This announcement contains inside information

20 November 2018

easyJet plc

Results for the year ending 30 September 2018

Overview: easyJet announces a 43% increase in proposed dividend reflecting a successful year of delivery

Summary

Delivering profitable growth

- Record number of passengers flown at 88.5 million up +10.2% with a record load factor of 92.9% (2017 92.6%), driven by continued focus on customer offer and easyJet's primary airports strategy including expansion into Tegel and gaining seven new number one airport positions
- Market leading revenue performance with total revenue of £5,898 million, up +16.8% and revenue per seat growing 6.4% to £61.94 (8.3% growth ex-Tegel)
- Headline cost per seat excluding fuel up 5.3% to £43.43 (4.8% increase at constant currency[1]), mainly due to expansion into Tegel, higher levels of disruption and crew cost inflation
- Cost and efficiency programme savings of £107 million (2017 £85m) delivered, leveraging growth, scale benefits and up-gauging of fleet
- Non-headline cost of £133 million including £40 million at Tegel and £65 million from a change in approach to IT development. Total cost per seat, including the impact of non-headline items, was £57.26 (2017 £53.78)
- Headline profit before tax for the year at £578 million, up £170 million or 41.4%. Total headline profit before tax per seat increased by 28.7% to £6.07 per seat
- Reported profit before tax increased to £445 million (2017 £385m)
- As a result of this strong performance, headline ROCE[2] for the year increased to 14.4%, an improvement of 2.5 percentage points on the prior year
- Proposed dividend of 58.6 pence (2017 40.9p) an increase of 43% subject to approval by shareholders

Acquisition of Tegel operations

- Acquisition of part of Air Berlin's operations at Berlin Tegel completed on 15 December for a consideration of €40 million, giving easyJet a strong number one position in Europe's third largest market
- Total loss before tax of £152 million better than originally expected on acquisition. Headline loss of £112 million higher than expected offset by lower integration costs of £40 million
- Operations transitioned to business-as-usual with over 20 easyJet aircraft now flying in Tegel, with good on-time performance and increased brand recognition in the Berlin market

Well positioned for the future

- easyJet's strategic framework has been refreshed and relaunched, building on an already strong foundation, evolving to deliver an unrivalled customer experience through its high-quality network of primary airports at great value, with the warmest welcome in the sky
- Through this strategy easyJet will continue to pursue disciplined growth, supported by the agreement today with Airbus for 17 firm orders, 18 deferrals and 25 purchase options over the next five years, providing additional delivery flexibility
- Good progress has been made on new initiatives in loyalty, holidays and business, which are expected to deliver high-return, margin-accretive contributions
- easyJet will deliver strong cost control through its focus on value by efficiency, leading the industry in proactively tackling disruption to minimise its impact on customers and cost
- Becoming the most data-driven airline in the world will improve the customer experience, drive revenue, reduce cost and improve operational reliability
- Robust cash flow generation and an investment-grade balance sheet with strong liquidity provides a solid base to withstand industry change and the agility to invest in new opportunities
- A solid hedging position provides a buffer against fuel head-winds over the next 18 months

Outlook

- easyJet is confident that its strategy and positioning will deliver substantial value for its shareholders, with a focus on return on capital, positive free cash flow and profit per seat
- easyJet's capacity growth in the first half is forecast at circa 15% and at circa 10% for the full year
- Solid demand in forward bookings of 50% for the first half, with yields ahead of loads
- Bookings for next summer promising at this very early stage, slightly ahead of summer 2018
- On a like for like accounting basis[3] revenue per seat at constant currency for the first half is expected to be down by low to mid-single digits, in line with previous guidance, including the effect of annualisation of one-off revenue benefits from the 2018 financial year, dilution from Berlin and the effect of Easter moving into the second half
- On a like for like accounting basis total headline cost per seat excluding fuel at constant currency (assuming normal levels of disruption) is expected to be flat for the 12 months to 30 September 2019. This includes expenditures on the strategic initiatives to drive margin and returns in the long term
- Adjusting for the impact of IFRS 15, revenue per seat at constant currency in the first half is currently expected to be down by mid-single digits and total headline cost per seat excluding fuel at constant currency is expected to improve slightly.
- Capital expenditure for the financial year to 30 September 2019 is expected to be £1 billion
- easyJet has continued to prepare for Brexit, operating via airlines in the UK, Switzerland and Austria to enable ongoing flying in Europe, and is close to achieving majority EEA (excluding UK) ownership – currently at 47%

Commenting on the results, Johan Lundgren, easyJet Chief Executive said:

" easyJet has delivered a great performance during the year, growing headline profit before tax by 41 per cent, once again flying a record number of passengers at our highest ever annual load factor. The integration of new operations at Tegel has also progressed well and our brand consideration in Berlin has grown strongly. Our financial success and increasing customer loyalty demonstrate the resilience of our operations, the underlying strength of our business and our unrivalled customer experience.

"Our strategy continues to ensure we are well positioned for the future. We have made considerable progress on our new initiatives in holidays, business and loyalty, which will enable us to grow profitably. While disruption continues to be a major challenge for the industry, we are investing in resilience to help to mitigate the impact on our customers.

"Forward bookings are solid, with 50% of seats sold in the first half, in line with the prior year. We are confident in our positioning for the future and are focused on driving future returns, positive free cash flow over the longer term and maximising our headline profit per seat as we continue to deliver value for our customers and shareholders."

	2018	2017	Change Favourable/(adverse)	
Total revenue (£ million)	**5,898**	5,047	16.8	%
Capacity (millions of seats)	**95.2**	86.7	9.8	%
Passengers (millions)	**88.5**	80.2	10.2	%
Load factor (%)	**92.9**	92.6	0.3	ppt
Headline profit before tax excluding Tegel (£ million)	**690**	408	£282	m
Headline profit before tax (£ million)	**578**	408	£170	m
Total profit before tax (£ million)	**445**	385	£60	m
Basic total earnings per share (pence)	**90.9**	77.4	13.5	pence
Proposed ordinary dividend per share (pence)	**58.6**	40.9	43.3	%
Headline return on capital employed (%)	**14.4**	11.9	2.5	ppt

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There will be an analyst presentation at 09:30 am GMT on 20 November 2018 at Nomura, One Angel Lane, London, EC4R 3AB

A live webcast of the presentation will be available both live and for replay
Please register on the following link:
https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/7468/108563/Lobby/default.htm
Telephone dial-in details are:

Conference call dials

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Overview

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

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

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

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

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

Revenue

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

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

- passenger growth of 10.2% to a record 88.5 million, an increase of 8.3 million, including 3.9 million new passengers at Tegel;
- an increase in the overall load factor by 0.3ppts to a record 92.9%, with strong demand in the underlying business (ex-Tegel, up 1.0ppt to 93.6%) partially offset by lower start-up loads in Berlin;
- underlying demand growth, with good performance in particular from our core markets in the UK and France, where easyJet's brand and network positions are well established;
- the benefit of one-off events including the Monarch and Air Berlin bankruptcies and Ryanair winter 2017/2018 UK schedule cancellations; and
- industrial action in France that led to a benefit of circa £20 million as competitor airline and train customers switched to easyJet's services.

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

- new bag segmentation (15/23kg offer) leading to better conversion rates and higher overall yields, reflecting an attractive price point for 15kg and demand for the higher weight;
- improved bag pricing algorithms that better reflect demand;

- allocated seating demand driving higher conversion rates through pricing improvements; and
- Improvements to our website making it easier for customers to add ancillary products.

Cost

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

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

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

This was offset by:

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

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

Tegel operations

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

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

Overall progress to date has been in line with expectations and on track to demonstrate the value of this strategic acquisition. Since start-up, easyJet has seen strong operational performance with on-time performance of 82% (versus a network average of 75%). Brand consideration scores have also improved significantly (+5pts) in Germany as a result of easyJet's increased presence. Demand has been growing steadily with load factors reaching 86% over the summer period, despite a currently inefficient schedule.

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

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

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

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

Non-headline items

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

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

easyJet will continue to invest in its digital and eCommerce layers that will enable it to continue to offer a leading innovative, revenue enhancing and customer-friendly platform.

- Transition and integration cost of Air Berlin's Tegel operations: £40 million
    - The Air Berlin transaction resulted in £40 million of one-off integration costs. These primarily comprise: engineering costs to align the technical specification of ex-Air Berlin aircraft with the rest of the easyJet fleet; dry lease rental costs incurred prior to these aircraft becoming operational; and other costs including project, consultancy and legal fees. The expected non-headline cost reduced through the year as aircraft were registered, crewed and put into operation faster than originally planned and there was no requirement for the integration contingency fund.
- Sale and leaseback: £19 million
    - The sale and leaseback of the Group's ten oldest A319 aircraft resulted in a loss on disposal of the assets of £11 million and an £8 million maintenance provision catch-up charge.
- Brexit-related costs: £7 million
    - The Group incurred £7 million in costs associated with establishing its new Airline Operator Certificates (AOCs), principally due to the cost of re-registration of aircraft in Austria as well as legal and overhead costs.

Further detail can be found in the notes to the accounts.

Total profit

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

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

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

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

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

In line with the stated dividend policy of a pay-out ratio of 50% of headline profit after tax, the Board is recommending that the dividend per share will increase by 43% to 58.6 pence (2017: 40.9p), subject to approval by shareholders.

Market environment

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

The total European short-haul market[4] grew by 5.6% year-on-year and by 2.8% in easyJet's markets. This was lower than in previous years, reflecting a rising price of oil and the various issues affecting Monarch, Air Berlin, Alitalia, Ryanair and Air France.

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

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

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

Strategic progress

New strategic framework – 'Our Plan'

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

The five Priorities are:

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

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

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

99% of easyJet's capacity now touches either a number one or number two airport, positioning the airline strongly against its competitors and at 30 September 2018, 24 of easyJet's 29 bases were at airports where it held either number one or number two market positions by share of seat capacity. During the year easyJet established a number one position at seven more airports, including Berlin Tegel, Bordeaux and Lille. Looking forward easyJet has identified a number of potential target airports for the next five years where GDP and passenger volumes are high, and where there is a weak incumbent and/or where there is no clear winner today. By being number one in key airports with the strongest brand, delivering the best value, we can become the first choice airline for our customers. easyJet estimates that there are 60 million non-Low Cost Carrier head-to-head seats being flown in its top 20 airports where it holds a number one or number two market share.

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

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

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

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

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

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

2. Winning our customers' loyalty

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

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

easyJet's brand position in core markets continues to strengthen[5], appealing to consumers across Europe. easyJet is known for offering value for money and is in fact ranked first for value across its core markets. Over two thirds of consumers within key European markets state they would seriously consider flying easyJet over other airlines. 2018 has seen the highest levels of consideration to date in the UK, France and Germany, and maintained strong positions in Switzerland and Italy. In 2018 easyJet was voted Best Short Haul Airline for Value by Skyscanner.

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

Holidays

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

easyJet's plans involve:

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

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

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

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

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

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

Business

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

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

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

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

- Firstly, by improving connectivity to our customers through improved back office functionality including the development of an SME portal to allow small and medium size business to book more easily, automating invoicing and increasing direct contracting with our corporate customers.

- Secondly, easyJet will cater for its business customers with a more personalised product offering including new business fares and bundles. In the long term, easyJet will seek to ways to innovatively offer an enhanced business traveller experience without undermining its low cost operating model.
- Thirdly, ongoing improvements to the schedule can add a business-bias on certain routes and frequencies.

Since May easyJet has*:*

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

Loyalty

easyJet continues to benefit from increasingly loyal customers. In financial year 2018 65.6% of easyJet bookings were made by customers who had booked in the preceding 2 years, representing 58 million passengers, an increase of five million compared to the previous financial year and an increase from 48 million in 2016. easyJet's invitation only loyalty programme, Flight Club (for those who fly more than 20 times a year with easyJet), is also producing demonstrable revenue benefits, with Flight Club members increasing by 45% in 2018 and over 9% of all bookings being made by Flight Club customers. Alongside Flight Club, easyJet Plus, easyJet's paid membership programme, allows customers to access additional privileges for an annual fee.

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

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

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

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

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

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

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

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

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

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

Digital

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

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

Success in ancillaries

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

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

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

Operational performance

Operational performance drives long term customer loyalty and cost efficiency. Over the last few years the impact of increasing levels of industry-wide disruption has led to a declining trend in On-Time Performance[6] (OTP) and customer satisfaction. During the 2018 financial year OTP decreased by 1.0 percentage points to 75%, primarily due to disruption, with a clear impact in the busiest summer months.

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

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

easyJet's focus on operational resilience and friendly, helpful service helped to sustain customer satisfaction with Customer Satisfaction (CSAT[7]) scores at 71.2% (+0.2ppts year on year), despite increased disruption during the year. Specifically:

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

3. Value by efficiency

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

Through its Cost and Efficiency Programme, easyJet continues to drive both short-term efficiencies and longer term structural cost savings across all areas of the business, leveraging its increasing scale. These savings enable the airline to offset the effects of underlying inflation and build flexibility to help mitigate revenue pressure.

The Cost and Efficiency Programme has been able to deliver sustainable reduction this year: over £500 million of savings have been achieved to date with £107 million saved in the 2018 financial year, principally in airport costs (flat cost per seat at constant currency), fuel supplier initiatives and engineering savings.

Initiatives to drive improved cost performance

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. easyJet continues to work with airports that will reward easyJet's commitment, efficient operations and growth with attractive financial agreements.

30% of all easyJet customers now travel through an automated bag drop area with further automation planned to be rolled out across the network. Automatic gates are also being trialled for boarding.

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

Maintenance and engineering

easyJet is driving further efficiencies from its contract for maintenance and the provision of spare parts, which started in October 2015.

easyJet is using data science and its strong relationship with Airbus to support predictive maintenance, which is now active on all easyJet's CEO fleet and resulted in 149 pre-emptive maintenance actions in 2018. All new fleet deliveries will have hardware installed that enables even higher levels of data transfer. easyJet expects to deliver meaningful savings in the 2019 financial year and to drive greater value as the programme progresses.

Crew

easyJet's business model of employing crew across Europe on local contracts delivers significant value in attracting and retaining high quality crew. The airline believes this is the best long-term and sustainable resourcing model in the markets it operates in. easyJet's investment in this area has driven structural benefits including low crew turnover, at less than 5% for pilots, and a strong pipeline of talent wanting to join easyJet.

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

Up-gauging and efficient fleet management

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

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

easyJet has built fleet flexibility which means the airline is able to either increase or decrease the fleet growth programme, allowing it to manage ownership costs in line with external factors.

Overhead and IT

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

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

Fuel

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

Operational resilience

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

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

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

4. <u>The right people</u>

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

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

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

Since 2015, particularly through its Amy Johnson initiative easyJet has been seeking to encourage more women to become pilots, to help address the significant gender imbalance in the worldwide pilot community. easyJet's current target is that 20% of its new entrant co-pilots attracted by 2020 are female. In the 2018 financial year easyJet attracted 15% female new entrant co-pilots, up from 13% in the 2017 financial year and 5% when the initiative was started in 2015.

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

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

5. <u>Innovating with data</u>

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

- Revenue – opportunities to leverage existing data-based initiatives, in particular focusing on enhancing the revenue management system, harnessing customer-related information and improving easyJet's ability to target clients with the right offer. In particular, easyJet is focusing on harnessing new sources of data to improve demand-forecasting, simulation capabilities and to deliver further competitive pricing for tickets and ancillary products such as seat allocation.

- Cost and operations – specific data applications have opportunities to improve utilisation and productivity, fuel efficiency and resilience, enabling predictive maintenance and reducing waste, whilst also helping to minimise the impact of disruption by combining machine learning predictions of delays and optimisation algorithms to find the best solution to the problems. During 2018 easyJet implemented an OTP simulator that allows for rapid and often pre-emptive action resulting from first wave issues each day.

- Customer – both onboard to complement existing demand and personalisation initiatives, such as food and beverage, and off-board where we will develop our capability to make the most efficient, effective decisions to the customer's benefit such as in managing disruption (for example by implementing the Optym solution in future planning from 2019).

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

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

<u>Our Promise</u>

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

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

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

<u>Capital allocation and fleet</u>

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

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

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

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

As at 30 September 2018, easyJet had taken delivery of two A321s, with a third delivered since year end. The A321s are operated from Gatwick, enabling growth in a slot-constrained, high customer demand airport. A321s have 51% more seat capacity than the A319 and deliver around 9% cost savings compared to a 186-seat A320neo and around 20% more than an A319.

At 30 September 2018 the average age of the fleet is 7.0 years (2017 7.1 years) and the average number of seats per aircraft increased to 172 seats (2017 169 seats). During the year, easyJet improved its fleet utilisation across the network at an average 11.1 block hours per day (2017: 10.9 hours), mainly as a result of additional wet lease activity in the fleet.

Fleet at 30 September 2018, updated to include future commitments including the latest Airbus transaction are in the following table. Since the end of the financial year five aircraft have been delivered (one A321 and four A320s)

	Owned	Finance leases	Operating leases	**Total**	% of fleet	Changes since Sept 2017	Future deliveries	Purchase options	Unexercised purchase rights
A319	79	-	53	**132**	42%	(11)	-	-	-
A320 180 seat	46	1	28	**75**	24%	19	-	-	-
A320 186 seat	80	4	9	**93**	29%	15	-	-	-
A320 neo	13	-	-	**13**	4%	11	100	25	58
A321 neo	2	-	-	**2**	1%	2	27	-	-
	220	**5**	**90**	**315**		**36**	**127**	**25**	**58**
Percentage of total fleet	*70%*	*1%*	*29%*						

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

- The exercise of purchase rights resulting in firm orders for 17 A320neo under the existing framework agreement signed in 2013. These aircraft are subject to a very substantial discount from the list price[8] and are expected to be funded through a combination of easyJet's internal resources, cash flow, sale and leaseback transactions and debt.
- The deferral of delivery dates of 18 A320neo aircraft by up to 24 months.
- The conversion of 25 purchase rights for A320neo into purchase options, which has the primary purpose of securing delivery slots in 2024.

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

Balance sheet

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

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

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

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

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

Headline Return on Capital Employed (ROCE) increased to 14.4%, an increase of 2.5 percentage points (2017: 11.9%), driven by the strong performance in profitability. Total ROCE increased to 11.5% (2017 11.3%).

Hedging positions

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

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

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 31 March 2019	69%	70%	69%	68%
Average rate	$567 / metric tonne	$1.31	€1.14	CHF 1.24
Full year ending 30 September 2019	65%	66%	68%	66%
Average rate	$571 / metric tonne	$1.33	€1.13	CHF 1.25
Full year ending 30 September 2020	45%	46%	47%	47%
Average rate	$654 / metric tonne	$1.38	€1.10	CHF1.27

Brexit

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

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

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

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

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

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

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

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

easyJet currently expects to take action in respect of its level of ownership by non-qualifying nationals only if there is a real risk of a 'no-deal' Brexit in the run up to 29 March 2019 and if the proportion of equity capital held by qualifying nationals (excluding UK nationals) remains below the required level of 50% plus 1 share. If the EU and the UK reach agreement on the terms of withdrawal, and a transition period is agreed, it is not anticipated that any action would be required in respect of the level of ownership by non-qualifying nationals until at least the later stages of the Brexit transition period (which is expected to end no earlier than 31 December 2020). easyJet continues to monitor developments but currently considers it would be inappropriate to commit to a set plan whilst the Brexit outcome remains uncertain. easyJet will provide a further update as appropriate in due course.

Longer term focus

Monthly traffic statistics

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

Key performance indicators

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

- Profit per seat
- On-Time Performance – arrival within 15 minutes
- Customer Satisfaction score
- Return on Capital Employed
- Earnings per share
- CO2 emissions per passenger kilometre

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

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

Outlook

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

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

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

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

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

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

Capital expenditure for the financial year to 30 September 2019 is expected to remain in line with previous guidance at £1 billion.

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

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

Footnotes

[1] Constant currency is calculated by comparing 2018 financial period performance translated at the 2017 financial period effective exchange rate to the 2017 financial period reported performance, excluding foreign exchange gains and losses on balance sheet revaluations

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

[3] Applying IAS 18 Revenue, IAS 17 and IAS 39 Financial Instruments: Recognition and Measurement.

[4] Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2017 to September 2018

[5] Millward Brown brand tracker

[6] On Time Performance is defined as the percentage of flights which arrive within 15 minutes of the scheduled arrival time.

[7] Customer satisfaction is based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight.

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

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

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

OUR FINANCIAL RESULTS

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

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

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

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

FINANCIAL OVERVIEW

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

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

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

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

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

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

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

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

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

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

Earnings per share and dividends per share

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

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

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

Return on capital employed (ROCE)

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

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

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

The ROCE calculation excludes borrowings, cash and money market deposits and includes an adjustment for the capital implicit in aircraft operating lease arrangements. The adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven.

Exchange rates

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

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

Average exchange rates

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

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

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

Headline exchange rate impact

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

Non-headline exchange rate impact

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

FINANCIAL PERFORMANCE

Revenue

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

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

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

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

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

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

Headline costs excluding fuel

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

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

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

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

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

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

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

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

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

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

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

Fuel

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

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

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

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

Non-headline items

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

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

- a one-off charge of £65 million in relation to the write-down of IT assets under development which will no longer be utilised by the business, following a change in approach to technology development, as well as associated commitments;
- a £40 million charge for the costs associated with the integration of the Tegel operation following the acquisition of part of Air Berlin’s operations at Berlin Tegel Airport;
- an £11 million loss on disposal and an £8 million maintenance provision catch-up, both one-off charges as a result of the sale and leaseback of 10 A319 aircraft in the first quarter, arising due to the age of the selected aircraft and maintenance provision accounting;
- a £7 million charge for our Brexit-related plans, principally due to the cost of re-registration of aircraft in Austria;
- a £1 million charge associated with the completion of our organisational review; and
- a £1 million charge relating to fair value adjustments associated with the cross-currency interest rate swaps in place for the Eurobonds issued in February 2016 and October 2016.

Summary net cash reconciliation

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

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

The movement in net working capital has increased by £124 million year on year, driven by an £85 million provision crystallising on the ex-Air Berlin aircraft lease commencement, and an increase in trade and other payables as a result of an increase in activity.

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

Summary consolidated statement of financial position

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

Net assets increased by £457 million, due to the profit generated in the year and favourable movements on the hedging reserve, which were only partially offset by the payment of the ordinary dividend. The movement on the hedging reserve was predominantly due to the favourable mark-to-market movement on jet fuel forward contracts.

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

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

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

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

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

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

Key statistics

	2018	2017	Increase/ (decrease)
Operating measures			
Seats flown (millions)	**95.2**	86.7	9.8%
Passengers (millions)	**88.5**	80.2	10.2%
Load factor	**92.9%**	92.6%	0.3ppt
Available seat kilometres (ASK) (millions)	**104,800**	95,792	9.4%
Revenue passenger kilometres (RPK) (millions)	**98,522**	89,685	9.9%
Average sector length (kilometres)	**1,101**	1,105	(0.4%)
Sectors	**559,857**	516,902	8.3%
Block hours ('000)	**1,088**	1,010	7.8%
Number of aircraft owned/leased at end of year	**315**	279	12.9%
Average number of aircraft owned/leased during year	**295.1**	267.3	10.4%
Number of aircraft operated at end of year	**305**	270	13.0%
Average number of aircraft operated during year	**269.0**	253.2	6.2%
Operated aircraft utilisation (hours per day)	**11.1**	10.9	1.4%
Number of routes operated at end of year	**979**	862	13.6%
Number of airports served at end of year	**156**	138	13.0%
Financial measures			
Total return on capital employed	**11.5%**	11.3%	0.2ppt
Headline return on capital employed	**14.4%**	11.9%	2.5ppt
Liquidity per 100 seats (£m)	**3.9**	3.6	8.3%
Total profit before tax per seat (£)	**4.68**	4.45	5.2%
Headline profit before tax per seat (£)	**6.07**	4.71	28.7%
Total profit before tax per ASK (pence)	**0.42**	0.40	5.6%
Headline profit before tax per ASK (pence)	**0.55**	0.43	29.2%
Revenue			
Revenue per seat (£)	**61.94**	58.23	6.4%
Revenue per seat at constant currency (£)	**60.96**	58.23	4.7%
Revenue per ASK (pence)	**5.63**	5.27	6.8%
Revenue per ASK at constant currency (pence)	**5.54**	5.27	5.1%
Revenue per passenger (£)	**66.67**	62.90	6.0%
Revenue per passenger at constant currency (£)	**65.62**	62.90	4.3%
Costs			
Per seat measures			
Headline cost per seat (£)	**55.87**	53.52	4.4%
Non-headline cost per seat (£)	**1.39**	0.26	422.5%
Total cost per seat (£)	**57.26**	53.78	6.5%
Headline cost per seat excluding fuel (£)	**43.43**	41.27	5.3%
Headline cost per seat excluding fuel at constant currency (£)	**43.25**	41.27	4.8%
Total cost per seat excluding fuel (£)	**44.82**	41.53	7.9%
Total cost per seat excluding fuel at constant currency (£)	**44.57**	41.55	7.3%
Per ASK measures			
Headline cost per ASK (pence)	**5.08**	4.84	4.8%
Non-headline cost per ASK (pence)	**0.13**	0.03	424.5%
Total cost per ASK (pence)	**5.21**	4.87	6.9%
Headline cost per ASK excluding fuel (pence)	**3.95**	3.73	5.7%
Headline cost per ASK excluding fuel at constant currency (pence)	**3.93**	3.73	5.2%
Total cost per ASK excluding fuel (pence)	**4.08**	3.76	8.4%
Total cost per ASK excluding fuel at constant currency (pence)	**4.05**	3.76	7.7%

Consolidated Income Statement

		Year ended 30 September					
		2018			2017		
	Notes	**Headline £ million**	**Non-headline (note 3) £ million**	**Total £ million**	Headline £ million	Non-headline (note 3) £ million	Total £ million
Passenger revenue		**4,688**	**-**	**4,688**	4,061	-	4,061
Ancillary revenue		**1,210**	**-**	**1,210**	986	-	986
Total revenue		**5,898**	**-**	**5,898**	5,047	-	5,047
Fuel		**(1,184)**	**-**	**(1,184)**	(1,062)	-	(1,062)
Airports and ground handling		**(1,649)**	**-**	**(1,649)**	(1,465)	-	(1,465)
Crew		**(754)**	**(7)**	**(761)**	(645)	-	(645)
Navigation		**(400)**	**-**	**(400)**	(381)	-	(381)
Maintenance		**(313)**	**(22)**	**(335)**	(268)	(6)	(274)
Selling and marketing		**(143)**	**-**	**(143)**	(122)	-	(122)
Other costs		**(497)**	**(93)**	**(590)**	(371)	(18)	(389)
EBITDAR		**958**	**(122)**	**836**	733	(24)	709
Aircraft dry leasing		**(152)**	**(10)**	**(162)**	(110)	-	(110)
Depreciation	8	**(199)**	**-**	**(199)**	(181)	-	(181)
Amortisation of intangible assets		**(15)**	**-**	**(15)**	(14)	-	(14)
Operating profit/(loss)		**592**	**(132)**	**460**	428	(24)	404
Interest receivable and other financing income		**15**	**-**	**15**	8	2	10
Interest payable and other financing charges		**(29)**	**(1)**	**(30)**	(28)	(1)	(29)
Net finance (charges)/income		**(14)**	**(1)**	**(15)**	(20)	1	(19)
Profit/(loss) before tax		**578**	**(133)**	**445**	408	(23)	385
Tax (charge)/credit	5	**(112)**	**25**	**(87)**	(83)	3	(80)
Profit/(loss) for the year		**466**	**(108)**	**358**	325	(20)	305
Earnings per share, pence							
Basic	6			**90.9**			77.4
Diluted	6			**90.2**			76.8

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 30 September 2018 £ million**	Year ended 30 September 2017 £ million
Profit for the year		**358**	305
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value gains in the year		**531**	28
(Gains)/losses transferred to income statement		**(191)**	97
Lossess transferred to property, plant and equipment		**(19)**	(107)
Related tax charge	5	**(60)**	(4)
		261	14
Total comprehensive income for the year		**619**	319

Consolidated Statement of Financial Position

	Notes	30 September 2018 £ million	30 September 2017 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**181**	179
Property, plant and equipment	8	**4,140**	3,525
Derivative financial instruments		**175**	87
Restricted cash		**11**	7
Other non-current assets		**122**	74
		4,994	4,237
Current assets			
Trade and other receivables		**408**	275
Derivative financial instruments		**220**	131
Money market deposits		**348**	617
Cash and cash equivalents		**1,025**	711
		2,001	1,734
Current liabilities			
Trade and other payables		**(1,023)**	(714)
Unearned revenue		**(877)**	(727)
Borrowings		**(9)**	(8)
Derivative financial instruments		**(24)**	(82)
Current tax payable		**(9)**	(35)
Provisions for liabilities and charges		**(118)**	(104)
		(2,060)	(1,670)
Net current (liabilities)/assets		**(59)**	64
Non-current liabilities			
Borrowings		**(968)**	(963)
Derivative financial instruments		**(7)**	(44)
Non-current deferred income		**(18)**	(25)
Provisions for liabilities and charges		**(335)**	(218)
Deferred tax		**(348)**	(249)
		(1,676)	(1,499)
Net assets		**3,259**	2,802
Shareholders' equity			
Share capital		**108**	108
Share premium		**659**	659
Hedging reserve		**299**	38
Translation reserve		**1**	1
Retained earnings		**2,192**	1,996
		3,259	2,802

Consolidated Statement of Changes in Equity

	Share capital £ million	**Share premium £ million**	**Hedging reserve £ million**	**Translation reserve £ million**	**Retained earnings £ million**	**Total £ million**
At 1 October 2017	108	659	38	1	1,996	2,802
Total comprehensive income	-	-	261	-	358	619
Dividends paid (note 7)	-	-	-	-	(162)	(162)
Share incentive schemes						
Value of employee services	-	-	-	-	17	17
Purchase of own shares	-	-	-	-	(17)	(17)
At 30 September 2018	**108**	**659**	**299**	**1**	**2,192**	**3,259**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2016	108	659	24	1	1,902	2,694
Total comprehensive income	-	-	14	-	305	319
Dividends paid (note 7)	-	-	-	-	(214)	(214)
Share incentive schemes						
Value of employee services	-	-	-	-	13	13
Purchase of own shares	-	-	-	-	(10)	(10)
At 30 September 2017	**108**	**659**	**38**	**1**	**1,996**	**2,802**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the year end.

Consolidated Statement of Cash Flows

	Notes	**Year ended 30 September 2018 £ million**	Year ended 30 September 2017 £ million
Cash flows from operating activities			
Cash generated from operations	9	**1,215**	949
Ordinary dividends paid	7	**(162)**	(214)
Interest and other financing charges paid		**(29)**	(30)
Interest and other financing charges received		**11**	9
Net tax paid		**(74)**	(51)
Net cash generated from operating activities		**961**	663
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(931)**	(586)
Purchase of intangible assets		**(81)**	(44)
Net decrease/(increase) in money market deposits	10	**269**	(363)
Net proceeds from sale and operating leaseback of aircraft		**106**	115
Net cash used by investing activities		**(637)**	(878)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		**(17)**	(10)
Proceeds from Eurobond issue	10	**-**	451
Repayment of bank loans and other borrowings	10	**-**	(220)
Repayment of capital element of finance leases	10	**(6)**	(7)
Net increase in restricted cash		**(4)**	-
Net cash (used by)/generated from financing activities		**(27)**	214
Effect of exchange rate changes		**17**	(2)
Net increase/(decrease) in cash and cash equivalents		**314**	(3)
Cash and cash equivalents at beginning of year		**711**	714
Cash and cash equivalents at end of year		**1,025**	711

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 2018 but is extracted from the 2018 Annual Report and Accounts.

The Annual Report and Accounts for 2017 has been delivered to the Registrar of Companies.

The Annual Report and Accounts for 2018 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).

2. Significant judgements, estimates and critical accounting policies

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates, 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. The accounting estimates concerned are not major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

Aircraft maintenance provisions - £392 million

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

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

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services. No reasonable combination of changes to these estimates would result in a material movement to the carrying value of the provision.

Provisions for customer claims - £61 million

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, refunds of air passenger duty or similar charges and welfare costs. Estimates include passenger claim rates, the value of claims made and the period of time over which claims will be made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate. No reasonable combination of changes to these estimates would result in a material movement to the carrying value of the provision.

Goodwill and landing rights - £494 million

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

	2018 £ million	2017 £ million
Interest receivable and other financing income		
Interest income	**(12)**	(6)
Dividend income	**(3)**	(2)
Net exchange gains on monetary assets and liabilities	**-**	(2)
	(15)	(10)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	**18**	20
Interest payable on finance lease obligations	**4**	4
Other interest payable	**8**	5
	30	29
Net finance charges	**15**	19

4. Non-headline items

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

	Year ended 30 September 2018 £ million	Year ended 30 September 2017 £ million
Commercial IT platform charge	**65**	-
Tegel integration	**40**	-
Sale and leaseback charge	**19**	16
Brexit-related costs	**7**	2
Organisational review	**1**	6
Recognised in operating profit	**132**	24
Fair value adjustment	**1**	1
Balance sheet foreign exchange gain	**-**	(2)
Total non-headline charge before tax	**133**	23
Tax on non-headline items	**(25)**	(3)
Total non-headline charge after tax	**108**	20

Commercial IT platform charge

During the year, easyJet made the decision to change its approach to technology development for its commercial IT platform, through better utilisation and development of existing systems on a modular basis, rather than working towards a full replacement of its core commercial platform. As a result of this change in approach, a one-off non-headline charge of £60 million (2017: £nil) was required to write down IT assets under development, previously held in computer software, which will no longer be utilised by the business. A charge of £5 million in relation to associated commitments was also incurred. Judgement involving estimation was required in determining the value of the IT assets no longer required.

Tegel integration

The structure of the Air Berlin transaction (an acquisition of slots and the subsequent, separate integration of ex-Air Berlin aircraft and crew, as opposed to an 'all-in' business combination) resulted in £40 million of one-off integration costs (2017: £nil). These comprise £14 million of engineering costs to align the technical specification of ex-Air Berlin aircraft with the rest of the easyJet fleet, £10 million of dry lease rental costs incurred prior to these aircraft becoming operational, £7 million of crew costs and £9 million of other costs including consultancy and legal fees.

Sale and leaseback charge

The sale and leaseback of the Group's ten oldest A319 aircraft resulted in a loss on disposal of the assets of £11 million (2017: £10 million), recognised within other costs in the income statement, and an £8 million (2017: £6 million) maintenance provision charged immediately to the income statement within maintenance costs.

Brexit-related costs

Following the UK's referendum vote to leave the European Union (EU), the Group has established a multiple Air Operator Certificate (AOC), post-Brexit structure. This includes the set-up of a European AOC based in Austria, an EU member state, as well as a new UK AOC. The EU AOC helps secure future flying rights for the 30% of easyJet's network which remains wholly within and between EU member states. For the year ended 30 September 2018 the Group incurred £7 million in Brexit-related costs (2017: £2 million), principally due to the cost of re-registration of aircraft in Austria; this has been recognised in other costs within the income statement.

Organisational review

The continuation of an organisational review has resulted in costs of £1 million (2017: £6 million) for the year ended 30 September 2018 which has been recognised in other costs within the income statement. This programme, which involves redundancy costs and associated third-party advisor fees, is considered a material non-recurring item by virtue of the estimated size of the whole programme. This programme has now been completed.

Fair value adjustment

The fair value adjustment arises from the ineffective portion of the cross currency interest rate swaps elected into hedge relationships with the Eurobonds issued in February 2016 and October 2016 (fair value and cash flow hedges respectively). This is not considered to be reflective of the trading performance of the business and causes temporary volatility in the income statement. The adjustment amounted to a £1 million charge for the year, which is recognised within interest payable and other financing charges in the income statement.

Balance sheet foreign exchange gain

Foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities held in the statement of financial position are recognised as non-headline items. For the year ended 30 September 2018 the overall impact of balance sheet revaluations was minimal (2017: £2 million gain).

5. Tax charge

Tax on profit on ordinary activities

	2018	2017
	£ million	£ million
Current tax		
United Kingdom corporation tax	**57**	67
Foreign tax	**7**	5
Prior year adjustments	**(16)**	-
Total current tax charge	**48**	72
Deferred tax		
Temporary differences relating to property, plant and equipment	**39**	6
Other temporary differences	**(20)**	-
Prior year adjustments	**20**	3
Attributable to rates other than the standard UK rate	**-**	(1)
Total deferred tax charge	**39**	8
Total tax charge	**87**	80
Effective tax rate	**19.7%**	20.8%

Current tax payable at 30 September 2018 amounted to £9 million (2017: £35 million). This related to £12 million (2017: £38 million) of tax payable in the UK and £3 million (2017: £3 million) of tax recoverable in other European countries.

During the year ended 30 September 2018, net cash tax paid amounted to £74 million (2017: £51 million).

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

	2018 **£ million**	2017 £ million
Charge to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	**(60)**	(4)

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:

	2018 £ million	2017 £ million
Headline profit for the year	**466**	325
Total profit for the year	**358**	305

	2018 million	2017 million
Weighted average number of ordinary shares used to calculate basic earnings per share	**394**	394
Weighted average number of dilutive potential shares	**3**	3
Weighted average number of ordinary shares used to calculate diluted earnings per share	**397**	397

Earnings per share	**2018 pence**	2017 pence
Basic	**90.9**	77.4
Diluted	**90.2**	76.8

Headline earnings per share	**2018 pence**	2017 pence
Basic	**118.3**	82.5
Diluted	**117.4**	81.9

7. Dividends

An ordinary dividend in respect of the year ended 30 September 2018 of 58.6 pence per share, or £233 million based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 40.9 pence per share, or £162 million, in respect of the year ended 30 September 2017 was paid in the year ending 30 September 2018. An ordinary dividend of 53.8 pence per share, or £214 million, in respect of the year ended 30 September 2016 was paid in the year ended 30 September 2017.

8. Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2017	**4,345**	**60**	**4,405**
Additions	**919**	**12**	**931**
Aircraft sold and leased back under operating leases	**(184)**	**-**	**(184)**
Disposals	**(13)**	**(5)**	**(18)**
At 30 September 2018	**5,067**	**67**	**5,134**
Depreciation			
At 1 October 2017	**861**	**19**	**880**
Charge for the year	**195**	**4**	**199**
Aircraft sold and leased back under operating leases	**(67)**	**-**	**(67)**
Disposals	**(13)**	**(5)**	**(18)**
At 30 September 2018	**976**	**18**	**994**
Net book value			
At 30 September 2018	**4,091**	**49**	**4,140**
At 1 October 2017	3,484	41	3,525

The net book value of aircraft includes £283 million (2017: £300 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £73 million (2017: £77 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 115 (2017: 143) Airbus A320 family aircraft, with a total list price of US$13.2 billion (2017: US$14 billion) before escalations and discounts for delivery in financial years 2019 (29 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

	2018	2017
	£ million	£ million
Operating profit	**460**	404
Adjustments for non-cash items:		
Depreciation	**199**	181
Loss on disposal of intangibles	**4**	4
Commercial IT platform charge	**60**	-
Loss on sale and leaseback	**11**	10
Amortisation of intangible assets	**15**	14
Share-based payments	**17**	13
Other	**-**	(2)
Changes in working capital and other items of an operating nature:		
Increase in trade and other receivables	**(127)**	(74)
Increase in trade and other payables	**303**	147
Increase in unearned revenue	**150**	159
Increase in provisions	**121**	44
(Increase)/decrease in other non-current assets	**(48)**	38
Increase in derivative financial instruments	**57**	22
Decrease in non-current deferred income	**(7)**	(11)
Cash generated from operations	**1,215**	949

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

	1 October 2017 £ million	Fair value and foreign exchange £ million	Loan issue costs amortised £ million	Net cash flow £ million	30 September 2018 £ million
Cash and cash equivalents	711	17	-	297	**1,025**
Money market deposits	617	-	-	(269)	**348**
	1,328	17	-	28	**1,373**
Eurobond	(870)	(8)	(1)	-	**(879)**
Finance lease obligations	(101)	(3)	-	6	**(98)**
	(971)	(11)	(1)	6	**(977)**
Net cash	357	6	(1)	34	**396**

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-Ioannou, holds a beneficial controlling interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, approximately 33% of the issued share capital of easyJet plc as at 30 September 2018.

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

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

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

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

	2018 £ million	2017 £ million
Annual royalty	**15**	13
Brand protection (legal fees paid through easyGroup to third parties)	**1**	1
	16	14

At 30 September 2018, £3 million (2017: £1 million) of the above aggregate amount was included in trade and other payables.