18 November 2014 **easyJet plc**

Results for the year ended 30 September 2014

Proven strategy, execution and returns

	2014	2013	Change
Total revenue (£ million)	**4,527**	4,258	+6.3%
Profit before tax (£ million)	**581**	478	+21.5%
Pre-tax margin (%)	**12.8%**	11.2%	+1.6ppt
Basic earnings per share (pence)	**114.5**	101.3	+13.0%
Proposed ordinary dividend per share (pence)	**45.4**	33.5	+35.5%
Return on capital employed (%) (1)	**20.5%**	17.4%	+3.1ppt

Drive demand, conversion and yields across Europe

- Total revenue per seat increased by 1.2% on a reported basis, and by 1.9% on a constant currency basis to £63.31 in a higher capacity environment. The growth in revenue per seat was driven in part by a number of digital and revenue management initiatives and a continued focus on capital allocation. Second half revenue per seat on a constant currency basis grew by 1.9%.
- Seats flown grew by 5.1% to 71.5 million.
- Load factors increased by 1.3 percentage points to 90.6% and passenger numbers rose by 6.6% to 64.8 million.

Maintain cost advantage

- Cost per seat excluding fuel decreased by 1.2% on a reported basis but increased by 0.6% on a constant currency basis to £37.70 driven by increases in charges at regulated airports offset by the continued delivery of easyJet lean initiatives. Second half cost per seat on a constant currency basis increased by 0.7%.
- easyJet lean delivered sustainable savings of £32 million in the year of which £18 million were delivered in the second half.
- CFM selected to supply engines for future deliveries of current and new generation aircraft delivering one-off cost savings.

Build strong number one and two network positions

- New bases opened at Hamburg and Naples during the year and new bases announced for Amsterdam and Porto.
- easyJet started flying the former Flybe slots at London Gatwick on 30 March 2014.
- Options and purchase rights exercised over 35 A320 aircraft to take advantage of profitable growth opportunities.

Disciplined use of capital

- Return on capital employed grew by 3.1 percentage points to 20.5%.
- easyJet ended the financial year with £985 million of cash and money market deposits, a decrease of £252 million against the position at 30 September 2013 which reflects the continued cash generation of the business offset by the payment of a £133 million ordinary dividend and a special dividend of £175 million to shareholders in the year, pre-delivery payments for new aircraft and repayment of borrowings.
- The Board is recommending an increased ordinary dividend to shareholders of £180 million or 45.4 pence a share based on its enhanced ordinary dividend policy of paying out 40% of annual profit after tax.

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

"easyJet has continued to execute its strategy, delivering another strong performance and enabling easyJet to deliver record profits for the fourth year in a row. We are also proposing to increase the proportion of our profits after tax paid in dividends from one third to 40%, reflecting our confidence in the future of easyJet.

"Our performance demonstrates our continued focus on cost and progress against every strategic revenue priority. Our people are fully aligned behind our strategy and this gives us strong momentum to continue delivering.

"easyJet has opened up clear blue sky between us and our competitors – both legacy and low cost - with our unique and winning combination of the best route network connecting Europe's primary airports, with great value fares and friendly service.

"I would like to thank all of our people who have worked so hard to deliver sustainable growth and returns for our shareholders."

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There will be an analyst presentation at 9:30 am on 18 November 2014 at Nomura International Plc, One Angel Lane, London, EC4R 3AB.

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

A. INTRODUCTION

Financial performance

easyJet delivered record profit before tax of £581 million, an increase of £103 million from 2013 with a profit before tax margin of 12.8%. Profit before tax per seat rose by £1.09 year on year to £8.12.

Return on capital employed grew by 3.1 percentage points to 20.5%. In light of the continued strong financial performance and confidence in the future, the Board has decided to increase the ordinary dividend pay-out ratio from one third of profit after tax to 40% of profit after tax, which has resulted in a 35.5% increase in the ordinary dividend from 33.5 pence per share to 45.4 pence per share.

The performance in the year was driven by:

- continued revenue per seat growth in a higher capacity environment;
- a 1.3 percentage point improvement in the load factor;
- continued digital and data initiatives;
- better than expected cost performance driven by the easyJet lean programme, one-off benefits of the CFM engine selection and the continued scale advantages of increasing the proportion of A320 aircraft in the fleet; and
- rigorous focus on capital allocation and returns with continued strategy of allocating aircraft to highest returning parts of the network.

B. MARKET OVERVIEW

Competitive landscape

The European short haul aviation market can be divided into legacy carriers and low cost carriers. The legacy carriers include for example Air France-KLM, IAG and Lufthansa. Legacy carriers operate short and long-haul networks. The short-haul operations are partly used to provide connectivity for passengers to transfer onto the more profitable long haul. Low cost carriers, like easyJet, typically operate point to point business models with no (or limited) connectivity to other flights. Due to a less complicated business model, and cost advantage, low cost airlines have consistently generated higher levels of profitability compared to the legacy carriers.

After several years of low market capacity growth the European short-haul market has returned to more normal levels of capacity growth. In the 12 months to 30 September 2014 the total number of European short-haul seats increased by 4.3%(2) and by 3.0%(2) on easyJet's markets. easyJet grew slightly ahead of the market with seat growth of 5.1% in the 2014 financial year. easyJet expects that capacity and demand will be broadly aligned over the next five-year period. This is based on confirmed short-haul European fleet orders, conservative assumptions on aircraft retirements and GDP growth in easyJet's main markets.

Several airlines have launched initiatives to improve profitability, rationalise capacity and reduce costs. In some cases these airlines have also been dependent on external funding to support operations and strengthen balance sheets. For example, UK-based airline Monarch has announced a restructuring programme including a material reduction in its fleet size. Etihad made an investment for a 49% stake in Alitalia which is undergoing significant restructuring. Air Berlin announced additional restructuring at its full year results, and has since cancelled part of its fleet order to reduce future capital expenditure commitments.

Legacy carriers are also trying to reduce costs by transferring capacity, primarily on point to point routes, to lower-cost subsidiaries. For example, Lufthansa Group has begun to transfer capacity to Germanwings in Germany and also announced plans to set up Eurowings outside of Germany. Air France-KLM has announced plans to further expand its low-cost subsidiary Transavia. easyJet has a cost advantage over these low cost subsidiaries, an advantage of a pan-European network and an established brand which allows it to drive high load factors from both departure and arrival markets.

Primary airports are becoming increasingly capacity constrained in peak periods. With long planning and investment cycles to expand existing airports, several more airports are expected to be capacity-constrained in the future. easyJet has a competitive advantage from its network driven by its well-balanced portfolio of slots at congested primary airports, which has taken a number of years to build up and cannot be readily replicated.

Regulatory environment

The regulatory environment remains an important issue for easyJet, and while the Company has seen significant progress in some areas, easyJet continues to see monopoly infrastructure providers imposing unreasonable price increases.

At Gatwick, easyJet's largest base, the Company worked to make changes to the regulatory environment which has allowed it to reach a long-term agreement with the airport that provides a lasting benefit for the Company. There has also been a willingness to reconsider how airports are regulated in France and Switzerland; in particular easyJet has focused on ensuring that airports are effectively regulated and are not able to retain the commercial revenues from passengers through the airport and instead have to use them to offset airport charges. However, there have been significant increases in charges at Rome Fiumicino airport in particular, where the airport has structured charges in a way that discriminates against point-to-point airlines. This has been accompanied by continued pressure on regulated charges at a range of airports across Europe. easyJet remains focused on addressing this and has an on-going dialogue and programme of work with both regulators and the European Commission on regulated charges at EU airports. After the year-end the UK Supreme Court effectively upheld a Court of Appeal ruling in favour of paying EU261 compensation to passengers who experience a cancellation or a delay of more than 3 hours due to certain types of technical failure. easyJet operates a young and reliable fleet and fully complies with all applicable rulings relating to EU261.

There has also been mixed progress on airspace charges. In some EU Member States, in particular the UK and a range of smaller nations, airline pressure has ensured that providers will deliver reductions in airspace charges. However, other Member States are continuing to support increases. easyJet will continue to oppose these increases, and is working with other airlines on this issue. easyJet remains concerned with the continued increase in taxes on aviation across Europe, which is undermining European growth and ultimately jobs. easyJet has undertaken work to demonstrate to governments that these taxes are not in their interest or those of consumers or people working within the sector. The forthcoming general election in the UK provides an opportunity for APD to be addressed in the UK.

C. STRATEGIC PROGRESS

easyJet flies between airports people want to fly to; its principal competitors at these primary airports are the legacy, low-cost and charter carriers. easyJet has a structural cost advantage relative to these airlines allowing it to offer customers more affordable fares. This cost advantage is driven through a combination of factors including aircraft configuration with easyJet carrying a higher number of seats per aircraft; higher load factors and higher aircraft utilisation driven by its point-to-point model; its younger fleet and advantaged fleet deal reducing ownership and maintenance costs and leaner overhead costs.

The Company is confident that its strategy of building on its competitive advantages of a strong network and market positions, efficient low-cost model, pan-European brand and strong balance sheet will position it to deliver sustainable growth and returns for shareholders.

In order to deliver on its strategy, easyJet has four key objectives:

1. Build strong number one and two network positions
2. Maintain cost advantage
3. Drive demand, conversion and yields across Europe
4. Disciplined use of capital

For shareholders, this will deliver: sustainable and flexible growth; industry leading returns and regular cash returns via ordinary dividends paid out at 40% of profit after tax; and, in addition, a policy of distributing excess cash to shareholders.

1. Build strong number one and two network positions

easyJet has developed the leading pan-European network by building up a valuable portfolio of slots, held at primary airports over several years. easyJet connects more of the top European city-to-city market pairs than any other airline and its network is a clear competitive advantage. easyJet has number one or two market positions at primary airports including London Gatwick, Geneva, Paris Orly, Paris Charles de Gaulle, Amsterdam and Milan Malpensa.

easyJet's network is designed to maximise asset utilisation and extract the maximum value from its assets. The Company constantly strives to balance the network by allocating aircraft to areas of the network which drive the highest returns depending on time of day or year.

easyJet has a market share of around 8%(2) in the total intra-European market and around 32% share in easyJet's markets(2). An overview of the developments in each of easyJet's key markets is shown below.

Country review

UK

easyJet is the largest short-haul carrier in the UK with a market share of around 20%[(2)]. easyJet saw growth across a number of airports in the UK with the majority of the increase coming at Gatwick due to the acquisition of Flybe slots in May 2013 where capacity increased by around 15% in the six months to 30 September 2014. The slots transferred on 30 March 2014 and have been used to further build the route portfolio at Gatwick and increase frequencies on existing routes such as Inverness and Amsterdam.

easyJet increased capacity in the UK by 5.8% and launched 24 new routes in the 12 months to 30 September 2014. The Company now bases 127 aircraft in the UK and holds leading positions in nine out of eleven UK bases.

Switzerland

easyJet grew capacity by 6.8% and carried over 10 million passengers in the 2014 financial year. The Company now has 23 aircraft based in Switzerland, launched 11 new destinations from Geneva and Basel and now flies 110 routes from the country.

The Company has consolidated its number one positions at Geneva and Basel by increasing its market share by 0.4 and 1.2 percentage points to 40.5% and 52.4% respectively.

France

easyJet is the largest low-cost airline in France with a market share of around 14% and 26 based aircraft. In the 2014 financial year easyJet carried 14.7 million passengers on over 180 routes of which 24 were launched in the year.

As part of its strategy to become the alternative to Air France, easyJet grew capacity by 5% in the 2014 financial year and continued to improve its brand consideration scores from 87% to 90%. easyJet was able to take advantage of the Air France pilots' strike in September 2014 by adding additional capacity, attracting more customers to the airline and increasing revenue by approximately £5 million.

easyJet also launched four new routes at Bordeaux, increased frequencies on key business routes, became the largest short-haul carrier in Nice and launched two new French destinations at Strasbourg and Figari.

Italy

easyJet has 27 aircraft based in Italy, grew capacity by 6.2% in in the 2014 financial year and has number one or number two positions at its key bases of Milan Malpensa, Rome Fiumicino and Naples. easyJet opened its Naples base in March 2014 with two based aircraft.

easyJet also has a strong structural position in other areas of the country such as Venice, Olbia and Pisa. The Company believes there are further opportunities in Italy given the current market dynamics and easyJet's structural position which it has built in the market. easyJet has been steadily increasing its brand attractiveness and now one out of four Italians prefers to fly with easyJet.

Germany

easyJet grew capacity by 6.7% in Germany in the 2014 financial year. easyJet has 11 aircraft based in Germany at Berlin and Hamburg. The Hamburg base was launched in March 2014 and has two based aircraft.

easyJet's focus has been on Berlin with nine aircraft and a 62% market share at Berlin Schönefeld airport [(2)]. easyJet has performed well in Berlin taking share from Lufthansa as it retrenches and transfers traffic to Germanwings. easyJet is in a strong position to drive returns when the new Berlin airport eventually opens.

Portugal / Spain

easyJet carried approximately four million passengers in the 2014 financial year with a market share of around 13%, and is the second largest carrier in Lisbon Portela with four aircraft based at the airport with a 12% market share [(2)]. In spring 2015 easyJet will open its second Portuguese base at Porto with two based aircraft.

Spain is an important destination in the easyJet network with 10% of all flights touching Spain. In the 2014 financial year easyJet had an 8% share of the Spanish short-haul market.

Netherlands

easyJet is the second largest carrier in Amsterdam with a market share of around 9%. In spring 2015 easyJet will open a base at Amsterdam Schiphol Airport, with three based aircraft.

2. Maintain cost advantage

easyJet has a cost advantage over its competitors in the airports that it operates from, allowing it to offer competitive and affordable fares for passengers. Its key competitors in the primary airports it operates from are legacy carriers with older, less efficient aircraft, lower asset utilisation, lower seat densities, lower load factors and higher levels of fixed costs, and low-cost carriers. easyJet's lower cost base enables it to offer the affordable fares its customers value.

easyJet's asset utilisation of 11 block hours per day for operated aircraft is amongst the highest in the industry and has remained constant year-on-year.

Robust operations

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

The first half of the year saw some challenges for easyJet's operations including the Italian Air Traffic Controllers strike in October, a power outage at Gatwick on Christmas Eve, Air Traffic Control computer systems failure in the UK, the adverse weather conditions in December across Northern Europe and the French Air Traffic Controllers strike in March. easyJet's strong operational process and teams ensured that the ground and flight operations recovered quickly from disruption events to ensure on-time performance remained industry leading.

The second half of the year saw operational issues such as the recurring industrial action in Italy and France, unusually disruptive and prolonged continental summer thunderstorm periods as well as the transitional impact of easyJet's large increase in capacity at Gatwick due to the acquisition of Flybe slots. This resulted in a two percentage point reduction in on-time performance levels for the year to 30 September 2014.

OTP % arrivals within 15 minutes[(3)]	Q1	Q2	Q3	Q4	Full year
2013	86%	86%	89%	88%	87%
2014	87%	91%	84%	80%	85%

easyJet lean

easyJet is committed to maintaining its structural cost advantage against the legacy, low-cost and charter operators who are its major competitors in the airports from which it operates. Since inception easyJet lean has delivered c.£175 million of sustainable savings.

In the 2014 financial year easyJet lean delivered £32 million of sustainable savings, of which £18 million was delivered in the second half. Savings were focused on ground handling contracts and agreements with non-regulated airports. Further savings were delivered by engineering initiatives and fuel burn projects including the benefit of more aircraft fitted with Sharklets in the fleet.

After four years of the easyJet lean programme the Company took the opportunity to add to the initiatives contained in the pipeline over the next five years through an independent cost benchmarking exercise, which highlighted that easyJet is in a strong cost position compared to its competitors. The process also highlighted that there are many more cost saving opportunities for easyJet to deliver which will form the basis of the plan to deliver £30 million to £40 million in sustainable savings per annum over the next five years.

Fleet

easyJet continues to build flexibility into its fleet planning arrangements such 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.

easyJet's total fleet as at 30 September 2014 comprised 226 aircraft, split between 156-seat Airbus A319s and 180-seat A320s. During the year, easyJet took delivery of nine A320 aircraft under the terms of the current generation Airbus agreement. No aircraft exited the fleet in the year.

The larger A320 aircraft have been introduced over the last few years with minimal reduction in yields, and they deliver a per seat cost saving of approximately 7% to 8% over the A319 aircraft through economies of scale, efficiencies in crew, ownership, fuel and maintenance. The increase in the proportion of A320s delivered a 10 pence per seat cost saving in 2014.

Fleet as at 30 September 2014:

	Owned	Operating leases	Finance leases	**Total**	% of fleet	Changes in year	Future committed deliveries	Unexercised purchase rights
A319	93	54	6	**153**	68%	-	-	-
A320	50	18	5	**73**	32%	9	70	-
A320neo	-	-	-	**-**		-	100	100
	143	**72**	**11**	**226**		**9**	**170**	**100**

During the year easyJet exercised:

- 31 October 2013 – six options over current generation A320 aircraft;
- 14 February 2014 – two purchase rights over current generation A320 aircraft; and
- 18 September 2014 - the remaining 27 purchase rights over current generation A320 aircraft.

These aircraft are subject to a very substantial discount from the list price and are expected to be funded through a combination of easyJet's internal resources, cashflow, sale and leaseback transactions and debt.

easyJet continues to have a high level of fleet flexibility provided by its current fleet arrangements. As a result of the exercise of the options and purchase rights easyJet is expecting to have a fleet of 304 aircraft by 2019. However, the fleet arrangements also give easyJet the ability to manage the fleet size to between 204 and 316 aircraft by 2019 depending on economic conditions and opportunities available.

easyJet's fleet plan as at 30 September 2014:

	2015 financial year	**2016 financial year**	**2017 financial year**	**2018 financial year**	**2019 financial year**
Maximum fleet (4) (5)	241	259	281	296	316
Minimum fleet (4)	241	250	261	226	204
Fleet plan—base case(4)	241	259	281	296	304

3. Drive demand, conversion and yields across Europe

A key part of easyJet's strategy is to drive revenues by optimising its network, improving brand awareness across Europe, developing its competitive advantage through its bespoke revenue management system, improving its customer relationship management capabilities, driving conversion and implementing its wider digital strategy.

Revenue per seat grew by 1.2% on a reported basis to £63.31 and by 1.9% on a constant currency basis. The growth in revenue per seat in a competitive market was driven by the:

- continued improvement in the mix of routes, with the ability to respond quickly to increases or decreases in demand from customers including in season where the mix of fleet enables easyJet to deploy the right sized aircraft to meet peak demand and take advantage of opportunities;
- improved conversion and yield from more sophisticated pricing for customers through further developments of the bespoke revenue management system;
- performance of allocated seating and the yield management of bag charges;
- load factor which increased by 1.3 percentage points to 90.6%;
- initiatives to target the business passenger; and
- continued roll-out of digital, brand and revenue initiatives.

Revenue per seat growth continued to improve with the exception of London Gatwick where easyJet started flying the Flybe slots on 30 March 2014. In the six months to 30 September 2014 easyJet increased capacity by around 15% at London Gatwick and as expected this resulted in short-term yield pressure at the airport. easyJet sees a significant opportunity over the next two years to drive improvement in revenue performance at London Gatwick as it optimises the use of slots and as the additional capacity matures.

easyJet continues to make travel easy and affordable for its customers by driving innovation through its digital strategy. The Company's award-winning app has now been downloaded by over ten million people and the use of mobile boarding passes continues to grow. During the year easyJet launched a series of innovations including becoming the first European carrier to allow planes to be tracked in real time on a map of Europe on the flight information page and a trial of iBeacons at London Luton, London Gatwick and Paris Charles de Gaulle. These strategically placed beacons trigger helpful notifications to passengers' mobiles during critical points of the airport journey. Other initiatives launched in the year included a 'lowest fare finder' on easyjet.com and Hebrew and Chinese language web sites.

The Company's business passenger initiative continues to perform in line with expectations. In the 2014 financial year easyJet continued to drive sales of new business products, such as inclusive fare and flexi fare, the latter of which grew by 48% year-on-year. easyJet also grew its managed business – those corporates where easyJet has a contractual relationship - by 10% year-on-year. easyJet's sales through dedicated business channels such as Global Distribution Systems, API and on-line booking tools grew by 34%. In September 2014 easyJet launched a TV advertising campaign focused on its business passenger offering and carried its highest ever number of business passengers in a month. During the year easyJet continued to develop its business passenger initiative; partnering with Sabre to enhance its booking process in October 2013 and renewing its distribution agreement with Travelport in February 2014. easyJet also renewed its travel deal with the UK Houses of Parliament. The success of easyJet's developments within the corporate travel arena was recognised when it won Best Short-Haul Airline at the 2014 Business Travel awards.

Non-seat revenue per seat declined by £0.03 per seat to £0.91 per seat. This was primarily due to the non-recurrence of a one-off benefit in the prior year. easyJet continues to review and expand its portfolio of partners, inflight services and fees and charges to drive improvements in its customer experience.

4. Disciplined use of capital

easyJet allocates its aircraft and capacity to optimise the returns across its network and it discontinued 36 routes during the financial year.

easyJet maintains a strong balance sheet with low gearing and therefore derives a competitive advantage through access to funding at a lower cost. Over the cycle, easyJet is committed to earning returns in excess of its cost of capital, and intends to fund both aircraft purchases and dividends from the cash generated from the business.

During the year easyJet revised its financial objectives and metrics to provide a clear capital structure framework:

	Objective	**Metric**	**Progress**
Capital discipline	High asset efficiency Maintain high level of fleet flexibility	Fleet size flexibility of between 204 and 316 aircraft by 2019	226 aircraft with 11 hours per day asset utilisation
Capital structure	Ensure robust capital structure Retain ability to invest in profitable growth opportunities	Gearing: 15% to 30% Moving to 80:20 ratio on owned vs. leased aircraft	Gearing 17% 32% leased
Liquidity	Maintain sufficient liquidity to manage through industry shocks	£4 million cash per aircraft	£4.4 million cash per aircraft
Returns	Maintain industry-leading returns	Top quartile ROCE[(1)]	ROCE of 20.5%
Dividend policy	Target consistent and continuous payments Return excess capital to shareholders	40% of profit after tax pay-out ratio for ordinary dividend	Ordinary dividend payment increased by 35.5% to 45.4 pence per share

This framework allows easyJet to withstand external shocks such as an extended closure of airspace, significant fuel price increases or a sustained period of low yields whilst being in a position to drive growth and returns for shareholders.

As at 30 September 2014, easyJet had cash and money market deposits of £985 million, a decrease of £252 million on 30 September 2013 which reflects the payment of £308 million in dividends to shareholders in the year, pre-delivery payments for new aircraft and repayment of borrowings. easyJet finished the year with net cash of £422 million against net cash of £558 million at the same time last year. Adjusted net debt, including leases at seven times at 30 September 2014 was £446 million against £156 million at 30 September 2013.

easyJet is focused on driving returns for shareholders and, consistent with this, the Board increased the pay-out ratio on the ordinary dividend from one third of profit after tax to 40% of profit after tax. In addition the Board will continue to keep the balance sheet under review and intends to make further returns of capital in the coming years when appropriate.

Therefore the Board is recommending an ordinary dividend of 45.4 pence a share which is subject to shareholder approval at the Company's Annual General Meeting on 12 February 2015.

D. LOOKING FORWARD

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 requirements and between 45% and 65% of the following 12 months anticipated requirements.

Details of current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus
Six months to 31 March 2015	91%	91%	84%
Average rate	$958 / metric tonne	$1.60	€1.19
Full year ending 30 September 2015	80%	85%	77%
Average rate	$944 / metric tonne	$1.59	€1.18
Full year ending 30 September 2016	58%	55%	52%
Average rate	$921 / metric tonne	$1.64	€1.21

Sensitivities

- A $10 movement per metric tonne impacts the FY'15 fuel bill by $3.5 million.
- A one cent movement in £/$ impacts the FY'15 profit before tax by £1.3 million.
- A one cent movement in £/€ impacts the FY'15 profit before tax by £1.1 million.

Outlook

easyJet expects to grow capacity, measured in seats flown, by around 3.5% in the first half of the year and by around 5% for the full year. Forward bookings for the first half of the 2015 financial year are slightly ahead of the prior year. easyJet continues to invest in its network and in particular is growing capacity at London Gatwick, driven by the purchase of the Flybe slots, by around 10% in the first half of the year. As a result of easyJet continuing to invest in and grow its network, revenue per seat at constant currency for the first half of the financial year is expected to be flat to very slightly up on the prior year.

easyJet expects cost per seat (excluding fuel and currency) to increase by around 2.5% for the first half of the year and by around 2% for the full year(6). The cost per seat increase reflects the prior year's unusually benign winter weather and will primarily be driven by increased crew costs associated with delivering a resilient operation ahead of new base openings, charges at regulated airports, particularly in Germany and Italy, increased navigation charges and increased maintenance costs associated with the planned ageing of the fleet.

It is estimated that at current exchange rates and with jet fuel remaining within a $800 metric tonne to $1,000 metric tonne trading range, easyJet's unit fuel bill for the first six months of the 2015 financial year is likely to decrease by between £12 million(7,8) and £22 million(7,8) compared to the six months to 31 March 2014. On a full year basis it is estimated that at current exchange rates and with jet fuel remaining within a $800 metric tonne to $1,000 metric tonne trading range, easyJet's unit fuel(7) bill for the 12 months ending 30 September 2015 is likely to decrease by between £22 million and £70 million(7,8) compared to the 12 months to 30 September 2014.

In addition, exchange rate movements are likely to have around a £5 million(7) favourable impact compared to the six months to 31 March 2014 and are likely to have around a £20 million(7) adverse impact compared to the 12 months to 30 September 2014.

easyJet is successfully executing its strategy of offering its customers low fares to great destinations with friendly service so that it will continue to win in a more competitive market. This means easyJet is well placed to continue to deliver sustainable returns and growth for shareholders.

Footnotes:

(1) Return on capital employed shown adjusted for leases with leases capitalised at 7 times.
(2) Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2013 to September 2014.
(3) On-time performance as measured by internal easyJet system.
(4) Maximum, minimum and base fleet show the fleet position at the end of the relevant financial year.
(5) Does not include exercise of any of the 100 purchase rights over A320neo aircraft.
(6) Includes anticipated impact from the recent EU261 Huzar judgement.
(7) US $ to £ sterling 1.5633, euro to £ sterling 1.2540. Currency and fuel increases are shown net of hedging impact.
(8) Unit fuel calculated as the difference between latest estimate of FY'15 fuel costs less FY'14 fuel cost per seat multiplied by FY'15 seat capacity.

E. FINANCIAL RESULTS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2014

In the 2014 financial year, easyJet flew 64.8 million passengers (2013: 60.8 million) and grew revenue by 6.3% from £4,258 million to £4,527 million, compared with 5.1% growth in seats flown.

A good cost performance meant that easyJet grew profit before tax by 21.5% to £581 million, resulting in profit before tax per seat of £8.12 (2013: £7.03). Profit after tax was £450 million, an increase of 13.1% over last year.

F. FINANCIAL OVERVIEW

	2014 **£ million**	**£ per seat**	**pence per ASK**	2013 £ million	£ per seat	pence per ASK
Total revenue	**4,527**	**63.31**	**5.69**	4,258	62.58	5.74
Costs excluding fuel	**(2,695)**	**(37.70)**	**(3.39)**	(2,598)	(38.17)	(3.51)
Fuel	**(1,251)**	**(17.49)**	**(1.57)**	(1,182)	(17.38)	(1.59)
Profit before tax	**581**	**8.12**	**0.73**	478	7.03	0.64
Tax charge	**(131)**	**(1.83)**	**(0.16)**	(80)	(1.18)	(0.10)
Profit after tax	**450**	**6.29**	**0.57**	398	5.85	0.54
Operating profit*	**581**	**8.12**	**0.73**	497	7.30	0.66

* Operating profit represents profit before interest and tax

Total revenue per seat grew by 1.2% to £63.31. At constant currency, revenue per seat grew by 1.9%.

Excluding fuel, cost per seat reduced by 1.2% to £37.70, but increased by 0.6% at constant currency, with inflationary increases largely offset by a one-off reduction in engine heavy maintenance costs, continued delivery of easyJet lean initiatives (including improved contractual terms with a number of ground handlers), and lower de-icing costs as a consequence of an unusually mild winter.

Fuel costs increased by £69 million, from £17.38 to £17.49 per seat, with the average effective fuel price stable at $977 per tonne.

Overall, profit before tax per seat increased by 15.6% to £8.12 per seat.

The tax charge for the year was £131 million. The effective tax rate for the year was 22.5% (2013: 16.7%), slightly higher than the standard UK rate due to the higher rate applicable to profits taxed in Switzerland. The effective tax rate of 16.7% in the prior year was due to a £28 million reduction in deferred tax resulting from legislation that reduced the UK corporate tax rate to 20% with effect from 1 April 2015. easyJet made corporation tax payments totalling £96 million during the 2014 financial year.

Earnings per share and dividends per share

	2014 **pence per share**	2013 pence per share	Change
Basic earnings per share	**114.5**	101.3	13.0%
Proposed ordinary dividend	**45.4**	33.5	35.5%
Special dividend	**-**	44.1	n/a

Basic earnings per share increased by 13.0% to 114.5 pence, driven by the increase in profit after tax from £398 million to £450 million.

The Board is recommending an ordinary dividend of £180 million or 45.4 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 12 February 2015. This will be paid on 20 March 2015 to shareholders on the register at close of business on 27 February 2015.

Return on capital employed (ROCE) and capital structure

	2014	2013	Change
ROCE	**20.5%**	17.4%	3.1ppt
Gearing	**17%**	7%	10ppt

ROCE for the year was 20.5%, an improvement of 3.1 percentage points from prior year driven by the increase in profit for the year, partly offset by a 2% increase in average adjusted capital employed. This latter increase was mainly driven by pre-delivery payments on the 35 aircraft ordered during the 2014 financial year and the full year impact of the 24 aircraft leases entered into during the 2013 financial year.

The combined impact of the special dividend and the increase in adjusted capital employed resulted in gearing of 17% (2013: 7%), in line with the target range of 15% to 30% over the next three financial years.

Cash and money market deposits as at 30 September 2014 were £985 million, a reduction of £252 million from the end of the prior financial year, driven by the special dividend and aircraft pre-delivery payments.

G. EXCHANGE RATES

The proportion of revenue and costs denominated in currencies other than sterling was little changed year on year.

	Revenue		Costs	
	2014	2013	**2014**	2013
Sterling	**47%**	48%	**26%**	25%
Euro	**42%**	41%	**33%**	35%
US dollar	**1%**	1%	**35%**	34%
Other (principally Swiss franc)	**10%**	10%	**6%**	6%

Average exchange rates	**2014**	2013
Euro – revenue	**€1.21**	€1.19
Euro – costs	**€1.22**	€1.19
US dollar	**$1.59**	$1.59
Swiss franc	**CHF 1.49**	CHF 1.45

Over the year as a whole, movements in average effective exchange rates were relatively small.

The net favourable impact on profit of changes in exchange rates was mainly driven by a weaker average euro rate as follows:

Favourable / (adverse)	Euro	Swiss franc	US dollar	Other	Total
	£ million	£ million	£ million	£ million	£ million
Revenue	(23)	(4)	(3)	(3)	(33)
Fuel	2	-	(1)	-	1
Costs excluding fuel	40	5	5	-	50
Total	**19**	**1**	**1**	**(3)**	**18**

Although easyJet has a surplus of euro revenue over euro costs, on average, revenue cash inflows occur several months before cost cash outflows, resulting in a short-term benefit to the income statement that will not continue into the next financial year.

H. FINANCIAL PERFORMANCE

Revenue

	£ million	**£ per seat**	**2014 pence per ASK**	£ million	£ per seat	2013 pence per ASK
Seat revenue	**4,462**	**62.40**	**5.61**	4,194	61.64	5.65
Non-seat revenue	**65**	**0.91**	**0.08**	64	0.94	0.09
Total revenue	**4,527**	**63.31**	**5.69**	4,258	62.58	5.74

Revenue per seat improved by 1.2% to £63.31 in comparison to the prior year, and by 1.9% at constant currency.

Load factor increased by 1.3 percentage points to 90.6%, contributing to revenue per ASK being flat at constant currency despite the 1.9% increase in average sector length. Revenue per passenger was £69.90, down by 0.3% compared with the 2013 financial year, but up by 0.5% at constant currency.

Costs excluding fuel

	£ million	**£ per seat**	**2014 Pence per ASK**	£ million	£ per seat	2013 Pence per ASK
Operating costs						
Airports and ground handling	**1,107**	**15.48**	**1.39**	1,078	15.84	1.45
Crew	**479**	**6.70**	**0.60**	454	6.68	0.61
Navigation	**307**	**4.30**	**0.39**	294	4.33	0.40
Maintenance	**212**	**2.97**	**0.27**	212	3.11	0.29
Selling and marketing	**103**	**1.45**	**0.13**	101	1.49	0.14
Other costs	**245**	**3.41**	**0.30**	226	3.31	0.30
	2,453	**34.31**	**3.08**	2,365	34.76	3.19
Ownership costs						
Aircraft dry leasing	**124**	**1.73**	**0.16**	102	1.49	0.14
Depreciation	**106**	**1.49**	**0.13**	102	1.50	0.15
Amortisation	**12**	**0.17**	**0.02**	10	0.15	0.01
Net interest receivable	**7**	**0.10**	**0.01**	11	0.16	0.01
Net exchange (gains) / losses	**(7)**	**(0.10)**	**(0.01)**	8	0.11	0.01
	242	**3.39**	**0.31**	233	3.41	0.32
Total costs excluding fuel	**2,695**	**37.70**	**3.39**	2,598	38.17	3.51

Airports and ground handling cost per seat decreased by 2.3% and were broadly flat at constant currency. Charges at regulated airports increased as anticipated, primarily as Contratto charges in Italy annualised. However, easyJet lean delivered compensating savings on new ground handling and airport contracts. De-icing cost per seat was also £0.16 lower as an unusually mild winter followed last year's unusually cold conditions.

Crew cost per seat increased by 0.3% to £6.70, and by 1.8% at constant currency, driven by an average 2.0% increase in payroll costs and the 1.9% increase in average sector length, partly offset by improved crew scheduling.

Navigation costs decreased slightly to £4.30 per seat but were up by 2.4% at constant currency principally due to increased average sector length.

Maintenance costs per seat decreased by 4.6% to £2.97, and by 2.9% at constant currency. As expected, the increasing average age of the fleet has led to higher maintenance costs. However, these increases were more than offset by the benefit of the revised engine contract, which has delivered a reduction in the cost of heavy maintenance. A significant proportion of this reduction is one-off in nature and will not recur next year.

Other costs per seat increased by 3.1% to £3.41 per seat, driven by the cost of wet leasing two aircraft over the summer, employee performance-related pay and digital development costs.

Aircraft dry leasing cost per seat increased by 16.1% to £1.73 and by 12.5% at constant currency. The increase in cost per seat is driven by the annualising of last year's leasing activity, when the leased fleet increased by a net 17 aircraft to 72. There have been no new leases or lease returns during the 2014 financial year.

Net interest receivable decreased by £0.06 to £0.10 per seat as easyJet continued to repay mortgage and finance lease debt.

The impact of movements in currency exchange rates is a gain of £7 million compared with a loss of £8 million in the prior year, in each case driven mainly by changes in the euro exchange rate. A fluctuation of this size is within the range of expectations, given the size of the related foreign currency cash flows.

Fuel

	£ million	**£ per seat**	**2014 pence per ASK**	£ million	£ per seat	2013 pence per ASK
Fuel	**1,251**	**17.49**	**1.57**	1,182	17.38	1.59

Fuel cost per seat increased by 0.6% and by a similar amount at constant currency. The average effective fuel price was broadly similar at $977 per tonne (equivalent to £614 per tonne). Longer average sector length and the higher load factor drove an increase in cost per seat, which was partly offset by easyJet lean initiatives. Further per seat benefits were driven by short-term factors, including more favourable weather conditions.

I. CASH FLOWS AND FINANCIAL POSITION

Summary consolidated statement of cash flows

	2014 **£ million**	2013 £ million	Change £ million
Net cash generated from operating activities (excluding dividends and tax)	**798**	766	32
Ordinary dividends paid	**(133)**	(85)	(48)
Special dividends paid	**(175)**	-	(175)
Tax paid	**(96)**	(65)	(31)
Net capital expenditure	**(445)**	(416)	(29)
Net loan and lease finance (repayment) / drawdown	**(112)**	33	(145)
Net (increase)/decrease in money market deposits	**(338)**	41	(379)
Net (increase)/decrease in restricted cash	**(20)**	148	(168)
Purchase of own shares for employee share schemes	**(57)**	(26)	(31)
Other (including the effect of exchange rates)	**(11)**	(28)	17
Net (decrease) / increase in cash and cash equivalents	**(589)**	368	(957)
Cash and cash equivalents at beginning of year	**1,013**	645	368
Cash and cash equivalents at end of year	**424**	1,013	(589)
Money market deposits at end of year	**561**	224	337
Cash and money market deposits at end of year	**985**	1,237	(252)

easyJet generated strong operating cash flow during the 2014 financial year, at a level similar to the prior year, which benefited from improved credit card settlement terms.

Net capital expenditure includes the acquisition of nine aircraft (2013: ten aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases. An additional 35 aircraft were ordered during the 2014 financial year for delivery between 2015 and 2018.

Summary consolidated statement of financial position

	2014 £ million	2013 £ million	Change £ million
Goodwill	**365**	365	-
Property, plant and equipment	**2,542**	2,280	262
Derivative financial instruments	**(21)**	(71)	50
Net working capital	**(989)**	(980)	(9)
Restricted cash	**32**	12	20
Net cash	**422**	558	(136)
Current and deferred taxation	**(239)**	(202)	(37)
Other non-current assets and liabilities	**60**	55	5
	2,172	2,017	155

	2014 £ million	2013 £ million
Opening shareholders' equity	**2,017**	1,794
Profit for the year	**450**	398
Ordinary dividends paid	**(133)**	(85)
Special dividends paid	**(175)**	-
Change in hedging reserve	**38**	(97)
Other movements (net)	**(25)**	7
	2,172	2,017

Shareholders' equity increased by £155 million driven by the profit for the year, offset partially by payment of the ordinary and special dividends.

The net book value of property plant and equipment increased by £262 million driven principally by the acquisition of nine A320 family aircraft, and pre-delivery payments relating to aircraft purchases and life-limited parts.

Reconciliation of net cash flow to movement in net cash

	2014 £ million	2013 £ million	Change £ million
Cash and cash equivalents	**424**	1,013	(589)
Money market deposits	**561**	224	337
	985	1,237	(252)
Bank loans	**(377)**	(484)	107
Finance lease obligations	**(186)**	(195)	9
	(563)	(679)	116
Net cash	**422**	558	(136)

Net cash at 30 September 2014 was £422 million compared with net cash of £558 million at 30 September 2013, with the reduction of £136 million driven mainly by the special dividend payment of £175 million. After allowing for the impact of aircraft operating leases, adjusted net debt has increased by £290 million to £446 million. As a result, gearing has increased to 17% at 30 September 2014.

J. KEY STATISTICS

Operating measures	2014	2013	Change
Seats flown (millions)	**71.5**	68.0	5.1%
Passengers (millions)	**64.8**	60.8	6.6%
Load factor	**90.6%**	89.3%	+1.3ppt
Available seat kilometres (ASK) (millions)	**79,525**	74,223	7.1%
Revenue passenger kilometres (RPK) (millions)	**72,933**	67,573	7.9%
Average sector length (kilometres)	**1,112**	1,091	1.9%
Sectors	**439,943**	420,311	4.7%
Block hours	**849,790**	799,480	6.3%
Number of aircraft owned/leased at end of year	**226**	217	4.1%
Average number of aircraft owned/leased during year	**220.8**	212.6	3.8%
Number of aircraft operated at end of year	**217**	209	3.8%
Average number of aircraft operated during year	**210.8**	199.8	5.5%
Operated aircraft utilisation (hours per day)	**11.0**	11.0	0.8%
Owned aircraft utilisation (hours per day)	**10.6**	10.3	2.4%
Number of routes operated at end of year	**675**	633	6.6%
Number of airports served at end of year	**135**	138	(2.2%)
Financial measures			
Return on capital employed	**20.5%**	17.4%	+3.1ppt
Gearing	**17%**	7%	+10ppt
Profit before tax per seat (£)	**8.12**	7.03	15.6%
Profit before tax per ASK (pence)	**0.73**	0.64	13.4%
Revenue			
Revenue per seat (£)	**63.31**	62.58	1.2%
Revenue per seat at constant currency (£)	**63.78**	62.58	1.9%
Revenue per passenger (£)	**69.90**	70.08	(0.3%)
Revenue per passenger at constant currency (£)	**70.40**	70.08	0.5%
Revenue per ASK (pence)	**5.69**	5.74	(0.8%)
Revenue per ASK at constant currency (pence)	**5.73**	5.74	0.0%
Costs			
Per seat measures			
Total cost per seat (£)	**55.19**	55.55	(0.6%)
Total cost per seat excluding fuel (£)	**37.70**	38.17	(1.2%)
Total cost per seat excluding fuel at constant currency (£)	**38.41**	38.17	0.6%
Operating cost per seat (£)	**51.80**	52.14	(0.6%)
Operating cost per seat excluding fuel (£)	**34.31**	34.76	(1.3%)
Operating cost per seat excluding fuel at constant currency (£)	**34.97**	34.76	0.6%
Ownership cost per seat (£)	**3.39**	3.41	(0.8%)
Per ASK measures			
Total cost per ASK (pence)	**4.96**	5.10	(2.7%)
Total cost per ASK excluding fuel (pence)	**3.39**	3.51	(3.1%)
Total cost per ASK excluding fuel at constant currency (pence)	**3.45**	3.51	(1.7%)
Operating cost per ASK (pence)	**4.65**	4.78	(2.5%)
Operating cost per ASK excluding fuel (pence)	**3.08**	3.19	(3.2%)
Operating cost per ASK excluding fuel at constant currency (pence)	**3.14**	3.19	(1.6%)
Ownership cost per ASK (pence)	**0.31**	0.32	(2.7%)

K. CONDENSED FINANCIAL INFORMATION

Consolidated Income Statement

	Notes	**Year ended 30 September 2014 £ million**	Year ended 30 September 2013 £ million
Seat revenue		**4,462**	4,194
Non-seat revenue		**65**	64
Total revenue		**4,527**	4,258
Fuel		**(1,251)**	(1,182)
Airports and ground handling		**(1,107)**	(1,078)
Crew		**(479)**	(454)
Navigation		**(307)**	(294)
Maintenance		**(212)**	(212)
Selling and marketing		**(103)**	(101)
Other costs		**(245)**	(226)
EBITDAR		**823**	711
Aircraft dry leasing		**(124)**	(102)
Depreciation	7	**(106)**	(102)
Amortisation of intangible assets		**(12)**	(10)
Operating profit		**581**	497
Interest receivable and other financing income		**11**	5
Interest payable and other financing charges		**(11)**	(24)
Net finance charges	3	**-**	(19)
Profit before tax		**581**	478
Tax charge	4	**(131)**	(80)
Profit for the year		**450**	398
Earnings per share, pence			
Basic	5	**114.5**	101.3
Diluted	5	**113.2**	100.0

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 30 September 2014** **£ million**	Year ended 30 September 2013 £ million
Profit for the year		**450**	398
Other comprehensive income			
Cash flow hedges			
Fair value losses in the year		**(2)**	(82)
Losses/(gains) transferred to income statement		**50**	(42)
Related tax (charge)/credit	4	**(10)**	27
		38	(97)
Total comprehensive income for the year		**488**	301

All items in other comprehensive income will be re-classified to the income statement.

Consolidated Statement of Financial Position

	Notes	**30 September 2014 £ million**	30 September 2013 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**113**	102
Property, plant and equipment	7	**2,542**	2,280
Derivative financial instruments		**36**	13
Loan notes		**4**	7
Restricted cash		**9**	12
Other non-current assets		**152**	185
		3,221	2,964
Current assets			
Trade and other receivables		**200**	194
Derivative financial instruments		**53**	17
Restricted cash		**23**	-
Money market deposits		**561**	224
Cash and cash equivalents		**424**	1,013
		1,261	1,448
Current liabilities			
Trade and other payables		**(1,110)**	(1,093)
Borrowings		**(91)**	(87)
Derivative financial instruments		**(87)**	(60)
Current tax payable		**(53)**	(58)
Maintenance provisions		**(79)**	(81)
		(1,420)	(1,379)
Net current (liabilities)/assets		**(159)**	69
Non-current liabilities			
Borrowings		**(472)**	(592)
Derivative financial instruments		**(23)**	(41)
Non-current deferred income		**(62)**	(68)
Maintenance provisions		**(147)**	(171)
Deferred tax	4	**(186)**	(144)
		(890)	(1,016)
Net assets		**2,172**	2,017
Shareholders' equity			
Share capital		**108**	108
Share premium		**658**	657
Hedging reserve		**(17)**	(55)
Translation reserve		**1**	1
Retained earnings		**1,422**	1,306
		2,172	2,017

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 2013	**108**	**657**	**(55)**	**1**	**1,306**	**2,017**
Total comprehensive income	**-**	**-**	**38**	**-**	**450**	**488**
Dividends paid (note 6)	**-**	**-**	**-**	**-**	**(308)**	**(308)**
Share incentive schemes						
Proceeds from shares issued	**-**	**1**	**-**	**-**	**-**	**1**
Value of employee services	**-**	**-**	**-**	**-**	**23**	**23**
Related tax (note 4)	**-**	**-**	**-**	**-**	**8**	**8**
Purchase of own shares	**-**	**-**	**-**	**-**	**(57)**	**(57)**
At 30 September 2014	**108**	**658**	**(17)**	**1**	**1,422**	**2,172**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2012	108	656	42	1	987	1,794
Total comprehensive (expense)/income	-	-	(97)	-	398	301
Dividends paid	-	-	-	-	(85)	(85)
Share incentive schemes						
Proceeds from shares issued	-	1	-	-	-	1
Value of employee services	-	-	-	-	18	18
Related tax (note 4)	-	-	-	-	14	14
Purchase of own shares	-	-	-	-	(26)	(26)
At 30 September 2013	108	657	(55)	1	1,306	2,017

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 2014 £ million**	Year ended 30 September 2013 £ million
Cash flows from operating activities			
Cash generated from operations (excluding dividends)	8	**793**	788
Ordinary dividends paid		**(133)**	(85)
Special dividends paid		**(175)**	-
Net interest and other financing charges received/(paid)		**5**	(22)
Tax paid		**(96)**	(65)
Net cash generated from operating activities		**394**	616
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(426)**	(400)
Proceeds from sale of property, plant and equipment		**1**	1
Purchase of intangible assets		**(23)**	(21)
Redemption of loan notes		**3**	4
Net cash used by investing activities		**(445)**	(416)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1**	1
Purchase of own shares for employee share schemes		**(57)**	(26)
Repayment of bank loans		**(104)**	(273)
Repayment of capital element of finance leases		**(8)**	(10)
Net proceeds from sale and operating leaseback of aircraft		**-**	316
Net (increase)/decrease in money market deposits		**(338)**	41
Net (increase)/decrease in restricted cash		**(20)**	148
Net cash (used by)/generated from financing activities		**(526)**	197
Effect of exchange rate changes		**(12)**	(29)
Net (decrease)/increase in cash and cash equivalents		**(589)**	368
Cash and cash equivalents at beginning of year		**1,013**	645
Cash and cash equivalents at end of year		**424**	1,013

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 2014 but is extracted from the 2014 Annual report and accounts.

The Annual report and accounts for 2013 has been delivered to the Registrar of Companies.

The Annual report and accounts for 2014 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 estimates are based on management's best knowledge 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 two accounting policies are considered critical accounting policies as they require a significant amount of management judgment 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.

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 cashflows 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

	2014	2013
	£ million	£ million
Interest receivable and other financing income		
Interest income	**(4)**	(5)
Net exchange gains on monetary assets and liabilities	**(7)**	-
	(11)	(5)
Interest payable and other financing charges		
Interest payable on bank loans	**6**	9
Interest payable on finance lease obligations	**5**	5
Other interest payable	**-**	2
Net exchange losses on monetary assets and liabilities	**-**	8
	11	24
	-	19

4. Tax charge

Tax on profit on ordinary activities

	2014	2013
	£ million	£ million
Current tax		
United Kingdom corporation tax	**99**	103
Foreign tax	**6**	4
Prior year adjustments	**(7)**	(11)
Total current tax charge	**98**	96
Deferred tax		
Temporary differences relating to property, plant and equipment	**25**	15
Other temporary differences	**3**	(9)
Prior year adjustments	**8**	6
Change in tax rate	**(3)**	(28)
Total deferred tax charge / (credit)	**33**	(16)
	131	80
Effective tax rate	**22.5%**	16.7%

Legislation enacted in 2013 reduced the UK corporation tax rate to 20% from 1 April 2015. As a consequence, deferred tax in 2013 reduced by £28 million resulting in an effective tax rate of 16.7%.

Current tax payable at 30 September 2014 amounted to £53 million (2013: £58 million). £45 million of this related to tax payable in the UK; the remaining amount of £8 million related to tax due in other European countries.

During the year ended 30 September 2014, tax paid amounted to £96 million (2013: £65 million).

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

	2014	2013
	£ million	£ million
(Charge)/credit to other comprehensive income		
Deferred tax on fair value movements of cash flow hedges	**(10)**	27
Credit to shareholders' equity		
Current tax credit on share-based payments	**7**	3
Deferred tax credit on share-based payments	**1**	11
	8	14

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:

	2014	2013
	£ million	£ million
Profit for the year	**450**	398

	2014	2013
	million	Million
Weighted average number of ordinary shares used to calculate basic earnings per share	**393**	393
Weighted average number of dilutive share options	**5**	5
Weighted average number of ordinary shares used to calculate diluted earnings per share	**398**	398

Earnings per share	**2014**	2013
	pence	Pence
Basic	**114.5**	101.3
Diluted	**113.2**	100.0

6. Dividends

An ordinary dividend in respect of the year ended 30 September 2014 of 45.4 pence per share, or £180 million is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 33.5 pence per share, or £133 million, and a special dividend of 44.1 pence per share, or £175 million, in respect of the year ended 30 September 2013 were both paid in the year ending 30 September 2014.

7. Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2013	**2,674**	**31**	**2,705**
Additions	**419**	**17**	**436**
Transfer to intangible assets	**-**	**(10)**	**(10)**
Transfer to maintenance provision	**(55)**	**-**	**(55)**
Disposals	**(3)**	**(2)**	**(5)**
At 30 September 2014	**3,035**	**36**	**3,071**
Depreciation			
At 1 October 2013	**415**	**10**	**425**
Charge for the year	**103**	**3**	**106**
Disposals	**(1)**	**(1)**	**(2)**
At 30 September 2014	**517**	**12**	**529**
Net book value			
At 30 September 2014	**2,518**	**24**	**2,542**
At 1 October 2013	2,259	21	2,280

The net book value of aircraft includes £322 million (2013: £196 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £597 million (2013: £664 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £142 million (2013: £147 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 170 (2013: 144) Airbus A320 family aircraft, with a total list price of US$14.6 billion (2013: US$12.4 billion) before escalations and discounts, for delivery between 2015 and 2018 (35 aircraft) and 2017 and 2022 (100 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

	2014 **£ million**	2013 £ million
Operating profit	**581**	497
Adjustments for non-cash items:		
Depreciation	**106**	102
Loss on disposal of property, plant and equipment	**2**	-
Amortisation of intangible assets	**12**	10
Share-based payments	**23**	18
Changes in working capital and other items of an operating nature:		
(Increase) / decrease in trade and other receivables	**(6)**	74
Increase in trade and other payables	**18**	64
Increase in provisions	**32**	29
Decrease in other non-current assets	**33**	8
(Decrease) / increase in derivative financial instruments	**(2)**	-
Decrease in non-current deferred income	**(6)**	(14)
	793	788

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

	1 October 2013 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2014 £ million
Cash and cash equivalents	1,013	(12)	-	(577)	**424**
Money market deposits	224	(1)	-	338	**561**
	1,237	(13)	-	(239)	**985**
Bank loans	(484)	4	(1)	104	**(377)**
Finance lease obligations	(195)	1	-	8	**(186)**
	(679)	5	(1)	112	**(563)**
Net cash	558	(8)	(1)	(127)	**422**

10. Related party transactions

The Company licenses the easyJet brand from easyGroup IP Licensing Limited ('easyGroup'), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holdings Limited) holds, in total, 34.62% of the issued share capital of easyJet plc.

Under the Amended Brand Licence signed in October 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.

A new brand protection protocol was also agreed, under which easyJet will contribute up to £1 million per annum to meet the costs to protect the 'easy' and 'easyJet' brands and easyGroup will contribute £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 separate agreement has been entered with Sir Stelios ('the Comfort Letter'), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet makes 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). Whilst certain of those obligations have since expired, remaining in force is the following:

- for five years from the date of the Comfort Letter, Sir Stelios shall not use his own name (or a derivative thereof) to brand an airline flying to or from any EEA country, or Switzerland.

The Amended Brand Licence and Comfort Letter were approved by the shareholders at a general meeting held on 10 December 2010. The amounts included in the income statement for these items were as follows:

	2014 £ million	2013 £ million
Annual royalty	**11.3**	10.6
Brand protection (legal fees paid through easyGroup to third parties)	**1.0**	0.5
Agreement with Sir Stelios Haji-Ioannou	**0.3**	0.3
	12.6	11.4

At 30 September 2014, £0.8 million (2013: £1.1 million) of the above aggregate amount was included in trade and other payables.