

# easyJet plc

## Results for the year ending 30 September 2017

*easyJet delivers robust performance, demonstrating strong cost control with enhanced network position and customer proposition*

### Summary

#### **Investing in number one and number two positions**

- Record number of passengers at 80.2 million, up 9.7% year on year, with record load factor at 92.6% (2016: 91.6%), reflecting easyJet's strong network positions and customer proposition
- Capacity grew by 8.5% to over 86.7 million seats, as easyJet continued its strategy of purposeful investment with a focus on number one and two market positions at Europe's leading airports
- Total revenue of £5,047 million, up 8.1%, with revenue per seat broadly flat year on year (-0.4%) at £58.23, reflecting a currency benefit, strong ancillary revenue<sup>1</sup> and increased load factors, alleviating ticket pricing pressures
- 98% of easyJet capacity touches a number one or number two airport

#### **Rigorous cost control**

- Strong cost control, driven by increasing benefits of scale and stronger network positions, along with Lean savings of £85 million offsetting inflationary pressure in the market
- Headline cost per seat excluding fuel at constant currency<sup>2</sup> increased by 0.9% to £38.69, in line with guidance, with the investment in resilience representing an increase of 0.7% of that increase, as well as the impact of continued high levels of disruption. Headline cost per seat at constant currency decreased by 4.4% to £49.96 due to the benefit of a lower hedged fuel price. Headline cost per seat increased 2.4% to £53.52 mainly as a result of negative currency effects
- Financial year 2017 headline cost per seat, excluding fuel and disruption, at constant currency is marginally lower than 2015 financial year

#### **Resilient business model**

- Headline profit before tax of £408 million, demonstrating the resilience of easyJet's business model, despite an adverse headline currency impact of £101 million
- Business model underpinned by strong balance sheet and net cash position of £357 million, with industry leading credit ratings from S&P and Moody's
- Reported profit before tax of £385 million, after non-headline costs of £23 million mainly relating to sale and leaseback charges
- Dividend proposed of 40.9 pence per share, in line with the Company's increased payout policy of 50% of headline profit after tax. The dividend is expected to be paid on 23 March 2018, with a record date on 2 March 2018, subject to shareholder approval at the Annual General Meeting.

## **Air Berlin acquisition**

- In October easyJet announced an agreement to acquire part of Air Berlin's operations at Berlin Tegel airport for a purchase consideration of €40 million, subject to antitrust and regulatory approvals. The acquisition, which is expected to close in December 2017, will result in easyJet entering into leases for up to 25 A320 aircraft, offering employment to up to 1,000 former Air Berlin crews and taking over other assets including slots. The purchase price excludes start-up and transitional operating costs
- Alongside its existing base at Berlin Schönefeld this will establish easyJet as the leading short-haul airline in Berlin
- Based on current assumptions, easyJet expects to incur headline losses of around £60 million on its activities at Tegel in 2018 financial year, as it starts up operations in January 2018 using wet lease aircraft with initially lower loads and yields. In addition, one-off non-headline costs associated with the transaction are expected in the 2018 financial year of around £100 million. These costs represent the parallel ramp up of a dry lease operation, including fleet conversion and staff recruitment and training costs, as well as transaction costs
- The transaction is expected to be earnings accretive by 2019 financial year

## **Outlook**

- easyJet will continue its strategy of purposeful investment to drive profitable growth to secure leading positions at primary airports, increasing returns over the long-term. easyJet plans to grow capacity by around 6% for the 2018 financial year, excluding any prospective Air Berlin capacity
- Forward bookings are ahead of last year at 88% for the first quarter and 26% for the second quarter
- Revenue trends in the first quarter have been encouraging, primarily as a result of some capacity leaving the market. Revenue per seat growth at constant currency in the first quarter is now expected to be positive by low to mid-single digits and reflects a degree of short-term benefit as well as underlying improvement. Revenue per seat growth at constant currency in the first half is also currently expected to be positive by low to mid-single digits including the move of Easter from the third quarter, excluding the impact of Air Berlin. Visibility for the second half of the financial year is very limited.
- Total headline cost per seat is expected to decrease by around 2% during the 12 months to 30 September 2018, excluding Air Berlin. Headline cost per seat excluding fuel and at constant currency (excluding Air Berlin) is expected to increase by up to 1% principally due to crew and ground handling cost inflation. Before the impact of acquisitions, easyJet remains on target to achieve its flat headline cost per seat target excluding fuel and at constant currency in 2019 vs 2015, assuming normal levels of disruption
- easyJet's policy of paying its dividend from headline profit after tax is expected to deliver dividend growth in 2018 financial year

On 10 November 2017 the Board announced the appointment of Johan Lundgren as its new CEO as replacement to Carolyn McCall. Johan was previously Group Deputy Chief Executive Officer of TUI

Group. He will be joining the Company on 1 December 2017, with Carolyn stepping down on 30 November.

	2017	2016 (restated*)	Change
Total revenue (£ million)	5,047	4,669	8.1%
Headline profit before tax (£ million)	408	494	(17.3%)
Headline pre-tax margin (%)	8.1	10.6	-2.5ppts
Headline basic earnings per share (pence)	82.5	108.4	(23.9%)
Proposed ordinary dividend per share (pence)	40.9	53.8	(24.0%)
Total profit after tax (£ million)	305	437	(30.2%)
Total basic earnings per share (pence)	77.4	110.9	(30.2%)
Headline return on capital employed (%)	11.9	15.0	-3.1ppts

\* see note 1 to the accounts

**Commenting on the results, Carolyn McCall, easyJet Chief Executive said:**

*“easyJet delivered a robust performance during a difficult year for the aviation industry, flying a record 80 million passengers at our highest ever annual load factor of 92.6% whilst growing capacity by 8.5% and revenues by over 8.1% to more than £5 billion.*

*“Our planned approach of achieving number one or two positions at Europe’s leading airports, friendly and efficient customer service and a continuous focus on sustainable cost control has put easyJet at a strategic advantage during a period when there have been bankruptcies and some airlines have struggled operationally. easyJet’s model is resilient and sustainable and we now have a huge amount of positive momentum which will enable the airline to continue to grow profitably.*

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

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There will be an analyst presentation at 09:30am GMT on 21 November 2017 at Nomura, One Angel Lane, London, EC4R 3AB

A live webcast of the presentation will be available at <http://corporate.easyjet.com>

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## **Overview**

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

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

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

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

- the persisting low fuel price environment, resulting in high levels of market capacity growth (7.4% growth on easyJet's markets)
- an aggressive pricing environment which saw net ticket revenue per seat fall by 7.8% at constant currency
- ancillary revenue which grew by 17.8% to £986 million as high load factors and consumer-focused initiatives helped to offset ticket pricing pressures

- within this, non-seat revenue increased by 9.3% to £89 million, supported by strong inflight sales of easyJet's enhanced product offering

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

- fuel cost reduction of 19.2% per seat at constant currency
- lean initiatives in:
  - Airports and ground handling, leveraging easyJet's scale across the network
  - Engineering and maintenance savings in the supplier base
  - Reduced navigation charges
- up-gauging of fleet with the delivery of an additional 21 186-seat A320 and two A320neo aircraft and retrofitting of 49 existing 180-seat A320s to 186-seats

This helped to offset:

- a continued increase in the combined impact on cost from disruption of EU 261 claims and an increasingly congested European aviation infrastructure
- investment in resilience including an additional light aircraft in Milan Malpensa, additional spare parts distributed across the network and three wet leased aircraft to add flexibility in the schedule
- additional ownership and financing costs that were anticipated following investment in the long-term growth of the airline
- inflationary cost increases such as agreed crew deals and start-up costs related to the introduction of a new ground handling company, DHL, at Gatwick

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

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

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

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

- Following the successful award of its Air Operator Certificate (AOC) and airline operating licence in Austria, easyJet Europe airline will be operating with more than 10 aircraft by the end of 2017 and is in the process of registering more aircraft over the next 12 months

- A resolution will be proposed at easyJet's AGM to update easyJet's Articles of Association relating to shareholder ownership controls to ensure compliance with EU ownership requirements

### **Market environment**

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

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

### **Strategic progress**

easyJet is delivering through its six strategic pillars:

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

### **Purposeful investment to build strong number one and number two network positions**

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

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

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

number two positions into number one positions, as well as seeding new number one and two positions.

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

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

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

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

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

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

### ***United Kingdom***

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

### ***France***

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

### ***Italy***

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

### ***Switzerland***

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

### ***Germany***

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

### ***Netherlands***

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

### ***Portugal / Spain***

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

easyJet operates at 20 airports in Spain and serves over 150 routes. At 30 September 2017, the airline had seven aircraft based in Spain. In March, easyJet opened its first seasonal base in Palma de Mallorca, a major leisure destination with a focus on the summer market. This has been a major



success and has the potential to be replicated elsewhere. easyJet grew capacity in Spain by 13% in the year as it continued to build its presence at both Palma and its base in Barcelona.

### **A lean cost advantage**

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

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

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

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

Savings will be delivered in the following areas:

#### **Airport and ground handling**

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

#### **Maintenance and engineering**

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

#### **Crew**

- easyJet's business model of employing crew across Europe on local contracts delivers significant value in attracting and retaining high quality crew. The airline believes this is the best long-term and sustainable resourcing model in the markets it operates in. easyJet's

investment in this area has driven structural benefits including low crew turnover, at less than 4% for pilots, and a strong pipeline of pilots and crew

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

#### **Overhead and IT**

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

#### **Up-gauging and efficient fleet management**

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

#### **Fuel**

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

#### **Non-headline items**

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

- easyJet transacted the sale and leaseback of 10 aircraft in December 2016 to de-risk the exit from the business of the ageing A319 fleet. easyJet has incurred a non-cash charge of £16 million. Of this, £10 million relates to a loss on disposal, which reflects the timing of the transaction and the specific aircraft sold. A further £6 million relates to a one-off catch up in the maintenance provision due to the differences in accounting treatment between owned and leased aircraft. The proceeds of the transaction were US\$144 million and are reflected in the cash flow statement. The next tranche of 10 has now completed for proceeds of

US\$137 million, which will result in a non-headline charge of approximately £20 million in the 2018 financial year

- As a result of the UK's referendum vote to leave the European Union, easyJet has established an airline in Austria. This will secure the flying rights of the c.30% of the network that remains wholly within and between EU states, excluding the UK. This one-off cost, comprised mainly of aircraft registration costs, is expected to total up to £10 million over three years, with £2 million incurred in the 2017 financial year
- Expenses associated with implementing the organisational review in the 2017 financial year totalled £6 million. Approximately £3 million is expected in the final phase of this process in the 2018 financial year. Annualised savings are expected to be £15 million
- Balance sheet foreign exchange gains were £2 million and the fair value adjustment associated with the bond cross currency interest rate swap was a £1 million loss

### **Customer and operational excellence**

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

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

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

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

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

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

Over the last three years easyJet has been working with Gatwick airport to create its Airport of the Future at the North Terminal. This has seen the introduction of mobile hosting, which provides information on baggage and departure belts for 5.5 million customers, the introduction of the world's largest Autobag drop and upgrades to security resulting in reduced waiting times. Following these upgrades, queue times at manual bag drop desks have declined with 90% of our customers waiting less than 5 minutes. The North Terminal now processes 600 passengers per lane per hour, up from 170 last year. This has seen Customer Satisfaction scores for baggage drop wait time increase by 22ppts year on year. Autobag drop has been rolled out to six further airports in total since introduction at Gatwick.

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

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

### **Data and digital**

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

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

### ***Innovation and digital leadership***

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

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

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

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

### ***Loyalty and data***

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

million customers) and Switzerland (1.4 million customers), with strong increases also in France and Germany.

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

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

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

### **Enhance revenue growth**

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

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

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

### ***Business passengers***

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

With the proposition now well established, easyJet is evolving the product offering, to drive better distribution and reduce costs. This year negotiations with GDS partners helped to drive costs savings over one million pounds.

### ***Additional revenue streams***

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

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

### **The best people**

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

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

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

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

### **Capital allocation and fleet**

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

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

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

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

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

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

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

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



Standard & Poor's have both recently reaffirmed their industry leading ratings of BBB+ and Baa1 respectively.

Based on current plans<sup>7</sup>, including the recently agreed changes to include A321neo aircraft, capital expenditure for the next three years is as follows:

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

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

### **Hedging positions**

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

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

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 31 March 2018	82%	80%	71%	83%
Average rate	\$512 / metric tonne	\$1.36	€1.25	CHF 1.34
Full year ending 30 September 2018	75%	73%	73%	80%
Average rate	\$514 / metric tonne	\$1.36	€1.24	CHF 1.31
Full year ending 30 September 2019	45%	47%	51%	47%
Average rate	\$533 / metric tonne	\$1.30	€1.13	CHF1.22

### **Brexit plans and share ownership**

In July easyJet announced that it had established a new airline, easyJet Europe, which is headquartered in Vienna and will enable easyJet to continue to operate flights both across Europe and domestically within European countries after the UK has left the EU (regardless of the outcome of talks on a future UK-EU aviation agreement). The new structure means that easyJet will become a pan European airline group with three airlines based in the UK, Switzerland and Austria. All of these will be owned by easyJet plc which itself will be EU owned and controlled, listed on the London Stock Exchange and based in the UK.

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

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

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

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

### **Air Berlin acquisition**

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

This agreement is consistent with easyJet's strategy of purposeful investment in strong number one positions in Europe's leading airports (or number two to a legacy incumbent). This will enable

easyJet to operate the leading short-haul network at Tegel connecting passengers to and from destinations across Germany and the rest of Europe. This is in addition to easyJet's existing base at Berlin Schönefeld and would mean that easyJet would be the leading airline in Berlin.

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

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

### **Outlook**

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

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

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

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

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

The total expected headline foreign exchange<sup>7</sup> impact for the year to 30 September 2018 is expected to be a headwind of around £5 million.

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

### **Footnotes**

<sup>1</sup> Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, and also includes non-seat revenue which arises from commissions earned from services sold on behalf of partners and inflight sales

<sup>2</sup> Constant currency is calculated by comparing 2017 financial period performance translated at the 2016 financial period effective exchange rate to the 2016 financial period reported performance, excluding foreign exchange gains and losses on balance sheet revaluations

<sup>3</sup> Excludes restricted cash

<sup>4</sup> Headline return on capital employed shown adjusted for leases with leases capitalised at 7 times

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

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

<sup>7</sup> US\$ to £ Sterling 1.32, Euro to £ Sterling 1.12, Swiss Franc to £ Sterling 1.31. Currency, capital expenditure and fuel increases are shown net of hedging impact

## OUR FINANCIAL RESULTS

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

### Financial overview

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

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

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

the annualisation of reduced navigation charges, savings obtained from airport lean initiatives, engineering and maintenance savings such as the component supply contract and the up-gauging of fleet as easyJet continues to move from A319s to A320s.

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

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

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

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

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

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

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

### Earnings per share and dividends per share

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

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

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

### Return on capital employed (ROCE)

	<b>2017</b>	2016 (restated)	Change
Headline ROCE	<b>11.9%</b>	15.0%	(3.1ppt)
Total ROCE	<b>11.3%</b>	15.2%	(3.9ppt)

Headline ROCE for the year was 11.9%, a decline of 3.1 percentage points on the restated prior year. The decrease in ROCE was due to the decrease in headline profit for the year and a 11.1% increase in the average adjusted capital employed including lease adjustments, primarily due to the acquisition of 23 aircraft during the year. The ROCE calculation excludes borrowings, cash and money market deposits and includes an adjustment for the capital implicit in aircraft operating lease arrangements. The adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven.

### Exchange rates

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

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

### Average exchange rates

	2017	2016
Euro - revenue	€1.19	€1.28
Euro - costs	€1.15	€1.27
US dollar	\$1.46	\$1.58
Swiss franc	CHF 1.38	CHF 1.51

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

### Headline

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

### Non-headline

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

### Financial performance

## Revenue

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

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

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

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

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

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

## Headline costs excluding fuel

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

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

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

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

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

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

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

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

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

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

#### Fuel

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

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

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

#### Non-headline items

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

	2017			2016		
	£ million	£ per seat	pence per ASK	£ million	£ per seat	pence per ASK



Sale and leaseback charge	(16)	(0.18)	(0.02)	-	-	-
Organisational review	(6)	(0.07)	(0.01)	(1)	(0.01)	-
Air Operator Certificate	(2)	(0.02)	-	(1)	-	-
Maintenance reserves discounting	-	-	-	8	0.10	0.01
Balance sheet foreign exchange gain	2	0.02	-	3	0.04	-
Fair value adjustment	(1)	(0.01)	-	4	0.04	0.01
<b>Non-headline (charge)/credit before tax</b>	<b>(23)</b>	<b>(0.26)</b>	<b>(0.03)</b>	<b>13</b>	<b>0.17</b>	<b>0.02</b>

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

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

## Net cash and financial position

### Summary net cash reconciliation

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

Net cash at 30 September 2017 was £357 million (2016: £213 million) and comprised cash (excluding restricted cash) and money market deposits of £1,328 million (2016: £969 million) and borrowings of

£971 million (2016: £756 million). After allowing for the impact of aircraft operating leases (seven times operating lease costs incurred in the year), adjusted net debt decreased by £11 million to £413 million.

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

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

## Summary consolidated statement of financial position

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

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

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

## Key statistics

	2017	2016 (restated)	Increase/ (decrease)
<b>Operating measures</b>			
Seats flown (millions)	86.7	79.9	8.5%
Passengers (millions)	80.2	73.1	9.7%
Load factor	92.6%	91.6%	1.0ppt
Available seat kilometres (ASK) (millions)	95,792	87,724	9.2%
Revenue passenger kilometres (RPK) (millions)	89,685	81,496	10.0%
Average sector length (kilometres)	1,105	1,098	0.6%
Sectors	516,902	482,110	7.2%
Block hours	1,009,572	934,223	8.1%
Number of aircraft owned/leased at end of year	279	257	8.6%
Average number of aircraft owned/leased during year	267.3	248.7	7.5%
Number of aircraft operated at end of year	270	249	8.4%
Average number of aircraft operated during year	253.2	234.6	7.9%
Operated aircraft utilisation (hours per day)	10.9	10.9	0.4%
Owned aircraft utilisation (hours per day)	10.3	10.3	0.8%
Number of routes operated at end of year	862	803	7.3%
Number of airports served at end of year	138	132	4.5%
<b>Financial measures</b>			
Headline return on capital employed	11.9%	15.0%	(3.1ppt)
Liquidity per 100 seats (£m)	3.6	3.2	12.5%
Total profit before tax per seat (£)	4.45	6.35	(30.0%)
Headline profit before tax per seat (£)	4.71	6.18	(23.8%)
Total profit before tax per ASK (pence)	0.40	0.58	(30.4%)
Headline profit before tax per ASK (pence)	0.43	0.56	(24.3%)
<b>Revenue</b>			
Revenue per seat (£)	58.23	58.46	(0.4%)
Revenue per seat at constant currency (£)	55.83	58.46	(4.5%)
Revenue per ASK (pence)	5.27	5.32	(1.0%)
Revenue per ASK at constant currency (pence)	5.05	5.32	(5.1%)
<b>Costs</b>			
<b>Per seat measures</b>			
Headline cost per seat (£)	53.52	52.28	2.4%
Non-headline cost per seat (£)	0.26	(0.17)	260.7%
Headline cost per seat excluding fuel (£)	41.27	38.33	7.7%
Headline cost per seat excluding fuel at constant currency (£)	38.69	38.33	0.9%
Headline operating cost per seat (£)	49.77	48.89	1.8%
Headline operating cost per seat excluding fuel (£)	37.52	34.94	7.4%
Headline operating cost per seat excluding fuel at constant currency (£)	35.08	34.94	0.4%
Headline ownership cost per seat (£)	3.75	3.39	10.8%
<b>Per ASK measures</b>			
Headline cost per ASK (pence)	4.84	4.76	1.8%
Non-headline cost per ASK (pence)	0.03	(0.02)	259.7%
Headline cost per ASK excluding fuel (pence)	3.73	3.49	7.0%
Headline cost per ASK excluding fuel at constant currency (pence)	3.50	3.49	0.3%
Headline operating cost per ASK (pence)	4.50	4.45	1.2%
Headline operating cost per ASK excluding fuel (pence)	3.39	3.18	6.7%
Headline operating cost per ASK excluding fuel at constant currency (pence)	3.17	3.18	(0.2%)
Headline ownership cost per ASK (pence)	0.34	0.31	10.1%

## Consolidated Income Statement

	Year ended 30 September						
		2017	2017	2017	2016	2016	2016
	Notes	Headline £ million	Non- headline (note 4) £ million	Total £ million	Headline £ million (restated)	Non- headline (note 4) £ million (restated)	Total £ million (restated)
Seat revenue		4,958	-	4,958	4,587	-	4,587
Non-seat revenue		89	-	89	82	-	82
<b>Total revenue</b>		<b>5,047</b>	<b>-</b>	<b>5,047</b>	<b>4,669</b>	<b>-</b>	<b>4,669</b>
Fuel		(1,062)	-	(1,062)	(1,114)	-	(1,114)
Airports and ground handling		(1,465)	-	(1,465)	(1,267)	-	(1,267)
Crew		(645)	-	(645)	(542)	-	(542)
Navigation		(381)	-	(381)	(336)	-	(336)
Maintenance		(268)	(6)	(274)	(245)	8	(237)
Selling and marketing		(122)	-	(122)	(107)	-	(107)
Other costs		(371)	(18)	(389)	(294)	(2)	(296)
<b>EBITDAR</b>		<b>733</b>	<b>(24)</b>	<b>709</b>	<b>764</b>	<b>6</b>	<b>770</b>
Aircraft dry leasing		(110)	-	(110)	(91)	-	(91)
Depreciation	8	(181)	-	(181)	(157)	-	(157)
Amortisation of intangible assets		(14)	-	(14)	(12)	-	(12)
<b>Operating profit/(loss)</b>		<b>428</b>	<b>(24)</b>	<b>404</b>	<b>504</b>	<b>6</b>	<b>510</b>
Interest receivable and other financing income	3	8	2	10	7	3	10
Interest payable and other financing charges	3	(28)	(1)	(29)	(17)	4	(13)
Net finance (charges)/income		(20)	1	(19)	(10)	7	(3)
<b>Profit/(loss) before tax</b>		<b>408</b>	<b>(23)</b>	<b>385</b>	<b>494</b>	<b>13</b>	<b>507</b>
Tax (charge)/credit	5	(83)	3	(80)	(67)	(3)	(70)
<b>Profit/(loss) for the year</b>		<b>325</b>	<b>(20)</b>	<b>305</b>	<b>427</b>	<b>10</b>	<b>437</b>
<b>Earnings per share, pence</b>							
Basic	6			77.4			110.9
Diluted	6			76.8			110.1

## Consolidated Statement of Comprehensive Income

		Year ended <b>30</b> <b>September</b> <b>2017</b>	Year ended 30 September 2016 (restated)
	Notes	£ million	£ million
<b>Profit for the year</b>		<b>305</b>	437
<b>Other comprehensive income/(expense)</b>			
Cash flow hedges			
Fair value gains in the year		<b>28</b>	10
Losses transferred to income statement		<b>97</b>	347
Gains transferred to property, plant and equipment		<b>(107)</b>	(28)
Related tax charge	5	<b>(4)</b>	(66)
		<b>14</b>	263
<b>Total comprehensive income for the year</b>		<b>319</b>	700

## Consolidated Statement of Financial Position

		30 September 2017	30 September 2016 (restated)
	Notes	£ million	£ million
<b>Non-current assets</b>			
Goodwill		365	365
Other intangible assets		179	152
Property, plant and equipment	8	3,525	3,252
Derivative financial instruments		87	154
Restricted cash		7	7
Other non-current assets		74	112
		<b>4,237</b>	4,042
<b>Current assets</b>			
Trade and other receivables		275	205
Derivative financial instruments		131	268
Money market deposits		617	255
Cash and cash equivalents		711	714
		<b>1,734</b>	1,442
<b>Current liabilities</b>			
Trade and other payables		(714)	(565)
Unearned revenue		(727)	(568)
Borrowings		(8)	(92)
Derivative financial instruments		(82)	(275)
Current tax payable		(35)	(16)
Provisions for liabilities and charges		(104)	(53)
		<b>(1,670)</b>	(1,569)
<b>Net current assets/(liabilities)</b>		<b>64</b>	(127)
<b>Non-current liabilities</b>			
Borrowings		(963)	(664)
Derivative financial instruments		(44)	(49)
Non-current deferred income		(25)	(36)
Provisions for liabilities and charges		(218)	(235)
Deferred tax		(249)	(237)
		<b>(1,499)</b>	(1,221)
<b>Net assets</b>		<b>2,802</b>	2,694
<b>Shareholders' equity</b>			
Share capital		108	108
Share premium		659	659
Hedging reserve		38	24
Translation reserve		1	1
Retained earnings		1,996	1,902
		<b>2,802</b>	2,694

## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings (restated)	Total
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2016	108	659	24	1	1,920	2,712
Effect of change in accounting policy	-	-	-	-	(18)	(18)
<b>Restated balance at 1 October 2016</b>	<b>108</b>	<b>659</b>	<b>24</b>	<b>1</b>	<b>1,902</b>	<b>2,694</b>
Total comprehensive income	-	-	14	-	305	319
Dividends paid (note 7)	-	-	-	-	(214)	(214)
Value of employee services	-	-	-	-	13	13
Related tax	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	(10)	(10)
<b>At 30 September 2017</b>	<b>108</b>	<b>659</b>	<b>38</b>	<b>1</b>	<b>1,996</b>	<b>2,802</b>

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings (restated)	Total
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2015	108	659	(239)	1	1,720	2,249
Effect of change in accounting policy	-	-	-	-	(28)	(28)
<b>Restated balance at 1 October 2015</b>	<b>108</b>	<b>659</b>	<b>(239)</b>	<b>1</b>	<b>1,692</b>	<b>2,221</b>
Total comprehensive income	-	-	263	-	437	700
Dividends paid (note 7)	-	-	-	-	(219)	(219)
Value of employee services	-	-	-	-	19	19
Related tax	-	-	-	-	(5)	(5)
Purchase of own shares	-	-	-	-	(22)	(22)
<b>At 30 September 2016</b>	<b>108</b>	<b>659</b>	<b>24</b>	<b>1</b>	<b>1,902</b>	<b>2,694</b>

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

		Year ended 30 September 2017	Year ended 30 September 2016  (restated)
	Notes	£ million	£ million
<b>Cash flows from operating activities</b>			
Cash generated from operations	9	949	724
Ordinary dividends paid	7	(214)	(219)
Net interest and other financing charges paid		(30)	(26)
Interest and other financing income received		9	7
Net tax paid		(51)	(99)
<b>Net cash generated from operating activities</b>		<b>663</b>	<b>387</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(586)	(549)
Purchase of intangible assets		(44)	(37)
Net (increase)/decrease in money market deposits	10	(363)	45
Net proceeds from sale and operating leaseback of aircraft		115	-
<b>Net cash used by investing activities</b>		<b>(878)</b>	<b>(541)</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares for employee share schemes		(10)	(22)
Proceeds from Eurobond issue	10	451	379
Repayment of bank loans and other borrowings	10	(220)	(142)
Repayment of capital element of finance leases	10	(7)	(98)
Net decrease in restricted cash		-	6
<b>Net cash generated from financing activities</b>		<b>214</b>	<b>123</b>
Effect of exchange rate changes		(2)	95
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3)</b>	<b>64</b>
Cash and cash equivalents at beginning of year		714	650
<b>Cash and cash equivalents at end of year</b>		<b>711</b>	<b>714</b>

# Notes to the Accounts

## 1. Significant accounting policies

### Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Conduct Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2017 but is extracted from the 2017 Annual report and accounts.

The Annual report and accounts for 2016 has been delivered to the Registrar of Companies.

The Annual report and accounts for 2017 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

### Changes in accounting policies

During the year, a change was made to the accounting policy in respect of the presentation of headline and non-headline items (see Critical accounting judgements and estimates section). This provides a relevant and reliable measure for assessing the underlying trading performance of the business by identifying material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This presentational change has been made for the first time in the current year, and the comparative financial statements have been restated.

Where an aircraft is sold and leased back, other than when first delivered to easyJet, a liability to undertake future maintenance activities, resulting from past flying activity, arises at the point the lease agreement is signed. Historically this liability has been treated as part of the surplus or shortfall arising on the sale and leaseback and recognised in either deferred income or non-current or current assets as appropriate and amortised in the income statement on a straight-line basis over the expected lease term.

During the year, the accounting policy was changed to recognise the initial maintenance provision catch-up on sale and leasebacks immediately in the income statement. The new accounting policy will result in a more relevant and reliable accounting treatment which better reflects the economics of the lease arrangements.

This change requires a restatement of previous financial statements.

The following table sets out the adjustments made to certain selected line items of the previously reported comparative amounts as a result of the change to the initial maintenance provision catch-up on sale and leasebacks accounting policy.

Impacted lines	Year ended 30 September 2016	
	As reported	As restated
	£ million	£ million
<b>Statement of financial position</b>		
Other non-current assets	121	112
Trade and other receivables	217	205
Trade and other payables	(564)	(565)
Current tax payable	(21)	(16)

Non-current deferred income	(35)	(36)
Net assets	2,712	2,694
Shareholders' equity - retained earnings	1,920	1,902
<b>Income statement</b>		
Aircraft dry leasing	(103)	(91)
Operating profit	498	510
Profit before tax	495	507
Tax charge	(68)	(70)
Profit for the period	427	437
Earnings per share (pence)		
Basic	108.4	110.9
Diluted	107.6	110.1
<b>Statement of changes in equity</b>		
Retained earnings at 1 October 2015	1,720	1,692
Result for the period	427	437
Retained earnings at 30 September 2016	1,920	1,902

## 2. Critical accounting judgements and estimates

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and presented in the financial statements.

### Classification of operating and financing leases

Management exercises judgement in determining the classification of leases as either finance or operating leases in nature at inception of the lease. Management considers the likelihood of exercising break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the aircraft, the lease is classified as a finance lease. All other leases are classified as operating leases.

### Classification of income or expenses between headline and non-headline items

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'headline' and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'non-headline' items.

Non-headline items may include impairments, amounts relating to acquisitions and disposals, expenditure on major restructuring programmes, litigation and insurance settlements, balance sheet exchange gains or losses, the income or expense resulting from the initial recognition of sale and lease back transactions, fair value adjustments on financial instruments and other particularly significant or unusual non-recurring items. Items relating to the normal trading performance of the business will always be included within the headline performance.

Judgement is required in determining the classification of items between headline and non-headline.

### Consolidation of easyJet Switzerland

Judgement has been applied in consolidating easyJet Switzerland S.A. as a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A non-controlling interest has not been reflected in the consolidated accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a pre-determined minimal consideration.

The following three critical accounting estimates involve a higher degree of judgement or complexity, or are areas where assumptions are significant to the financial statements:

#### Aircraft maintenance provisions - £284 million

easyJet incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, easyJet will also normally need to carry out one heavy maintenance check on each of the engines and the airframe during the lease term.

A charge is made in the income statement, based on hours or cycles flown, to provide for the cost of these obligations. The most critical estimates required are considered to be the utilisation of the aircraft, the expected costs of the heavy maintenance checks at the time which they are expected to occur, the condition of the aircraft, the lifespan of life-limited parts and the rate used to discount the provision.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services.

#### Other provisions - £38 million

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Estimates include passenger claim rates, the value of claims made and the period of time over which claims will be made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

#### Goodwill and landing rights - £459 million

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network.

The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of key estimates including its ability to meet its strategic plans, future fuel prices and exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Both fuel price and exchange rates are volatile in nature, and the assumptions used are sensitive to significant changes in these rates.

### 3. Net finance charges

	2017	2016
	£ million	£ million
Interest receivable and other financing income		
Interest income	(6)	(4)
Dividend income	(2)	(3)
Net exchange gains on monetary assets and liabilities	(2)	(3)
	(10)	(10)
Interest payable and other financing charges		

Interest payable on bank and other borrowings	20	8
Interest payable on finance lease obligations	4	4
Other interest payable	5	1
	29	13
Net finance charges	19	3

#### 4. Non-headline items

An analysis of the amounts presented as non-headline is given below:

	Year ended 30 September 2017 £ million	Year ended 30 September 2016 £ million
Sale and leaseback charge	16	-
Organisational review	6	1
Air Operator Certificate (AOC)	2	1
Maintenance reserves discounting	-	(8)
<b>Recognised in operating profit</b>	<b>24</b>	<b>(6)</b>
Balance sheet foreign exchange gain	(2)	(3)
Fair value adjustment	1	(4)
<b>Total non-headline charge/(credit) before tax</b>	<b>23</b>	<b>(13)</b>
Tax (credit)/charge on non-headline items	(3)	3
<b>Total non-headline charge/(credit) after tax</b>	<b>20</b>	<b>(10)</b>

#### Sale and leaseback charge

The sale and leaseback of the Group's 10 oldest A319 aircraft resulted in a loss on disposal of the assets of £10 million, recognised within other costs in the income statement, and a £6 million maintenance provision catch-up charged immediately to the income statement upon entering the lease, within maintenance costs.

#### Organisational review

The implementation of an organisational review has resulted in costs of £6 million, which have been recognised in other costs within the income statement. This programme, which involves redundancy costs and associated third party adviser fees, is considered a material non-recurring item by virtue of the estimated size of the whole programme.

#### Air Operator Certificate (AOC)

Following the UK's referendum vote to leave the European Union (EU), easyJet is in the process of establishing a multi-AOC post-Brexit structure, which included the set-up of European AOC, based in Austria, in July 2017. The EU AOC helps secure future flying rights for the 30% of easyJet's network which remains wholly within and between EU member states. For the year ended 30 September 2017 the Group incurred £2 million, primarily comprising set up costs; which has been recognised in other costs within the income statement.

#### Maintenance reserves discounting

In the year ended 30 September 2016 the maintenance provision was discounted for the first time, reflecting the time value of money. The discount applied generated a cumulative one-off non-headline income statement credit of £8 million. In the year ended 30 September 2017 and for future periods the impact of discounting will be reported as a headline item.

#### Balance sheet foreign exchange gain

Foreign exchange gains or losses arising from the retranslation of foreign currency monetary assets and liabilities held in the statement of financial position resulted in a gain of £2 million, recognised within interest in the income statement.

#### Fair value adjustment

A £1 million charge was recognised relating to fair value adjustments associated with the cross-currency interest rate swaps put in place to hedge the bond issued in February 2016.

#### 5. Tax charge

Tax on profit on ordinary activities

	2017	2016 (restated)
	£ million	£ million
<b>Current tax</b>		
United Kingdom corporation tax	67	79
Foreign tax	5	4
Prior year adjustments	-	(2)
<b>Total current tax charge</b>	<b>72</b>	<b>81</b>
<b>Deferred tax</b>		
Temporary differences relating to property, plant and equipment	6	23
Other temporary differences	-	(1)
Prior year adjustments	3	3
Change in tax rate from financial year 2018 to 19% (2016: 20%)	-	(14)
Change in tax rate from financial year 2020 to 17%	-	(22)
Attributable to rates other than the standard UK rate	(1)	-
<b>Total deferred tax charge / (credit)</b>	<b>8</b>	<b>(11)</b>
<b>Total tax charge</b>	<b>80</b>	<b>70</b>
<b>Effective tax rate</b>	<b>20.8%</b>	<b>13.8%</b>

Current tax payable at 30 September 2017 amounted to £35 million (2016 (restated): £16 million. See note 1.). This related to £38 million (2016 (restated): £19 million) of tax payable in the UK and £3 million (2016: £3 million) to tax recoverable in other European countries.

During the year ended 30 September 2017, net cash tax paid amounted to £51 million (2016: £99 million).

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

	2017	2016
	£ million	£ million
<b>Charge to other comprehensive income</b>		
Deferred tax on change in fair value of cash flow hedges	(4)	(66)
<b>Credit/(Charge) to shareholders' equity</b>		
Current tax credit on share-based payments	-	1
Deferred tax charge on share-based payments	-	(6)
	-	(5)

#### 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.

Headline basic and diluted earnings per share are also presented, based on headline profit for the year.

Earnings per share is based on:

	<b>2017</b>	2016 (restated)
	<b>£ million</b>	£ million
Headline profit for the year	<b>325</b>	427
Total profit for the year	<b>305</b>	437

  

	<b>2017</b>	2016
	<b>million</b>	million
Weighted average number of ordinary shares used to calculate basic earnings per share	<b>394</b>	394
Weighted average number of dilutive potential shares	<b>3</b>	3
Weighted average number of ordinary shares used to calculate diluted earnings per share	<b>397</b>	397

  

	<b>2017</b>	2016 (restated)
	<b>pence</b>	pence
<b>Earnings per share</b>		
Basic	<b>77.4</b>	110.9
Diluted	<b>76.8</b>	110.1

  

	<b>2017</b>	2016
	<b>pence</b>	pence
<b>Headline earnings per share</b>		
Basic	<b>82.5</b>	108.4
Diluted	<b>81.9</b>	107.6

## 7. Dividends

An ordinary dividend in respect of the year ended 30 September 2017 of 40.9 pence per share, or £162 million based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 53.8 pence per share, or £214 million, in respect of the year ended 30 September 2016 was paid in the year ending 30 September 2017. An ordinary dividend of 55.2 pence per share, or £219 million, in respect of the year ended 30 September 2015 was paid in the year ended 30 September 2016.

## 8. Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
<b>Cost</b>			
At 1 October 2016	3,971	63	4,034
Additions	584	2	586
Aircraft sold and leased back under operating leases	(186)	-	(186)
Transfer to maintenance provision	(6)	-	(6)
Disposals	(18)	(5)	(23)
<b>At 30 September 2017</b>	<b>4,345</b>	<b>60</b>	<b>4,405</b>
<b>Depreciation</b>			
At 30 September 2017	763	19	782
Charge for the year	176	5	181
Aircraft sold and leased back under operating leases	(61)	-	(61)
Disposals	(17)	(5)	(22)
<b>At 30 September 2017</b>	<b>861</b>	<b>19</b>	<b>880</b>
<b>Net book value</b>			
<b>At 30 September 2017</b>	<b>3,484</b>	<b>41</b>	<b>3,525</b>
At 1 October 2016	3,208	44	3,252

The net book value of aircraft includes £300 million (2016: £280 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £nil million (2016: £381 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £77 million (2016: £76 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 143 (2016: 166) Airbus A320 family aircraft, with a total list price of US\$14.0 billion (2016: US\$14.8 billion) before escalations and discounts for delivery in financial years 2018 (36 aircraft), in 2019 (21 aircraft), in 2020 (23 aircraft), in 2021 (35 aircraft) and in 2022 (28 aircraft).

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

## 9. Reconciliation of operating profit to cash generated from operations

	2017 £ million	2016 (restated) £ million
Operating profit	404	510
<b>Adjustments for non-cash items:</b>		
Depreciation	181	157
Loss on disposal of property, plant and equipment	4	3
Loss on sale and leaseback	10	-
Amortisation of intangible assets	14	12
Share-based payments	13	19
Other	(2)	-

**Changes in working capital and other items of an operating nature:**



(Increase) / decrease in trade and other receivables	(74)	8
Increase in trade and other payables	147	44
Increase / (decrease) in unearned revenue	159	(51)
Increase in provisions	44	44
Decrease / (increase) in other non-current assets	38	(3)
Increase / (decrease) in derivative financial instruments	22	(7)
Decrease in non-current deferred income	(11)	(12)
Cash generated from operations	949	724

## 10. Reconciliation of net cash flow to movement in net cash

	1 October 2016 £ million	Fair value and foreign exchange £ million	Loan issue costs capitalised £ million	Loan issue costs amortised £ million	Net cash flow £ million	Net cash flow £ million
Cash and cash equivalents	714	(2)	-	-	(1)	711
Money market deposits	255	(1)	-	-	363	617
	969	(3)	-	-	362	1,328
Eurobond	(435)	10	8	(2)	(451)	(870)
Bank loans	(210)	(10)	-	-	220	-
Finance lease obligations	(111)	3	-	-	7	(101)
	(756)	3	8	(2)	(224)	(971)
Net cash	213	-	8	(2)	138	357

## 11. Related party transactions

The Company licenses the easyJet brand from easyGroup Limited ('easyGroup'), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet's founder, Sir Stelios Haji-loannou, holds a beneficial controlling interest. The Haji-loannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, approximately 33% of the issued share capital of easyJet plc as at 30 September 2017.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet Plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup for a minimum term of 10 years. The full term of agreement is 50 years.

easyJet and easyGroup established a fund to meet the annual costs of protecting the 'easy' (and related marks) and the 'easyJet' brands. easyJet contributes up to £1 million per annum to this fund and easyGroup contributes £100,000 per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A side letter to the Brand Licence was entered with easyGroup, dated 29 September 2016, under which, in return for easyGroup consenting to easyJet acquiring a portion of the equity share capital in Founders Factory Limited, easyJet made a payment of £1.

The amounts included in the income statement, within Other Costs, for these items were as follows:

	2017 £ million	2016 £ million
Annual royalty	13	12
Brand protection (legal fees paid through easyGroup to third parties)	1	1

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At 30 September 2017, £1 million (2016: £nil) of the above aggregate amount was included in trade and other payables.

**12. Events after the reporting period**

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

easyJet completed the sale and leaseback of 10 A319 aircraft in November 2017. Cash proceeds were \$137 million; due to the age of the selected aircraft at the time of this transaction and easyJet's maintenance provision accounting policy, a one-off, non-cash charge of approximately £20 million (of which £12 million relates to the loss on disposal and £8 million relates to the maintenance provision catch-up) will be recognised in the first half of the 2018 financial year as a non-headline item.