Audit Committee and member of Remuneration Committee. Non-Executive Director, Spire Healthcare Group plc and Chair of Audit and Risk Committee and member of Remuneration Committee. Member of Board of Trustees, Save the Children UK, and member of Audit Committee. Member of Audit Committee, Wellcome Trust.

Previous relevant 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.

DR. ANDREAS BIERWIRTH

S F

Independent Non-Executive Director

First appointed
July 2014

Key areas of prior experience
Airline industry

Current external appointments
Chief Executive Officer, T-Mobile Austria GmbH. Member of the Supervisory Board of Lindner Hotels AG, Casinos Austria AG (on behalf of the Austrian Government) and the German-Austrian Chamber of Commerce, Austria's Association of Industry.

Previous relevant experience
Andreas previously served as a Member of the Board at Austrian Airlines AG (2008-2012), including as Chief Commercial Officer for the whole period. He also served as Vice President Marketing of Deutsche Lufthansa AG in Frankfurt (2006-2008). Prior to this, Andreas was first Deputy Managing Director and later Managing Director at Germanwings (2002-2006).

KEITH HAMILL OBE

S A N I

Independent Non-Executive Director

First appointed
March 2009

Key areas of prior experience
Finance, Strategy

Current external appointments
Chairman, Horsforth Holdings Limited. Non-Executive Director, Samsonite International SA.

Previous relevant experience
Keith was Chairman of Travelodge (2003-2012) and Go, prior to its acquisition by easyJet in 2002, (2001-2002). His other previous Chairman roles include Tullett Prebon plc (2006-2013), Collins Stewart plc (2000-2006), Avant Homes Limited (2013 -2014), Heath Lambert Limited (2005-2011) and Moss Bros Group plc (2001-2008). His Non-Executive Director roles include Max Property Group plc (2010-2014), Electrocomponents plc (1999-2008) and Cadmus Communications Corporation (2002-2007).

Keith was Finance Director of WH Smith (1996-2000), of Forte plc (1993-1996) and of United Distillers (1991-1993), Director of Financial Control at Guinness plc (1988-1991) and a Partner in Price Waterhouse (1986-1988).

ANDY MARTIN

R A N F I

Independent Non-Executive Director

First appointed
September 2011

Key areas of prior experience
Finance, Airline industry

Current external appointments
Non-Executive Director of Intertek Group plc and member of the Audit Committee.

Previous relevant experience
From 2012 to 2015, Andy was the Group Chief Operating Officer for Europe and Japan for Compass Group plc and prior to that served as their Group Finance Director from 2004 to 2012. Before he joined the Compass Group, he was Group Finance Director at First Choice Holidays plc (now TUI Group) which had an airline as part of a wider tour operator business. Andy has also held senior financial positions with Granada Group plc (1996-2001), Forte plc (1994-1996) and Arthur Andersen (now part of Deloitte) (1985-1994) including Partner (1992-1994).

FRANÇOIS RUBICHON

R N

Independent Non-Executive Director

First appointed
July 2014

Key areas of prior experience
Airline industry

Current external appointments
Project Manager, Le Groupe La Poste.

Previous relevant experience
François was most recently Executive Vice President of Human Resources, General Affairs & Organisation at Societe Francaise du Radiotelephones (SFR). Prior to this François was Deputy Chief Executive Officer and Chief Operating Officer of Aéroports de Paris for seven years. François has worked in a number of advisory positions within government for the Minister of Transport, Infrastructure, Housing, Tourism and Maritime Affairs (2002-2005) and as a social adviser to the then French Prime Minister.

An experienced team to deliver

CHANGES DURING THE 2016 YEAR AND UP TO 14 NOVEMBER 2016

- Mike Campbell stepped down from the Executive Management Team in December 2015, and is retiring at the end of 2016.
- Alita Benson, the former Group People Director, stepped down from the Executive Management Team in December 2015.
- Warwick Brady, the former Chief Operating Officer, stepped down from the Executive Management Team on 30 September 2016.
- Rachel Kentleton, the former Group Director: Strategy and Implementation, stepped down from the Executive Management Team in October 2016.
- Andrew Findlay, Jacky Simmonds and Chris Browne were appointed during the period. See individual profiles for details.

CHRIS BROCKLESBY

Chief Information Officer

First appointed
March 2015

Key areas of prior experience
IT

Previous relevant experience
Before joining easyJet, Chris was CIO at Tesco Bank and was a member of the Executive Committee with responsibility for IT, Change Management, Supplier Management and Procurement (2007-2015). Chris also spent 18 years at Accenture in their Financial Services and Technology practices. He became a Partner in 2000 and led the UK Financial Services Systems Integration practice as well as leading work at clients such as AXA Life, Zurich Financial Services, Standard Life and Prudential.

CHRIS BROWNE OBE

Chief Operating Officer

First appointed
October 2016

Key areas of prior experience
Airline industry

Current external appointments
Non-Executive Director of Bovis Homes plc and member of the Nominations, Remuneration and Audit Committees.

Previous relevant experience
Chris was appointed to the Board of easyJet on 1 January 2016 as a Non-Executive Director, before stepping down on 30 September 2016 to join the Executive Management Team as Chief Operating Officer. Chris has previously held several senior leadership positions within aviation including Chief Operating Officer, Aviation, of TUI Travel plc (2014-2015), Managing Director, Thomson Airways (2007-2014) and Managing Director, First Choice Airways (2002-2007). She also has commercial and general management experience in a consumer facing industry with previous roles at Carlson Worldwide and Iberia Airways.

PETER DUFFY

Chief Commercial Officer

First appointed
February 2011

Key areas of prior experience
Marketing, Digital and Commercial

Previous relevant experience
Before joining easyJet, he was Marketing Director for Audi in the UK (2007-2011). Prior to that, Peter was Marketing Services Director at Barclays (2005-2007).

ANDREW FINDLAY

Chief Financial Officer

See Board of Directors' profiles.

CATH LYNN

Group Director of Strategy and Network

First appointed
September 2009

Key areas of prior experience
Commercial, Operations, Procurement

Previous relevant experience
Cath joined easyJet in 2002 following the merger with Go and has carried out a number of senior roles at easyJet including Head of Ground Operations, Head of Airport Development and Procurement, Head of Network Development, Network and Planning Director, Customer and Revenue Director and Group Commercial Director. Prior to easyJet Cath spent 12 years in retail for J Sainsbury before joining Go (1998-2002) where she was part of the management buy-out team and headed up cabin services, ground operations and customer service.

CAROLYN MCCALL DBE

Chief Executive

See Board of Directors' profiles.

PAUL MOORE

Communications Director

First appointed
November 2010

Key areas of prior experience
Communications

Previous relevant experience
Before joining easyJet, Paul was Group Public Affairs and Communications Director for FirstGroup (2006-2010). Prior to that Paul worked for Virgin Atlantic Airways for 10 years as its Director of Corporate Affairs (1997-2006).

KYLA MULLINS

Company Secretary and Group General Counsel

First appointed
February 2015

Key areas of prior experience
Legal, Company Secretarial, Regulation

Previous relevant experience
Kyla is a qualified solicitor, having spent four years with Clifford Chance (1989-1993) before moving in-house. Over the past 20 years she has held senior legal positions in the media, entertainment and strategic outsourcing sectors. Before joining easyJet Kyla was General Counsel and Company Secretary at Mitie Group plc (2014-2015), Global General Counsel of EMI Music (2009-2012), and Group Legal Director at ITV plc and Granada Media (2000-2007).

JACKY SIMMONDS

Group People Director

First appointed
January 2016

Key areas of prior experience
Airline industry, travel and tourism, Human Resources

Current external appointments
Non-Executive Director, Wolseley plc, and Chair of the Remuneration Committee and member of the Audit and Nominations Committee.

Previous relevant experience
Before joining easyJet, Jacky was Group Human Resources Director at TUI (2010-2015) and previously held a number of senior positions within the Group, including Human Resources Director for TUI UK & Ireland and First Choice plc before the merger with TUI (2007-2010).

Board Committees

The Committee reports that follow set out, amongst other things, the responsibilities and activities of the Committees in the past financial year. The terms of reference of each Committee are documented and agreed by the Board.

The Committees' terms of reference are available in the governance section of easyJet's corporate website: http://corporate.easyJet.com

The Chair of each Board Committee formally reports back to the Board.

Details of Directors' attendance at Board and Board Committee meetings are set out on page 56.

SAFETY COMMITTEE

DR. ANDREAS BIERWIRTH
Chair of the Safety Committee

I took over from Chris Browne as Chair of the Safety Committee on 1 October 2016. In line with easyJet's position that safety is our number one priority, the Safety Committee will continue to ensure that safety receives the highest level of Board attention.

Membership as at 14 November 2016

(all current members are independent Non-Executive Directors)

- Dr. Andreas Bierwirth (appointed as Chair effective from 1 October 2016)
- Adèle Anderson (appointed to the Committee effective from 1 October 2016)
- Keith Hamill

Committee changes

Although Professor Rigas Doganis stepped down from the Board of easyJet as a Non-Executive Director on 1 December 2014, he remained as Chairman of the Safety Committee until 29 February 2016. Chris Browne became a member of the Committee on her appointment to the Board on 1 January 2016 and was appointed as Chair from 1 March 2016. She stepped down from the Committee on 30 September 2016 at the same time she stepped down from the Board to join the easyJet Executive Management Team. She was considered an independent Non-Executive Director at the Safety Committee meetings she attended during the 2016 financial year. Adèle Anderson joined the Committee effective from 1 October 2016.

Turn to page 56
for meeting attendance table

Key responsibilities

- To monitor and follow up on safety incidents reported to the Board to ensure that they have been satisfactorily closed either by easyJet and/or the relevant external parties.
- To receive, examine and monitor reports on actions taken by departments.
- To review and monitor the implementation of easyJet's annual safety plan.

The Committee also examines specific safety issues as requested by the Board or any member of the Committee. Where appropriate, the Committee reviews relevant reports published by the UK Air Accident Investigation Branch, major incidents that have affected other operators, as well as other external reports on matters relevant to safety and security.

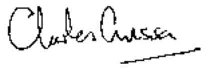
Independent safety reports from the Director of Safety and Security are presented at every Board meeting. The Committee ensures that both internal and relevant external events are fully investigated and that appropriate actions have been taken where necessary.

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

Highlights of the 2016 financial year

A range of safety-related matters have been reviewed by the Committee during the 2016 financial year involving all areas – flight operations, cabin crew, ground services and engineering. Some of these reviews followed requests from the Board to carry out detailed assessments of specific operational incidents; others were reports of safety actions taken by easyJet operational departments, and investigations by national investigation authorities. These included a review of the implementation of recommended measures following the Germanwings incident, security reports on Brussels, France and other relevant regions affected during the year by acts of terrorism, and reports on the actions of easyJet's Disruptive Passenger Action Group. In 2015 the Director of Safety and Security was tasked by the Board to undertake a review of fatigue within crew, independent of all the operational departments. The Safety Committee monitored the progress of the fatigue review and reviewed its findings. The Committee will continue to oversee the implementation of the recommendations.

REMUNERATION COMMITTEE



CHARLES GURASSA
Chair of the Remuneration Committee

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

Membership as at 14 November 2016

(all current members are independent Non-Executive Directors)

- Charles Gurassa (Chair)
- Adèle Anderson (appointed to the Committee effective from 1 January 2016)
- Andy Martin (appointed to the Committee effective from 1 October 2016)
- François Rubichon

Committee changes

John Browett stepped down from the Board and the Remuneration Committee on 31 December 2015. Adèle Anderson was appointed to the Remuneration Committee in his place. Chris Browne was also a member of the Committee on her appointment to the Board on 1 January 2016. Once it became apparent that Chris would be joining the Executive Management Team, the Board determined that she was no longer independent as required as a Committee member under the Remuneration Committee terms of reference. She therefore stepped down from the Remuneration Committee in September ahead of the Remuneration Committee's last meeting of the 2016 financial year. Andy Martin joined the Committee effective from 1 October 2016.

Turn to page 56
for meeting attendance table

Key responsibilities

To assess and make recommendations to the Board on the policies for remuneration for each of the Executive Directors and the Chairman, as well as the level and structure of remuneration for senior management.

Highlights of the 2016 financial year

The Committee:

- reviewed the salaries of the Executive Directors and senior management;
- assessed the level of performance against the 2015 financial year bonus measures and determined the level of award for the Executive Directors and senior management;
- determined the bonus targets for the 2016 financial year;
- measured achievement against the LTIP performance measures that were set in December 2012 and agreed the vesting percentage in December 2015;
- considered external reward market, corporate governance activity and shareholder feedback and assessed the implications for easyJet executives;
- agreed the performance targets for the Long Term Incentive Plan for the 2016 financial year;
- reviewed and approved the PLC Board Expenses Policy; and
- considered and debated gender pay and future reporting requirements.

The full Directors' remuneration report is on pages 60 to 75.

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 on pages 60 to 75.

AUDIT COMMITTEE

Adèle Anderson

ADÈLE ANDERSON
Chair of the Audit Committee

During the year, the Audit Committee's focus has, as in previous years, centred on the integrity of the Group's financial reporting, system of risk management, internal controls, and the effectiveness of both internal and external audit. The Committee has continued to follow a detailed programme of work and to respond to the increasing depth of review and reporting that is now required of Audit Committees.

Membership as at 14 November 2016

(all current members are independent Non-Executive Directors)

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

The Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities. Adèle Anderson was a partner in KPMG until July 2011 and held roles including Chief Financial Officer of KPMG UK, Chief Executive Officer of KPMG's captive insurer and Chief Financial Officer of KPMG Europe. She currently chairs the audit committees of Intu Properties plc and Spire Healthcare plc. Keith Hamill has had considerable experience as a Director of listed companies and was Finance Director of WH Smith, Forte plc and United Distillers. Andy Martin was Group Finance Director of Compass Group plc between 2004 and 2012, and prior to this held other senior financial positions with First Choice Holidays plc (now TUI Group), Forte plc and Granada Group plc. He is also a Non-Executive Director and Audit Committee member of Intertek Group plc. The Board considers the Committee members' financial experience to be recent and relevant for the purposes of the Code. Further, in accordance with the 2016 Corporate Governance Code (applying to the Company from its 2017 financial year) the Board has determined that the current composition of the Audit Committee as a whole has competence relevant to the sector in which the Company operates. All the Committee members have had a significant amount of sector experience as Non-Executive Directors of easyJet for a number of years, and in addition Andy Martin has had executive sector experience in his previous role at First Choice Holidays plc. All three committee members are qualified accountants.

Committee changes

Chris Browne was also a member of the Committee on her appointment to the Board on 1 January 2016. She stepped down from the Committee on 30 September 2016 at the same time she stepped down from the Board to join the easyJet Executive Management Team. She was considered an independent Non-Executive Director at the Audit Committee meetings she attended during the 2016 financial year.

Turn to page 56
for meeting attendance table

Main activities and responsibilities of the Committee

Please refer to the Audit Committee terms of reference for further details on the Committee's duties and responsibilities, available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

Responsibilities	How the Committee discharged its responsibilities
To monitor and review: the integrity of the financial statements and related formal announcements, and the significant financial reporting issues and judgements which they contain	Review of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year. The Committee also considered the material areas in which significant judgements were applied based on reports from both the Group's management and the external auditors. Further information is provided in the **Financial reporting and significant financial issues** section.
the Company's risk management systems and internal control	Review of the adequacy and effectiveness of the Group's ongoing risk management systems and control processes, through an evaluation of: • the risk and assurance plans; • Internal Audit reports; • risk assessments; • information security and business continuity; • control themes; and • internal financial control assessments.
the effectiveness of the Company's Internal Audit function and its activities	The Committee undertook an assessment of the effectiveness and independence of the Internal Audit function, which included consideration of: • key Internal Audit reports; • stakeholder feedback on the quality of Internal Audit activity; • Internal Audit's compliance with prevailing professional standards; and • the implementation of Internal Audit recommendations. The Committee will also be reviewing the external quality assessment of the Internal Audit function to be undertaken later this year for reporting to the Audit Committee in February next year. Further information is provided in the **Internal Audit** section.
the Company's relationship with the external auditors, including: • their independence and objectivity; • the effectiveness of the external audit process; • recommending the appointment, reappointment or removal of the external auditors; • approving their remuneration and terms of engagement; and • the policy on the supply of non-audit services.	The Committee considered the appointment of the external auditors, confirming and assessing their independence, objectivity and effectiveness. The Committee welcomed a new senior statutory auditor for the 2016 financial year, and the Committee Chair was involved in selecting and interviewing the new partner. Further information on: • how the effectiveness, independence and objectivity of the external audit process were assessed, is provided in the **External auditors and effectiveness of external audit process** section; and • the external auditors' non-audit services, and audit tendering, is provided in the **Non-audit services** and the **Audit tendering** sections respectively.

Responsibilities	How the Committee discharged its responsibilities
the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters the Group's systems and controls for the prevention of bribery and detection of fraud, including receiving reports on non-compliance	During the year, the Committee reviewed: • whistleblower reports and the refresh and re-launch of the whistleblowing processes; • reports on anti-bribery and corruption procedures; • reports on procedures on fraud and loss prevention; and • reports on credit card fraud monitoring and investigations.
Other duties of the Audit Committee include: • annually reviewing its terms of reference; • assessing potential conflicts of interest of Directors on behalf of the Board; and • as requested by the Board, providing advice on whether the Annual report and accounts are fair, balanced and understandable.	The Committee reviewed its terms of reference and made some changes in line with best practice. A couple of potential conflicts were considered and assessed during the year. The Committee determined that these were potential transactional conflicts of interest which were yet to arise. Further information on the Committee's role on providing advice on whether the annual report and accounts is fair, balanced and understandable is provided in the **Financial reporting and significant financial issues** section.

Specific items which the Committee looked at during the financial year as part of and in addition to its main activities include the review of:

- the treasury function and accounting treatment of hedging transactions;
- the accounting treatment for property, plant and equipment and intangible assets;
- the accounting treatment of the maintenance provision;
- the process for cash flow forecasting;
- the Group's business continuity planning;
- the Group's depreciation policy and aircraft residual values;
- the Group's information security programme, including capabilities, policies and procedures, and the PCI programme dealing with payment card data; and
- the support for making a viability statement.

Financial reporting and significant financial judgements

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

The Committee reviewed financial issues through discussion with management and the external auditors and comparison to other organisations. The number of such issues currently considered as significant are, however, limited given easyJet's relatively simple business model and group structure which are unencumbered with legacy issues. The significant issues considered in relation to the accounts are detailed below:

- The Committee reviewed the maintenance provision at the year end. A number of judgements are used in the calculation of the provision, primarily pricing, utilisation of aircraft and timing of maintenance checks. The Committee addressed these matters using reports received from management which underpin the basis of assumptions used. The Committee also discussed with the external auditors their review of the assumptions underlying the estimates used.
- The Committee considered whether the carrying value of goodwill and landing rights held by easyJet should be impaired. The judgement in relation to impairment largely relates to the assumptions underlying the calculation of the value in use of the business being tested for impairment; primarily whether the forecasted cashflows are achievable and the overall macroeconomic assumptions which underlie the valuation process. The Committee addressed these matters using reports received from management outlining the basis for assumptions used. The forecasted cashflows used in the calculation were presented to the Board.
- The Committee considered the key treasury transactions, and the application of hedge accounting. easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the next 12 months anticipated requirements. Significant exposure relating to the acquisition cost of aircraft is also managed through the use of foreign currency forward exchange contracts where 90% of the next two years forecast requirement is hedged. easyJet does not operate any other significant derivative financial instruments. However, this area remains significant due to the quantity of fuel and exchange rate hedges.
- The Committee reviewed the level and calculations of key accruals and provisions which are judgemental in nature. Specifically the area of customer claims in respect of flight delays, cancellations and Air Passenger Duty.

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

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

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

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

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

Risk management and internal control

The Board, as a whole, including the Audit Committee members, consider the nature and extent of easyJet's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board on the assessment of the Company's principal risks, including their impact on the prospects of the Company. 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 Company's principal risks and uncertainties and their impact on the prospects of the Company are set out on pages 24 to 31.

easyJet's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee, through reports received from management, along with those from both internal and external auditors. Any control deficiencies identified are followed up with action plans tracked by the Committee. Further details of risk management and internal control are set out on page 59.

Internal Audit

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. Further information on the Internal Audit function is provided on page 59. In order to safeguard the independence of the Internal Audit functions, the Head of Internal Audit is given the opportunity to meet privately with the Audit Committee without any other members of management present.

External auditors and effectiveness of external audit process

PricewaterhouseCoopers LLP were reappointed auditors of the Company at the 2016 Annual General Meeting following a tender process undertaken in 2015. Senior management monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision to recommend reappointment on an annual basis.

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

- considering all key external auditor plans and reports;
- having regular engagement with the external auditor during Committee meetings and ad hoc meetings (when required), including meetings without any member of management being present;
- the Committee Chair having discussions with the Senior Statutory Auditor ahead of each Committee meeting; and
- following the end of the financial year, each Committee member completing an auditor effectiveness review questionnaire.

Non-audit services

In order to preserve objectivity and independence, the external auditors are not asked to provide consulting services unless this is in the best interests of the Company, in accordance with easyJet's non-audit services policy which is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

In the 2016 financial year, PriceWaterhouseCoopers LLP did provide services in addition to its usual audit work by providing a comfort letter in relation to the Company's setting up of a Euro Medium Term Note (EMTN) Programme. It was determined that the nature of the work would not undermine auditor objectivity and independence. This additional scope of work was in line with the Company's non-audit service policy, which allows an external auditor to undertake as an auditor, work in connection with debt capital raising. The fees relating to this additional work were £38,000 but were not considered to be non-audit services. Therefore, in the 2016 financial year the Company incurred no non-statutory audit fees (2015: nil).

Audit tendering

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

NOMINATIONS COMMITTEE

JOHN BARTON
Chair of the Nominations Committee

This year the Committee focused on leading a review of the composition of the Board and succession planning both at Board and Executive Management Team level, and reviewing the make-up of the Board Committees given the changes to the Board during the year.

Membership as at 14 November 2016

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

- John Barton (Chair)
- Charles Gurassa
- Keith Hamill (appointed from 1 October 2016)
- Andy Martin (appointed from 1 October 2016)
- François Rubichon

Committee changes

To ensure that the important subject matter of the Committee's remit is discussed with a wide number of Non-Executive Directors, Andy Martin and Keith Hamill joined the Committee effective from 1 October 2016.

Turn to page 56
for meeting attendance table

Key responsibilities

- Keeping under review the composition, structure and size of, and succession to, the Board and its Committees;
- Succession planning for senior executives and the Board;
- Leading the process for Board appointments by identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- Evaluation of the balance of skills, knowledge, experience and diversity on the Board.

Highlights of the 2016 financial year

- Together with an external consultant, leading the calibration of the capability and skills of the current Board against the future requirements in terms of size, structure, composition and behaviours;
- Consideration of the appointments to the Board Committees following the change in Board composition; and
- Reviewing management's succession plans for senior executive positions.

Board appointments process

The Committee adopts a formal and transparent procedure for the appointment of new Directors to the Board. With the exception of Chris Browne's recruitment as disclosed in last year's Annual report, there were no searches for Board Directors during the 2016 financial year. Following the Committee's review of the skills, knowledge, experience and diversity on the Board, the Committee is recommending to the Board the recruitment of at least one additional Non-Executive Director during the 2017 financial year. Should the Board seek to recruit any additional Directors during the course of next year, its practice is to use external search consultants.

Diversity

The Board recognises the benefits of having diversity across all areas of the Group and believes that this supports easyJet's continued success and advantage. When considering the optimum make-up of the Board, the benefits of diversity of the Board are appropriately reviewed and balanced where possible, including in terms of differences in skills, industry experience, business model experiences, gender, race, disability, age, nationality, background and other contributions that individuals may make. The Committee continues to encourage diversity of business skills and experience, recognising that Directors with varying skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. In identifying suitable candidates the Committee will seek candidates from a range of backgrounds, with the final decision being based on merit against objective criteria.

As at 14 November 2016, the Company has two female Directors, one being the Chief Executive. The Board has a 22% female representation. The Company had three female Directors between 1 January 2016 and 30 September 2016, until Chris Browne stepped down from the Board. easyJet's policy on diversity applies across all levels of the organisation, and further details can be found in the Corporate responsibility section on pages 38 to 39, including further details of the Executive Management Team. As at 14 November 2016, the number of women on the Executive Management Team had increased from last year to five (out of nine positions) such that women now make up the majority of that team.

FINANCE COMMITTEE

ANDY MARTIN
Chair of the Finance Committee

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

Membership as at 14 November 2016

(all members are independent Non-Executive Directors)

- Andy Martin (Chair effective from 1 December 2015)
- Dr. Andreas Bierwirth (appointed to the Committee effective from 1 December 2015)
- Charles Gurassa

Committee changes

Adèle Anderson stepped down from the Committee as Chair and Committee member effective from 30 November 2015. Andy Martin took over as Chair from 1 December 2015 and Dr. Andreas Bierwirth was appointed to the Committee on 1 December 2015.

Turn to page 56
for meeting attendance table

Key responsibilities

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

Highlights of the 2016 financial year

The Committee:

- supported the Board in publishing credit ratings from Moody's and Standard & Poor's and oversaw the setting up of a Euro Medium Term Note Programme under which Eurobonds were issued;
- reviewed the capital structure of the business, specifically in relation to the liquidity buffer maintained by the airline and the management of the aircraft residual values;
- reviewed hedge accounting on cross-currency interest rate swaps; and
- reviewed the Company's treasury policy.

IT GOVERNANCE AND OVERSIGHT COMMITTEE

ANDY MARTIN
Chair of the IT Governance and Oversight Committee

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

Membership as at 14 November 2016

(all members are independent Non-Executive Directors)

- Andy Martin (Chair, appointed to the Committee effective from 1 January 2016)
- Adèle Anderson
- Keith Hamill

Committee changes

John Browett stepped down from the Board and the IT Governance and Oversight Committee (as Chair and member) on 31 December 2015. Andy Martin was appointed to the Committee and became Chair on 1 January 2016.

Turn to page 56
for meeting attendance table

Key responsibilities

To provide independent oversight over the governance and controls relating to the IT business area, in particular covering the required resilience and change. Specifically the Committee:

- monitors the strategic direction of the IT programme to ensure it supports easyJet's long-term goals within the ambit of its strategic framework;
- reviews the risks and controls associated with IT strategy to ensure appropriate mitigation is built into the implementation process;
- monitors implementation of the IT strategy and ensures that changing business needs are being met in the context of the Company's strategic goals and competitive position; and
- provides financial oversight over the IT programmes as the Committee considers necessary, including ensuring an appropriate framework within which budgetary decisions are made.

Highlights of the 2016 financial year

The Committee has:

- approved the business case for a new e-commerce platform and overseen the programme during its design phase;
- reviewed and commissioned independent assurance reports from consultants relating to certain IT programmes; and
- reviewed the capabilities and resourcing required to deliver the IT programmes.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company has, throughout the 2016 financial year, complied without exception with the provisions of the UK Corporate Governance Code issued in September 2014 (the Code), which is the version of the Code which applies to its 2016 financial year. The section below details how the Company has complied with the Code, available at www.frc.org.uk. The following disclosures are ordered into the sections as they appear in the Code.

A. Leadership

A.1 Role of the Board

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

The Board has a formal schedule of matters reserved for its decision which is available in the governance section of easyJet's corporate website: http://corporate.easyJet.com. Day-to-day management responsibility rests with the Executive Management Team, listed on pages 46 to 47. These individuals are also the Directors and Company Secretary of the principal operating company, easyJet Airline Company Limited.

The Board meets regularly, with nine 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, two ad hoc Board meetings were also arranged to deal with matters arising between scheduled meetings as appropriate. Non-Executive Directors are also encouraged to communicate directly with senior management between Board meetings.

A.2 Division of responsibilities

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

A.3 The Chairman

The Chairman, John Barton, sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular 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.

A.4 Non-Executive Directors

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

Attendance at scheduled meetings during 2016 financial year

For further information regarding when Board members joined or stepped down from Committees during and after the 2016 financial year, please refer to the "Committee changes" sections in the relevant Committee reports (pages 48 to 55).

	Board	Audit Committee	Remuneration Committee	Finance Committee	Safety Committee	Nominations Committee	IT Governance and Oversight Committee
Number of scheduled meetings	9	4	3	4	4(1)	3	2
Executive Directors							
Carolyn McCall DBE	9/9		2*		2*	2*	2*
Andrew Findlay	9/9	4*	2*	4*			1*
Non-Executive Directors							
John Barton	9/9	3*	3*	1*	4*	3/3	1*
Charles Gurassa	9/9		3/3	4/4		3/3	
Adèle Anderson(2)	8/9	4/4	2/2	1/1			2/2
Dr. Andreas Bierwirth	9/9			3/3	4/4		
John Browett(3)	1/2		1/1				1/1
Chris Browne(4)	7/7	3/3	1/1		3/3		
Keith Hamill OBE	9/9	4/4			4/4		2/2
Andy Martin	9/9	4/4	1*	4 /4			1/1
François Rubichon	9/9		3/3			3/3	

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

(1) Professor Rigas Doganis, who was not a member of the Board however was independent Chair of the Safety Committee, attended two meetings at which he was Chair until he was succeeded by Chris Browne as Chair on 1 March 2016.

(2) Adèle Anderson missed a brief Board meeting held by conference call due to having problems dialling in on the day from overseas.

(3) John Browett stepped down as Director on 31 December 2015.

(4) Chris Browne joined the Board on 1 January 2016 and stepped down as Director on 30 September 2016.

B. Effectiveness

B.1 Composition of the Board

As at 30 September 2016, the Board comprised eight Non-Executive Directors (including the Chairman) and two Executive Directors. Following the stepping down of Chris Browne on 30 September 2016, as at 14 November 2016, the Board comprises seven Non-Executive Directors (including the Chairman) and two Executive Directors.

After giving thorough consideration to the matter, the Board considers Adèle Anderson, Dr. Andreas Bierwirth, Charles Gurassa, Keith Hamill, Andy Martin and François Rubichon to be Non-Executive Directors who are independent in character and judgement. Chris Browne was considered independent on her appointment to the Board up until the Board's September meeting when it was noted that as she was close to concluding an agreement for the Chief Operating Officer role on the easyJet Executive Management Team, she should no longer be viewed as independent.

B.2 Appointments to the Board

The Nominations Committee leads the process for Board appointments and makes recommendations to the Board. For information on the work of the Nominations Committee and a description of the Board's policy on diversity, please refer to the Nominations Committee report on page 54.

B.3 Commitment

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

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or on request. The standard terms and conditions of the appointment of Non-Executive Directors are also available in the governance section of easyJet's corporate website: http://corporate.easyJet.com.

Executive Directors are encouraged to take up non-executive positions in other companies or organisations. Carolyn McCall DBE, the Chief Executive, has acted as Non-Executive Director at Burberry Group plc since September 2014. Appointment to such positions is subject to the approval of the Board which considers, amongst other things, the time commitment required. The Executive Management Team are permitted to hold one appointment on a Board or Committee of a listed company so long as this is not thought to interfere with the business of the Group.

Pursuant to B3.1 of the Corporate Governance Code, John Barton was appointed as director of Luceco plc on 27 September 2016, which subsequently became a publicly quoted company on 17 October 2016. Despite this change to the Chairman's commitments outside of easyJet, the Board is satisfied that there has been no impact to the Chairman's commitment to the Company and he still continues to devote more than sufficient time to his duties as Chairman, as evidenced by his high attendance at committees at which he is not a committee member (on page 56). The Executive Directors and Non-Executive Directors reviewed, and were satisfied with, the Chairman's time commitment to the Board as set out under "B.6 Evaluation" on this page.

B.4 Development

On joining the Board, new members receive a tailored induction, organised by the Company Secretary, which covers amongst other things:

- the business of the Group;
- their legal and regulatory responsibilities as Directors;
- briefings and presentations from relevant executives; and
- opportunities to visit and experience easyJet's business operations.

To update the Directors' skills, knowledge and familiarity with the Group, visits to bases are organised for the Board periodically, to assist its understanding of the operational issues that the business faces. The Board was invited to visit the base in Geneva in June 2016 and to attend a Country Review Board there, as well as an airside tour of airport operations and the crew room, and meetings with Swiss management and the CEO of Geneva Airport. A briefing paper is provided to Board members to update them on relevant developments in law, regulation and best practice, usually two to four times per year. Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the annual Board evaluation process. An example of training undertaken this year was the session held for all the Directors by the Company's corporate lawyers on the new EU Market Abuse Regulation which came into force in July 2016.

B.5 Information and support

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

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

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

B.6 Evaluation

A performance review of the Board, its Committees and Directors is carried out every year and is externally facilitated at least every third year. Following the evaluation being externally facilitated last year by Independent Audit Limited, the 2016 Board and Committee evaluation was conducted internally by the Company Secretary and Group General Counsel, Kyla Mullins, at the request of the Chairman. Kyla prepared surveys that were completed by Board members. In addition, Calibroconsult Limited, an external consultant engaged by the Nominations Committee to advise on Board succession planning and composition, undertook a series of in-depth, confidential working sessions with each member of the Board individually to understand, amongst other things, current key challenges for the Board and Executive Management Team. This was considered as part of the 2016 Board and Committee evaluation and fed back to the Chairman and the Company Secretary and Group General Counsel who discussed the outcomes and recommendations. Following discussion with the Board as a whole, areas identified for improvement were agreed by the Board. Calibroconsult Limited has no connection with the Company beyond evaluating the Board.

The review extended to all aspects of Board and Committee performance including composition and dynamics (which complement the work undertaken by Calibroconsult Limited), the Chairman's leadership, agenda and focus, time management, strategic oversight, oversight of risk and succession planning, and priorities for change.

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

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

B.7 Re-election

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

C. Accountability

C.1 Financial and Business Reporting

Please refer to:

- page 79 for the Board's statement on the Annual report and accounts being fair, balanced and understandable;
- page 22 for the statement on the status of the Company and the Group as a going concern; and
- the Strategic report on pages 4 to 15 for an explanation of the Company's business model and the strategy for delivering the objectives of the Company.

C.2 Risk Management and Internal Control

The Board has carried out a robust assessment of the principal risks facing the Company and how those risks affect the prospects of the Company. Please refer to pages 24 to 31 for further information on the Company's principal risks and uncertainties and page 22 for their impact on the prospects of the Company.

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 Company's risk management and internal control systems is given on page 59.

C.3 Audit Committee and Auditors

For further information on the Company's compliance with the Code provisions relating to the Audit Committee and auditors, please refer to the Audit Committee report on pages 50 to 53.

D. Remuneration

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

- the Directors' remuneration report on pages 60 to 75 for the level and components of remuneration (D.1); and
- pages 49 to 50 (the Remuneration Committee Report) for the procedure relating to remuneration (D.2).

E. Relations with shareholders

E.1 Dialogue with shareholders

The Company actively engages with investors and solicits their feedback. The Chairman and Deputy Chairman met with shareholders during the course of the year to help maintain a balanced understanding of their issues and concerns. They also attended a senior investor dinner in January and met with the Company's top 10 institutional investors. The Chairman has updated the Board on the opinions of investors. The views of shareholders and market perceptions are also regularly communicated to the Board via verbal briefings.

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

During the course of 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 has also met separately with representatives of easyGroup Ltd (an affiliate of easyGroup Holdings Limited) to discuss matters relating to the management and protection of the "easyJet" and "easy" brands.

E.2 Constructive use of the Annual General Meeting

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

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 24 to 31.

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

- an Executive Management Team member is allocated as the risk owner for each principal risk, with responsibility for the day-to-day management of those risks;
- ongoing risk management and assurance is provided through the various monitoring reviews and reporting mechanisms that are embedded into the business operations. The results of these reviews are reported to the Audit Committee and the Board, which considers 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 pages 48 to 49 for details of the Safety Committee);
- the Executive Management Team meets regularly to consider significant risks, status of risk mitigations and overall business performance; this ensures key issues are escalated through the management team, and, as appropriate, ultimately to the Board; and
- 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 50 to 53 for details of the Audit Committee's responsibilities).

Internal control

The responsibility for establishing and operating detailed control procedures lies with the Chief Executive. The internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. By their nature, they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The 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. This included reviews of systems and controls relating to financial reporting processes and the preparation of the accounts. 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. Its work is based on a risk-based audit plan, which is approved by the Audit Committee on behalf of the Board, and updated on a rolling basis.

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

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

The Head of Internal Audit reports to the Head of Risk and Tax and has direct access to the Chief Executive and the Chairman of the Audit Committee. The Head of Internal Audit is invited to, and attends, Audit Committee meetings throughout the year and reports regularly on Internal Audit reviews to the Executive Management Team.

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 changes within the business and emerging best practice. A formal audit charter is in place.

Annual statement by the Chair of the Remuneration Committee

CHARLES GURASSA
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report (the "Report") for the year ended 30 September 2016. The 2016 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 2016.

Objectives of the Committee

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

- 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 executive benefits that can be found in most organisations (see page 62).
- To support the achievement of our stated business strategy of growth and returns. Performance is assessed against a range of financial, operational and longer-term targets ensuring value is delivered to shareholders, and Directors are rewarded for the successful delivery of the key strategic objectives of the Company.
- To pay for performance. Remuneration is heavily weighted towards variable pay, dependent on performance. This ensures that there is a clear link between the value created for shareholders and the amount paid to our Executive Directors.

Remuneration framework

Our remuneration structure is designed to be simple, transparent and to contribute to the building of a sustainable performance culture. It consists of a base salary, modest benefit and pension provision and, subject to stretching performance conditions, an annual bonus plan (part paid in cash and part deferred into shares) and shares awarded under a Long Term Incentive Plan (LTIP). Incentive pay is subject to recovery and withholding provisions. A post-vesting holding period operates for LTIP awards and significant share ownership guidelines apply.

The Committee believes that the overall remuneration structure continues to be appropriate. It ensures there is significant alignment between the interests of Executive Directors and shareholders, focuses Executives on safely delivering easyJet's key strategic objectives and incorporates features which contribute to an appropriate level of risk mitigation. That said, we keep the policy under review and make periodic changes within our policy to ensure that our structures remain effective, competitive and aligned with the Company's objectives.

Performance and reward outcomes in the 2016 financial year

Challenging business conditions during the 2016 financial year meant that performance in the year declined from the strong position in 2015. Profit before tax was £495 million (2015: £686 million) and ROCE (including lease adjustments) was 14.6% (2015: 22.2%). There was an improvement in total cost per seat but on-time performance and customer satisfaction saw declines.

In determining the Executive Directors' remuneration this year the Committee has balanced the principle of paying for performance with the need to motivate and retain our key leaders. Despite the challenging market conditions, the executive team has been able to deliver solid operational and financial performance and the Company is now in a strong position to capitalise on the opportunities provided by the current market conditions and to build and strengthen its strategic position for the long-term.

Bonus

Annual bonuses are based on profit before tax and key operational and financial targets. A bonus of 13% of the maximum was awarded to the Chief Executive and a bonus of 21% of the maximum was awarded to the Chief Financial Officer in respect of the 2016 financial year which have included a number of extraordinary external events such as prolonged strike action, terrorism and severe air traffic congestion. This reflects the challenging business and operating environment during the 2016 financial year. One-third of the bonus earned is subject to compulsory deferral into shares for three years.

LTIP

The awards made in December 2013 are due to vest in December 2016. These awards are based on a combination of average ROCE performance (including lease adjustments) and relative total shareholder return (TSR) compared to FTSE 51-150 companies for the three financial years ended 30 September 2016.

The Group achieved average ROCE performance (including lease adjustments) of 19.1% and the Company did not meet the threshold TSR performance target. This resulted in 32% of the awards vesting successfully, subject to continued employment to the vesting date.

Remuneration for the year ending 30 September 2017

The Company's remuneration policy was approved by shareholders at the Annual General Meeting (AGM) in February 2015 and we will not be asking shareholders to vote on a new policy at the 2017 AGM. We will be taking the following approach to implementation of the remuneration policy for the year ending 30 September 2017:

Bonus

The Committee has set appropriate and stretching annual bonus targets for the year ended 30 September 2017 based on profit before tax and key operational and financial targets. One-third of any bonus earned will be subject to compulsory deferral into shares for three years.

LTIP

Our LTIP for 2017 continues to be based on two measures: ROCE and TSR. ROCE encourages a disciplined use of capital and TSR creates alignment with the fortunes of our investors.

The Committee believes the bonus and LTIP measures in combination will continue to focus the executive team on building the long-term and sustainable success of the business. The trading environment remains tough and the targets that have been set are felt to be appropriate and demanding in that context.

Salary

The Chief Executive's salary will not be increased in 2017 and will remain at £705,600. This compares with the typical rate of increase to be awarded to sales, marketing and administrative employees across the Group of 1%.

As reported last year, Andrew Findlay's base salary was set at £425,000 when he joined the Board in October 2015. His salary was set at a significant discount to the market level with the intention that it would be brought up to the mid-market level over time to reflect progression in the role. The Committee reported in 2015 that it intended to increase his salary to £500,000 in equal increments over the next two to three years subject to individual and Company performance. In line with this commitment, the first step in this process will be to increase Andrew's salary, with effect from 1 January 2017, to £462,500. Andrew has indicated to the Committee that he would like his cash salary to remain static and that he would receive the amount of this increase in shares, which he would retain in order to build his shareholding in the Company; the Committee is supportive of his decision.

Looking forward

It is two years since shareholders approved our Remuneration Policy at the 2015 AGM and we will therefore be required to seek approval for a policy at the 2018 AGM for a further three years. In advance of that, the Committee intends to conduct a detailed review of our policy and practice to ensure it remains fit for purpose and we plan to consult shareholders during the course of this review.

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

14 November 2016

CHARLES GURASSA
Chair of the Remuneration Committee

OUR REMUNERATION POLICY

What is the role of our Remuneration Committee?

The Remuneration Committee has responsibility for determining remuneration for the Executive Directors and the Chairman 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 interests of the Company and its shareholders, while paying no more than is necessary.

What does the Committee consider when setting remuneration?

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

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) in line with those of the wider workforce. The Committee does not formally consult directly with employees on executive pay but does receive periodic updates from the Group People Director.

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

How do we take into account the views of shareholders when we determine 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. If any of these shareholders were to be opposed to our policy, we would endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

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 2016.

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 UKLA Listing Rules.

The Directors' remuneration policy was approved by shareholders in a binding vote at the 2015 AGM on 12 February 2015. The policy took formal effect from the date of approval and the intention is that it will apply until the 2018 AGM. A summary of the policy has again been included in this report (set out on pages 61 to 67) for the purposes of clarity and transparency.

The Annual Statement by the Chairman of the Remuneration Committee (set out on pages 60 to 61) and the Annual Report on Remuneration (set out on pages 67 to 75) will be subject to an advisory vote at the 2017 AGM.

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 effective from 1 January. Salaries are typically set after considering salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is normally to target salaries at the market median level. Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.	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 modest personal accident and life assurance cover (0.5 x salary), at similar levels as the wider UK workforce. 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 receive no other conventional executive company benefits. Executive Directors can pay for voluntary benefits, where Company purchasing power may provide an advantage to employees. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees. Should it be appropriate to recruit a Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment as opposed to providing the benefits detailed above). Necessary expenses incurred undertaking Company business are reimbursed so that Executive Directors are not worse off on a net of tax basis for 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, of 7% of base salary. A cash alternative may be considered. While individuals are not obliged to make contributions, 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.
Share ownership To ensure alignment between the interests of Executive Directors and shareholders.	200% of salary holding required for the Chief Executive and 175% of salary for the Chief Financial Officer which is expected to be reached within five years of appointment. Executive Directors are required to retain half of the post-tax shares vesting under the LTIP until the guideline is met.	Not applicable.

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
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 bonus earned is subject to compulsory deferral into shares (or equivalent) in a Deferred Annual Bonus Plan (DABP), 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 (in cash or shares) under the DABP, at the time of vesting and may assume the reinvestment of dividends. All bonus payments are at the discretion of the Committee, as shown following this table.	Bonuses are based on stretching financial, operational and, in some cases, personal/departmental performance measures, as set and assessed by the Committee in its discretion. Financial measures (e.g. profit before tax) will represent the majority of bonus, with other measures representing the balance. A 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 provision that enables the Remuneration Committee to scale back the bonus earned in the event that there is a safety event which it considers warrants the use of such discretion. The cash and deferred elements of bonuses are subject to provisions which enable the Committee to recover the cash paid (clawback) or to lapse the associated deferred shares (malus) in the event of a misstatement of results for the financial year to which the bonus relates, or an error in determining the cash bonus or the number of shares comprising a deferred share award, within three years of the payment of the cash bonus.
LTIP 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. A dividend equivalent provision exists which allows the Committee to pay dividends on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends. 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 vest based on three-year performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee in its discretion. Financial targets will determine vesting in relation to at least 50% of awards. In order for the TSR portion of the award to be earned, the Company's absolute TSR performance must also be positive over the performance period. 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance (there is straight-line vesting between these points). The LTIP includes provisions which enable the Committee to recover value in the event of a misstatement of results for the financial year to which the vesting of awards related, or an error in calculation when determining the vesting result within three years of the vesting (i.e. clawback provisions apply). The mechanism through which the clawback can be implemented enables the Committee to: (i) reduce the outstanding LTIP share awards (i.e. malus provisions may be used to effect a clawback), or (ii) for the Committee to require that a net of tax balancing cash payment be made.

What discretion is retained by the Committee in operating its incentive plans?

The Committee will operate the annual bonus plan, LTIP and DABP 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 DABP:

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

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

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

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

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

The use of discretion in relation to the Company's Save As You Earn and Share Incentive Plans will be as permitted under HMRC rules and the Listing Rules.

Details of share awards granted to existing Executive Directors are set out on page 71 of the Annual Report on Remuneration. These remain eligible to vest based on their original award terms.

How were the performance metrics chosen and how were the performance targets set?

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

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

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

LTIP awards are earned for delivering performance against ROCE 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.

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

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

The LTIP, under which the Performance Awards are granted, was approved by shareholders in 2015. The measures used last year are the same as those intended to be used in the coming year. Further details on how the awards are structured and operated are set out in the plan rules which are available, on request, from the Company.

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

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

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

A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Chief Executive and Chief Financial Officer could earn under easyJet's remuneration policy (as detailed above) under different performance scenarios (based on their salaries as at 1 October 2016). 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 43% of the maximum under the LTIP.

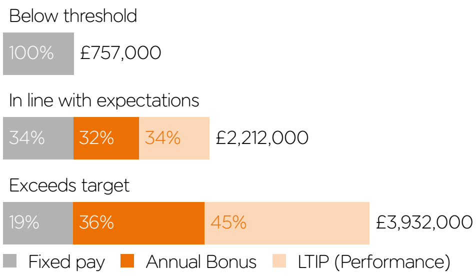
Maximum (performance meets or exceeds maximum) – Fixed pay plus maximum bonus and maximum vesting under the LTIP.

Fixed pay comprises:

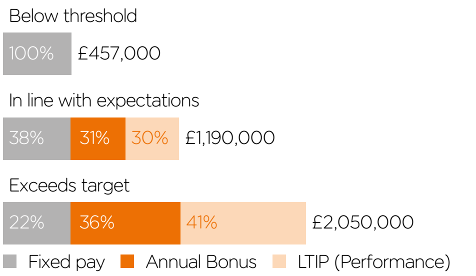
- salaries – salary effective as at 1 October 2016;
- benefits – amount received by each Executive Director in the 2016 financial year;
- pension – employer contributions or cash-equivalent payments received by each Executive Director in the 2016 financial year; and
- Free and matching shares under the all-employee share incentive plan.

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

CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



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 69 detailing what was actually earned by the Executive Directors in relation to the financial year ended 30 September 2016, since these values are based on the actual levels of performance achieved to 30 September 2016 and include the impact of share price growth in relation to share awards.

What are the Executive Directors' terms of employment?

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

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

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

Under the current Chief Executive's contract, the Company, by mutual consent, may elect to make a payment in lieu of notice equivalent in value to 12 months' basic salary, payable in monthly instalments which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, this payment may be paid as a lump sum. Bonus payments may be made, payable in cash, on a pro-rata basis, but only for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice. Any bonus paid would be subject to the normal bonus targets, tested at the end of the financial year. The current Chief Executive has a contractual entitlement to such a pro-rated payment under her service contract, other than in the cases of resignation or termination resulting from gross misconduct. These provisions do not apply to the Chief Financial Officer.

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

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

The rules of both schemes (LTIP and DABP) 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 DABP, the shares for a good leaver will normally vest in full on the normal vesting date (or on cessation of employment in the case of death) and if the award is in the form of an option, there is a 12-month window in which the award can be exercised. Awards structured as options which have vested prior to cessation can be exercised within 12 months of cessation of office or employment.

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

In determining whether an Executive Director should be treated as a good leaver, and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure.

In the event of a takeover or winding-up of easyJet plc (which is not part of an internal reorganisation of the easyJet Group, in circumstances where equivalent replacement awards are not granted) all awards will vest subject to, in the case of LTIP awards, the achievement of any relevant performance conditions with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee has discretion to disapply time pro-rating if it considers it appropriate to do so. In the event of a takeover, the Committee may determine, with the agreement of the acquiring company, that awards will be exchanged for equivalent awards in another company.

What is the policy on Executive Directors holding external appointments?

Executive Directors are permitted to accept one appointment on a board of a listed company so long as this is not thought to interfere with the business of the Group. Any fees received in respect of these appointments are retained directly by the relevant Executive Director.

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

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

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

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed above, i.e. at an aggregate maximum of up to 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.

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

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.

How are the Non-Executive Directors paid?

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

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

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

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 Company's incentive arrangements. Fee levels are reviewed on a periodic basis, and may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Flexibility is retained to 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. Necessary expenses incurred undertaking Company business will be reimbursed so that the Chairman and Non-Executive Directors are not worse off, on a net of tax basis, for fulfilling Company duties. No other benefits or remuneration are provided to the Chairman or Non-Executive Directors.

ANNUAL REPORT ON REMUNERATION

Who is on the Company's Remuneration Committee?

As at 30 September 2016, the members of the Committee were:

- Charles Gurassa (Chair)
- Adèle Anderson (appointed to the Committee effective from 1 January 2016)
- François Rubichon

John Browett stepped down from the Board and the Committee on 31 December 2015. Adèle Anderson was appointed to the Committee in his place. Chris Browne was also a member of the Committee on her appointment to the Board on 1 January 2016. However, once it became apparent that Chris would be joining the Executive Management Team, the Board determined that she was no longer independent and she therefore stepped down from the Committee in September 2016, ahead of the Committee's last meeting of the financial year. Andy Martin joined the Committee on 1 October 2016.

The responsibilities of the Committee are set out in the Corporate governance section of the Annual Report on pages 49 to 50.

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

The Remuneration Committee is advised by New Bridge Street (NBS), (a trading name of Aon plc). NBS 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. NBS was appointed by the Committee in 2004. NBS advises the Committee on developments in executive pay and on the operation of easyJet's incentive plans. Total fees (excluding VAT) paid to NBS in respect of services to the Committee during the 2016 financial year were £59,700.

NBS is a signatory to the Remuneration Consultants Group Code of Conduct. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is independent and objective.

How will the remuneration policy be applied for the 2017 financial year?

What are the Executive Directors' current salaries?

The current and proposed salaries of the Executive Directors are:

	1 January 2017 salary	1 January 2016 salary	Change
CEO	£705,600	£705,600	0%
CFO	£462,500	£425,000	9%

Andrew Findlay's base salary was set at £425,000 when he joined the Board in October 2015. The salary was set at a significant discount to the market level with the intention that it would be brought up to the mid-market level (£500,000) over time to reflect progression in the role. The increase is effective 1 January 2017, to £462,500 which was subject to an assessment of individual and Company performance, is the first stage in this process. Any future salary increase will remain subject to satisfactory individual and Company performance. Andrew Findlay has indicated to the Committee that he would like his cash salary to remain static and that he would receive the amount of this increase in shares, which he would retain in order to build his shareholding in the Company.

For comparison, the typical rate of salary increase to be awarded to employees in sales, marketing and Group functions is 1%.

What bonus will be awarded in respect of performance in the 2017 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 Company.

The performance measures and weightings will be as follows:

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

The proposed target levels for the 2017 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 2017 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. 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 earned in the event that there is a safety event that occurs, which it considers warrants the use of such discretion. One-third of the bonus earned will be deferred into shares for a period of three years and subject to continued employment.

How will the LTIP be operated in relation to the 2017 financial year awards?

The award levels for the Executive Directors in the 2017 financial year will be 250% of salary for the Chief Executive and 200% of salary for the Chief Financial Officer.

The 2017 financial year LTIP awards will be subject to the following performance conditions:

	Below threshold (0% vesting)	Threshold (25% vesting)	On-target (50% vesting)	Maximum (100% vesting)
ROCE (70% of total award)	<9.0%	9.0%	11.2%	13.0%

	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR (30% of total award)	<Median	Median	Upper quartile

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 2016 financial year, ROCE targets are based on average ROCE over a three-year performance period, commencing on 1 October 2016. 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. The Committee considers the range of ROCE targets set to be at least as demanding as those set in prior years.

A post-vesting holding period requiring the Executive Directors to retain the after tax value of any shares for two years from the vesting date will apply to awards made in 2017. The ability to apply clawback has also been extended from 2016 to cover situations where the individual is considered to have contributed to any safety failure which could result in reputational damage for the Company.

How will the Non-Executive Directors be paid in the 2017 financial year?

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

Chairman	£300,000
Basic fee for other Non-Executive Directors	£60,000
Fees for Deputy Chairman and SID role(1)	£25,000
Chair of the Audit, Safety and Remuneration Committees(1)	£15,000
Chair of the Finance Committee(1)	£10,000

(1) Supplementary fees.

The Board has agreed that there will be no increase to the basic fees for the 2017 financial year; these were last reviewed and increased on 1 October 2013.

What did the Directors earn in relation to the 2016 financial year?

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

	2016							2015					
£'000	**Fees and Salary**	**Buy out[5]**	**Benefits[6]**	**Bonus[7]**	**LTIP[8]**	**Pension[9]**	**Total**	Fees and Salary	Benefits	Bonus	LTIP[10]	Pension	Total
Executive													
Carolyn McCall DBE	704	–	5	189	518	49	1,465	694	4	917	4,577	49	6,241
Andrew Findlay	423	613	42	155	–	30	1,263	–	–	–	–	–	–
Chris Kennedy[1]	–	–	–	–	–	–	–	394	–	–	–	20	414
Non-Executive													
John Barton	300	–	–	–	–	–	300	300	–	–	–	–	300
Charles Gurassa	100	–	–	–	–	–	100	100	–	–	–	–	100
Adèle Anderson	77	–	–	–	–	–	77	85	–	–	–	–	85
Dr. Andreas Bierwirth	60	–	–	–	–	–	60	60	–	–	–	–	60
John Browett[2]	15	–	–	–	–	–	15	60	–	–	–	–	60
Chris Browne OBE[3]	54	–	–	–	–	–	54	–	–	–	–	–	–
Professor Rigas Doganis[4]	–	–	–	–	–	–	–	13	–	–	–	–	13
Keith Hamill OBE	60	–	–	–	–	–	60	60	–	–	–	–	60
Andy Martin	68	–	–	–	–	–	68	60	–	–	–	–	60
François Rubichon	60	–	–	–	–	–	60	60	–	–	–	–	60
Total	1,921	613	47	344	518	79	3,522	1,886	4	917	4,577	69	7,453

(1) Left the Board on 1 September 2015.

(2) Left the Board on 31 December 2015.

(3) Appointed to the Board on 1 January 2016 and left the Board on 30 September 2016.

(4) Left the Board on 1 December 2014.

(5) Performance related buy-out arrangements were agreed to compensate Andrew Findlay for bonus and LTIP forfeited from his previous employer. The buy-out comprised a £311,837 cash pay-out as well as various share awards (see page 71 for details). Of these share awards, 22,762 vested on 7 August 2016; the share price at the vesting date was £10.35. A further 4,680 awards will vest on 17 December 2016 based on performance measured to 30 September 2016. For the purpose of this table, the award has been valued using the average share price over the three months to 30 September 2016 of £10.781. This compares to £17.14 at grant.

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

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

(8) This relates to the LTIP awards granted in December 2013 which vest in December 2016 based on performance measured to 30 September 2016. For the purposes of this table, the award has been valued using the average share price over the three months to 30 September 2016 of £10.781. This compares to £14.99 at grant.

(9) Carolyn McCall has reached her lifetime pension limit and received a cash alternative of £49,270 in lieu of pension contributions.

(10) This relates to the LTIP awards granted in December 2012 which vested in December 2015 based on performance measured to 30 September 2015. For the purposes of the table in last year's report, the award was valued using the average share price over the three months to 30 September 2015 of £16.988. The value has been updated in this table using the share price at the date of vesting of £17.15. This compares to £7.37 at grant.

How was pay linked to performance in the 2016 financial year?

Measure	CEO	CFO	Threshold	On-Target	Maximum	Actual	Payout
Profit before tax (£m)	70%	60%	635	706	810	495	0%
On-time performance [1]	10%	10%	80%	82%	86%	81.2%	34%
Customer satisfaction targets[2]	10%	10%	75%	77%	81%	72%	0%
Cost per seat (ex. fuel)[3]	10%	10%	£37.61	£37.35	£36.84	£36.62	100%
Departmental objectives[4]	–	10%	n/a	Successful	Outstanding	Exceeding	75%

(1) 81.2% represented actual on-time performance of 77% adjusted for the impact of extraordinary events (primarily prolonged strike action and terrorist events) and of unanticipated and severe air traffic congestion. This adjustment neutralises the impact of these external factors and means that the resulting comparison implies the same level of stretch as was intended by the Committee when the target was set. This adjustment is consistent with the approach taken for all other employees whose bonus is also subject to this measure.

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

(3) Cost per seat (excluding fuel) targets are at constant (plan) currency.

(4) Exceeding is half way between successful and outstanding.

Annual Bonus

A sliding scale of targets for each objective was set at the start of the 2016 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.

Challenging business conditions during the 2016 financial year meant that performance in the year declined from the results achieved in 2015. Performance highlights during the year were:

- profit before tax was £495 million (2015: £686 million);
- ROCE (including lease adjustments) was 14.6% (2015: 22.2%); and
- there was an improvement in total cost per seat but on-time performance and customer satisfaction saw declines.

13% of the maximum bonus was awarded to the Chief Executive in respect of performance for the year ended 30 September 2016. This will result in a bonus payment of £188,632 to the Chief Executive. One-third of the bonus is compulsorily deferred into shares for three years and subject to continued employment.

21% of the maximum bonus was awarded to the Chief Financial Officer in respect of performance for the year ended 30 September 2016. This will result in a bonus payment of £154,855 to the Chief Financial Officer. 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

The awards made to Executive Directors in December 2013 were subject to a combination of average ROCE (including lease adjustments) and relative TSR compared to FTSE 51-150 companies performance conditions measured over the three financial years ended 30 September 2016. The percentage which could be earned was determined using the following vesting schedule:

	Below threshold (0% vesting)	Threshold (25% vesting)	On Target (40% vesting)	Maximum (100% vesting)
ROCE awards (50% of total awards)	Below 15%	15%	18.5%	20% or above
TSR awards (50% of total awards)	Below median	Median		Upper Quartile

Three-year average ROCE (including lease adjustments) to 30 September 2016 was 19.1% and the Company did not meet the threshold TSR performance target; correspondingly 32% of awards of Performance Shares and Matching Shares are due to vest in December 2016, subject to continued service.

What LTIP awards were granted to Directors in the financial year?

Details of the LTIP awards made to the Executive Directors are summarised below, with further details given in the table on outstanding share interests on page 71.

	Award	Type	Number of shares	Face value (% of salary)[1]		Performance condition[2]	Performance period	% vesting at threshold performance
CEO	Performance	Nil cost option	102,977	£1,763,996	250%	70% based on average ROCE[3] and 30% based on relative TSR (versus FTSE 31–130)[4]	3 financial years ending 30 September 2018	25%
CFO[5]	Performance		49,620	£849,991	200%			

(1) Face value calculated based on the closing share price of £17.13 on 17 December 2015.

(2) Performance conditions are set out on page 63.

(3) ROCE (including lease adjustments) 15% threshold to 20% maximum.

(4) Relative TSR against companies ranked FTSE 31-130 median threshold to upper quartile maximum. In addition, the TSR awards will not vest unless there has been positive TSR over the performance period.

(5) The CFO was also awarded awards in relation to his buy-out agreement, which were fully disclosed in the 2015 Annual report and accounts and is detailed on page 71.

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

A payment of £10,417 was paid to Professor Rigas Doganis for continuing to Chair the Safety Committee until 29 February 2016. There have been no other payments made to past Directors during the year.

Have there been any payments for loss of office? (Audited)

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

What share awards do the Executive Directors have outstanding at the financial year end? (Audited)

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

Carolyn McCall DBE

Scheme	No. of shares/ options at 30 September 2015[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2016[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable (or date of vesting for SIP)	Expiry Date
A	180,461	–	–	–	**180,461**	18 Dec 2012[2]	–	–	18 Dec 2015	18 Dec 2022
A	90,517	–	–	–	**90,517**	17 Dec 2013[3]	–	–	17 Dec 2016	17 Dec 2023
A	84,987	–	–	–	**84,987**	19 Dec 2014[4]	–	–	19 Dec 2017	19 Dec 2024
A	–	102,977	–	–	**102,977**	17 Dec 2015[5]	–	–	17 Dec 2018	17 Dec 2025
B	86,438	–	–	–	**86,438**	18 Dec 2012[2]	–	–	18 Dec 2015	18 Dec 2022
B	38,283	–	–	–	**38,283**	17 Dec 2013[3]	–	–	17 Dec 2016	17 Dec 2023
B	31,441	–	–	–	**31,441**	19 Dec 2014[4]	–	–	19 Dec 2017	19 Dec 2024
C	807	–	–	–	**807**	1 May 2011	–	–	1 May 2014	n/a
C	617	–	–	–	**617**	18 Apr 2012	–	–	18 Apr 2015	n/a
C	265	–	–	–	**265**	30 Apr 2013	–	–	30 Apr 2016	n/a
C	176	–	–	–	**176**	25 Apr 2014	–	–	25 Apr 2017	n/a
C	122	–	–	–	**122**	24 Apr 2015	–	–	24 Apr 2018	n/a
C	–	199	–	–	**199**	28 Apr 2016	–	–	28 Apr 2019	n/a
D	989	105	–	–	**1,094**	–	–	See note 9	–	n/a
E	947	–	–	–	**947**	12 Jun 2014	13.30	–	1 Aug 2017	31 Jan 2018
E	408	–	–	–	**408**	10 Jun 2015	13.23	–	1 Aug 2018	31 Jan 2019

Andrew Findlay

Scheme	No. of shares/ options at 30 September 2015[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2016[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable (or date of vesting for SIP)	Expiry Date
A	–	22,762	–	–	**22,762**	20 Nov 2015[6]	–	–	7 Aug 2016	20 Nov 2025
A	–	14,625	–	–	**14,625**	20 Nov 2015[7]	–	–	17 Dec 2016	20 Nov 2025
A	–	39,923	–	–	**39,923**	20 Nov 2015[8]	–	–	19 Dec 2017	20 Nov 2025
A	–	49,620	–	–	**49,620**	17 Dec 2015[5]	–	–	17 Dec 2018	17 Dec 2025
D	–	91	–	–	**91**	–	–	See note 9	–	n/a
E	–	1,051	–	–	**1,051**	10 Jun 2016	11.98	–	1 Aug 2019	31 Jan 2020

The closing share price of the Company's ordinary shares at 30 September 2016 was £10.07 and the closing price range during the year ended 30 September 2016 was £9.90 to £18.08.

Key:

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

Notes:

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

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

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

Note 3: For LTIP awards made in December 2013, 50% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2016 and 50% of vesting is based on relative TSR performance compared to companies ranked FTSE 51-150. Three year average ROCE (including lease adjustments) was 19.1% and the Company did not meet the TSR performance metric. The following targets apply for these awards:

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

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

Note 4: For LTIP awards made in December 2014, 50% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2017 and 50% of vesting is based on relative TSR performance compared to companies ranked FTSE 31-130. The following targets apply for these awards:

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

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

Note 5: For LTIP awards made in December 2015, 70% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2018 and 30% of vesting is based on relative TSR performance compared to companies ranked FTSE 31-130. The following targets apply for these awards:

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

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

Note 6: An award made to compensate Andrew Findlay for the forfeiture of the LTIP award he received in August 2013 from his previous employer. Since around two-thirds of the vesting period for this award had already run its course, the Committee assessed the extent to which the performance targets were likely to be met (based on current market forecasts) in respect of the shares comprising two-thirds of the award and converted this number of shares into an equivalent value of easyJet shares on joining. These vested on 7 August 2016, so as to mirror the original time horizon of the award.

Note 7: An award of 14,625 easyJet shares relating to the forfeiture of the LTIP Andrew Findlay received in August 2013 from his previous employer. This award was calculated based on the value of one-third of the award at the time of joining easyJet, but these shares will only vest to the extent that the performance targets set for the 2013 easyJet LTIP award (as provided in Note 3 above) are met and continued employment to 17 December 2016. This compensation replicated the assessed value of the awards forfeit and also, in part, switched into easyJet performance on a pro-rata basis for part of the award.

Note 8: An award to compensate for the forfeiture of the award granted to Andrew Findlay in August 2014 from his previous employer. This award comprised an exchange of the maximum number of shares that could vest under his previous employer's award which were then converted to easyJet shares on joining. These shares will only vest based on the extent to which the performance targets applying to the 2014 easyJet LTIP award (as provided in Note 4 above) are met and Andrew remaining in employment until 19 December 2017, being the ordinary vesting date for the easyJet award and later than the vesting date of the original award at his former employer.

Note 9: 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.

What are the shareholding guidelines for Directors?

The Chief Executive is required to build up a shareholding of 200% of salary and the Chief Financial Officer is required to build a shareholding of 175% of salary, to be built up over five years from the adoption of the policy (27 September 2012) or their appointment, if later. Until the guideline is met, they are required to retain 50% of net vested shares from the LTIP.

The Non-Executive Directors, including the Chairman of the Board, are required to build up a shareholding of 100% of annual fees over a period of three years from the adoption of the policy or date of appointment, if later.

What are the Directors' current shareholdings and interests in shares?

The following table provides details on the Directors' shareholdings and interests in shares as at 30 September 2016, or on leaving the Board if earlier (Audited):

	Unconditionally owned shares(3)	Shareholding guidelines achieved(4)	Interests in shares				
			DABP(5)	SAYE	LTIP(6)	SIP(7)	Total
John Barton	34,000	100%	–	–	–	–	–
Charles Gurassa	18,198	100%	–	–	–	–	–
Carolyn McCall DBE	328,442	100%	64,327	1,355	615,104	1,591	682,377
Andrew Findlay	91	0%	–	1,051	126,930	91	128,072
Adèle Anderson	5,114	100%	–	–	–	–	–
Dr. Andreas Bierwirth	5,251	100%	–	–	–	–	–
John Browett(1)(8)	5,412	100%	–	–	–	–	–
Chris Browne OBE(2)	–	–	–	–	–	–	–
Keith Hamill OBE	4,560	100%	–	–	–	–	–
Andy Martin	7,000	100%	–	–	–	–	–
François Rubichon	3,465	100%	–	–	–	–	–

(1) Left the Board on 31 December 2015.
(2) Left the Board on 30 September 2016.
(3) Includes SIP Partnership Shares, vested SIP Performance (Free) Shares, vested SIP Matching Shares, LTIP Investment Shares, and any shares owned by connected persons.
(4) Unconditionally owned shares and share interests under the DABP count towards achievement of the shareholding guidelines.
(5) The principal terms of the DABP are described on page 63.
(6) LTIP shares are granted in the form of nil cost options subject to performance.
(7) Consists of unvested SIP Performance (Free) Shares and unvested SIP Matching Shares.
(8) 100% of the shareholding guideline had been achieved on the date John Browett left the Board.

Note: As at 11 November 2016, the unconditionally owned shares of Carolyn McCall had increased by 53 shares since 30 September 2016 to 328,495 shares and the unconditionally owned shares of Andrew Findlay had increased by 31 shares since 30 September 2016 to 122 shares.

Any changes subsequent to the date of this Report 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 Trust and the easyJet plc Employee Benefit Trust. At 30 September 2016, ordinary shares held in the Trusts were as follows:

	Number
easyJet Share Incentive Plan Trust	1,509,231
easyJet plc Employee Benefit Trust	80,487
Total	**1,589,718**

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 ownership schemes must not exceed 10% of the issued share capital in any rolling 10 year period. The requirement for shares under all current share incentive schemes (LTIP, Save As you Earn and Share Incentive Plan) will be satisfied with share purchases on the market. The Company's current position against its dilution limit is therefore under the maximum 10% limit.

Employee share plan participation

easyJet encourages share ownership throughout the Group by the use of Performance (Free) Shares and Matching Shares within a Share Incentive Plan and a Save As You Earn scheme. All staff subject to minimum service were granted shares during the year. Executive Directors may also participate in these plans on the same terms as other eligible staff. They are summarised in the Corporate Responsibility report on page 38.

Details of Directors' service contracts and letters of appointment

Details of the service contracts and letters of appointment in place as at 30 September 2016 for Directors are as follows:

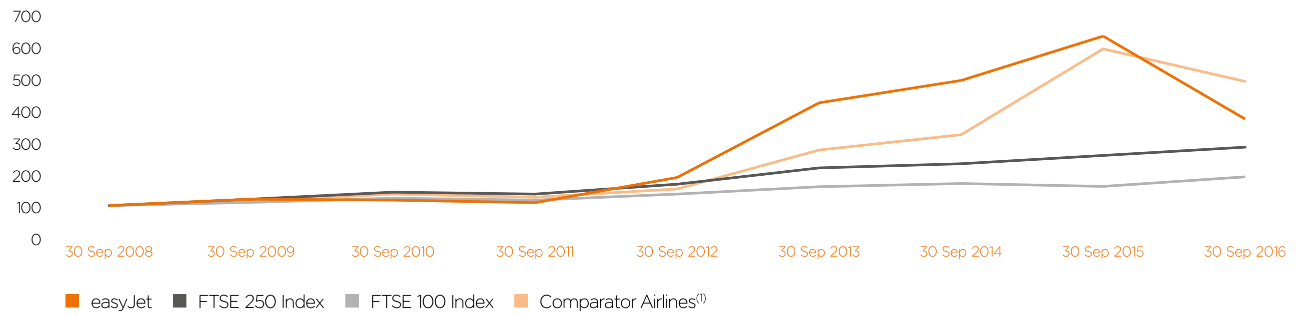
	Date of current service contract or letter of appointment	Unexpired term at 30 September 2016
John Barton	3 October 2013	2 years 7 months
Charles Gurassa	27 June 2014	9 months
Carolyn McCall DBE	1 July 2010	–
Andrew Findlay	10 April 2015	–
Adèle Anderson	1 September 2014	11 months
Dr. Andreas Bierwirth	19 June 2014	10 months
Chris Browne	1 January 2016	–
Keith Hamill OBE	3 March 2015	1 year 5 months
Andy Martin	1 September 2014	11 months
François Rubichon	19 June 2014	10 months

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). The FTSE 100 and FTSE 250 were chosen as easyJet has been a member of both indices during the period.

Total shareholder return

VALUE (LOCAL CURRENCY)



This graph shows the value, by 30 September 2016, of £100 invested in easyJet on 30 September 2008 compared with the value of £100 invested in the FTSE 100 Index, FTSE 250 Index or a comparator group of airlines. The other points plotted are the values at intervening financial year ends (overseas companies have been tracked in their local currency, i.e. ignoring exchange rate movements since 30 September 2008).

(1) British Airways, Lufthansa, Ryanair, Air France-KLM and Iberia have all been included in the comparative European Airlines group. British Airways and Iberia have been tracked forward for 2011 to 2016 as IAG.

The table below shows the total remuneration figure for the Chief Executive over the same eight year period. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years.

The annual bonus and LTIP vesting percentages show the payout for each year as a percentage of the maximum.

	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
Single total figure of remuneration (£'000)	1,075	1,686	2,741(4)	1,552	3,694	7,777	9,209(3)	6,241(2)	**1,465(1)**
Annual bonus (%)	23%	89%	0%	63%	96%	87%	76%	66%	**13%**
LTIP vesting (%)	67%	0%	0%	0%	92%	100%	100%	100%	**32%**

(1) Includes 41,216 LTIP shares vesting for the period, share price is £10.781 (the average share price for the three months to 30 September 2016) a decrease of 28% on the share price at grant of £14.99.

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

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

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

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

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between the year ended 30 September 2016 and the year ended 30 September 2015 for the Chief Executive, compared to the average earnings of all other easyJet UK employees.

%	Salary	Benefits	Annual bonus
CEO	1%	0%	(79%)
Average pay based on all easyJet's UK employees(1)	2%	0%	(73%)

(1) Reflects the change in average pay for UK employees employed in both the year ended 30 September 2016 and the year ended 30 September 2015.

How much does easyJet spend on employee pay each year?

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

	Year ended 30 September 2016	Year ended 30 September 2015	Change %
Employee costs (£m)	604	582	3.8%
Ordinary dividend (£m)	214	219	(2.3%)
Average number of employees	10,273	9,811	4.7%
Revenue (£m)	4,669	4,686	(0.4%)
Profit before tax (£m)	495	686	(27.8%)

Additional information on the number of employees, total revenue and profit has been provided for context.

The majority of easyJet's employees (around 93%) perform flight and ground operations roles, with the rest performing administrative and managerial roles.

What have Executive Directors earned for holding external appointments?

Carolyn McCall DBE received fees of £80,000 in the period to 30 September 2016 for her role as Non-Executive Director of Burberry Group plc. No other Executive Directors held external appointments in the year ended 30 September 2016.

How did shareholders vote on remuneration at the last AGM?

Votes cast at the AGM in February 2016 in respect of the Company's Annual report on remuneration are given in the table below. In line with the Company's commitment to on-going dialogue with its shareholders, meetings are offered, where appropriate, to understand the reasons for any potential or actual opposition to the Company's remuneration policy. Changes are made to our policy where it is considered appropriate to do so.

Shareholders' vote on remuneration

	Policy		Annual Report on Remuneration	
Votes cast in favour	169,949,424	97.59%	166,050,528	98.16%
Votes cast against	4,205,137	2.41%	3,104,257	1.84%
Total votes cast in favour or against	174,154,561	100%	169,154,785	100%
Votes withheld	354,559		20,845,104	

The Directors present the Directors' report, together with the audited accounts for the year ended 30 September 2016. The Directors' report comprises pages 76 to 79, and the sections of the annual report incorporated by reference are set out below:

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual report and accounts, where applicable, under LR 9.8.4, is set out in this Directors' report, with the exception of details of transactions with controlling shareholders which is set out on page 113 (note 26 to the accounts).

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

easyJet plc is incorporated as a public limited company and is registered in England with the registered number 3959649. easyJet plc's registered office is Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF. The Company's registrars are Equiniti Limited who are situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Political donations and expenditure

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

In May 2016, David Cameron visited easyJet's headquarters in Luton to share his views on the forthcoming EU referendum and take questions from easyJet staff and the media. The cost for hosting David Cameron to the Company, which included additional security provision and staging the event, constitutes political expenditure under the Companies Act 2006, as the former prime minister's visit involved campaigning for the EU referendum. easyJet's political expenditure during the 2016 financial year therefore amounted to £2,056 (2015: nil), all of which was for the hosting of this event. This political expenditure does not exceed the authority granted by the Company's shareholders at the 2016 Annual General Meeting, for the Group to make political donations and/or incur political expenditure not exceeding £5,000 in aggregate.

Dividend

The Directors are recommending an ordinary dividend, with a payout ratio of 50% of profit after tax, resulting in a dividend of £214 million or 53.8 pence per share. The ordinary dividend is subject to shareholder approval at the Company's Annual General Meeting to be held on 9 February 2017.

Appointment and retirement of Directors

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

Powers conferred on the Directors in relation to issuing or buying back shares

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority). The shareholders delegated the following powers in relation to the issuing or market purchase by the Company of its shares at the Company's 2016 Annual General Meeting:

- 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 11 May 2017, or at the conclusion of the Annual General Meeting in 2017, whichever is the earlier. The Directors will seek to renew the authorities at the Annual General Meeting in 2017. As at 14 November 2016, none of these authorities had been exercised.

During the 2016 financial year, no ordinary shares in the Company were issued.

Directors' indemnities

Directors' and officers' insurance cover has been established for all Directors to provide cover against their reasonable actions on behalf of the Company. A deed was executed in 2007 indemnifying each of the Directors of the Company and/or its subsidiaries as a supplement to the directors' and officers' insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2016 financial year and remain in force for all current and past Directors of the Company.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of easyJet, unless that conflict is first authorised by the Board. The Company has in place procedures for managing conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his/her duty under company law. Should a Director become aware that he/she has an interest, directly or indirectly, in an existing or proposed transaction with easyJet, he/she should notify the Board in line with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest.

Share capital and rights attaching to shares

Details of the authorised and issued share capital during the year are provided in note 17 to the accounts on page 104.

On 30 September 2016 there was a single class of 397,208,133 ordinary shares of 27 2/7 pence in issue, each with one vote. There were no shares held in treasury at that date.

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

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

Voting rights and restrictions on transfer of shares

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

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

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such a restriction (for example under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to the Company). The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Employee share schemes – rights of control

The trustee of the easyJet UK Share Incentive Plan (the Plan) will, on receipt of any offer, compromise, arrangement or scheme which affects ordinary shares held in the Plan, or in relation to any resolutions proposed at a general meeting (including the Annual General Meeting), invite participants to direct the trustee on the exercise of any voting rights attaching to the ordinary shares held by the trustee on their behalf and/or direct how the trustee shall act in relation to those ordinary shares. The trustee shall take no action in respect of ordinary shares for which it has received no direction to vote, or ordinary shares which are unallocated. On a poll, the trustee shall vote in accordance with directions given by participants. In the absence of directions, or on a show of hands, the trustee shall not vote.

The trustee of the easyJet plc Employee Benefit Trust (the Trust), which is used to acquire and hold shares in the Company for the benefit of employees, including in connection with the easyJet Long Term Incentive Plan, the International Share Incentive Plan and Sharesave plans, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the trustee adopts a policy of not voting in respect of such shares.

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

Amendment of the Articles of Association

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

Change of control provisions

The following significant agreements which were in force at 14 November 2016 take effect, alter or terminate on a change of control of the Company.

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

Revolving Credit Facility

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

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

As at 14 November 2016 no amounts had been drawn down under the RCF.

EMTN Programme and Eurobond issue

On 7 January 2016, the Group established a Euro Medium Term Note Programme (the "EMTN Programme") which provides the Group with a standardised documentation platform to allow for senior unsecured debt issuance in the Eurobond markets. The maximum potential issuance under the EMTN Programme is £3 billion. Under the EMTN Programme, in February 2016, the Company issued Eurobonds consisting of €500 million guaranteed notes paying 1.75% interest and maturing in 2023, and in October 2016 Eurobonds consisting of €500 million guaranteed notes paying 1.125% interest and maturing in October 2023 were also issued (the "Notes"). Pursuant to the final terms attaching to the Notes, the Company will be required to make an offer to redeem or purchase its Notes at its principal amount plus interest up to the date of redemption or repurchase if there is a change of control of the Company which results in a downgrade of the credit rating of the notes to a non-investment grade rating or withdrawal of the rating by both Moody's and Standard & Poor's.

Substantial interests

In accordance with the Disclosure Guidance and Transparency Rules DTR 5, the Company, as at 30 September 2016, 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 2016
The Haji-Ioannou family concert party shareholding, consisting of easyGroup Holdings Limited (holding vehicle for Sir Stelios Haji-Ioannou and Clelia Haji-Ioannou) and Polys Haji-Ioannou (through his holding vehicle Polys Holdings Limited)	133,977,772	33.73%
Invesco Ltd *	20,468,678	5.15%
BlackRock, Inc.	20,157,137	5.07%

* Note: On 8 November 2016, Invesco Ltd disclosed an increase in shareholding to 10.02% (39,814,678 ordinary shares). No other changes to the above have been disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules DTR 5, between 30 September 2016 and 11 November 2016. All interests disclosed to the Company in accordance with DTR 5 that have occurred since 30 September 2016 can be found at easyJet's corporate website: http://corporate.easyJet.com/investors.

Independent auditors

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

Relationship agreement with controlling shareholders

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

(a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;

(b) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and

(c) neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, on 14 November 2014, the Company entered into such an agreement with Sir Stelios Haji-Ioannou (easyJet's founder) and easyGroup Holdings Limited, an entity in which Sir Stelios holds a beneficial interest and which holds shares in the Company on behalf of Sir Stelios (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, Sir Stelios and easyGroup Holdings Limited have agreed to procure the compliance of Polys and Clelia Haji-Ioannou with the independence obligations contained in the Relationship Agreement. Sir Stelios, easyGroup, Polys and Clelia Haji-Ioannou together comprise controlling shareholders of the Company who have a combined total holding of approximately 33.73% of the Company's voting rights.

The Board confirms that, since the entry into the Relationship Agreement on 14 November 2014 until 11 November 2016, being the latest practicable date prior to the publication of this Annual report and accounts:

i. the Company has complied with the independence provisions included in the Relationship Agreement;

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

iii. so far as the Company is aware, the procurement obligation included in the Relationship Agreement has been complied with by Sir Stelios and easyGroup Holdings Limited.

Important events affecting the Group since 30 September 2016

On 11 October 2016, the Company issued Eurobonds with a notional of €500 million for a seven year term with a fixed annual coupon rate of 1.125%. Further details of the Company's Euro Medium Term Note Programme are set out above.

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

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

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

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

The Directors are responsible for the maintenance and integrity of, amongst other things, the financial and corporate governance information provided on the easyJet website (http://corporate.easyJet.com). Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed on pages 44 and 45 confirm that, to the best of their knowledge:

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

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Annual report on pages 1 to 79 was approved by the Board of Directors and authorised for issue on 14 November 2016 and signed on its behalf by:

CAROLYN MCCALL DBE
Chief Executive

ANDREW FINDLAY
Chief Financial Officer

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- easyJet plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group consolidated and Company statements of financial position as at 30 September 2016;
- the Group consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the Group consolidated and Company statements of cash flows for the year then ended;
- the Group consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Overview

Materiality

Overall group materiality: £24.7 million which represents 5% of profit before tax.

Audit scope

The Group operates through the Company and its trading subsidiaries; and the Group 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 complete financial information of the trading subsidiaries and the Company.

Areas of focus

- Aircraft maintenance provisions.
- Treasury operations.
- Judgemental accruals and provisions.
- Goodwill and landing rights impairment assessment.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions, and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the following table. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus / How our audit addressed the area of focus

Aircraft maintenance provisions

Area of focus

Refer to page 52 (Audit Committee report), page 91 (Accounting policies) and pages 103 to 104 (notes).

The Group operates aircraft which are owned or held under finance or operating lease arrangements. Liabilities for maintenance costs are incurred during the term of the lease in respect of aircraft leased under operating leases. These arise from legal and contractual obligations relating to the condition of the aircraft when it is returned to the lessor.

Maintenance provisions of £259 million for aircraft maintenance costs in respect of aircraft leased under operating leases were recorded in the accounts at 30 September 2016.

At each balance sheet date, the maintenance provision is calculated using a model that incorporates a number of variable factors and assumptions including:

- likely utilisation of the aircraft;
- the expected cost of the heavy maintenance check at the time it is expected to occur;
- the condition of the aircraft; and
- the lifespan of life-limited parts.

We focus on this area because of 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 together with the materiality of the balance.

How our audit addressed the area of focus

As with any significant audit risk, we understood and evaluated the controls that the Group has in place in respect of the aircraft maintenance provision.

We evaluated the maintenance provision model and tested the mechanics of the underlying calculations therein. Specifically, we:

- assessed the process by which the variable factors within the provision were estimated;
- understood and challenged the key assumptions that were based on the Group's internal data, such as business plans and maintenance contract terms;
- validated the input data;
- performed sensitivity analysis on the key drivers of the model; and
- reviewed the calculations within 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.

Treasury operations

Area of focus

Refer to page 52 (Audit Committee report), page 94 (Accounting policies) and pages 106-111 (notes).

The Group holds 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 also makes use of derivative financial instruments.

These derivative financial instruments include foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, euros, Swiss francs and South African rand.

These transactions primarily affect revenue, fuel and aircraft dry leasing costs, and the carrying value of owned aircraft. The Group also uses jet fuel forward contracts to hedge fuel price risks. At 30 September 2016, cash and money market deposits amounted to £969 million, borrowings were £756 million, derivative financial assets amounted to £422 million and derivative financial liabilities were £324 million.

We focused on these balances because of their materiality to the financial position of the Group, the volume of transactions passing through the respective accounts and the number of counterparties involved.

How our audit addressed the area of focus

We understood and evaluated the processes, procedures and controls in place in respect of the Group's 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 which allowed us to focus on substantiating the year-end positions recorded in the accounts.

We independently obtained third-party confirmations from counterparties of the year end positions as well as agreeing to original agreements. 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.

We found no material exceptions from these assessments and comparisons.

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.

Area of focus	How our audit addressed the area of focus
Judgemental accruals and provisions	
Refer to page 52 (Audit Committee report), page 91 (Accounting policies) and page 103 (notes). The Group records a number of accrual balances which are specific to the business and its operations. At 30 September 2016, the aggregate of all accruals and provisions was £379 million. Whilst some accruals are easily and ordinarily calculated, others contain an element of judgement and are more complex in nature, for example, customer claims in respect of flight delays, cancellations and refunds of air passenger duty or similar charges. We focused on this area because there is an inherent level of complexity in management estimating certain provisions owing to their uncertain nature. These types of provisions are not individually material but may, under certain circumstances, be material in the aggregate.	We understood and evaluated the processes, procedures and controls in place in respect of these judgmental provision balances and assessed key account reconciliation processes. We tested and challenged the reasonableness of the key assumptions underlying the judgmental 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 judgmental provisions, reperformed the underlying calculations and performed sensitivity analysis over the key drivers of the valuation of the provision. 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 likelihood and magnitude did not identify any material exceptions. We obtained evidence of post year end cash and other account movements which provided evidence as to the validity of the provisions at the year end. We found no material exceptions from these procedures.
Goodwill and landing rights impairment assessment	
Refer to page 52 (Audit Committee report), page 91 (Accounting policies) and pages 100 to 101 (notes). The Group holds significant amounts of goodwill and costs of landing rights on the balance sheet. The risk is that these balances are overstated. The Group has one cash-generating unit ('CGU') being its route network, to which all goodwill and landing rights relate. We focused on the impairment test and the estimated values in use of the one CGU, which has a net book value of goodwill and landing rights of £459 million as at 30 September 2016. 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 plan through to 2021, fuel prices, exchange rates, long-term economic growth rates and discount rates.	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved strategic plan. We challenged: • the directors' key assumptions for long term growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; • the discount rate by assessing the cost of capital for the Group and comparable organisations; and • the assumptions used in the Group's five-year Plan, including fuel prices and exchange rates, by comparing them to historical results, and economic and industry forecasts. 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. We also assessed the appropriateness of the disclosures in the accounts in respect of goodwill and landing rights. Based on our work, we considered the disclosures to be appropriate.

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 geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates through the Company and its four trading subsidiary undertakings as set out on page 117 and the Group 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 their complete financial information. These procedures gave us the evidence that we needed for our opinion on the Group's accounts as a whole.

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 on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£24.7 million (2015: £34.3 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2 million (2015: £2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 22, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 reporting

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In our opinion:

- The information given in the Corporate Governance Statement set out set out on page 59 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• The statement given by the Directors on page 79, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• The section of the Annual Report on pages 50 to 53, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 79 of the Annual Report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 22 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the Directors; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Kemp

ANDREW KEMP
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 November 2016

Consolidated income statement

	Notes	Year ended 30 September 2016 £ million	Year ended 30 September 2015 £ million
Seat revenue		4,587	4,616
Non-seat revenue		82	70
Total revenue	25	4,669	4,686
Fuel		(1,114)	(1,199)
Airports and ground handling		(1,267)	(1,122)
Crew		(542)	(505)
Navigation		(336)	(313)
Maintenance		(237)	(229)
Selling and marketing		(107)	(102)
Other costs		(296)	(276)
EBITDAR		770	940
Aircraft dry leasing		(103)	(114)
Depreciation	9	(157)	(125)
Amortisation of intangible assets	8	(12)	(13)
Operating profit		498	688
Interest receivable and other financing income		10	9
Interest payable and other financing charges		(13)	(11)
Net finance charges	2	(3)	(2)
Profit before tax	3	495	686
Tax charge	5	(68)	(138)
Profit for the year		427	548
Earnings per share, pence			
Basic	6	108.4	139.1
Diluted	6	107.6	138.0

Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2016 £ million	Year ended 30 September 2015 £ million
Profit for the year		427	548
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value gains/(losses) in the year		10	(510)
Losses transferred to income statement		347	229
(Losses)/gains transferred to property, plant and equipment		(28)	3
Related tax (charge)/credit	5	(66)	56
		263	(222)
Total comprehensive income for the year		690	326

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 income statement.

Losses/(gains) on cash flow hedges reclassified from other comprehensive income in income statement captions are as follows:

	2016 £ million	2015 £ million
Revenue	(7)	(64)
Fuel	375	299
Maintenance	(8)	(1)
Aircraft dry leasing	(11)	(3)
Other costs	(2)	(2)
	347	229

Consolidated statement of financial position

	Notes	**30 September 2016 £ million**	30 September 2015 £ million
Non-current assets			
Goodwill	8	365	365
Other intangible assets	8	152	127
Property, plant and equipment	9	3,252	2,877
Derivative financial instruments	21	154	44
Restricted cash	12	7	6
Other non-current assets	10	121	130
		4,051	3,549
Current assets			
Trade and other receivables	11	217	206
Derivative financial instruments	21	268	128
Restricted cash	12	–	6
Money market deposits	12	255	289
Cash and cash equivalents	12	714	650
		1,454	1,279
Current liabilities			
Trade and other payables	13	(564)	(495)
Unearned revenue		(568)	(619)
Borrowings	14	(92)	(182)
Derivative financial instruments	21	(275)	(368)
Current tax payable		(21)	(43)
Provisions for liabilities and charges	16	(53)	(61)
		(1,573)	(1,768)
Net current liabilities		(119)	(489)
Non-current liabilities			
Borrowings	14	(664)	(322)
Derivative financial instruments	21	(49)	(101)
Non-current deferred income	15	(35)	(47)
Provisions for liabilities and charges	16	(235)	(165)
Deferred tax	5	(237)	(176)
		(1,220)	(811)
Net assets		2,712	2,249
Shareholders' equity			
Share capital	17	108	108
Share premium		659	659
Hedging reserve		24	(239)
Translation reserve		1	1
Retained earnings		1,920	1,720
		2,712	2,249

The accounts on pages 86 to 113 were approved by the Board of Directors and authorised for issue on 14 November 2016 and signed on behalf of the Board.

CAROLYN MCCALL DBE
Director

ANDREW FINDLAY
Director

Consolidated statement of changes in equity

	Share capital £ million	**Share premium £ million**	**Hedging reserve £ million**	**Translation reserve £ million**	**Retained earnings £ million**	**Total £ million**
At 1 October 2015	108	659	(239)	1	1,720	2,249
Total comprehensive income	–	–	263	–	427	690
Dividends paid (note 7)	–	–	–	–	(219)	(219)
Share incentive schemes						
Value of employee services	–	–	–	–	19	19
Related tax (note 5)	–	–	–	–	(5)	(5)
Purchase of own shares	–	–	–	–	(22)	(22)
At 30 September 2016	108	659	24	1	1,920	2,712

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2014	108	658	(17)	1	1,422	2,172
Total comprehensive (expense)/income	–	–	(222)	–	548	326
Dividends paid (note 7)	–	–	–	–	(180)	(180)
Share incentive schemes						
Proceeds from shares issued	–	1	–	–	–	1
Value of employee services	–	–	–	–	18	18
Related tax (note 5)	–	–	–	–	4	4
Purchase of own shares	–	–	–	–	(92)	(92)
At 30 September 2015	108	659	(239)	1	1,720	2,249

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 2016 £ million	Year ended 30 September 2015 £ million
Cash flows from operating activities			
Cash generated from operations	19	724	895
Ordinary dividends paid	7	(219)	(180)
Net interest and other financing charges paid		(19)	(8)
Net tax paid		(99)	(98)
Net cash generated from operating activities		387	609
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(549)	(509)
Purchase of intangible assets	8	(37)	(27)
Net decrease in money market deposits	20	45	277
Other		–	4
Net cash used by investing activities		(541)	(255)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		–	1
Purchase of own shares for employee share schemes		(22)	(92)
Proceeds from Eurobond issue	20	379	–
Repayment of bank loans and other borrowings	20	(142)	(80)
Repayment of capital element of finance leases	20	(98)	(11)
Net decrease in restricted cash		6	21
Net cash generated from financing activities		123	(161)
Effect of exchange rate changes		95	33
Net increase in cash and cash equivalents		64	226
Cash and cash equivalents at beginning of year		650	424
Cash and cash equivalents at end of year	12	714	650

Notes to the accounts

1. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

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

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

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the strategic report on pages 1 to 42. Principal risks and uncertainties are described on pages 24 to 31. Note 22 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

The accounts have been prepared on a going concern basis. Details on going concern are provided on page 22.

Significant judgements, estimates and critical accounting policies

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

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

Aircraft maintenance provisions (Note 16)

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

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

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

Other provisions (Note 16)

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Estimates include passenger claim rates, level of claims that will be made and the period of time over which claims will be made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

Goodwill and landing rights (Note 8)

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

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

1. Significant accounting policies continued

Basis of consolidation

The consolidated accounts incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2015 and 2016. A full list of subsidiaries can be found in the Notes to the Company accounts on page 117.

A subsidiary is an entity controlled by easyJet plc. Control is achieved when easyJet is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power, directly or indirectly, over the investee.

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

Foreign currencies

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyJet are presented in Sterling, rounded to the nearest £million, which is the Company's functional currency and the Group's presentation currency. Certain subsidiaries have operations that are primarily influenced by a currency other than Sterling. Exchange differences arising on the translation of these foreign operations are taken to shareholders' equity until all or part of the interest is sold, when the relevant portion of the accumulated exchange gains or losses is recognised in the income statement. Profits and losses of foreign operations are translated into Sterling at average rates of exchange during the year, since this approximates the rates on the dates of the transactions.

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

Revenue recognition

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

Seat revenue arises from the sale of flight seats, including the provision of checked baggage, allocated seating, administration, credit card and change fees. Seat revenue is recognised when the service is provided. This is generally when the flight takes place, but in the following cases, this is at the time of booking:

- administration and credit card fees as they are contractually non-refundable; and
- change fees as the service provided is that of allowing customers to change bookings.

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

Unearned revenue represents flight seats, including the provision of checked baggage and allocated seating, sold but not yet flown and is held in the statement of financial position until it is realised in the income statement when the service is provided.

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

Business combinations

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

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

Goodwill and other intangible assets

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

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

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

	Expected useful life
Computer software	3-7 years
Contractual rights	Over the length of the related contracts

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of assets, on a straight-line basis over their expected useful lives. Expected useful lives 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 adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For aircraft, easyJet is dependent on Airbus as its sole supplier. This gives rise to a valuation risk which crystallises when aircraft exit the fleet, where easyJet is reliant on the future demand for second-hand aircraft.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance and is depreciated over a period ranging from seven to ten years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul of aircraft and engines, are capitalised and depreciated over the length of period 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) are determined by comparing the net proceeds with the carrying amount and are recognised in the income statement.

Impairment of non-current assets

An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's 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 it back under an operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised in the income statement on a straight-line basis over the expected lease term.

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

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

Non-contingent operating lease rentals are charged to the income statement on a straight-line basis over the life of the lease. A number of operating leases require easyJet to make contingent rental payments based on variable interest rates; these are expensed as incurred.

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

1. Significant accounting policies continued

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 cash equivalents and money market deposits.

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

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

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

Non-derivative financial liabilities

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

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

Derivative financial instruments and hedging activities

easyJet uses foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, Euros, Swiss francs and South African rand. These transactions primarily affect revenue, fuel and aircraft dry leasing costs, and the carrying value of owned aircraft. easyJet also uses cross currency interest rate swaps to hedge currency and interest rate risk on certain borrowings, and jet fuel forward contracts to hedge fuel price risks.

Derivative financial instruments are measured at fair value. Hedge accounting is applied to those derivative financial instruments that are designated as cash flow hedges or fair value hedges.

Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedges

Gains and losses arising from changes in the fair value of forward contracts are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. All other changes in fair value are recognised immediately in the income statement.

When the hedged forecast transaction relates to an item of property, plant and equipment, the relevant accumulated gains and losses are transferred from the hedging reserve and included in the initial carrying amount of that purchased asset. Otherwise they are recognised in the income statement in the same period in which the hedged transaction affects the income statement.

In the event that a hedged forecast transaction is no longer considered highly probable, any related gains and losses are immediately transferred from the hedging reserve and recognised in the income statement.

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

Financial guarantees

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

Tax

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the date of the statement of financial position.

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

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

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

Aircraft maintenance provisions

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

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

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

A number of leases also require easyJet to pay 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.

Employee benefits

easyJet contributes to defined contribution pension schemes for the benefit of its 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 re-issued. 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 and Share Incentive Plans by purchasing its own shares on the market through employee benefit trusts. The cost of such purchases is deducted from retained earnings in the period that the transaction occurs.

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

Share-based payments

easyJet has a number of equity-settled share incentive schemes. The fair value of share options granted under the Save As You Earn scheme is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of grants under the TSR-based Long Term Incentive Plan is estimated under the Stochastic model (also known as the Monte Carlo model). The fair value of all other awards is the share price at the date of grant.

1. Significant accounting policies continued

The fair value of the estimated number of options and awards that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees' services are rendered, with a corresponding increase in shareholders' equity. Where non-market performance criteria (such as ROCE) attached to the share options and awards are not met, any cumulative expense previously recognised is reversed. For awards with market-related performance criteria (such as TSR), an expense is recognised irrespective of whether the market condition is satisfied.

The social security obligations payable in connection with grant of the share options are an integral part of the grant itself and the charge is treated as a cash-settled transaction.

Segmental disclosures

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

Revenue is allocated to geographic segments on the following bases:

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

New and revised standards and interpretations not applied

There were no new standards or interpretations/amendments to standards applied during the year ended 30 September 2016.

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 2016.

Effective for the year ending 30 September 2017

IAS 1 'Presentation of Financial Statements' – Amendments relating to the Disclosure Initiative.

IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation.

IAS 27 'Separate Financial Statements' – Amendments relating to Equity Method in Separate Financial Statements.

IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (not yet EU endorsed).

IFRS 11 'Joint Arrangements' – Amendments relating to Acquisitions of Interests in Joint Operations.

Annual Improvements to IFRS 2012-2014 Cycle.

Effective for the year ending 30 September 2018 (not yet EU endorsed)

IAS 7 'Statement of Cash flows' – Amendments relating to the IASB's Disclosure Initiative intended to provide information to help investors better understand changes in a company's debt.

IAS 12 'Income Taxes' – Amendments relating to the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Effective for the year ending 30 September 2019 (not yet EU endorsed)

IFRS 2 'Share-based Payment' – Amendments clarifying how to account for certain types of share-based payment transactions.

IFRS 9 'Financial Instruments' – Introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting.

IFRS 15 'Revenue from Contracts with Customers' – Provides a single model for measuring and recognising revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. It supersedes all existing revenue requirements in IFRS.

Effective for the year ending 30 September 2020 (not yet EU endorsed)

IFRS 16 'Leases' – Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed.

The Directors are currently evaluating the financial and operational impact of adopting IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. The review of the impact of IFRS 15 and IFRS 16 will require an assessment of all leases and all revenue streams, and the impact of adopting these standards cannot be reliably estimated until this work is substantially complete. The Directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material impact on easyJet's accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

2. Net finance charges

	2016 £ million	2015 £ million
Interest receivable and other financing income		
Interest income	(4)	(3)
Dividend income	(3)	–
Net exchange gains on monetary assets and liabilities	(3)	(6)
	(10)	(9)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	8	5
Interest payable on finance lease obligations	4	5
Other interest payable	1	1
	13	11
Net finance charges	3	2

3. Profit before tax

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

	2016 £ million	2015 £ million
Depreciation of property, plant and equipment		
Owned assets	150	117
Assets held under finance leases	7	8
Loss on disposal of property, plant and equipment	3	1
Operating lease rentals		
Aircraft	113	115
Other assets	6	5

Auditors' remuneration

During the year easyJet incurred fees payable for the audit of the Group and individual accounts from easyJet's auditors and their associates totalling £0.4 million (2015: £0.4 million). In addition easyJet incurred audit related fees of £38,000 from its auditors.

4. Employees

The average monthly number of people employed by easyJet was:

	2016 Number	2015 Number
Flight and ground operations	9,571	9,164
Sales, marketing and administration	702	647
	10,273	9,811

Employee costs for easyJet were:

	2016 £ million	2015 £ million
Wages and salaries	474	453
Social security costs	63	67
Pension costs	48	44
Share-based payments	19	18
	604	582

Key management compensation was:

	2016 £ million	2015 £ million
Short-term employee benefits	7	7
Share-based payments	4	3
	11	10

4. Employees continued

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

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

	2016 £ million	2015 £ million
Remuneration	3	3
Gains made on the exercise of Long Term Incentive Plan awards	–	21
	3	24

Details of Directors' remuneration are disclosed in the Directors' remuneration report on pages 60 to 75.

5. Tax charge

Tax on profit on ordinary activities

	2016 £ million	2015 £ million
Current tax		
United Kingdom corporation tax	77	109
Foreign tax	4	6
Prior year adjustments	(2)	(14)
Total current tax charge	79	101
Deferred tax		
Temporary differences relating to property, plant and equipment	23	28
Other temporary differences	(1)	2
Prior year adjustments	3	8
Change in tax rate from financial year 2017 to 19% (2015: 20%)	(14)	(1)
Change in tax rate from financial year 2020 to 17%	(22)	–
Total deferred tax (credit)/charge	(11)	37
	68	138
Effective tax rate	13.7%	20.1%

Reconciliation of the total tax charge

The tax for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK as set out below:

	2016 £ million	2015 £ million
Profit before tax	495	686
Tax charge at 20.0% (2015: 20.5%)	99	141
Attributable to rates other than standard UK rate	1	–
Expenses not deductible for tax purposes	–	3
Share-based payments	3	1
Adjustments in respect of prior years – current tax	(2)	(14)
Adjustments in respect of prior years – deferred tax	3	8
Change in tax rate from financial year 2017 to 19% (2015: 20%)	(14)	(1)
Change in tax rate from financial year 2020 to 17%	(22)	–
	68	138

Current tax payable at 30 September 2016 amounted to £21 million (2015: £43 million). The current tax payable at 30 September 2016 of £21 million related to £24 million of tax payable in the UK and £3 million related to tax recoverable in other European countries. The current tax payable at 30 September 2015 of £43 million entirely related to tax payable in the UK.

During the year ended 30 September 2016, net cash tax paid amounted to £99 million (2015: £98 million).

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

	2016 £ million	2015 £ million
(Charge)/credit to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	(66)	56
Credit/(charge) to shareholders' equity		
Current tax credit on share-based payments	1	13
Deferred tax charge on share-based payments	(6)	(9)
	(5)	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/(losses) £ million	Share-based payments £ million	Total £ million
At 1 October 2015	199	37	(46)	(14)	176
(Credited)/Charged to income statement	(8)	(4)	(1)	2	(11)
Charged to other comprehensive income	–	–	66	–	66
Charged to shareholders' equity	–	–	–	6	6
At 30 September 2016	191	33	19	(6)	237

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/(losses) £ million	Share-based payments £ million	Total £ million
At 1 October 2014	171	29	10	(24)	186
Charged to income statement	28	8	–	1	37
Credited to other comprehensive income	–	–	(56)	–	(56)
Charged to shareholders' equity	–	–	–	9	9
At 30 September 2015	199	37	(46)	(14)	176

It is estimated that deferred tax assets of approximately £1 million (2015: deferred tax assets of £50 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 £237 million (2015: £176 million). The net overseas deferred tax asset is £nil (2015: £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.

6. Earnings per share

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

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

6. Earnings per share continued

Earnings per share is based on:

	2016 £ million	2015 £ million
Profit for the year	427	548

	2016 million	2015 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	2016 pence	2015 pence
Basic	108.4	139.1
Diluted	107.6	138.0

7. Dividends

An ordinary dividend in respect of the year ended 30 September 2016 of 53.8 pence per share, or £214 million, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 55.2 pence per share, or £219 million in respect of the year ended 30 September 2015 was paid in the year ending 30 September 2016. An ordinary dividend of 45.4 pence per share, or £180 million in respect of the year ended 30 September 2014 was paid in the year ended 30 September 2015.

8. Goodwill and other intangible assets

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2015	365	94	60	154
Additions	–	–	37	37
Disposals	–	–	(22)	(22)
At 30 September 2016	365	94	75	169
Amortisation				
At 1 October 2015	–	–	27	27
Charge for the year	–	–	12	12
Disposals	–	–	(22)	(22)
At 30 September 2016	–	–	17	17
Net book value				
At 30 September 2016	365	94	58	152
At 1 October 2015	365	94	33	127

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2014	365	94	38	132
Transfer from property, plant and equipment	–	–	27	27
Disposals	–	–	(5)	(5)
At 30 September 2015	365	94	60	154
Amortisation				
At 1 October 2014	–	–	19	19
Charge for the year	–	–	13	13
Disposals	–	–	(5)	(5)
At 30 September 2015	–	–	27	27
Net book value				
At 30 September 2015	365	94	33	127
At 1 October 2014	365	94	19	113

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

Pre-tax cash flow projections have been derived from the forecast cash flows presented to the Board for the period up to 2021, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	11%
Fuel price (US dollars per metric tonne)	480 – 600
Exchange rates:	
US dollar	1.30
Euro	1.20
Swiss franc	1.30

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

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

The impairment model is sensitive to a sustained significant adverse movement in foreign currency exchange rates.

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

9. Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2015	3,485	43	3,528
Additions	526	23	549
Transfer to maintenance provision	(14)	–	(14)
Disposals	(26)	(3)	(29)
At 30 September 2016	3,971	63	4,034
Depreciation			
At 1 October 2015	636	15	651
Charge for the year	152	5	157
Disposals	(25)	(1)	(26)
At 30 September 2016	763	19	782
Net book value			
At 30 September 2016	3,208	44	3,252
At 1 October 2015	2,849	28	2,877

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2014	3,035	36	3,071
Additions	500	36	536
Transfer to intangible assets	–	(27)	(27)
Transfer to maintenance provision	(48)	–	(48)
Disposals	(2)	(2)	(4)
At 30 September 2015	3,485	43	3,528
Depreciation			
At 1 October 2014	517	12	529
Charge for the year	121	4	125
Disposals	(2)	(1)	(3)
At 30 September 2015	636	15	651
Net book value			
At 30 September 2015	2,849	28	2,877
At 1 October 2014	2,518	24	2,542

The net book value of aircraft includes £280 million (2015: £275 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

9. Property, plant and equipment continued

Aircraft with a net book value of £381 million (2015: £583 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £76 million (2015: £149 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 166 (2015: 150) Airbus A320 family aircraft, with a total list price of US$14.8 billion (2015: US$13 billion) before escalations and discounts for delivery in 2017 (21 aircraft), in 2018 (15 aircraft) and between 2017 and 2022 (130 new generation aircraft).

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

10. Other non-current assets

	2016 £ million	2015 £ million
Deferred consideration and deposits held by aircraft lessors	95	81
Leased aircraft – shortfall on sale and leaseback	15	35
Recoverable supplemental rent (pledged as collateral)	7	10
Other	4	4
	121	130

11. Trade and other receivables

	2016 £ million	2015 £ million
Trade receivables	62	61
Less provision for impairment	(5)	(3)
	57	58
Prepayments and accrued income	97	86
Leased aircraft – shortfall on sale and leaseback	20	20
Recoverable supplemental rent (pledged as collateral)	5	7
Other receivables	38	35
	217	206

Trade and other receivables of £24 million (2015: £14 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.

12. Cash and money market deposits

	2016 £ million	2015 £ million
Cash and cash equivalents (original maturity less than three months)	714	650
Money market deposits (original maturity more than three months)	255	289
Current restricted cash	–	6
Non-current restricted cash	7	6
	976	951

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

Restricted cash comprises:

	2016 £ million	2015 £ million
Pledged as collateral to third parties:		
Aircraft operating lease deposits	7	12

13. Trade and other payables

	2016 £ million	2015 £ million
Trade payables	126	101
Accruals	350	310
Leased aircraft – surplus on sale and leaseback	11	12
Taxes and social security	13	16
Other payables	64	56
	564	495

14. Borrowings

	Current £ million	Non-current £ million	Total £ million
At 30 September 2016			
Eurobond	–	435	435
Bank loans	84	126	210
Finance lease obligations	8	103	111
	92	664	756

	Current £ million	Non-current £ million	Total £ million
At 30 September 2015			
Bank loans	88	228	316
Finance lease obligations	94	94	188
	182	322	504

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

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

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

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, on 9 February 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.750% and on 11 October 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.125%.

The €500 million Eurobond issued on 9 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 2016 was £376 million. See note 21 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 2021.

15. 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 over the next six years.

16. Provisions for liabilities and charges

	Maintenance provisions £ million	Other provisions £ million	Total provisions £ million
At 1 October 2015	205	21	226
Exchange adjustments	32	–	32
Charged to income statement	63	84	147
Transferred from property, plant and equipment	(14)	–	(14)
Utilised	(27)	(76)	(103)
At 30 September 2016	259	29	288

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

Other provisions comprise liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges.

16. Provisions for liabilities and charges continued

	2016 £ million	2015 £ million
Current	53	61
Non-current	235	165
	288	226

Maintenance provisions are expected to be utilised within seven years. Other provisions are expected to be utilised within one year.

17. Share capital

	Number		Nominal value	
	2016 £ million	2015 £ million	2016 £ million	2015 £ million
Authorised				
At 30 September 2016 and 30 September 2015				
Ordinary shares of 27 2/7 pence each	458	458	125	125
Allotted, called up and fully paid				
At 30 September 2016 and 30 September 2015	397	397	108	108

There was no new share capital issued in the year. The weighted average share price for options exercised during the prior year was £15.84.

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

	2016	2015
Number of shares (million)	2	2
Cost (£ million)	25	25
Market value at year end (£ million)	16	30

18. Share incentive schemes

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

Grant date	1 October 2015 million	Granted million	Forfeited million	Exercised million	30 September 2016 million
Long Term Incentive Plan					
4 January 2012	0.1	–	–	(0.1)	–
18 December 2012	0.9	–	–	(0.6)	0.3
17 December 2013	0.5	–	–	–	0.5
19 December 2014	0.7	–	–	–	0.7
18 December 2015	–	0.7	–	–	0.7
Save As You Earn scheme					
1 July 2012	0.2	–	–	(0.2)	–
1 July 2013	0.6	–	–	(0.3)	0.3
1 July 2014	0.8	–	(0.2)	–	0.6
1 July 2015	1.2	–	(0.3)	–	0.9
1 July 2016	–	1.3	(0.1)	–	1.2
Share Incentive Plans	4.4	1.0	(0.2)	(0.9)	4.3
	9.4	3.0	(0.8)	(2.1)	9.5

Weighted average exercise prices are as follows:

	1 October 2015 £	Granted £	Forfeited £	Exercised £	30 September 2016 £
Save As You Earn scheme	11.85	11.98	13.05	7.49	12.39

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

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

	Price £		Number million	
	2016	2015	2016	2015
Long Term Incentive Plan	–	–	0.3	0.1
Save As You Earn scheme	9.69	4.18	0.3	0.2
			0.6	0.3

The weighted average remaining contractual life for each class of share award at 30 September 2016 is as follows:

	Years
Long Term Incentive Plan	8.0
Save As You Earn scheme	2.2

Long Term Incentive Plan

The plan is open, by invitation, to Executive Directors and senior management, and provides for annual awards of Performance Shares worth up to 250% (200% up to 31 December 2014) of salary each year. For awards granted from the 2015 financial year, the vesting of these shares is dependent on return on capital employed (ROCE) targets and total shareholder return (TSR) targets compared to FTSE 31-130 ranked companies at the start of the performance period. All awards have a three year vesting period; 2016 awards are assessed on performance conditions measured over the three financial years ended 30 September 2018.

Save As You Earn scheme

The scheme is open to all employees on the UK payroll. Participants may elect to save up to £500 per month under a three year savings contract. An option is granted by the Company to buy shares at a discount of 20% from market price at the time of the grant. At the end of the savings period the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may participate in the scheme under similar terms and conditions, albeit without the same tax benefits.

Share Incentive Plan

The plan is open to all employees on the UK payroll. Participants may invest up to £1,800 of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired easyJet purchases a matching share up to a maximum value of £1,500 per annum. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends on shares purchased and to vote at shareholder meetings.

Subject to Company performance, easyJet also issues free shares to UK employees under an approved share incentive plan of up to £3,000 per annum in value. There is a similar unapproved free shares scheme for international employees.

The fair value of grants under the Save As You Earn scheme are calculated by applying the Binomial Lattice option pricing model. The fair value of grants under the TSR based Long Term Incentive Plan is estimated under the Stochastic model (also known as the Monte Carlo model). The fair value of grants under all other schemes is the share price on the date of grant. The following assumptions are used:

Grant date	Share price £	Exercise price £	Expected volatility %	Option life years	Risk-free interest rate %	Fair value £
Long Term Incentive Plan						
4 January 2012	3.92	–	–	–	–	3.92
18 December 2012 – ROCE	7.37	–	–	–	–	6.92
18 December 2012 – TSR	7.37	–	33	3.0	0.44	5.16
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
Save As You Earn scheme						
1 July 2012	5.23	4.18	35	3.5	0.24	1.77
1 July 2013	12.11	9.69	34	3.5	0.32	3.54
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

Share price 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 £15.04 (2015: £16.69).

For grants under the Save As You Earn scheme after 30 September 2011, the dividend yield assumption is calculated based on the actual yield at the date of grant. For the options granted in 2012 to 2014, the dividend yield assumption was 2%, this increased to 2.75% in 2015 and to 3.5% in 2016.

19. Reconciliation of operating profit to cash generated from operations

	2016 £ million	2015 £ million
Operating profit	498	688
Adjustments for non-cash items:		
Depreciation	157	125
Loss on disposal of property, plant and equipment	3	1
Amortisation of intangible assets	12	13
Share-based payments	19	18
Changes in working capital and other items of an operating nature:		
Decrease in trade and other receivables	8	5
Increase/(decrease) in trade and other payables	44	(30)
(Decrease)/increase in unearned revenue	(51)	47
Increase in provisions	44	23
Decrease in other non-current assets	9	22
Decrease in derivative financial instruments	(7)	(2)
Decrease in non-current deferred income	(12)	(15)
Cash generated from operations	724	895

20. Reconciliation of net cash flow to movement in net cash

	1 October 2015 £ million	Fair value and foreign exchange £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2016 £ million
Cash and cash equivalents	650	95	–	(31)	714
Money market deposits	289	11	–	(45)	255
	939	106	–	(76)	969
Eurobond	–	(58)	2	(379)	(435)
Bank loans	(316)	(35)	(1)	142	(210)
Finance lease obligations	(188)	(21)	–	98	(111)
	(504)	(114)	1	(139)	(756)
Net cash	435	(8)	1	(215)	213

21. Financial instruments

Carrying value and fair value of financial assets and liabilities

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

	Amortised cost		Held at fair value				
At 30 September 2016	Loans and receivables £ million	Financial liabilities £ million	Fair value hedges[(1)] £ million	Cash flow hedges £ million	Other £ million	Carrying value £ million	Fair value £ million
Other non-current assets	102	–	–	–	19	121	121
Trade and other receivables	145	–	–	–	72	217	217
Trade and other payables	–	(468)	–	–	(96)	(564)	(564)
Derivative financial instruments	–	–	61	37	–	98	98
Restricted cash	7	–	–	–	–	7	7
Money market deposits	255	–	–	–	–	255	255
Cash and cash equivalents	714	–	–	–	–	714	714
Eurobond[(1)]	–	(435)	–	–	–	(435)	(453)
Bank loans	–	(210)	–	–	–	(210)	(210)
Finance lease obligations	–	(111)	–	–	–	(111)	(117)

(1) On 9 February 2016, easyJet plc issued a €500 million Eurobond under the £3,000 million Euro Medium Term Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a sterling floating rate exposure. All three swaps pay floating interest (3 month LIBOR plus a margin) quarterly, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a fair value hedge of the interest rate and currency risks on the €500 million Eurobond. The swaps are measured at fair value through profit or loss, with any gains or losses being taken immediately to the income statement. The carrying value of the Eurobond is adjusted for changes in fair value attributable to the risks being hedged. This net carrying value differs to the fair value depending on movements in the Group's credit risk. The fair value of the Eurobond represents the quoted market price of the Eurobond as at 30 September 2016. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2016 was £376 million.

At 30 September 2015	Amortised cost Loans and receivables £ million	Held at fair value Financial liabilities £ million	Cash flow hedges £ million	Other £ million	Carrying value £ million	Fair value £ million
Other non-current assets	91	–	–	39	130	130
Trade and other receivables	136	–	–	70	206	206
Trade and other payables	–	(398)	–	(97)	(495)	(495)
Derivative financial instruments	–	–	(297)	–	(297)	(297)
Restricted cash	12	–	–	–	12	12
Money market deposits	289	–	–	–	289	289
Cash and cash equivalents	650	–	–	–	650	650
Bank loans	–	(316)	–	–	(316)	(316)
Finance lease obligations	–	(188)	–	–	(188)	(194)

The fair value of the Eurobond is classified as level 1 of the IFRS 13 'Fair Value Measurement' fair value hierarchy. The remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2.

The fair value measurement hierarchy levels have been defined as follows:

- Level 1, fair value of financial instruments based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.
- Level 3, fair value of financial instruments that are not based on observable market data.

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

Fair value calculation methodology

The fair values of derivatives and financial instruments have been determined by reference to observable market prices where the instruments are traded, where available. Where market prices are not available, the fair value has been estimated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates.

Fair value of derivative financial instruments

At 30 September 2016	**Quantity million**	**Non-current assets £ million**	**Current assets £ million**	**Current liabilities £ million**	**Non-current liabilities £ million**	**Total £ million**
Designated as cash flow hedges						
US dollar	2,311	56	152	–	–	208
Euro	1,700	14	107	(67)	(29)	25
Swiss franc	356	–	–	(19)	(11)	(30)
South African rand	428	3	1	–	–	4
Jet fuel	3	20	8	(189)	(9)	(170)
Designated as fair value hedges						
Cross-currency interest rate swaps	379	61	–	–	–	61
		154	268	(275)	(49)	98

At 30 September 2015	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	2,614	18	71	(1)	(2)	86
Euro	2,360	23	55	(3)	(4)	71
Swiss franc	329	2	2	(1)	(1)	2
South African rand	479	–	–	–	–	–
Jet fuel	3	1	–	(363)	(94)	(456)
		44	128	(368)	(101)	(297)

For foreign currency forward exchange contracts, cross-currency interest rate swap contracts and foreign exchange swap contracts, quantity represents the nominal value of currency contracts held, disclosed in the contract currency. For jet fuel forward contracts, quantity represents contracted metric tonnes.

21. Financial instruments continued

The 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. This will be within 24 months of the end of the reporting period, except where the gain or loss is included in the initial amount recognised for the purchase of an aircraft in which case recognition 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 as fair value hedges of the interest rate and currency risk on fixed rate debt issued by the Group. The cross-currency interest rate swap contracts are designated and qualify as fair value hedges and changes in fair value are recorded in the income statement, together with the change in the fair value of the hedged liability.

The following derivative financial instruments are subject to offsetting, enforceable master netting agreements:

At 30 September 2016	**Gross amount £ million**	**Amount not set off £ million**	**Net amount £ million**
Derivative financial instruments			
Assets	422	(264)	158
Liabilities	(324)	264	(60)
	98	–	98

At 30 September 2015	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	172	(145)	27
Liabilities	(469)	145	(324)
	(297)	–	(297)

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.

22. Financial risk and capital management

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

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

Capital employed

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

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

Consequently, the capital employed at the end of the current and prior year and the return earned during those years were as follows:

	2016 £ million	2015 £ million
Shareholders' equity	2,712	2,249
Borrowings	756	504
Cash and money market deposits (excluding restricted cash)	(969)	(939)
Reported capital employed	2,499	1,814
Operating lease adjustment	721	798
Capital employed including operating leases adjustment	3,220	2,612
Operating profit – reported	498	688
Implied interest in operating lease costs	34	38
Operating profit – adjusted	532	726
Operating profit after tax – adjusted	426	581
Return on capital employed	14.6%	22.2%

Return on capital employed is calculated by dividing the adjusted operating profit after tax by the average of the opening and closing capital employed, including the operating leases adjustment.

The percentage of operating leased aircraft at 30 September 2016 was 25% (2015: 28%).

Capital management

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

easyJet manages its capital structure in response to changes in both economic conditions and strategic objectives. The cash and net debt position, together with the maturity profile of existing debt, is monitored to ensure the continuity of funding.

On 7 January 2016, easyJet was assigned long-term corporate credit ratings from both Standard & Poor's (BBB+ stable) and Moody's (Baa1 stable). At the same time easyJet plc established a £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. Under this programme, on 9 February 2016, easyJet plc issued notes 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 a cross-currency interest rate swap converting the €500 million notes issued at a fixed rate of 1.750% to £379 million at a floating rate of 3 month LIBOR plus a margin, with principal exchanges of €500 million and £379 million at inception 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.

easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events as well as a $500 million revolving credit facility. The revolving credit facility was agreed on 10 February 2015 and was undrawn at 30 September 2016. 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. This requires the revolving credit facility to be taken into consideration in assessing this liquidity metric. Total cash (excluding restricted cash) and money market deposits at 30 September 2016 was £969 million (2015: £939 million). Surplus funds are invested in high quality short-term liquid instruments, mainly money market funds, bank deposits and tri-party repos.

22. Financial risk and capital management continued

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

At 30 September 2016	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	106	88	186	443
Trade and other payables	468	–	–	–
Derivative contracts – receipts(1)	(2,384)	(1,123)	(61)	–
Derivative contracts – payments(1)	2,394	1,086	54	–

(1) The cross-currency interest rate swaps' cashflows have been excluded from the table above as these were in a net asset position at 30 September 2016.

At 30 September 2015	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	190	93	199	52
Trade and other payables	398	–	–	–
Derivative contracts – receipts	(2,193)	(1,667)	(73)	–
Derivative contracts – payments	2,433	1,727	69	–

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

Credit risk management

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

Counterparties for cash investments, currency forward contracts, cross-currency interest rate swap contracts, foreign currency swap contracts and jet fuel forward contracts are required to have a long-term credit rating of A- or better at contract inception. Exposures to these counterparties are regularly reviewed and, if the long term credit rating falls below A- management will make a decision on remedial action to be taken.

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

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% – 85% of the next 12 months forecast surplus cash flows on a rolling basis, and 45% – 65% of the following 12 months forecast surplus cash flows on a rolling basis.

Significant currency exposures relating to the acquisition cost of aircraft is also managed through the use of currency forward contracts and foreign exchange swap contracts where up to 90% of the next 24 months forecast requirement is hedged. In addition, easyJet has substantial borrowings and other liabilities denominated in US dollars and Euros, which are largely offset by holding US dollar and Euro cash and money market deposits.

Significant currency exposures relating to foreign currency denominated debt issuances are managed through the use of cross-currency interest rate swap contracts, where deemed appropriate. These hedges are designated as fair value hedges where possible. Where hedge accounting has been elected, changes in the fair value of derivatives including changes in the fair value of the hedged liabilities are recorded in the income statement.

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. All borrowings are at floating interest rates repricing every three to six months. A significant proportion of US dollar loans by value are matched with US dollar cash. Operating leases are a mix of fixed and floating rates. Of the 63 operating leases in place at 30 September 2016 (2015: 67), 73% were based on fixed interest rates and 27% were based on floating interest rates (2015: 75% fixed, 25% floating).

In addition, on 7 January 2016 easyJet plc issued a £3,000 million European Medium Term Note Programme. Under this programme, on 9 February 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750%. The proceeds from this issuance were used for general corporate purposes.

Fuel price risk management

easyJet is exposed to fuel price risk. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in the income statement in the short-term. In order to manage the risk exposure, forward contracts are used in line with Board approved policy to hedge between 65% and 85% of estimated exposures up to 12 months in advance which is hedged on a rolling basis, and to hedge between 45% and 65% of estimated exposures from 13 up to 24 months in advance which is hedged on a rolling basis. Specific decisions may require consideration of a longer term approach. Treasury strategies and actions 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 2016.

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 2016	**US dollar +10%[1] £ million**	**US dollar -10%[2] £ million**	**Euro +10%[1] £ million**	**Euro -10%[2] £ million**	**Interest rates 1% increase £ million**	**Fuel price 10% increase £ million**
Income statement impact: gain/(loss)	25	(21)	5	(4)	3	–
Impact on other comprehensive income: increase/(decrease)	139	(113)	–	–	–	83

	Currency rates					
At 30 September 2015	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)	17	(14)	4	(3)	4	–
Impact on other comprehensive income: increase/(decrease)	109	(89)	24	(20)	–	79

(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.

23. Leasing commitments

Commitments under operating leases

	Aircraft		Other	
	2016 £ million	2015 £ million	**2016 £ million**	2015 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	110	98	2	3
Later than one year and not later than five years	223	255	6	5
Later than five years	11	31	2	4
	344	384	10	12

easyJet holds 63 aircraft (2015: 67 aircraft) under operating leases, with initial lease terms ranging from five to sixteen years. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in the significant accounting policies section of note 1.

23. Leasing commitments continued

Commitments under finance leases

	2016 £ million	2015 £ million
Present value of minimum lease payments fall due as follows:		
Not later than one year	12	98
Later than one year and not later than five years	114	62
Later than five years	–	44
	126	204
Future finance charges	(15)	(16)
	111	188

easyJet holds 5 aircraft (2015: 11 aircraft) under finance leases with ten year initial terms. Further details are given in notes 9 and 14.

24. Contingent liabilities

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

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

At 30 September 2016 easyJet had outstanding letters of credit and performance bonds totalling £49 million (2015: £44 million), of which £38 million (2015: £33 million) expires within one year. The fair value of these instruments at each year end was negligible.

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

25. Geographical revenue analysis

	2016 £ million	2015 £ million
United Kingdom	2,243	2,205
Southern Europe	1,376	1,456
Northern Europe	984	950
Other	66	75
	4,669	4,686

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 189 owned and 5 finance leased aircraft. A further 63 aircraft are held under operating leases, giving a total fleet of 257 at 30 September 2016. All of these aircraft are registered in the United Kingdom except for 23 (2015: 24) registered in Switzerland. These assets are used flexibly across the entire route network, and accordingly there is no suitable basis for allocating them to geographic segments.

26. Related party transactions

The Company licenses the easyJet brand from easyGroup Ltd ('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 Holdings Limited) holds, in total, 33.73% of the issued share capital of easyJet plc as at 30 September 2016.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup for a minimum term of 10 years. The full term of the agreement is 50 years.

easyJet and easyGroup established a fund to meet the annual costs of protecting the 'easy' (and related marks) and the 'easyJet' brands. easyJet contributes up to £1 million per annum to this fund and easyGroup contributes £100,000 per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A side letter to the Brand Licence was entered with easyGroup, dated 29 September 2016, under which, in return for easyGroup consenting to easyJet acquiring a portion of the equity share capital in Founders Factory Limited, easyJet made a payment of £1.

A separate agreement was entered into with Sir Stelios ('the Comfort Letter'), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet made payment of a fee of £300,000, adjusted annually per the UK Retail Price index, each year for five years (or until the expiry of the longest subsisting restriction, whichever is later). All of the obligations in the Comfort Letter have now expired and no further payments will be made under it.

The amounts included in the income statement, within Other Costs, for these items were as follows:

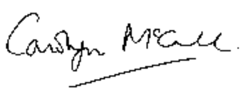
	2016 £ million	2015 £ million
Annual royalty	11.7	11.7
Brand protection (legal fees paid through easyGroup to third parties)	1.0	0.9
Comfort letter agreement with Sir Stelios Haji-Ioannou	–	0.3
	12.7	12.9

At 30 September 2016, £nil million (2015: £1 million) of the above aggregate amount was included in trade and other payables.

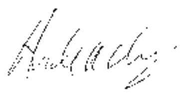
Company statement of financial position

	Notes	30 September 2016 £ million	30 September 2015 £ million
Non-current assets			
Investments in subsidiary undertakings	c	897	878
Current assets			
Amounts due from subsidiary undertakings		1,152	684
Derivative financial instruments with subsidiary undertakings	d	61	–
		1,213	684
Current liabilities			
Amounts due to subsidiary undertakings		(1)	(1)
Current tax payable		(12)	(6)
		(13)	(7)
Net current assets		1,200	677
Non-current liabilities			
Borrowings	e	(435)	–
Net assets		1,662	1,555
Shareholders' equity			
Share capital		108	108
Share premium		659	659
Retained earnings		895	788
		1,662	1,555

The accounts on pages 114 to 118 were approved by the Board of Directors and authorised for issue on 14 November 2016 and signed on behalf of the Board.



CAROLYN MCCALL DBE
Director



ANDREW FINDLAY
Director

Company statement of changes in equity

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2015	108	659	788	1,555
Total comprehensive income				
Profit for the year	–	–	307	307
Dividends paid	–	–	(219)	(219)
Share incentive schemes				
Movement in reserves for employee share schemes	–	–	19	19
At 30 September 2016	108	659	895	1,662

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2014	108	658	729	1,495
Total comprehensive income				
Profit for the year	–	–	221	221
Dividends paid	–	–	(180)	(180)
Share incentive schemes				
Proceeds from shares issued	–	1	–	1
Movement in reserves for employee share schemes	–	–	18	18
At 30 September 2015	108	659	788	1,555

An ordinary dividend in respect of the year ended 30 September 2016 of 53.8 pence per share or £214 million is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 55.2 pence per share, or £219 million in respect of the year ended 30 September 2015 was paid in the year ended 30 September 2016. An ordinary dividend of 45.4 pence per share, or £180 million, in respect of the year ended 30 September 2014 was paid in the year ended 30 September 2015.

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

Company statement of cash flows

	Notes	Year ended 30 September 2016 £ million	Year ended 30 September 2015 £ million
Cash flows from operating activities			
Cash used by operations (excluding dividends)	f	(54)	(35)
Interest received		19	15
Interest paid		(5)	–
Dividends received		259	199
Dividends paid		(219)	(180)
Net cash used by operating activities		–	(1)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		–	1
Proceeds from drawdown of bank loans and other borrowings		379	–
Movement in loans with subsidiary undertakings		(379)	–
Net cash generated from financing activities		–	1
Net movement in cash and cash equivalents		–	–
Cash and cash equivalents at beginning and end of year		–	–

Notes to the company accounts

a) Significant accounting policies

The significant accounting policies applied in the preparation of these Company accounts are the same as those set out in note 1 to the consolidated accounts with the addition of the following.

Investments

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

b) Income statement and statement of total comprehensive income

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement and statement of comprehensive income. The Company's profit for the year was £307 million (2015: £221 million). Included in this amount are dividends received of £259 million (2015: £199 million), which are recognised when the right to receive payment is established. The Company recognised no other income or expenses in either the current or prior year, other than the profit for each year.

The Company has eight employees at 30 September 2016 (2015: eight), however one employee left the Company's employment on 1 October 2016. These employees are the Non-Executive Directors of easyJet plc; their remuneration is paid by easyJet Airline Company Limited. The Executive Directors of easyJet plc are employed and paid by easyJet Airline Company Limited. Details of Directors' remuneration are disclosed in note 4 to the consolidated accounts and in the Directors' remuneration report on pages 60 to 75.

c) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2016 £ million	2015 £ million
At 1 October	878	309
Capital contributions to subsidiaries	19	18
Allotment and issue of shares by subsidiaries	–	551
At 30 September	897	878

A full list of Group companies are detailed below.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
easyJet Airline Company Limited	England and Wales	Airline operator	100
easyJet Switzerland S.A.	Switzerland	Airline operator	49
Dawn Licensing Holdings Limited	Malta	Holding company	100
Dawn Licensing Limited	Malta	Graphic design	100
easyJet Sterling Limited(1)	Cayman Islands	Aircraft trading and leasing	100
easyJet Leasing Limited(1)	Cayman Islands	Aircraft trading and leasing	100

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

The Company has a 49% interest in easyJet Switzerland S.A. with an option 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

On 9 February 2016, easyJet plc issued a €500 million Eurobond under the £3,000 million Euro Medium Term Programme guaranteed by easyJet Airline Company Limited. At the same time the Company entered into cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling floating rate exposure. For further details please refer to note 21 of the consolidated accounts.

e) Borrowings

	Current £ million	**Non-current £ million**	**Total £ million**
At 30 September 2016			
Eurobond	–	435	435

For further details please see the disclosures shown in note 14 to the consolidated accounts.

f) Reconciliation of profit for the year to cash used by operations

	2016 £ million	2015 £ million
Profit for the year	307	221
Adjustments for:		
Finance and other similar income	(16)	(15)
Unrealised foreign exchange differences	(45)	(12)
Tax charge	12	5
Dividends received	(259)	(199)
Operating cash flows before movement in working capital	(1)	–
Changes in working capital:		
Increase in amounts due from subsidiary undertakings	(50)	(35)
Increase in derivative financial instruments	(3)	–
	(54)	(35)

g) Guarantees and contingent liabilities

The Company has given a formal undertaking to the Civil Aviation Authority to guarantee the payment and discharge of all liabilities of easyJet Airline Company Limited, a subsidiary of the Company. The guarantee is required for that company to maintain its operating licence under Regulation 3 of the Licensing of Air Carriers Regulations 1992.

The Company has issued a guarantee in favour of easyJet Airline Company Limited, a subsidiary undertaking, in relation to the processing of credit card transactions, and also in respect of hedging transactions carried out according to treasury policy.

The Company has guaranteed the contractual obligations of easyJet Airline Company Limited and easyJet Leasing Limited, both subsidiary undertakings, in respect of its contractual obligations to Airbus SAS in respect of the supply of Airbus 320 family aircraft.

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

The Company has guaranteed certain letters of credit 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 2016 and 30 September 2015. The facility is due to mature in February 2021.

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.

On 9 February 2016 easyJet plc provided easyJet Airline Company Limited with a loan of £379 million. The loan is interest bearing, with an interest rate of LIBOR plus a margin. The loan is repayable within five working days of a written demand of repayment. At the same time easyJet plc entered into a cross-currency interest rate swap with easyJet Airline Company Limited, to convert €500 million with a fixed interest rate of 1.75% per annum to £379 million at a variable rate of LIBOR plus a margin, for a period consistent with the underlying loan.

On 18 October 2016 easyJet plc provided easyJet Airline Company Limited with a loan of €500 million. The loan is interest bearing, with a fixed interest rate of 1.125%. The loan is repayable within five working days of a written demand of repayment.

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

Five-year summary

	2016 £ million	2015 £ million	2014 £ million	2013 £ million	2012 £ million
Income statement					
Revenue	4,669	4,686	4,527	4,258	3,854
EBITDAR	770	940	823	711	531
Operating profit	498	688	581	497	331
Profit before tax	495	686	581	478	317
Profit for the year	427	548	450	398	255
Earnings per share (basic) – pence	108.4	139.1	114.5	101.3	62.5
Earnings per share (diluted) – pence	107.6	138.0	113.2	100.0	61.7
Ordinary dividend per share – pence	53.8	55.2	45.4	33.5	21.5
Special dividend per share – pence	–	–	–	44.1	–
Statement of financial position					
Non-current assets	4,051	3,549	3,221	2,964	2,968
Current assets	1,454	1,279	1,261	1,448	1,327
Current liabilities	(1,573)	(1,768)	(1,420)	(1,379)	(1,264)
Non-current liabilities	(1,220)	(811)	(890)	(1,016)	(1,237)
Net assets	2,712	2,249	2,172	2,017	1,794
Net cash					
Operating activities	387	609	394	616	261
Investing activities	(541)	(532)	(445)	(416)	(389)
Financing activities (excluding movements in borrowings and money market deposits)	(61)	(70)	(76)	439	(50)
Loan issue costs	1	–	(1)	(3)	(3)
Exchange gains/(losses)	(8)	6	(8)	(4)	7
Net (decrease)/increase in net cash	(222)	13	(136)	632	(174)
Key performance indicators					
Return on capital employed	14.6%	22.2%	20.5%	17.4%	11.3%
Net cash/(debt)	213	435	422	558	(74)
Profit before tax per seat (£)	6.20	9.15	8.12	7.03	4.81
Revenue per seat (£)	58.46	62.48	63.31	62.58	58.51
Cost per seat (£)	52.26	53.33	55.19	55.55	53.70
Cost per seat excluding fuel (£)	38.31	37.35	37.70	38.17	36.25
Seats flown (millions)	79.9	75.0	71.5	68.0	65.9

Glossary

Adjusted capital employed	Capital employed plus seven times operating lease costs incurred in the year.
Adjusted net cash/debt	Net cash/debt less seven times operating lease costs incurred in the year.
Aircraft dry / wet leasing	Payments to lessors under dry leasing arrangements relate solely to the provision of an aircraft. Payments to lessors under wet leasing arrangements relate to the provision of aircraft, crew, maintenance and insurance.
Aircraft owned/leased at end of year	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Available seat kilometres (ASK)	Seats flown multiplied by the number of kilometres flown.
Average adjusted capital employed	The average of opening and closing capital employed.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capital employed	Shareholders' equity less net cash/debt.
Cost per ASK	Revenue less profit before tax, divided by available seat kilometres.
Cost per seat	Revenue less profit before tax, divided by seats flown.
Cost per seat, excluding fuel	Revenue, less profit before tax, plus fuel costs, divided by seats flown.
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, aircraft dry leasing costs, and profit or loss on disposal of aircraft held for sale.
Gearing	Adjusted net cash/debt divided by the sum of shareholders' equity and adjusted net cash/debt.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.
Net cash/debt	Total cash less borrowings. (Cash includes money market deposits but excludes restricted cash).
Normalised operating profit after tax	Reported operating profit adjusted for one-third of operating lease costs incurred in the year, less tax at the prevailing UK corporation tax rate at the end of the financial year.
Operated aircraft utilisation	Average number of block hours per day per aircraft operated.
Other costs	Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property, plant and equipment.
Passengers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Profit before tax per seat	Profit before tax divided by seats flown.
Revenue	The sum of seat revenue and non-seat revenue.
Revenue passenger kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers were flown.
Revenue per ASK	Revenue divided by available seat kilometres.
Revenue per seat	Revenue divided by seats flown.
ROCE	Return on capital employed.
ROCE (excluding lease adjustments)	Operating profit, less tax at the prevailing UK corporation tax rate at the end of the financial year, divided by average capital employed.
ROCE (including lease adjustments)	Normalised operating profit after tax divided by average adjusted capital employed.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight.

WE'D LIKE TO THANK EVERYONE WHO HAS HELPED TO PRODUCE THIS REPORT:

Paul Ablin, Charlotte Allin, Adèle Anderson, Michael Barker, Meena Bhatia-Ahir, Maxwell Bruce, Gail Butler, Phil Chastell, Rob Denham, Peter Duffy, Andrew Findlay, James Fisher, Matt Garner, Bill Gosbee, Pallavi Ghosh, Michael Hargitay, Mike Hirst, Stuart Knapp, Mark Johnston, Sarah Kayser, Nick Kennedy, Monika Kuznik, Brian Madiyiko, Carolyn McCall DBE, Jo Merchant, Tom Minion, Paul Moore, Stuart Morgan, Kyla Mullins, Matthew Newman, Emma Papworth, Mark Ramsden, Mary Robertson, Zarina Sabir, Ben Souter, Ian Southerland, Hayley Thomas, Claire Walker, Geoff Want, Charlotte Warner, Charles Whitehouse and all of our employees across the network.

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