**15 November 2016**

# easyJet plc

## Results for the year ending 30 September 2016

*easyJet delivers a resilient performance in a challenging environment*

**Summary:**

- Record number of passengers at 73.1 million, up 6.6% year on year with record load factor at 91.6% (2015: 91.5%), reflecting easyJet's resilient business model and ability to drive demand, even in challenging markets
- Capacity grew by 6.5% in the period to 80 million seats, as easyJet strengthened its leadership positions in selected markets
- Total revenue of £4,669 million (a decline of 0.4%) and revenue per seat of £58.46 (a decline of 6.4%, and of 6.9% at constant currency[1]) reflecting the impact of external events
- Total cost per seat improved by 2.0%, decreasing to £52.26 (a decrease of 4.6% at constant currency). Cost per seat excluding fuel increased by 2.6% to £38.31 and improved by 1.1% per seat at constant currency, slightly ahead of target, despite high levels of disruption.
- Return on capital employed[2] at 14.6% remains significantly above easyJet's cost of capital
- easyJet's results demonstrate resilient underlying performance, delivered in spite of unprecedented external events which have impacted profit before tax by an estimated £150 million[3] and net foreign exchange headwinds of £88 million. Profit before tax in the period was £495 million (2015: £686m)
- Dividend declared of 53.8 pence per share (2015: 55.2 pence), in line with the Company's increased payout policy of 50% of profit after tax
- Business model and strategy underpinned by sector leading balance sheet strength: easyJet ended the year with net cash of £213 million (2015: £434 million) and sector leading credit rating (Standard and Poors: BBB+, Moodys: Baa1)
- easyJet implements its strategy of purposeful, profitable growth to secure leading positions at primary airports to drive returns over the long term

| | **2016** | 2015 | Change |
|---|---:|---:|---:|
| Total revenue (£ million) | 4,669 | 4,686 | (0.4%) |
| Profit before tax (£ million) | 495 | 686 | (27.9%) |
| Pre-tax margin (%) | 10.6 | 14.6 | -4.0 ppt |
| Basic earnings per share (pence) | 108.7 | 139.1 | (21.9%) |
| Proposed ordinary dividend per share (pence) | 53.8 | 55.2 | (2.5%) |
| Return on capital employed (%) | 14.6 | 22.2 | -7.6 ppt |

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

“easyJet achieved a resilient performance in 2016, in the face of significant challenges including a series of external events and foreign exchange headwinds.

"Over the last year we have carried a record 73 million passengers who have enjoyed a third successive year of falling fares.  This great value combined with our friendly service on Europe's leading network means that passenger loyalty continues to grow with 54 million of them flying with us again in 2016 - 21 million more than five years ago.

“The team has worked diligently throughout the year to drive out cost and secure our strong number one positions through disciplined growth.   This has enabled easyJet to deliver almost half a billion of profit and an attractive dividend in line with our 50% pay out policy.

“Looking ahead, the easyJet model remains strong as does the demand environment and we continue to see opportunities in the medium term to grow revenue, profit and shareholder returns.  In a tougher operating environment strong airlines like easyJet will get stronger and we will build on our already well-established network.

“Almost half of our growth next year will be in the UK, with significant growth also in Switzerland, France and Italy. Our strategy of strengthening our positions at our key airports will see double digit growth in key bases in London, Manchester, Venice, Berlin and Amsterdam.”

**For further details please contact easyJet plc:**

Institutional investors and sell side analysts:

| | | |
|---|---|---|
| Stuart Morgan | Investor Relations | +44 (0) 7989 665 484 |
| Michael Barker | Investor Relations | +44 (0) 7985 890 939 |

Media:

| | | |
|---|---|---|
| Paul Moore | Corporate Communications | +44 (0) 7860 794 444 |
| Dorothy Burwell | Finsbury | +44 (0) 207 251 3801 |
| | | +44 (0) 7733 294 930 |

There will be an analyst presentation at 10:00 am GMT on 15 November 2016 at Nomura, One Angel Lane, London, EC4R 3AB

**A live webcast of the presentation will be available at www.easyJet.com**

Live conference call (Listen only):

- UK & International: +44 (0) 20 3003 2666
- UK Toll Free Number: 0808 109 0700
- US Toll: +1 212 999 6659
- US Toll Free Number: +1 866 966 5335

Replay facility (available for 7 days):

- UK & International: +44 (0) 20 8196 1998
- UK Toll Free Number: 0800 633 8453
- US Toll Free Number: +1 866 583 1035
- Pin: 2112238#

## Overview

easyJet has delivered a resilient performance in the 2016 financial year, in the midst of a challenging environment. Over 4 million more passengers flew with easyJet during the year reaching 73.1 million, and the Company achieved another year of record load factor at 91.6%. This reflects easyJet's successful strategy of defending and maintaining market-leading positions in high-traffic, slot-constrained airports.

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

Strong passenger growth and resilient revenue performance:

- Record number of passengers at 73.1 million, increasing by 4.5 million (6.6%) during the year. Load factor also increased to a record level of 91.6%, an increase of 0.1 ppts from last year, reflecting the attractiveness of easyJet's network of destinations and frequencies at affordable prices.
- Capacity increased by 6.5%, with growth focused on strengthening easyJet's leading network of number one positions at Europe's primary airports.
- Total revenue declined by 0.4% to £4,669 million (2015: £4,686 million). Revenue per seat decreased by 6.4% to £58.46 due to:
    - increased market capacity and aggressive pricing stimulated by a sustained low fuel price;
    - cooling of demand and reduced consumer confidence following multiple terrorism-related incidents;
    - higher holiday costs for UK travellers following the EU referendum and subsequent weakening of Sterling; and
    - severe disruption during the year (due to strikes, severe weather, airport issues) which resulted in 8,349 flights (2015: 6,789) being either cancelled, delayed over three hours or diverted.
- Total impact of external events during the year on profit before tax of an estimated £150 million[3].
- Non-seat revenue growth of 17% due primarily to tailoring our on-board product range, reflecting increasing knowledge about our customers.

Taking control on costs:

- Total cost per seat improved by 2.0%, decreasing to £52.26. Total cost per seat at constant currency improved by 4.6%, primarily driven by fuel price savings. Total cost per seat excluding fuel increased by 2.6% due to the impact of foreign exchange and at constant currency improved by 1.1%, slightly ahead of target.
- Our reinvigorated lean cost programme delivered savings of £95 million, in airports, ground handling and maintenance costs, as well as supplier management improvements, overhead reductions and benefits realised from lean basing.
- This partially offset increasing costs of disruption and underlying airport and ground handling cost inflation.
- Foreign exchange cost headwinds of £112 million.

- Pre-tax profit margin decreased by 4 percentage points to 10.6% (profit before tax of £495 million in the 2016 financial year versus £686 million in the 2015 financial year) mainly due to the decline in revenue and foreign exchange impact.
- easyJet continues to target flat cost per seat excluding fuel at constant currency for the 2019 financial year versus the 2015 financial year at normal levels of disruption.

Sector-leading balance sheet and dividend policy:

- Raised €500 million bond in February and secured a sector-leading credit rating (Standard and Poors: BBB+, Moodys: Baa1). In October 2016 a further €500 million bond has been issued on improved, industry-leading terms.
- Cash and money market deposits at 30 September 2016 of £969 million (2015: £939 million).
- Return on capital employed[2] at 14.6%, significantly above easyJet's cost of capital.
- Dividend payout ratio increased to 50% of profit after tax delivering a proposed ordinary dividend per share of 53.8 pence (2015: 55.2 pence).

## Market environment

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

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

**Developments this year**

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

## Our Strategy

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

- aircraft configuration enabling a higher number of seats per aircraft;
- higher load factor and aircraft utilisation driven by its point-to-point model; and

- younger fleet and advantaged fleet deal reducing ownership and maintenance costs.

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

easyJet is delivering its strategy through its six strategic pillars:

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

**Build strong number one and number two network positions**

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

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

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

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

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

- protect its number one positions in the UK and Switzerland;
- secure a significantly stronger position in France;
- invest in lean bases to drive more efficient capacity growth across the network; and

- target specific market opportunities, such as city-based strategies in Germany, Italy and the Netherlands.

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

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

Progress in easyJet's main markets is as follows:

United Kingdom

easyJet is the UK's largest short-haul airline with a 20% market share. At 30 September 2016 the UK had 140 based aircraft.

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

Italy

easyJet has a 12% market share in Italy, with 19% in Milan and 23% in Venice. At 30 September 2016 Italy had 29 based aircraft.

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

France

easyJet is France's second largest short-haul airline with a 14% market share. At 30 September 2016 France had 28 based aircraft.

easyJet sees opportunities to grow its market share in France, leveraging its competitive market position against the flag carrier, adding capacity at Charles de Gaulle airport through up-gauging and strengthening its domestic network.

easyJet is the number one carrier in Nice and number two after Air France in most of the remaining airports where it operates. We increased capacity in France by 8% in the year, against competitor growth on our markets of 5%.

Switzerland

easyJet is Switzerland's second largest airline with a 24% total market share. At 30 September 2016 Switzerland had 22 based aircraft.

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

Germany

easyJet has 4% market share in Germany, with 13% in Berlin and 9% in Hamburg. At 30 September 2016 Germany had 13 based aircraft.

Germany is a large and attractive market, although with a more regional, federal structure than other European countries. easyJet's strategy is therefore city-based, not country-wide. easyJet is focused on its two bases at Berlin Schönefeld, where it is the number one airline, and Hamburg, which was opened in 2014. We are targeting continued growth in Germany, taking share from the incumbent operators. We have increased capacity by 5% during the year. Competitor growth on easyJet's markets was 11%, with high growth at Berlin Schönefeld in particular.

Netherlands

easyJet is the Netherlands second largest short-haul airline with a 10% market share. At 30 September 2016 the Netherlands had 7 based aircraft.

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

Portugal / Spain

easyJet has 13% market share in Portugal and 7% market share in Spain. At 30 September 2016 Portugal had 7 based aircraft and Spain 3 based aircraft.

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

**A lean cost advantage**

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

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

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

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

- Leveraging increasingly large positions in our airports. Through our size, we are able to drive economies of scale from long-term deals with airport owners and operators, as well as with ground handling agents at those airports. We are now in our third year of a seven year contract with Gatwick airport, as the largest operator at the airport, and will be consolidating our position into one terminal in 2017 to enhance our operational efficiency. Similarly, we are the largest airline at Luton airport, where we are in year three of a ten year contract. As we grow our positions in new bases such as Amsterdam and Venice we will benefit from volume-related pricing agreements. In Ground Handling we annualised the benefit of our contract in Italy and saw savings from our growth in airports in the UK, Netherlands and Germany. We expect to agree a number of new airport and ground handling contracts in 2017 and 2018.

- Continue to leverage our scale in maintenance. Our new component support arrangement, which started in October 2015, combined with other parts and heavy maintenance contracts, delivered savings of around £40 million during the year. This was supported by better distribution of parts across the network to enable faster repairs to aircraft. We have also begun using predictive analysis with the target to reduce parts failures and improve aircraft reliability and utilisation.

- Tackling disruption. To control costs of strikes, airport congestion and aircraft unavailability to the business, we are investing some of our cost savings to increase resilience in our operations, including more flexibility in the network. We are also implementing improvements to rosters and scheduling to improve fatigue management, better lifestyles for crew as well as increase our ability to recruit and retain future talent. This will deliver passenger benefits and longer term cost improvements.

- Organisational review. Although easyJet is not encumbered with the significant historic costs of a legacy carrier (e.g. expensive pension arrangements) we are reviewing our structure and ways of working to enable easyJet to better deliver on our core strengths of our network, delivering for our customers, data and digital and maintaining our relative cost advantage. We expect this to result in a simpler, more efficient organisation and will deliver meaningful annualised savings once implemented. Further information on this will be provided throughout the 2017 financial year.

- Efficient fleet management. We operate an exclusively Airbus A320 family fleet. This delivers operational flexibility as well as efficiencies in engineering and maintenance, crew, ownership and fuel. As the second-largest operator of Airbus A320 family aircraft in the world we also benefit from significant economies of scale on acquisition. Between 2016 and 2021 we will derive a major benefit from up-gauging our fleet, from a majority 156-seat A319 composition to a fleet that is over 70% 186-seat A320s. The 186-seat A320 NEO aircraft are expected to have a 13%-14% cost per seat benefit[5] compared to the 156-seat A319s.

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

- As a result of the UK's referendum vote to leave the European Union, easyJet plans to establish an Air Operator Certificate (AOC) in another EU member state. This will secure the flying rights of the 30% of our network that remains wholly within and between EU states, excluding the UK. This one-off cost is expected to total around £10 million over two years with up to £5 million incurred in the 2017 financial year. The primary driver of the cost is the re-registering of aircraft in an EU AOC jurisdiction.
- We are planning to enter into a sale and leaseback arrangement for 10 aircraft which is expected to take place in early December 2016. Due to the age of the selected aircraft at the time of this transaction and maintenance provision accounting, easyJet expects to incur a one-off, non-cash charge of approximately £20 million.
- The expense associated with implementing the Organisational Review in the 2017 financial year. Further details will be provided throughout 2017, however any costs associated with that will be targeting a 6 to 9 month payback.

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

**Customer and operational excellence**

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

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

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

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

| **OTP % arrivals within 15 minutes[(6)]** | | Q1 | Q2 | Q3 | Q4 | Full year |
|---|---|---|---|---|---|---|
| 2015 | Network | 86% | 86% | 79% | 74% | 80% |
| | Network excluding UK | 86% | 87% | 81% | 77% | 82% |
| 2016 | Network | 82% | 82% | 74% | 71% | 77% |
| | Network excluding UK | 83% | 84% | 78% | 76% | 80% |

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

## Data and digital

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

### *Loyalty and data*

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

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

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

### *Innovation and digital leadership*

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

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

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

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

**Grow revenue**

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

***Business passengers***

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

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

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

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

***New revenue streams***

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

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

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

**The best people**

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

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

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

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

***Increasing diversity***

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

**Fleet**

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

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

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

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

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

| **Year** | **2017** | **2018** | **2019** |
|---|---|---|---|
| Gross capital expenditure (£) | 650 | 1,100 | 1,050 |

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

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

**Delivering shareholder returns**

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

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

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

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

**Hedging positions**

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

Details of current hedging arrangements are set out below:

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

**Sensitivities**

- A $10 movement in fuel price per metric tonne impacts the FY'17 fuel bill by $2.8 million.
- A one cent movement in £/$ impacts the FY'17 profit before tax by £2.0 million.
- A one cent movement in £/€ impacts the FY'17 profit before tax by £0.4 million.
- A one cent movement in £/CHF impacts the FY'17 profit before tax by £0.3 million.

## Outlook

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

Based on current market fuel prices we expect the unit fuel[7] bill to decline by between £245 million and £275 million during the year to 30 September 2017. As you would expect, passengers will continue to benefit from the lower fuel cost and therefore we expect a mid to high single digit decline in revenue per seat at constant currency during the first half of the year.

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

- A non-cash, one-off £20 million charge as a result of the planned sale and leaseback of 10 A319 aircraft in December. This charge reflects a maintenance provision catch up and an accounting loss due to the construct of the transaction. We expect the transaction to result in a cash inflow of c.US$ 140 million.
- One-off costs relating to the set-up of an EU AOC, which are expected to be up to £5 million in financial year 2017 and around £10 million in total, mostly driven by the costs to re-register aircraft.
- The one-off cost associated with our organisational review, which we expect to result in a simpler, more efficient organisation and which will deliver meaningful annualised savings when implemented. We will provide further details in due course, however any costs associated with this programme will be targeting a c.6 to 9 month payback

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

Exchange rate movements[8] are likely to have an adverse impact of approximately £70 million in the first half year compared to the six months to 31 March 2016 and £90 million for the 12 months to 30 September 2017 compared to the 12 months to 30 September 2016.

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

Footnotes:

(1) Constant currency is calculated by comparing 2016 financial year performance translated at the 2015 financial year effective exchange rate to the 2015 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations
(2) Return on capital employed shown adjusted for leases with leases capitalised at 7 times.
(3) Includes terrorist related events (Paris, Egypt, Brussels, Nice and Turkey) and the immediate impact of the EU referendum outcome
(4) Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2015 to September 2016.
(5) Based on fuel price quoted in original plan
(6) On-time performance measured by internal easyJet system
(7) Unit fuel calculated as the difference between latest estimate of FY’17 fuel costs less FY’16 fuel cost per seat multiplied by FY’17 seat capacity.
(8) US $ to £ sterling 1.2601, euro to £ sterling 1.1604. Currency and fuel increases are shown net of hedging impact

## OUR FINANCIAL RESULTS

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

**FINANCIAL OVERVIEW**

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

* Operating profit represents profit before interest and tax

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

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

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

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

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

**Earnings per share and dividends per share**

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

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

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

**Return on capital employed (ROCE)**

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

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

**EXCHANGE RATES**

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

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

**Average exchange rates**

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

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

**Favourable/(adverse)**

| | Euro £ million | Swiss franc £ million | US dollar £ million | Other £ million | Total £ million |
|---|---|---|---|---|---|
| Revenue | 8 | 10 | 4 | 2 | 24 |

| | | | | | |
|---|---|---|---|---|---|
| Fuel | - | - | (3) | - | (3) |
| Prior year balance sheet revaluations | (3) | 1 | (5) | - | (7) |
| Costs excluding fuel and prior year balance sheet revaluations | (84) | (13) | (3) | (2) | (102) |
| **Total** | **(79)** | **(2)** | **(7)** | **-** | **(88)** |

## FINANCIAL PERFORMANCE

### Revenue

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

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

Load factor increased by 0.1 percentage points to 91.6%.

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

### Costs excluding fuel

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

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

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

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

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

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

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

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

### Fuel

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

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

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

## NET CASH AND FINANCIAL POSITION

### Summary net cash reconciliation

| | **2016** | 2015 | Change |
|---|---|---|---|
| | **£ million** | £ million | £ million |
| Operating profit | **498** | 688 | (190) |
| Depreciation and amortisation | **169** | 138 | 31 |
| Net working capital movement | **35** | 50 | (15) |
| Net tax paid | **(99)** | (98) | (1) |
| Net capital expenditure | **(586)** | (536) | (50) |
| Purchase of own shares for employee share schemes | **(22)** | (92) | 70 |

| | | | |
|---|---|---|---|
| Net decrease in restricted cash | **6** | 21 | (15) |
| Other (including the effect of exchange rates) | **(4)** | 22 | (26) |
| Ordinary dividend paid | **(219)** | (180) | (39) |
| **Net (decrease)/increase in net cash** | **(222)** | 13 | (235) |
| Net cash at beginning of year | **435** | 422 | 13 |
| Net cash at end of year | **213** | 435 | (222) |

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

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

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

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

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

**Summary consolidated statement of financial position**

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

Net assets increased by £463 million, due to the profit generated in the period and favourable movements on the hedging reserve, which were only partially offset by the payment of the ordinary dividend. The movement on the hedging reserve was primarily due to the maturity of out of the money contracts.

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

## Key statistics

| Operating measures | **2016** | 2015 | Increase/ (decrease) |
|---|---|---|---|
| Seats flown (millions) | **79.9** | 75.0 | 6.5% |
| Passengers (millions) | **73.1** | 68.6 | 6.6% |
| Load factor | **91.6%** | 91.5% | 0.1ppt |
| Available seat kilometres (ASK) (millions) | **87,724** | 83,846 | 4.6% |
| Revenue passenger kilometres (RPK) (millions) | **81,496** | 77,619 | 5.0% |
| Average sector length (kilometres) | **1,098** | 1,118 | (1.7%) |
| Sectors | **482,110** | 457,479 | 5.4% |
| Block hours | **934,223** | 892,052 | 4.7% |
| Number of aircraft owned/leased at end of year | **257** | 241 | 6.6% |
| Average number of aircraft owned/leased during year | **248.7** | 232.6 | 6.9% |
| Number of aircraft operated at end of year | **249** | 233 | 6.9% |
| Average number of aircraft operated during year | **234.6** | 221.1 | 6.1% |
| Operated aircraft utilisation (hours per day) | **10.4** | 11.1 | (5.8%) |
| Owned aircraft utilisation (hours per day) | **10.3** | 10.5 | (2.3%) |
| Number of routes operated at end of year | **803** | 735 | 9.3% |
| Number of airports served at end of year | **132** | 136 | (2.9%) |

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

| | | | |
|---|---|---|---|
| Operating cost per ASK excluding fuel (pence) | **3.17** | 3.04 | (4.4%) |
| Operating cost per ASK excluding fuel at constant currency (pence) | **3.05** | 3.04 | (0.5%) |
| Ownership cost per ASK (pence) | **0.32** | 0.30 | (4.1%) |

## Consolidated Income Statement

| | Notes | Year ended 30 September 2016 £ million | Year ended 30 September 2015 £ million |
|---|---|---|---|
| Seat revenue | | **4,587** | 4,616 |
| Non-seat revenue | | **82** | 70 |
| **Total revenue** | | **4,669** | 4,686 |
| | | | |
| Fuel | | **(1,114)** | (1,199) |
| Airports and ground handling | | **(1,267)** | (1,122) |
| Crew | | **(542)** | (505) |
| Navigation | | **(336)** | (313) |
| Maintenance | | **(237)** | (229) |
| Selling and marketing | | **(107)** | (102) |
| Other costs | | **(296)** | (276) |
| **EBITDAR** | | **770** | 940 |
| | | | |
| Aircraft dry leasing | | **(103)** | (114) |
| Depreciation | 7 | **(157)** | (125) |
| Amortisation of intangible assets | | **(12)** | (13) |
| **Operating profit** | | **498** | 688 |
| | | | |
| Interest receivable and other financing income | | **10** | 9 |
| Interest payable and other financing charges | | **(13)** | (11) |
| Net finance charges | 3 | **(3)** | (2) |
| | | | |
| **Profit before tax** | | **495** | 686 |
| | | | |
| Tax charge | 4 | **(68)** | (138) |
| | | | |
| **Profit for the year** | | **427** | 548 |
| | | | |
| **Earnings per share, pence** | | | |
| Basic | 5 | **108.4** | 139.1 |
| Diluted | 5 | **107.6** | 138.0 |

## Consolidated Statement of Comprehensive Income

| | Notes | **Year ended 30 September 2016 £ million** | Year ended 30 September 2015 £ million |
|---|---|---|---|
| **Profit for the year** | | **427** | 548 |
| **Other comprehensive income/(expense)** | | | |
| Cash flow hedges | | | |
| Fair value gains/(losses) in the year | | **10** | (510) |
| Losses transferred to income statement | | **347** | 229 |
| (Losses)/gains transferred to property, plant and equipment | | **(28)** | 3 |
| Related tax (charge)/credit | 4 | **(66)** | 56 |
| | | **263** | (222) |
| **Total comprehensive income for the year** | | **690** | 326 |

For capital expenditure cash flow hedges, the accumulated gains and losses recognised in other comprehensive income will be transferred to the initial carrying amount of the asset acquired, within property, plant and equipment. All other items in other comprehensive income will be reclassified to the income statement.

## Consolidated Statement of Financial Position

| | Notes | **30 September 2016 £ million** | 30 September 2015 £ million |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **365** | 365 |
| Other intangible assets | | **152** | 127 |
| Property, plant and equipment | 7 | **3,252** | 2,877 |
| Derivative financial instruments | | **154** | 44 |
| Restricted cash | | **7** | 6 |
| Other non-current assets | | **121** | 130 |
| | | **4,051** | 3,549 |
| **Current assets** | | | |
| Trade and other receivables | | **217** | 206 |
| Derivative financial instruments | | **268** | 128 |
| Restricted cash | | **-** | 6 |
| Money market deposits | | **255** | 289 |
| Cash and cash equivalents | | **714** | 650 |
| | | **1,454** | 1,279 |
| **Current liabilities** | | | |
| Trade and other payables | | **(564)** | (495) |
| Unearned revenue | | **(568)** | (619) |
| Borrowings | | **(92)** | (182) |
| Derivative financial instruments | | **(275)** | (368) |
| Current tax payable | | **(21)** | (43) |
| Provisions for liabilities and charges | | **(53)** | (61) |
| | | **(1,573)** | (1,768) |
| **Net current liabilities** | | **(119)** | (489) |
| **Non-current liabilities** | | | |
| Borrowings | | **(664)** | (322) |
| Derivative financial instruments | | **(49)** | (101) |
| Non-current deferred income | | **(35)** | (47) |
| Provisions for liabilities and charges | | **(235)** | (165) |
| Deferred tax | | **(237)** | (176) |
| | | **(1,220)** | (811) |
| **Net assets** | | **2,712** | 2,249 |
| **Shareholders' equity** | | | |
| Share capital | | **108** | 108 |
| Share premium | | **659** | 659 |
| Hedging reserve | | **24** | (239) |
| Translation reserve | | **1** | 1 |
| Retained earnings | | **1,920** | 1,720 |
| | | **2,712** | 2,249 |

## Consolidated Statement of Changes in Equity

| | **Share capital £ million** | **Share premium £ million** | **Hedging reserve £ million** | **Translation reserve £ million** | **Retained earnings £ million** | **Total £ million** |
|---|---|---|---|---|---|---|
| At 1 October 2015 | **108** | **659** | **(239)** | **1** | **1,720** | **2,249** |
| Total comprehensive income | **-** | **-** | **263** | **-** | **427** | **690** |
| Dividends paid (note 6) | **-** | **-** | **-** | **-** | **(219)** | **(219)** |
| Share incentive schemes | | | | | | |
| Value of employee services | **-** | **-** | **-** | **-** | **19** | **19** |
| Related tax | **-** | **-** | **-** | **-** | **(5)** | **(5)** |
| Purchase of own shares | **-** | **-** | **-** | **-** | **(22)** | **(22)** |
| **At 30 September 2016** | **108** | **659** | **24** | **1** | **1,920** | **2,712** |

| | Share capital £ million | Share premium £ million | Hedging reserve £ million | Translation reserve £ million | Retained earnings £ million | Total £ million |
|---|---|---|---|---|---|---|
| At 1 October 2014 | 108 | 658 | (17) | 1 | 1,422 | 2,172 |
| Total comprehensive (expense)/income | - | - | (222) | - | 548 | 326 |
| Dividends paid (note 6) | - | - | - | - | (180) | (180) |
| Share incentive schemes | | | | | | |
| Proceeds from shares issued | - | 1 | - | - | - | 1 |
| Value of employee services | - | - | - | - | 18 | 18 |
| Related tax | - | - | - | - | 4 | 4 |
| Purchase of own shares | - | - | - | - | (92) | (92) |
| **At 30 September 2015** | 108 | 659 | (239) | 1 | 1,720 | 2,249 |

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

# Consolidated Statement of Cash Flows

| | Notes | **Year ended 30 September 2016 £ million** | Year ended 30 September 2015 £ million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 8 | **724** | 895 |
| Ordinary dividends paid | | **(219)** | (180) |
| Net interest and other financing charges paid | | **(19)** | (8) |
| Net tax paid | | **(99)** | (98) |
| **Net cash generated from operating activities** | | **387** | 609 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 7 | **(549)** | (509) |
| Purchase of intangible assets | | **(37)** | (27) |
| Net decrease in money market deposits | | **45** | 277 |
| Other | | **-** | 4 |
| **Net cash used by investing activities** | | **(541)** | (255) |
| | | | |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of ordinary share capital | | **-** | 1 |
| Purchase of own shares for employee share schemes | | **(22)** | (92) |
| Proceeds from Eurobond issue | | **379** | - |
| Repayment of bank loans and other borrowings | | **(142)** | (80) |
| Repayment of capital element of finance leases | | **(98)** | (11) |
| Net decrease in restricted cash | | **6** | 21 |
| **Net cash generated from financing activities** | | **123** | (161) |
| | | | |
| Effect of exchange rate changes | | **95** | 33 |
| | | | |
| **Net increase in cash and cash equivalents** | | **64** | 226 |
| | | | |
| Cash and cash equivalents at beginning of year | | **650** | 424 |
| | | | |
| **Cash and cash equivalents at end of year** | | **714** | 650 |

## Notes to the Accounts

**1. 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 2016 but is extracted from the 2016 Annual report and accounts.

The Annual report and accounts for 2015 has been delivered to the Registrar of Companies.

The Annual report and accounts for 2016 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 of the amount, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

The following three accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to easyJet's accounts.

**Aircraft maintenance provisions**

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

A charge is made in the income statement, based on hours or cycles flown, to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts.

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

**Other provisions**

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

**Goodwill and landing rights**

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

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

### 3. Net finance charges

| | **2016** | 2015 |
|---|---|---|
| | **£ million** | £ million |
| Interest receivable and other financing income | | |
| Interest income | **(4)** | (3) |
| Dividend income | **(3)** | - |
| Net exchange gains on monetary assets and liabilities | **(3)** | (6) |
| | **(10)** | (9) |
| Interest payable and other financing charges | | |
| Interest payable on bank and other borrowings | **8** | 5 |
| Interest payable on finance lease obligations | **4** | 5 |
| Other interest payable | **1** | 1 |
| | **13** | 11 |
| Net finance charges | **3** | 2 |

### 4. Tax charge

Tax on profit on ordinary activities

| | **2016** | 2015 |
|---|---|---|
| | **£ million** | £ million |
| **Current tax** | | |
| United Kingdom corporation tax | **77** | 109 |
| Foreign tax | **4** | 6 |
| Prior year adjustments | **(2)** | (14) |
| Total current tax charge | **79** | 101 |
| **Deferred tax** | | |
| Temporary differences relating to property, plant and equipment | **23** | 28 |
| Other temporary differences | **(1)** | 2 |
| Prior year adjustments | **3** | 8 |
| Change in tax rate from FY17 to 19% (2015: 20%) | **(14)** | (1) |
| Change in tax rate from FY20 to 17% | **(22)** | - |
| Total deferred tax (credit) / charge | **(11)** | 37 |
| | **68** | 138 |
| Effective tax rate | **13.7%** | 20.1% |

Current tax payable at 30 September 2016 amounted to £21 million (2015: £43 million). The current tax payable at 30 September 2016 of £21 million related to £24 million of tax payable in the UK and £3 million related to tax recoverable in other European countries. The current tax payable at 30 September 2015 of £43 million entirely related to tax payable in the UK.

During the year ended 30 September 2016, net cash tax paid amounted to £99 million (2015: £98 million).

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

| | 2016 £ million | 2015 £ million |
|---|---|---|
| **(Charge)/credit to other comprehensive income** | | |
| Deferred tax on change in fair value of cash flow hedges | **(66)** | 56 |
| | | |
| **Credit/(Charge) to shareholders' equity** | | |
| Current tax credit on share-based payments | **1** | 13 |
| Deferred tax charge on share-based payments | **(6)** | (9) |
| | **(5)** | 4 |

## 5. 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.

Earnings per share is based on:

| | 2016 £ million | 2015 £ million |
|---|---|---|
| Profit for the year | **427** | 548 |
| | **2016 million** | 2015 million |
| Weighted average number of ordinary shares used to calculate basic earnings per share | **394** | 394 |
| Weighted average number of dilutive potential shares | **3** | 3 |
| Weighted average number of ordinary shares used to calculate diluted earnings per share | **397** | 397 |
| **Earnings per share** | **pence** | pence |
| Basic | **108.4** | 139.1 |
| Diluted | **107.6** | 138.0 |

## 6. Dividends

An ordinary dividend in respect of the year ended 30 September 2016 of 53.8 pence per share, or £214 million, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 55.2 pence per share, or £219 million in respect of the year ended 30 September 2015 was paid in the year ending 30 September 2016. An ordinary dividend of 45.4 pence per share, or £180 million in respect of the year ended 30 September 2014 was paid in the year ended 30 September 2015.

## 7. Property, plant and equipment

| | Aircraft and spares | Other | Total |
|---|---|---|---|

| | £ million | £ million | £ million |
|---|---|---|---|
| **Cost** | | | |
| At 1 October 2015 | **3,485** | **43** | **3,528** |
| Additions | **526** | **23** | **549** |
| Transfer to maintenance provision | **(14)** | **-** | **(14)** |
| Disposals | **(26)** | **(3)** | **(29)** |
| **At 30 September 2016** | **3,971** | **63** | **4,034** |
| **Depreciation** | | | |
| At 1 October 2015 | **636** | **15** | **651** |
| Charge for the year | **152** | **5** | **157** |
| Disposals | **(25)** | **(1)** | **(26)** |
| **At 30 September 2016** | **763** | **19** | **782** |
| **Net book value** | | | |
| **At 30 September 2016** | **3,208** | **44** | **3,252** |
| At 1 October 2015 | 2,849 | 28 | 2,877 |

The net book value of aircraft includes £280 million (2015: £275 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £381 million (2015: £583 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £76 million (2015: £149 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 166 (2015: 150) Airbus A320 family aircraft, with a total list price of US$14.8 billion (2015: US$13 billion) before escalations and discounts for delivery in 2017 (21 aircraft), in 2018 (15 aircraft) and between 2017 and 2022 (130 new generation aircraft).

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

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

| | **2016 £ million** | 2015 £ million |
|---|---|---|
| Operating profit | **498** | 688 |
| **Adjustments for non-cash items:** | | |
| Depreciation | **157** | 125 |
| Loss on disposal of property, plant and equipment | **3** | 1 |
| Amortisation of intangible assets | **12** | 13 |
| Share-based payments | **19** | 18 |
| **Changes in working capital and other items of an operating nature:** | | |
| Decrease in trade and other receivables | **8** | 5 |
| Increase / (decrease) in trade and other payables | **44** | (30) |
| (Decrease) / increase in unearned revenue | **(51)** | 47 |
| Increase in provisions | **44** | 23 |
| Decrease in other non-current assets | **9** | 22 |
| Decrease in derivative financial instruments | **(7)** | (2) |
| Decrease in non-current deferred income | **(12)** | (15) |
| Cash generated from operations | **724** | 895 |

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

| | 1 October 2015 | Fair value and foreign | Loan issue costs | Net cash flow | 30 September |
|---|---|---|---|---|---|

| | | exchange | | | 2016 |
|---|---|---|---|---|---|
| | £ million | £ million | £ million | £ million | £ million |
| Cash and cash equivalents | 650 | 95 | - | (31) | **714** |
| Money market deposits | 289 | 11 | - | (45) | **255** |
| | 939 | 106 | - | (76) | **969** |
| | | | | | |
| Eurobond | - | (58) | 2 | (379) | **(435)** |
| Bank loans | (316) | (35) | (1) | 142 | **(210)** |
| Finance lease obligations | (188) | (21) | - | 98 | **(111)** |
| | (504) | (114) | 1 | (139) | **(756)** |
| | | | | | |
| Net cash | 435 | (8) | 1 | (215) | **213** |

## 10. 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, 33.73% of the issued share capital of easyJet plc as at 30 September 2016.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup for a minimum term of 10 years. The full term of 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 License was entered with easyGroup, dated 29 September 2016, under which, in return for easyGroup consenting to easyJet acquiring a portion of the equity share capital in Founders Factory Limited, easyJet made a payment of £1.

A separate agreement was entered with Sir Stelios ('the Comfort Letter'), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet made payment of a fee of £300,000, adjusted annually per the UK Retail Price index, each year for five years (or until the expiry of the longest subsisting restriction, whichever is later). All of the obligations in the Comfort Letter have now expired and no further payments will be made under it.

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

| | 2016<br>£ million | 2015<br>£ million |
|---|---|---|
| Annual royalty | **11.7** | 11.7 |
| Brand protection (legal fees paid through easyGroup to third parties) | **1.0** | 0.9 |
| Comfort letter agreement with Sir Stelios Haji-Ioannou | **-** | 0.3 |
| | **12.7** | 12.9 |

At 30 September 2016, £nil million (2015: £1 million) of the above aggregate amount was included in trade and other payables.