
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000. If you sell or have sold or otherwise transferred your entire holding of Ordinary Shares in certificated form in easyJet plc before 18 June 2002 (the "ex-rights" date), please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee, except that such documents should not be sent or transmitted in or into the United States or any other jurisdiction outside the United Kingdom. If your transferred Ordinary Shares were held in uncertificated form, a claim transaction will automatically be generated by CRESTCo which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The Directors of easyJet plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of easyJet plc (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Credit Suisse First Boston (Europe) Limited, Credit Suisse First Boston Equities Limited, UBS AG (acting through its business group UBS Warburg), UBS Warburg Ltd. and Salomon Brothers U.K. Equity Limited are acting for easyJet plc and no one else in connection with the Acquisition and the Rights Issue and (with the exception of UBS Warburg Ltd. and Credit Suisse First Boston (Europe) Limited) for the Placing Shareholders (as defined at page 17 of this document) in connection with the expected placing of certain Nil Paid Rights of the Placing Shareholders, and will not be responsible to anyone other than easyJet plc or the Placing Shareholders (as the case may be) for providing the protections afforded to their customers, nor for providing advice in relation to the Acquisition, the Rights Issue, this document or any transaction or arrangement referred to herein.

A copy of this document which comprises a prospectus relating to easyJet plc prepared in accordance with the Listing Rules made pursuant to section 74(4) of the Financial Services and Markets Act 2000 has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of that Act.

Application has been made to the UK Listing Authority for the Rights Issue Shares to be admitted to the Official List. Application has also been made to the London Stock Exchange for the Rights Issue Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission to listing of the Rights Issue Shares will become effective and that dealings in those shares, nil paid, on the London Stock Exchange will commence on 18 June 2002.

easyJet plc

Proposed Acquisition of the Go Group 4 for 11 Rights Issue of up to 109,800,760 Rights Issue Shares at 265 pence per share and Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of easyJet plc, to be held at 10.00 a.m. on 17 June 2002 at easyLand, London Luton Airport, Bedfordshire LU2 9LS, is set out at the end of this document. A Form of Proxy is enclosed for use by Shareholders in connection with the meeting. To be valid, Forms of Proxy, completed in accordance with the instructions printed thereon, must be received at the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA as soon as possible but in any event by no later than 10.00 a.m. on 15 June 2002. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

The latest time and date for acceptance and payment in full for the Rights Issue Shares is expected to be 10.30 a.m. on 8 July 2002. The procedure for acceptance and payment is set out in Part VI of this document.

In addition to this document, subject to the passing of the Resolutions, Qualifying non-CREST Shareholders will be sent a Provisional Allotment Letter on 17 June 2002. Qualifying non-CREST Shareholders should retain this document for reference pending receipt of a Provisional Allotment Letter. Other than a Provisional Allotment Letter, Qualifying non-CREST Shareholders should note that they will receive no further written communication from the Company in respect of the subject matter of this document.

Qualifying CREST Shareholders (none of whom will receive a Provisional Allotment Letter) are expected, subject to the passing of the Resolutions, to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 18 June 2002. The Nil Paid Rights so credited are expected to be enabled for settlement by CRESTCo as soon as practicable after Admission. Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in respect of the subject matter of this document. They should accordingly retain this document for, amongst other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Nil Paid Rights, Fully Paid Rights, Rights Issue Shares and Provisional Allotment Letters have not been and will not be registered under the Securities Act or under the securities laws of any state of the United States nor will they qualify for distribution under any of the securities laws of any other jurisdiction outside the United Kingdom. Accordingly, subject to certain exceptions, none of the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters may be offered, sold, resold, delivered, taken up, transferred or renounced, directly or indirectly, in or into the United States or in or into any jurisdiction outside the United Kingdom, and neither this document nor the Provisional Allotment Letters will be posted to any person in the United States or any other jurisdiction outside the United Kingdom nor should this document or the Provisional Allotment Letters be forwarded to any such person. **Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should read the paragraph entitled "Overseas Shareholders" in Part VI of this document.**

Notwithstanding the foregoing, the Company reserves the right to make the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares and Provisional Allotment Letters available to a limited number of Overseas Shareholders in the United States that are qualified institutional buyers within the meaning of Rule 144A of the Securities Act in transactions exempt from the registration requirements of the Securities Act. Any recipient of Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters pursuant to such transactions will be required to make certain acknowledgements, representations and agreements that establish to the Company and the Underwriters that such transactions are exempt from the registration requirements of the Securities Act.

Shareholders and any other person contemplating a purchase of Nil Paid Rights, Fully Paid Rights or Rights Issue Shares should review the "Risk Factors" set out in Part IV of this document for a discussion of certain factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue and by others in deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or Rights Issue Shares.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the Rights Issue Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each offeree of the Rights Issue Shares, by accepting delivery of this document, agrees to the foregoing.

The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company or the Underwriters that would permit an offer of Rights Issue Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or Provisional Allotment Letter(s), or the Nil Paid Rights or Fully Paid Rights, in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Nil Paid Rights, Fully Paid Rights, Rights Issue Shares and Provisional Allotment Letters are not transferable except in accordance with, and the distribution of this document is subject to, the restrictions set out under the heading “Overseas Shareholders” in Part VI of this document.

This document does not constitute an offer of securities for sale in the United States. None of the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters described in this document have been or will be registered under the Securities Act and none of the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters may be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Any decision in connection with the proposed Rights Issue should be made solely on the basis of the information contained in this document. Without limitation to the foregoing, reliance should not be placed on any information in announcements of the Company released prior to the date hereof, except to the extent that such information is repeated in this document.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Underwriters. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the easyJet Group and/or the Go Group since the date hereof or that the information in this document is correct as at any time subsequent to its date. Without limitation, the contents of easyJet’s website do not form part of this document.

None of the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares, the Provisional Allotment Letters or this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission or regulatory authority nor has any such authority confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Currency and financial statement presentation

Unless otherwise indicated, all references in this document to “Sterling”, “pounds sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling.

Unless otherwise indicated, financial information in this document, including the pro forma financial information in Part IX of this document, has been prepared in accordance with UK GAAP and may not necessarily comply with accounting standards generally accepted in the United States.

Directors and advisers

BOARD OF DIRECTORS

Stelios Haji-Ioannou (Non-Executive Chairman)
Sir Colin Michael Chandler (Non-Executive Deputy Chairman)
Raymond Douglas Webster (Chief Executive)
Christopher John Walton (Finance Director)
Colin Richard Day (Non-Executive Director)
Amir Eilon (Non-Executive Director)
Nicholas Hartley (Non-Executive Director)
Anthony Kim Illsley (Non-Executive Director)
Diederik Karsten (Non-Executive Director)
John Anthony Quelch (Non-Executive Director)

COMPANY SECRETARY

Deborah Anne Woodward ACIS

REGISTERED OFFICE

easyLand
London Luton Airport
Bedfordshire LU2 9LS

SPONSOR AND FINANCIAL ADVISER

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London E14 4QJ

UNDERWRITERS

Credit Suisse First Boston Equities Limited
One Cabot Square
London E14 4QJ

UBS AG (acting through its business group
UBS Warburg)
1 Finsbury Square
London EC2M 2PP

Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

SOLICITORS AND US COUNSEL TO THE COMPANY

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

SOLICITORS PROVIDING AVIATION AND REGULATORY ADVICE TO THE COMPANY

Denton Wilde Sapte
1 Fleet Place
London EC4M 7WS

SOLICITORS AND US COUNSEL TO THE SPONSOR AND THE UNDERWRITERS

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

AUDITOR AND REPORTING ACCOUNTANT

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

REGISTRARS AND RECEIVING AGENTS

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

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Expected Timetable of Principal Events

	2002
Record Date for entitlements under the Rights Issue	close of business on 10 June
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 15 June
Extraordinary General Meeting	10.00 a.m. on 17 June
Provisional Allotment Letters expected to be despatched (to Qualifying non-CREST Shareholders only)	17 June
Dealings in Rights Issue Shares, nil paid, expected to commence	8.00 a.m. on 18 June
Nil Paid Rights and Fully Paid Rights enabled in CREST	8.00 a.m. on 18 June
Recommended latest time and date for requesting withdrawal of Nil Paid Rights from CREST ⁽¹⁾	3.00 p.m. on 2 July
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account ⁽²⁾	3.00 p.m. on 3 July
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 4 July
Latest time and date for acceptance, payment in full in respect of the Rights Issue Shares and for registration of renunciation of Provisional Allotment Letters	10.30 a.m. on 8 July
Dealings in Rights Issue Shares, fully paid, to commence	8.00 a.m. on 9 July
Expected date for Rights Issue Shares to be credited to CREST stock accounts	9 July
Despatch of definitive share certificates for Rights Issue Shares in certificated form	by 15 July

(1) *i.e. if your Nil Paid Rights are in CREST and you wish to convert them into certificated form.*

(2) *i.e. if your Nil Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them into uncertificated form in CREST.*

Part I – Letter from the Chairman of easyJet plc

easyJet plc

(Registered in England under company number 3959649)

Directors

Stelios Haji-Ioannou (Non-Executive Chairman)
Sir Colin Michael Chandler (Non-Executive Deputy Chairman)
Raymond Douglas Webster (Chief Executive)
Christopher John Walton (Finance Director)
Colin Richard Day (Non-Executive Director)
Amir Eilon (Non-Executive Director)
Nicholas Hartley (Non-Executive Director)
Anthony Kim Illsley (Non-Executive Director)
Diederik Karsten (Non-Executive Director)
John Anthony Quelch (Non-Executive Director)

Registered office

easyLand
London Luton Airport
Bedfordshire LU2 9LS

23 May 2002

To the holders of Ordinary Shares and, for information only, to the holders of options under the easyJet Share Option Schemes

Dear Shareholder,

Proposed Acquisition of the Go Group and 4 for 11 Rights Issue of up to 109,800,760 Rights Issue Shares at 265 pence per share

Introduction

On 16 May 2002 easyJet announced that it had agreed to acquire the entire issued share capital of Newgo 1 Limited, the ultimate holding company of Go Fly Limited, and to procure the repayment of certain loans and other obligations of the Go Group, for a total of £374 million. This represents an enterprise value of £257.6 million attributed to the Go Group, after taking into account the £116.4 million cash and nil debt on the balance sheet of Go at 31 March 2002. Go is a European low-cost scheduled passenger airline, providing services from London Stansted Airport, Bristol International Airport and East Midlands Airport on short-haul and medium-haul routes within Europe.

The Acquisition and associated costs, which are estimated to be approximately £16.0 million, will be funded through:

- a rights issue of up to 109,800,760 shares at a price of 265 pence per share on the basis of 4 Rights Issue Shares for every 11 existing Ordinary Shares. Assuming no options under the easyJet Share Option Schemes are exercised prior to the Record Date, 104,405,503 Rights Issue Shares will be issued, raising £276.7 million; and
- £113.3 million of the Enlarged Group's cash resources.

The Rights Issue Shares will represent approximately 26.7 per cent of the Enlarged Share Capital of the Company (assuming no options are exercised under the easyJet Share Option Schemes prior to the Record Date).

The Acquisition is conditional, *inter alia*, upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting, admission of the Rights Issue Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange, the obtaining of warranty insurance and the receipt of merger clearances from the Secretary of State for Trade and Industry in the UK and certain other merger authorities.

The Rights Issue is also conditional, *inter alia*, upon the passing of the Resolutions, but is not conditional on Completion of the Acquisition. If the Rights Issue becomes unconditional but Completion subsequently does not take place (which the Directors consider unlikely), the Directors' current intention is that the net proceeds of

the Rights Issue will be invested on a short term basis while the Directors consider how best to return the proceeds of the Rights Issue (after the deduction of certain acquisition and transaction costs) to Shareholders. Any such return of capital may have adverse tax implications for Shareholders. If, before Admission, the Acquisition Agreement has terminated or if the Acquisition ceases to be capable of Completion, the Rights Issue will not proceed.

104,405,503 of the Rights Issue Shares have been underwritten by the Underwriters on the basis summarised in paragraph 9.1.2 of Part XI of this document.

easyGroup (the company through which I am indirectly interested in Ordinary Shares), Clelia Holdings Limited and Polys Holdings Limited (the companies through which my sister and brother respectively are indirectly interested in Ordinary Shares) and Elura Investments Limited (the company through which Ray Webster, the Company’s chief executive, is interested in Ordinary Shares) have each undertaken to take up such number of their Nil Paid Rights as can be funded by the proceeds of sale of the balance of their entitlements. For the avoidance of doubt, neither easyGroup, Clelia Holdings Limited, Polys Holdings Limited or Elura Investments Limited will realise any net cash as a result of these transactions. Further details of these matters can be found in the paragraph entitled “Shareholder Undertakings and Sales” at page 17 of this letter.

The purpose of this document is, amongst other things, to provide you with details of the Acquisition, to explain the reasons for and benefits of the Acquisition and to describe the details of the Rights Issue. I intend to procure that easyGroup will vote in favour, and recommend that you vote in favour, of the Resolutions set out in the notice of Extraordinary General Meeting at the end of this document.

Summary Information on Go

Go is a European low-cost airline. It provides services from London Stansted Airport, Bristol International Airport and East Midlands Airport on short-haul and medium-haul routes within Europe. It targets both the business and leisure travel markets at fares which are on average significantly below those offered by traditional “flag-carrier” and regional airlines.

Go started flying in May 1998 as a stand-alone subsidiary of British Airways, operating solely in the low-cost airline sector. In November 2000, British Airways announced its intention to sell Go as part of its overall European restructuring plans. In June 2001 Go became an independent company, following a management buy-out.

Go has experienced substantial year-on-year growth since its launch in 1998. During the financial year ended 31 March 2001, it had an average of 13 aircraft, flew 2.8 million passengers and operated 23 routes. In May 2001 Go launched its second UK base at Bristol International Airport and in March 2002 it launched its third UK base at East Midlands Airport. During the financial year ended on 31 March 2002, Go flew 4.3 million passengers generating revenues of £233.7 million and profits before tax of £14.0 million.

At 31 March 2002 Go operated 36 routes within the UK and continental Europe with a fleet of 24 Boeing 737-300 aircraft with another 3 aircraft expected to be delivered by the end of June 2002. In comparison, at 31 March 2002 easyJet operated 40 routes with a fleet of 30 Boeing 737 aircraft. Go’s fleet has an average aircraft age of 8 years and flies from its bases mostly to primary airports at its destinations. The audited consolidated revenue, operating profit, profit before tax and profit after tax of Go for the years ended 31 March 2000, 2001 and 2002, as reported in the Go annual accounts for those years and extracted without material adjustment therefrom, are set out below. Investors considering an investment in Rights Issue Shares should read the whole of this document and not just rely on the information summarised below.

	Year ended 31 March		
	2000 £ million	2001 £ million	2002 £ million
Revenue	100.6	159.7	233.7
Operating profit/(loss)	(23.1)	1.8	10.2
Profit/(loss) before tax	(21.8)	4.2	14.0
Profit/(loss) after tax	(15.2)	2.7	9.8

Newgo 1, through its wholly owned subsidiary Newgo 2, owns the entire issued share capital of Go apart from 10 million A Preference Shares of £1 each in the capital of Newgo 2 which are owned by British Airways. These

A Preference Shares will be redeemed on Completion. Financial information on the Go Group can be found in Part VII and financial information on Go can be found in Part VIII of this document.

Reasons for and Benefits of the Acquisition

The Directors believe that the Acquisition will contribute significantly to easyJet’s objective of becoming Europe’s leading low-cost airline by strengthening its position in important target markets, increasing its management strength and providing a larger, stronger platform from which to exploit growth opportunities profitably. The Directors believe that the Acquisition will contribute to easyJet’s network growth strategy by:

- the addition of a number of mature routes not currently operated by easyJet which will create additional opportunities for easyJet to develop its network density by “joining the dots”, thereby reducing the cost and risk of network development which would otherwise be incurred were easyJet to develop new routes from start-up; and
- the provision of easyJet services to a larger customer base, particularly in the key target markets of London and south-east England, and increasing the potential market from which to draw demand for new destinations.

The Directors believe that the Acquisition will provide benefits of scale relating to:

- the ability of the Enlarged Group to negotiate enhanced commercial terms for the purchase of goods or services, particularly in relation to the purchase of aircraft and fuel, the negotiation of maintenance arrangements, the purchase of insurance and marketing and advertising expenditure; and
- the reduction of market risk arising from the Enlarged Group’s ability to add capacity to a new route without adversely affecting its ability to maintain capacity on existing routes.

The Directors also believe that the uncertainty created in the global aviation industry following the tragic events of 11 September 2001 has increased the financial pressure on its full service competitors, whereas the demand for low-cost air travel has remained strong. As a result, the Directors believe the Company has been presented with the opportunity to increase the rate at which it is capturing market share from its full service competitors and so accelerate easyJet’s growth. The Acquisition enables easyJet to achieve significant growth in a single step. The Directors believe that the Acquisition will also contribute the necessary infrastructure, systems and people to support future growth without affecting the planned growth and operating efficiency of easyJet’s existing operations. Achieving these targets organically would inevitably involve a longer timeframe.

The Directors believe that the Acquisition will generate value for Shareholders. Earnings per share enhancement, as adjusted for the Rights Issue and before amortisation of goodwill, is expected by the Directors in easyJet’s financial year ending 30 September 2003. This statement is not intended to suggest that earnings will necessarily be greater for the Company in that period than during the current financial year. A pro-forma statement of net assets of the Enlarged Group as at 31 March 2002 is set out in Part IX of this document.

The Enlarged Group’s pro forma cash position (including short term deposits), as set out in Part IX of this document and determined on the basis set out therein, as at 31 March 2002 was £385.1 million. The Directors believe that the Enlarged Group’s strong balance sheet will provide it with the flexibility to take advantage of growth opportunities as they emerge and will be used to help fund in part its new aircraft purchases.

The Directors believe that the Acquisition has a compelling strategic and commercial rationale. The key benefits are:

➤ **Go is at an exciting stage in its development**

Go has developed during the last two years from an unproven emerging low-cost airline into a profitable and established business with strong growth prospects. The Directors believe that Go will increasingly benefit from economies of scale and an operationally efficient and maturing network. Go achieved its first profitable year in the year ended 31 March 2001 and profits before tax grew in the year ended 31 March 2002 to £14.0 million, a year-on-year increase of 232 per cent. Based on easyJet’s own experience of yields increasing with route maturity, the Directors believe that Go’s revenue will continue to grow as its routes mature.

➤ **Increased competition with traditional full-service airlines**

The Directors believe that, in order to be successful, the Enlarged Group will have to not only compete with other low-cost carriers but also the national flag carriers which, together with British Airways, include Lufthansa, Air France, KLM, Iberia and Alitalia. Most of these are members of powerful global strategic alliances, such as oneworld and the Star Alliance. These traditional full-service airlines are focusing increasingly on the type of cost saving, distribution and management methods which have helped to make easyJet and Go successful. As the competitive advantages of these cost-saving methods are increasingly adopted by traditional full-service airlines and increasingly achieve market acceptance, the competitive tensions between the traditional airlines and the low-cost carriers can therefore be expected to intensify. The Directors believe that the nature of services which traditional airlines supply (which include frequent flyer programmes and airport lounges) means that easyJet is likely to retain its cost advantage.

Although easyJet has been successful since its inception, the intra-EU market share of all the low-cost scheduled airlines together is small, estimated by the Directors at approximately 7 per cent of the total EU scheduled airline market.

The Directors believe that the increased scale that will be achieved by a combination of easyJet and Go would enable the Enlarged Group to offer passengers a greater choice of destinations at competitive prices and increase the level of competition against all its competitors throughout much of Europe. The Enlarged Group would, with its enlarged fleet, be able to increase competition with other European carriers.

➤ **Go’s business model is very similar to easyJet’s model**

The Directors believe that of all the European low-cost airlines, Go most closely resembles easyJet. This is partly because Go was set up and developed on the basis of the easyJet model. The Directors believe that Go is a “point-to-point, high utilisation, no frills, low cost” operator. Go seeks to minimise its unit costs through high aircraft utilisation and simplified business processes. easyJet considers that Go’s cost base is appropriate for a low-cost airline. In addition, Go flies predominantly to major airports, has been building service frequency and overtly targets business travellers. It also uses the internet as its primary distribution channel with the vast majority of non-internet sales serviced through a call centre. The Directors believe that the similarity between easyJet’s and Go’s business models should reduce business integration risks.

➤ **Go operates a fleet of Boeing 737-300 aircraft**

Go’s fleet has grown rapidly since its inception and comprised 24 aircraft at 31 March 2002 with an average age of 8 years. A further 3 deliveries are expected by the end of June 2002. These aircraft are similar to the majority of easyJet’s fleet except that they are configured for 148 seats as opposed to the 149 seats on each easyJet aircraft. Go’s fleet profile is shown below, including deliveries expected until 30 June 2002.

	2000		2001		2002			
	As at 31 March	As at 30 Sept	As at 31 March	As at 30 Sept	As at 31 March	As at 30 April	As at 31 May	As at 30 June
Number of Aircraft	13	13	14	18	24	24	26	27

Part I – Letter from the Chairman of easyJet plc

➤ **Go’s network is complementary to easyJet’s network**

easyJet and Go have generally complementary networks, as shown by the following table which sets out each company’s expected route system for summer 2002:

easyJet Network

Between London Luton and:	Between Liverpool and:	Between Geneva and:	Between Amsterdam and:	Between London Gatwick and:	Between Paris Charles de Gaulle and:
Aberdeen Amsterdam Athens Barcelona Belfast Edinburgh Geneva Glasgow Inverness Madrid Malaga Nice Palma de Mallorca Paris Charles de Gaulle Zurich	Amsterdam Barcelona Belfast Geneva Madrid Malaga Nice Palma de Mallorca Paris Charles de Gaulle	Amsterdam Barcelona London Gatwick Nice Paris Orly	Barcelona Belfast Edinburgh Glasgow London Gatwick Nice	Athens Barcelona Edinburgh Malaga Nice Palma de Mallorca Zurich	Nice

easyJet also provides services to Belfast International Airport from Edinburgh Airport and Glasgow International Airport.

Go Network

Between London Stansted and:	Between Bristol and:	Between East Midlands and:
Alicante Barcelona Belfast Bilbao Bologna Copenhagen Edinburgh Faro Glasgow Ibiza (seasonal) Malaga Milan Linate Munich Naples Newcastle Nice Palma de Mallorca Prague Rome Ciampino Venice Marco Polo	Alicante Barcelona Belfast Edinburgh Faro Glasgow Malaga Nice Palma de Mallorca Prague	Alicante Edinburgh Faro Glasgow Malaga Prague

Go also provides services to Belfast International Airport from Glasgow International Airport and Edinburgh Airport.

The majority of Go’s destinations are not currently serviced by easyJet but are destinations which easyJet has had under consideration as possible future destinations. The Board estimates that the Enlarged Group will operate 81 routes, serving 35 airports and 32 destinations during Summer 2002. The addition of Go’s

destinations will provide numerous opportunities for easyJet to further increase its network density and exploit its “join the dots” strategy.

➤ **Access to good people and to management strength**

easyJet believes that Go possesses high quality staff and a strong and competent management, both of which should contribute positively to the success of the Enlarged Group, particularly in view of their experience in successfully managing a fast growing business in the same sector as, and with a similar business model to, that of the Company.

It is the Board’s current intention that, following Completion, Ed Winter, the current chief operating officer of Go, will become acting chief executive of Go and will also be given the role of “Director of Transformation” to oversee Go’s integration into the Enlarged Group. David Magliano, the current Sales and Marketing Director of Go, will become Director of Sales and Marketing for the Enlarged Group and Dominic Paul, Go’s current Director of Customer Services, will become the Enlarged Group’s Director of Customer Services. All three of these senior members of Go’s management have indicated their intention to accept these positions and will join the board of easyJet UK. Mike Cooper, currently easyJet’s Commercial Director, will assume a new role of Director of Business Development for the Enlarged Group. Vilhelm Hahn-Petersen and Keith McMann will continue as Director of Operations and Director of Airports for the Enlarged Group respectively. Further appointments are likely in due course. Barbara Cassani, the current chief executive of Go, will not be joining the Enlarged Group and her employment with Go will terminate at Completion.

➤ **Cultural fit**

easyJet believes that culture represents one of the key success factors in the low-cost airline business. To prevent the dilution of the “orange” culture, easyJet has spent a great deal of time and energy in nurturing its own culture as the airline has grown. Go also emphasises the importance of culture to its business. Although each airline uses different terms to describe the key features of its culture, the focus on safety, high utilisation, punctuality and value for money, allied to a strong respect for employees, are the same for both airlines. On the basis of discussions with Go’s operational managers, the Directors believe that the two cultures are compatible.

➤ **Opportunities to exploit revenue, systems and cost synergies**

The Directors believe that, over time, further value can be created by the Acquisition through the application of easyJet’s brand across Go’s customer base, capturing economies of scale benefits (for example, in marketing expenditure and aircraft orders) and applying the best business ideas, processes and systems from both organisations throughout the Enlarged Group. For example, the Enlarged Group intends to adopt easyJet’s yield management system, booking system and pricing methodologies, while at the same time applying Go’s customer service expertise to enhance the Enlarged Group’s offering to consumers.

Details of the Acquisition

The Company has entered into a conditional agreement to purchase Newgo 1, the ultimate holding company of Go, from 3i, several funds managed by 3i, Barclays Private Equity, Pensman Nominees Limited (as nominee for Gartmore Investment Managers) and certain senior management and other employees of Go including Barbara Cassani. Newgo 2, an intermediate holding company within the Go Group, currently has outstanding: (i) a number of series of loan stock held by the institutional Sellers, the individual Sellers and British Airways; (ii) non-equity minority interests comprising 10 million A Preference Shares of £1 each owned by British Airways; and (iii) certain other obligations (together the “Newgo 2 Liabilities”). The principal amount of the Newgo 2 Liabilities amounts to £135 million. easyJet will procure that Newgo 2 will on completion repay the Newgo 2 Liabilities plus accrued interest. easyJet will then pay the difference between £374 million and the Newgo 2 Liabilities plus accrued interest as consideration for the shares in Newgo 1. The Company has also agreed to offer the UK tax-paying sellers up to £21 million of loan notes in lieu of an equivalent amount of their cash entitlement.

The Acquisition is conditional, amongst other things, upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting referred to below, admission of the Rights Issue Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange and the completion of the Rights Issue, the obtaining of the warranty insurance referred to below, the approval of the UK Civil Aviation Authority of the Acquisition and the receipt of merger clearances from the Secretary of State for Trade and Industry in the UK and certain other European jurisdictions.

The Acquisition Agreement provides for certain commercial warranties typical for a transaction of this nature to be given to the Company by certain individual Sellers. The Acquisition Agreement gives the Company the right to recover up to £6 million for any breach of certain warranties from an escrow account into which the institutional Sellers and the Company have each paid £3 million. Thereafter the Company will seek to recover for breach of such warranties under an insurance policy which it intends to put in place with AIG and other insurers which it is intended will provide the Company with an additional £30 to £44 million of cover in respect of such warranties. The Acquisition is conditional upon the obtaining of this insurance policy before 31 May 2002.

The terms of the Acquisition Agreement are set out in Part X of this document.

Management and Integration of the Enlarged Group

Upon Completion, easyJet will deploy a transition team, which will consist of experienced managers from easyJet and Go, to oversee the early integration of Go and easyJet, although it is anticipated that the easyJet and Go businesses will continue to be run as separate businesses for the short term. The Board has identified three milestones for the integration, namely the adoption of the easyJet brand, the operation under a single Air Operator's Certificate in the United Kingdom (while retaining easyJet's current Air Operator's Certificate for Switzerland and Deutsche BA's Air Operator's Certificate for Germany, if the option to acquire Deutsche BA, details of which can be found below, is exercised) and complete integration of the businesses of easyJet and Go.

easyJet is aware that one of the greatest threats to a growing business is the difficulty in attracting and maintaining successful, experienced and high quality management. Maintaining and incentivising key management will be especially important during the integration of easyJet and Go to ensure its success.

The management teams of both easyJet and Go will therefore be appropriately incentivised with a view to ensuring the successful integration of Go and easyJet. This incentivisation will include the award of Ordinary Shares to certain key members of the management of the Enlarged Group under the Combination Plan, details of which can be found at paragraph 5.7 of Part XI of this document. Awards of Ordinary Shares will be made in three tranches, with each tranche being triggered by the achievement of each of the three milestones referred to above within a certain period after Completion. Approval by Shareholders of the Combination Plan will be sought at the Extraordinary General Meeting.

The Board anticipates the establishment of a further incentivisation scheme which will be open to all other employees of the Enlarged Group in due course.

Given the compatibility of easyJet's and Go's business models and cultures, easyJet intends to encourage the rapid adoption of the best practices and values of each of the Go and easyJet businesses throughout the Enlarged Group. As stated above, the Board believes the quality of much of Go's management will be an important asset to the Enlarged Group and should complement easyJet's own management strength. The Board therefore intends to ensure that the best people from each company are allotted key roles in the Enlarged Group, to facilitate the integration of business models and cultures and to focus on the Enlarged Group's future growth.

The integration of easyJet and Go is expected to occur over a period of up to 24 months after Completion, although the Board will be encouraging the transition team to complete the process as soon as practicable after Completion. easyJet expects that integration costs will be incurred in the following areas:

- harmonising the terms and conditions of the employees of the Enlarged Group;
- unifying information technology (IT) systems, which will necessitate the migration of data, staff training and investment in software and hardware;
- the move to a single brand, which will require an investment in certain markets and will require unified pricing and booking processes, together with physical rebranding of aircraft;
- the combination of head office premises at a single location;
- the move to a single Air Operator's Certificate, which will necessitate training, documentation and process redesign; and

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- integration of the fleet, which will require processes, systems and training to enable an integrated scheduling, crew rostering and maintenance programme, including seat reconfiguration and other modifications.

The Board estimates that specific integration costs will total approximately £25.4 million, and that these will be incurred between completion and the end of the financial year ending 30 September 2004 as follows:

	Year ended 30 September		
2002	2003	2004	
£ million	£ million	£ million	
6.4	14.0	5.0	

These costs include the costs arising in respect of the implementation of the Combination Plan of approximately £11.2 million (which includes a £1.2 million National Insurance Contribution liability arising to the Company).

The impact of any specific integration costs on the Company will be partially offset by the cost synergies which the Directors anticipate arising from the Acquisition over time.

Transaction Costs

The Board estimates that the total acquisition and transaction costs (including the costs of the Rights Issue) will be approximately £16.0 million. This consists of costs in respect of the Acquisition of approximately £9.5 million and costs in respect of the Rights Issue of approximately £6.5 million.

Current Trading and Prospects

Interim Results and Current Trading

On 8 May the Company announced its unaudited consolidated interim results for the six months ended 31 March 2002, the full text of which is contained in Part II of this document. Certain highlights include:

- Revenues up 35.8 per cent to £193.9 million (six months ended 31 March 2001: £142.8 million).
- Profit before tax of £1.0 million (six months ended 31 March 2001: £10.3 million loss).
- Passenger numbers up 35.6 per cent to 4.3 million (six months ended 31 March 2001: 3.2 million).
- Load factor up 3.6 percentage points to 84.2 per cent (six months ended 31 March 2001: 80.6 per cent).
- Five new routes launched from London Gatwick.
- Introduction of five new Boeing 737-700 aircraft.

Since 31 March 2002, the Company has continued to perform in line with the Directors' expectations.

Prospects of the Enlarged Group

The Directors believe that the Acquisition and subsequent integration of Go will create further opportunities for the Enlarged Group to expand in the European short-haul and medium-haul airline market. Accordingly, the Directors view the financial and trading prospects of the Enlarged Group with confidence.

Summary of the Rights Issue

General

Under the terms of the Rights Issue, up to 109,800,760 Rights Issue Shares are being offered, by way of rights, to Qualifying Shareholders at 265 pence per Rights Issue Share, payable in full on acceptance by not later than 10.30 a.m. on 8 July 2002. Since outstanding options under the easyJet Share Option Schemes may be exercised before the Record Date for the Rights Issue, the precise number of shares to be issued in the Rights Issue cannot be determined until that date. Assuming no options are exercised prior to the Record Date, 104,405,503 Rights Issue Shares will be issued, raising approximately £276.7 million. However, if outstanding options are exercised, up to 5,395,257 additional Rights Issue Shares will be available for issue. The Issue Price of 265 pence per Rights Issue Share represents a discount of approximately 42.4 per cent to the closing middle

market price of 460 pence per Ordinary Share on 15 May 2002 (being the last business day prior to the announcement of the Rights Issue).

The Rights Issue is being made on the following basis:

4 Rights Issue Shares for every 11 existing Ordinary Shares

held by Qualifying Shareholders on the Record Date and so in proportion for any other number of Ordinary Shares then held, and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter. Fractions of Rights Issue Shares will not be allotted, each Qualifying Shareholder's entitlement being rounded down to the nearest whole number of Rights Issue Shares. The number of Rights Issue Shares equal to the aggregated fractional entitlements (including fractional entitlements that would have arisen if Rights Issue Shares had been provisionally allotted to Shareholders who are not Qualifying Shareholders) will be sold in the market for the benefit of the Company. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue Shares will, when issued and fully paid, rank *pari passu* in all respects with existing Ordinary Shares, including the right to receive in full all dividends and other distributions thereafter declared, paid or made on the Ordinary Shares. Details of the rights attaching to Ordinary Shares appear in the Company's Articles of Association, a description of which appears in paragraph 4.3 of Part XI of this document.

The Rights Issue is conditional upon:

- (a) neither the Acquisition Agreement having been terminated nor the Acquisition ceasing to be capable of Completion in accordance with the terms of the Acquisition Agreement prior to Admission;
- (b) the passing of the Resolutions at the Extraordinary General Meeting;
- (c) Admission taking place by not later than 8.30 a.m. on 18 June 2002 (or such later time and/or date as Credit Suisse First Boston and the Company may agree); and
- (d) the Underwriting Agreement having become unconditional in all respects (save for the conditions relating to Admission) and not having been terminated in accordance with its terms.

Application has been made to the UK Listing Authority for the Rights Issue Shares to be admitted to the Official List and to the London Stock Exchange for the Rights Issue Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that admission to listing of the Rights Issue Shares will become effective and that dealings in those shares, nil paid, on the London Stock Exchange (for normal settlement) will commence on 18 June 2002.

The latest time and date for acceptance and payment in full of the Rights Issue Shares will be 10.30 a.m. on 8 July 2002.

Based on the closing middle market price of an Ordinary Share on 15 May 2002 (the last business day before announcement of the Rights Issue) of 460 pence and the proposed Issue Price of 265 pence for each Rights Issue Share, the theoretical ex-rights price of an Ordinary Share is 408 pence.

The terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part VI of this document.

Use of Proceeds of the Rights Issue

The proceeds of the Rights Issue will be approximately £276.7 million (assuming no options under the easyJet Share Option Schemes are exercised prior to the Record Date) which will be used to fund part of the consideration for the Acquisition, the repayment of the Newgo 2 Liabilities and transaction and acquisition costs. The remainder of the funding of the Acquisition will be met from the Enlarged Group's cash resources. The Rights Issue, which is deeply discounted, is being underwritten by the Underwriters to address easyJet's desire for a high level of certainty of funds. The deeply discounted nature of the Rights Issue has also allowed the Company to reduce the Underwriters' commissions taken as a whole to less than those normally payable on a traditional rights issue. **The Rights Issue is not conditional on Completion of the Acquisition.** In the unlikely event that the Rights Issue proceeds but Completion does not take place, the Directors' current intention is that

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the net proceeds of the Rights Issue will be invested on a short term basis while the Directors consider how best to return the proceeds of the Rights Issue (after the deduction of certain acquisition and transaction costs) to Shareholders. Any such return of capital may have adverse tax implications for Shareholders. However if, before Admission, the Acquisition Agreement has terminated or the Acquisition ceases to be capable of completion, the Rights Issue will not proceed.

Qualifying non-CREST Shareholders

Subject to the passing of the Resolutions, Qualifying non-CREST Shareholders will be sent a Provisional Allotment Letter on 17 June 2002 which will indicate the number of Rights Issue Shares provisionally allotted to such Qualifying non-CREST Shareholders pursuant to the Rights Issue.

Qualifying non-CREST Shareholders should retain this document for reference pending receipt of a Provisional Allotment Letter. Qualifying non-CREST Shareholders should note that, other than the Provisional Allotment Letter, they will receive no further written communication from the Company in respect of the subject matter of this document.

Qualifying CREST Shareholders

Subject to the passing of the Resolutions, Qualifying CREST Shareholders (none of whom will receive a Provisional Allotment Letter) are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 18 June 2002. The Nil Paid Rights so credited are expected to be enabled for settlement by CRESTCo as soon as practicable after Admission.

Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in respect of the subject matter of this document. They should accordingly retain this document for, amongst other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Overseas Shareholders

Shareholders resident in any jurisdiction other than the United Kingdom should refer to paragraph 6 of Part VI of this document for further information.

Settlement

The Rights Issue Shares will be capable of being held in certificated or uncertificated form. Pending the issue of definitive certificates for the Rights Issue Shares, transfers will be certified against the register. No temporary documents of title in respect of the Rights Issue Shares will be issued.

Any Rights Issue Shares to be issued in certificated form will be represented by definitive share certificates, which are expected to be despatched by 15 July 2002 to the persons entitled thereto at that person's registered address (provided that such registered address is not in the United States or any other jurisdiction outside the United Kingdom).

The attention of Qualifying Shareholders with Ordinary Shares in uncertificated form or who wish to receive their Rights Issue Shares in uncertificated form is drawn to paragraph 2 of Part VI of this document.

Participants in easyJet Share Option Schemes

In accordance with the rules of the easyJet Share Option Schemes, the Directors intend to make adjustments to the terms of the options granted under these schemes to take account of the Rights Issue. Any such adjustments will be subject to confirmation by the Company's auditors that the adjustments are, in their opinion, fair and reasonable. No optionholders under the easyJet Share Option Schemes have a right to participate in the Rights Issue unless they have validly exercised these options before the Record Date.

Dividend Policy

The Acquisition will not affect the Company's previously stated dividend policy. The Company has never declared or paid any cash dividends on the Ordinary Shares and does not anticipate paying cash dividends for the foreseeable future. The Directors intend to retain earnings for use in the Company's and, following the Acquisition, the Enlarged Group's business for the foreseeable future.

Shareholder Undertakings and Sales

At the date of this document easyGroup (the Company through which I am indirectly interested in Ordinary Shares) holds 79,016,497 Ordinary Shares, representing 27.52 per cent of the Company's issued share capital. easyGroup has undertaken to take up such number of its Nil Paid Rights as can be funded by the proceeds of sale of the balance of its entitlement. easyGroup has also confirmed to the Underwriters and to the Company that it has no present intention to sell any further Ordinary Shares in the near future.

In addition, Polys Holdings Limited and Clelia Holdings Limited (companies through which my brother and sister respectively are indirectly interested in Ordinary Shares) which each currently hold 44,278,566 Ordinary Shares, each representing 15.42 per cent of the Company's existing issued share capital, have undertaken to take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of their entitlements. Clelia Holdings Limited and Polys Holdings Limited have both also confirmed to the Underwriters and the Company that they have no present intention to sell any further Ordinary Shares in the near future.

Elura Investments Limited (the company through which Ray Webster is interested in Ordinary Shares) has also undertaken to take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of its entitlement. It was explained in the Placing and Open Offer Circular that Ray Webster intended to sell up to 500,000 Ordinary Shares but he has not yet sold any Ordinary Shares. Ray Webster now intends to sell up to 500,000 Ordinary Shares in the Company following completion of the Rights Issue at a time yet to be determined. Any such sale is intended to be conducted in an orderly market fashion. The proceeds of sale are expected to be used in part to repay a loan granted to Ray Webster from UBS AG (acting through its Private Banking Operation), made on an arm's length basis, the funds from which he used to refinance a previous loan to purchase shares in easyJet Holdings, the company through which he held Ordinary Shares prior to the Placing and Open Offer.

“The Underwriters have agreed on a several basis to use all reasonable endeavours to procure places for the Nil Paid Rights to be sold by easyGroup, Polys Holdings Limited, Clelia Holdings Limited and Elura Investments Limited (together the “Placing Shareholders”). The commencement of the placing is conditional, *inter alia*, upon Admission taking place on or before 8.30 a.m. on 18 June 2002. The Underwriters will not commence procuring places until after Admission. In addition, the completion of the placing is conditional on a number of matters, including the Underwriters having procured places for the Nil Paid Rights to be placed by 5.00 p.m. on the business day following Admission and the Placing Shareholders and Credit Suisse First Boston Equities Limited having agreed a price at which the Placing Shareholders' Nil Paid Rights are to be placed (the “Placing Price”). In the event that the Underwriters do not procure sufficient places or the Placing Price cannot be agreed then the placing agreement will terminate in whole or in part and the Placing Shareholders in respect of whom the agreement is terminated will then have similar options in relation to their Nil Paid Rights as available to other Qualifying Shareholders.”

New Aircraft Purchases

In January 2002, easyJet announced that it was in discussions with Boeing and Airbus concerning the possible acquisition by easyJet of a nominal seventy-five additional aircraft and that it was reviewing the benefits of potentially operating a mixed fleet. In addition, Go recently announced plans to expand its fleet to 80 aircraft by 2008 and that it was assessing offers from Boeing and Airbus to deliver aircraft. The Board intends to review its requirements for additional aircraft in light of the announcement of the Acquisition to take into account the additional aircraft requirements of the Enlarged Group and any need to replace aircraft in the Go fleet and intends to continue its negotiations with suppliers. The result may be that some aircraft may be delivered under any future aircraft purchase agreement prior to May 2004, the date on which the last aircraft is due to be delivered under easyJet's current contract with Boeing, details of which can be found at paragraph 14 of Part XI of this document.

Board Restructuring

On 17 April 2002 the Company announced a Board restructuring to ensure that the Board had the appropriate structure and composition for a major listed company, whilst reflecting easyJet's commitment to high standards of corporate governance. Under that restructuring all the executive directors, with the exception of Ray Webster and Chris Walton, resigned from the Board and continued to be or became directors of easyJet UK. In addition, the Company announced my intention to retire as Chairman and I announced my intention to resign as a director of easyJet at the next annual general meeting in 2003 and the appointment of Sir Colin Chandler as Deputy Chairman, with immediate effect, with the intention that he will succeed me as Chairman at that

meeting. Following completion of this restructuring, the majority of directors and the Chairman of easyJet will be independent directors within the meaning of the Combined Code.

The announcement also stated that appropriate changes will have to be made to the relationship agreement between easyGroup, easyJet and myself (the “Relationship Agreement”), including easyGroup’s rights to appoint directors, the easyJet Brand Licence and the Articles of Association of easyJet.

Currently, under the terms of the Relationship Agreement and the Articles of Association, easyGroup has the right to appoint two non-executive directors and I have the right to be Chairman of the Company for as long as I own or easyGroup owns in excess of 25 per cent of the Company’s issued share capital and as long as the easyJet Brand Licence remains in force. As a result of the Rights Issue and the sale by easyGroup of some of its Nil Paid Rights, easyGroup’s interest in the Company is likely to fall below 25 per cent of the Company’s issued share capital and accordingly easyGroup will lose its right to appoint directors. As stated above, I intend to retire both as Chairman of the Company and as a director at the Company’s next Annual General Meeting.

Under the terms of the easyJet Brand Licence, easyJet does not own the “easy” trade mark and associated orange livery, but instead licenses them from easyGroup IP Licensing, which is a subsidiary of easyGroup. The licence imposes duties on easyJet to maintain high standards in its use of the brand.

The Board has resolved that it will reconsider the terms of the easyJet Brand Licence, the Relationship Agreement and the Articles of Association of the Company in light of my stepping down as Chairman and director and easyGroup losing its rights to nominate directors following the Rights Issue, so that easyGroup would retain the right to appoint a single director for as long as the easyJet Brand Licence remains in force. This director would act as liaison between the Company and easyGroup, both to monitor the standards of the “easy” brand’s use by the Company following my retirement and to keep the Board apprised of developments in the “easy” brand. The Board intends to put resolutions to Shareholders approving certain amendments to some or all of the easyJet Brand Licence, the Relationship Agreement and the Articles of Association granting easyGroup this right at the next Annual General Meeting or at an appropriate earlier stage. The Board sees no reason why the Relationship Agreement should not continue on its current terms to continue to regulate the relationship between easyGroup, as the Company’s largest shareholder, and the Company.

The Board has resolved that, pending the next Annual General Meeting, it will not ask Amir Eilon or Nick Hartley, the two directors nominated by easyGroup, to step down from the Board before this time.

Deutsche BA

On 8 May 2002, easyJet and British Airways announced that they had reached agreement on the heads of terms under which easyJet would acquire an option to acquire 100 per cent of the share capital of British Airways’ wholly owned subsidiary Deutsche BA Holding GmbH (“Deutsche BA”). easyJet and British Airways have committed to continue negotiations with the objective of executing legally binding documentation giving effect to the heads of terms by 30 June 2002.

In the event that easyJet enters into the option agreement, it will be able to exercise the option at any time to 31 March 2003 (extendable by easyJet to 3 July 2003). In consideration for the option, easyJet has committed to pay British Airways €600,000 per month from the signing of the option agreement to the date of the option being exercised or expiring. To assist Deutsche BA in the transition towards a low-cost airline model, easyJet has also committed, on the execution of legally binding documentation to second three managers to Deutsche BA and to contribute €5 million to Deutsche BA for capital expenditure. In the event easyJet exercises the option to acquire Deutsche BA, it will pay a further amount of between €30 million and €40 million to British Airways to acquire Deutsche BA on a debt free basis.

Deutsche BA operates scheduled air passenger services on seven domestic German routes and will operate from Munich to Malaga from June 2002. Deutsche BA operates approximately 130 scheduled flights per day utilising its leased fleet of 16 Boeing 737-300 aircraft.

easyJet believes that the German market is a potential source of strong future growth for the Company and that the acquisition of Deutsche BA and its transformation into a low-cost airline may represent the most attractive option for easyJet to enter this market. Acquiring Deutsche BA would immediately provide easyJet with an established German network and the personnel, systems and infrastructure to support such an operation. The Directors believe that the potential option arrangement provides the Company with the opportunity to evaluate the benefits of the acquisition at a relatively small financial commitment. In the event that the Company enters

into the option agreement, it will not exercise the option unless the Directors believe that the Enlarged Group will be able to effect the transformation of Deutsche BA into a low-cost airline successfully.

Extraordinary General Meeting

In view of its size, the Acquisition is conditional upon, amongst other things, the approval of Shareholders in general meeting. A notice convening an extraordinary general meeting of the Company to be held at easyland, London Luton Airport, Bedfordshire LU2 9LS on 17 June 2002 at 10.00 a.m. is set out at the end of this document. The purpose of the Extraordinary General Meeting is to seek Shareholders' approval of the Resolutions set out in the notice of the Extraordinary General Meeting. The Resolutions will propose to:

- (a) approve the Acquisition;
- (b) approve the Combination Plan, details of which can be found at paragraph 5.7 of Part XI of this document;
- (c) increase the Company's authorised share capital from £100,000,000 to £125,000,000 by the creation of 100,000,000 additional Ordinary Shares of 25 pence each (an increase of 25 per cent);
- (d) authorise the Directors, for the purposes of section 80 of the Act, to exercise all the powers of the Company to allot relevant securities (as defined in that section) pursuant to (i) the Rights Issue; and (ii) up to an aggregate nominal amount of £21,000,743 (84,002,972 Ordinary Shares) representing approximately 29.26 per cent of the Company's existing issued share capital and approximately 21.46 per cent of the Company's Enlarged Share Capital; and
- (e) empower the Directors pursuant to section 95 of the Act to allot equity securities for cash pursuant to the authority referred to in (d) above as if section 89(1) of the Act did not apply to such allotment: (i) in connection with the Rights Issue; (ii) in connection with a pre-emptive offer to Shareholders; and (iii) otherwise up to a maximum aggregate nominal amount of £3,588,939 (14,355,756 Ordinary Shares) representing 5.00 per cent of the Company's existing issued share capital and 3.67 per cent of the Enlarged Share Capital.

The Company currently has insufficient authorities under sections 80 and 95 of the Act to carry out the Rights Issue. The purpose of the resolutions referred to in paragraphs (d) and (e) above is to provide sufficient authorised share capital and the appropriate authorities to allow the Rights Issue to take place. Although the Company currently has sufficient authorised share capital to carry out the Rights Issue, it is necessary to increase the Company's authorised share capital to allow the issue of Ordinary Shares reserved for issue under the easyJet Share Option Schemes following the Rights Issue. The additional authorities referred to in paragraphs (d)(ii) and (e)(ii) and (iii) above are standard authorities routinely sought by listed companies. The authorities and powers referred to in paragraphs (d) and (e) above shall (unless previously revoked or varied by Shareholders in general meeting) expire at the conclusion of the next annual general meeting of the Company or, if earlier, on 31 May 2003. The authorities and powers referred to above are in substitution for any like existing authority or power, except to the extent already exercised.

As at 22 May 2002 (being the latest practicable date prior to the posting of this document at which the information was available), 28,881,893 Ordinary Shares were reserved for the exercise and vesting of awards granted pursuant to the easyJet Share Option Schemes.

Save for the issue of the new Ordinary Shares under the easyJet Share Option Schemes and the Rights Issue, the Directors have no present intention of issuing any of the authorised but unissued share capital of the Company. Details of easyJet's issued and authorised share capital, at present and as it would be immediately following the Rights Issue, are set out in paragraph 3.1 of Part XI of this document.

Risk Factors

Shareholders and other prospective investors in the Company should be aware that an investment in the Company, as with any investment in securities, involves a certain degree of risk. Your attention is drawn to risk factors relating to the Company, its Ordinary Shares, Go and the Acquisition set forth in Part IV of this document.

Taxation

Your attention is drawn to the taxation information set out in paragraph 10 of Part XI of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any jurisdiction other than the United Kingdom should consult their independent professional adviser without delay.

Action you need to take as a Qualifying Shareholder

Extraordinary General Meeting

You will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA as soon as possible and in any event so as to arrive by 10.00 a.m. on 15 June 2002. Completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish.

Rights Issue

Subject to the Resolutions being passed at the Extraordinary General Meeting, if you are a Qualifying non-CREST Shareholder you will be sent a Provisional Allotment Letter. This will show the number of Rights Issue Shares that you are entitled to take up and will contain full details regarding the procedure for acceptance and payment, renunciation, splitting and registration in respect of the Rights Issue Shares.

If you sell or otherwise transfer all your existing Ordinary Shares before 18 June 2002 ("the ex-rights date", that is the date on which the Ordinary Shares start trading without the right to participate in the Rights Issue), you will not be entitled to participate in the Rights Issue. However, the purchaser or transferee of your Ordinary Shares may be entitled to participate in the Rights Issue in your place. In this case, please send this document together, if you are a Qualifying non-CREST Shareholder, with the Provisional Allotment Letter duly renounced on Form X on page 4 of the Provisional Allotment Letter, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee.

If you are a Qualifying CREST Shareholder, no Provisional Allotment Letter will be sent to you and, subject to the Resolutions being passed at the Extraordinary General Meeting, you will receive a credit to your appropriate stock account in CREST in respect of the Nil Paid Rights to which you are entitled.

Shareholders who are resident in any jurisdiction other than the United Kingdom should refer to paragraph 6 of Part VI of this document for further information.

The latest time for acceptance under the Rights Issue will be 10.30 a.m. on 8 July 2002, unless otherwise announced by the Company to a Regulatory Information Service. The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights are in certificated form (that is, are represented by a Provisional Allotment Letter) or are in uncertificated form (that is, are in CREST). The procedures for acceptance and payment are set out in Part VI of this document. Further details of these procedures will also appear in the Provisional Allotment Letter.

Qualifying Shareholders who have any questions as to the procedure for acceptance and payment should contact Lloyds TSB Registrars on 0870 600 0673. This helpline will provide advice on procedural matters only, and no financial or taxation advice will be given.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Further Information

Your attention is drawn to the further information set out in Parts II to XI of this document.

Directors' voting intentions

easyGroup, the company through which I am indirectly interested in Ordinary Shares (which holds 79,016,497 Ordinary Shares representing 27.52 per cent of the issued share capital of the Company), and Elura Investments Limited, the company through which Ray Webster is interested in Ordinary Shares (which holds 1,943,616 representing 0.68 per cent of the issued share capital of the Company), have each confirmed to the Company that they intend to vote in favour of the Resolutions. In addition, Nick Hartley and Colin Day, the Directors

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who are also Shareholders have confirmed to the Company that they intend to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting in respect of their beneficial holdings in Ordinary Shares.

In addition, easyGroup and Elura Investments Limited have each undertaken to take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of their entitlements.

Nick Hartley has confirmed his intention to take up such number of Nil Paid Rights, as can be funded by the proceeds of sale of the balance of his entitlement. Colin Day has confirmed his intention to take up his full entitlement to Nil Paid Rights.

Recommendation

Your Directors have received financial advice from Credit Suisse First Boston in relation to the Acquisition and the Rights Issue. Your Directors consider that the Acquisition (including the Combination Plan) and the Rights Issue are in the best interests of the Company and its shareholders as a whole. In providing advice to the Directors, Credit Suisse First Boston has relied on the Directors' commercial assessment of the Acquisition and the Rights Issue.

Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they and, in respect of Ray Webster and myself, the companies in which we are indirectly interested have indicated their intention to do in respect of holdings amounting (as at 22 May 2002, being the latest practicable date prior to the posting of this document) to an aggregate of 81,071,554 Ordinary Shares, representing approximately 28.24 per cent, of the existing issued share capital of the Company.

Yours faithfully,

Stelios Haji-Ioannou
Chairman

Part II – Interim Results of easyJet plc for the six months ended 31 March 2002

CHAIRMAN'S STATEMENT

I am pleased to report to shareholders that easyJet's interim results for the six months ended 31 March 2002 reflect the continued success and robustness of the easyJet business model.

Buoyant trading, aided by a mild winter and the timing of Easter has resulted in easyJet reporting a first-half profit before tax of £1.0 million, compared to a loss of £10.3 million over the same period last year.

The European aviation industry has been in a state of major change over the last six months, accelerated by the events of 11 September, with many traditional flag carriers announcing restructuring, capacity reductions and staff redundancies. At the same time the low-cost product offering has been proving popular. easyJet has been taking advantage of the market opportunities which are emerging in Europe and has the opportunity to replace the uneconomic and inappropriate services offered by many flag carrier airlines. As a consequence, easyJet is accelerating its growth to capture these opportunities and in the first half grew capacity by 36% compared to the same period last year.

On 18 April 2002, a restructuring of the easyJet plc board was announced. As a part of this, I intend to resign as Chairman and as a director of easyJet plc at the next Annual General Meeting (to be held in 2003) to be replaced by Sir Colin Chandler who in the meantime has joined the Board as Deputy Chairman. Sir Colin's long experience in the aerospace industry and track-record in running major blue-chip public companies will be invaluable to easyJet as it continues to grow. As a result of these changes, the Chairman will be independent from the major shareholder and the majority of directors will be independent within the meaning of the Combined Code. These changes demonstrate easyJet's commitment to high standards of corporate governance.

easyJet's success over the past six months is in a large part due to our staff. In a period of momentous industry change and stress, they have provided the inspiration and resilience that makes easyJet the success that it is. I would like to thank them for all their efforts.

Stelios Haji-Ioannou
Chairman
7 May 2002

CHIEF EXECUTIVE'S REVIEW

Overview

easyJet plc generated a profit before tax of £1.0m for the six months ended 31 March 2002. This is the first time in the company's history that a profit has been reported for the first half. Historically, easyJet's business is seasonal, with losses in the first half of its financial year and profits in the second half. This result is due to strong passenger demand, the timing of Easter and a mild European winter.

The repercussions of the events of 11 September, whilst occurring in the final month of the last financial year, continue to affect many parts of the world economy and the aviation industry in particular. Although many of the traditional carriers have suffered over the last six months, easyJet has been in a position to benefit from the opportunities arising from this industry realignment.

easyJet's revenue increased 36 per cent half-year on half-year, to £193.9 million resulting from increased capacity and higher load factors. The number of passengers increased 36 per cent half-year on half-year to 4.3 million, driven by the introduction of new aircraft and a 3.6 percentage point increase in average load factor, up to 84.2 per cent. The average fare decreased by 2.5 per cent, half-year on half-year. In the current market environment, easyJet has sought increased passenger volume to compensate for the softer yields in the marketplace.

Aircraft

Over the first six months of the financial year, easyJet took delivery of five additional new Boeing 737-700s. These were purchased from Boeing and then financed through operating leases. In addition, two aircraft, which had been scheduled to be returned to lessors during the period, were retained on favourable commercial terms. Thus at 31 March 2002, the total fleet comprised 30 aircraft. Over the period, the fleet averaged 27.5 aircraft, an increase of 35 per cent compared to the same period last year. At the financial year-end, it is anticipated that the fleet will consist of 36 aircraft.

In January 2002, easyJet announced that it was in discussions with Boeing and Airbus concerning the possible acquisition of approximately seventy-five new Boeing 737-700 or Airbus 319 aircraft and that it was reviewing the benefits of potentially operating a mixed fleet. These discussions and reviews continue.

Routes

In February 2002, easyJet continued its expansion at London Gatwick and commenced five new routes to Barcelona, Edinburgh, Malaga, Mallorca Palma and Zurich. easyJet will commence flying to Athens from Gatwick from 1 July 2002. easyJet will now operate up to 24 daily services from Gatwick and is the second largest scheduled airline at the airport, after the British Airways group.

The introduction of these routes linking existing destinations demonstrates easyJet's continuing concentration on network density and allows us to improve marketing efficiencies and enhance services in our key London market. In the summer, easyJet will serve 19 airports and operate 45 routes.

easyJet has also obtained slots at Paris Charles de Gaulle and Paris Orly airports and will begin four new routes from the French capital in the summer. easyJet will fly from Paris Orly to Geneva and from Paris Charles de Gaulle to Luton, Liverpool and Nice. From mid-June, the airline will have four aircraft operating a total of fifteen flights a day through Paris.

By launching services through Orly and Charles de Gaulle, easyJet has the opportunity to serve the entire city, north and south, as we currently do successfully in London through Luton and Gatwick. I am confident that we will be able to operate our low cost, high utilisation model through both airports and hope to be able to fulfil our ambition of making Paris one of easyJet's major European bases.

External factors affecting the first-half

The timing of Easter has had a major beneficial effect on the reported outcome for the first half of the year, by drawing revenue forward from later in the year. Last year, Easter occurred in the second half of the year, whereas this year it occurred in late March.

During the first half ended 31 March 2002, the average fuel price fell 31 per cent to 72 cents per US gallon, compared with an average price of 104 cents for the half-year ended 31 March 2001. This has resulted in a £8.2 million saving in fuel cost for the first half of this year compared with the prices experienced during the same period last year.

Insurance costs rose dramatically after the events of 11 September 2001. Half-year on half-year, easyJet's insurance costs rose by £5.9 million to £6.8 million. During the period, easyJet introduced an insurance surcharge of £1.60 per passenger per sector. The impact of increased insurance was more than offset by the benefit from lower fuel prices over the period. Discussions are ongoing between airlines, governments and the insurance industry over long-term solutions to the problems of aviation insurance. In the short term, the UK Government continues to provide the insurance market with a reinsurance commitment for war and allied perils risks. This cover has recently been extended to 31 May 2002. easyJet expects the full year net insurance cost to remain substantially higher than last year.

Europe's weather has been relatively mild during the first half of this year and as a result easyJet experienced few serious weather related disruptions over the period. In contrast, in the six months ending 31 March 2001, weather disruptions occurred in late December 2000. Our experience is that weather related disruptions do occur each year, however the timings vary considerably. easyJet notes that weather-related disruptions have occurred during the second half of some previous financial years.

Cashflow

In November easyJet successfully raised net proceeds of £93.9 million by the issue of 26 million new shares. This cash has strengthened the balance sheet and has supported the acquisition and financing of new aircraft. As at 31 March 2002 easyJet had £381.9 million of cash and net funds of £300.6 million. The Group continues to generate strong cashflow from its operations. Over the period net cash inflow from operations was £45.2 million. The Directors believe that easyJet's strong balance sheet and cashflow provides it the flexibility to take advantage of growth opportunities as they emerge.

The Airline Group

easyJet is one of the seven shareholders in The Airline Group (TAG), a consortium of airlines which owns a minority interest in the company which operates the UK air traffic control system (NATS). The investment was made last year for strategic reasons in order to be able to influence the direction of the development of air traffic control services and the level of charges.

However given the long time period before an expected return would be realised, the Board of easyJet has decided to be prudent and to provide for in full its £7.2 million investment in TAG.

easyJet's future growth is critically dependent on the provision of efficient air traffic control services and consequently easyJet remains vitally interested in NATS and has no current intention to sell its stake in, or to cease its involvement with, TAG.

Trading outlook

easyJet continues to see strong demand for low cost airline services.

Paris services began on 2 May 2002 and will be extended during the second half of the financial year and, while demand is anticipated to be strong, the yields are expected to be immature. In addition, as Paris is the first new destination in almost three years and the largest city since easyJet launched in London in 1995, advertising expenditure is expected to be higher as the market is developed.

The recently-launched routes from London Gatwick are proving popular with our customers.

As demonstrated in the first six months, management maintains its ongoing focus on cost control.

The aviation industry in Europe is undergoing major change. Consumer demand is strong and growth opportunities are emerging for easyJet to provide the services and prices that consumers want. However, Europe's politicians must have the strength to allow these long-overdue changes to prevail so as to let the more efficient airlines take advantage of these opportunities and to give Europe's consumers what they want.

My colleagues and I remain confident of achieving our expectations for the full year.

Ray Webster
Chief Executive
7 May 2002

Post Balance Sheet Events

The following events have occurred since 31 March 2002:

- in April 2002, the group took delivery of a new Boeing 737-700 aircraft, which will be financed by sale and leaseback;
- easyJet has signed a letter of intent to dry lease an additional new Boeing 737-700 from June 2002;
- easyJet has arranged committed lease financing for six scheduled Boeing 737-700 deliveries, including the delivery in April 2002;
- on 3 May 2002, easyJet announced that it was at an advanced stage in exclusive negotiations with 3i Group plc and Go Fly Ltd, regarding the possible acquisition of Go Fly Ltd. easyJet's intention is to conclude these negotiations only if it believes that the acquisition would be in the interests of shareholders, customers and staff; and
- easyJet has signed Heads of Terms with British Airways, under which easyJet has acquired the option to acquire 100% of Deutsche BA, subject to a number of conditions.

SELECTED CONSOLIDATED OPERATING DATA

(unaudited)

	Period ended 31 March		Year-on-year
	2002	2001	change
Number of aircraft owned/leased at end of period	30	22	36%
Average number of aircraft owned/leased over the first six months	27.5	20.4	35%
Number of routes operated at end of period	40	29	11 routes
Number of airports served at end of period	17	17	—
Passengers over the first six months	4,338,975	3,199,349	36%
Load factor over the first six months	84.2%	80.6%	3.6% pts
Internet sales percentage during final month of financial period	90.9%	86.5%	4.4% pts

Definitions

Number of aircraft owned/leased at end of period

Represents the number of aircraft owned (including those held on lease arrangements of more than one month's duration) at the end of the relevant accounting period.

Passengers

Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up, because easyJet is generally a no-refund airline and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to easyJet staff for business travel.

Load factor

Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "stage") lengths.

Internet sales percentage

Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the final month of the relevant financial period. Sales that are originally made via the internet, but are later amended by phone, are included.

INDEPENDENT REVIEW REPORT TO EASYJET PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2002 which comprises a consolidated profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2002.

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
7 May 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 6 months ended 31 March

	Notes	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Revenue	2	193,942	142,844	356,859
Cost of sales		<u>(161,170)</u>	<u>(124,939)</u>	<u>(265,648)</u>
Gross profit		32,772	17,905	91,211
Distribution and marketing expenses		(18,478)	(17,855)	(31,692)
Administrative expenses	4	<u>(10,338)</u>	<u>(10,470)</u>	<u>(21,396)</u>
Operating profit/(loss)				
Operating profit/(loss) before exceptional administrative expenses		3,956	(7,141)	41,900
Exceptional administrative expenses		—	(3,279)	(3,777)
Operating profit/(loss)		3,956	(10,420)	38,123
Interest receivable		5,565	4,341	10,205
Interest payable		(1,349)	(4,207)	(8,195)
Amounts written off investments	5	<u>(7,159)</u>	<u>—</u>	<u>—</u>
Profit/(loss) on ordinary activities before taxation		1,013	(10,286)	40,133
Tax on profit/(loss) on ordinary activities	6	<u>(235)</u>	<u>—</u>	<u>(2,226)</u>
Retained profit/(loss) for the period		<u><u>778</u></u>	<u><u>(10,286)</u></u>	<u><u>37,907</u></u>
Earnings/(loss) per share:				
Basic	3	0.3p	(4.3p)	15.2p
Diluted	3	<u>0.3p</u>	<u>(4.3p)</u>	<u>14.4p</u>

CONSOLIDATED BALANCE SHEET

as at 31 March

	Notes	Unaudited 31 March 2002 £000	Unaudited 31 March 2001 £000	30 September 2001 £000
Fixed assets				
Intangible assets		2,911	3,079	2,995
Tangible assets		205,765	210,052	206,433
Investments	5	—	6,885	7,159
		<u>208,676</u>	<u>220,016</u>	<u>216,587</u>
Current assets				
Debtors		67,195	53,458	47,106
Cash at bank and in hand		381,898	228,755	244,435
		<u>449,093</u>	<u>282,213</u>	<u>291,541</u>
Creditors: amounts falling due within one year		(166,216)	(123,551)	(113,428)
Net current assets		<u>282,877</u>	<u>158,662</u>	<u>178,113</u>
Total assets less current liabilities		<u>491,553</u>	<u>378,678</u>	<u>394,700</u>
Creditors: amounts falling due after more than one year		(74,242)	(106,136)	(76,289)
Provisions for liabilities and charges		(1,284)	(1,348)	(1,920)
Net assets		<u>416,027</u>	<u>271,194</u>	<u>316,491</u>
Share capital and reserves				
Share capital		71,777	65,013	65,108
Share premium		286,912	195,073	196,638
Profit and loss		57,338	11,108	54,745
Shareholders' funds – equity	8	<u>416,027</u>	<u>271,194</u>	<u>316,491</u>

CASH FLOW INFORMATION

Reconciliation of operating profit to net cash flow from operating activities

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Operating profit/(loss)	3,956	(10,420)	38,123
Amortisation	84	84	168
Depreciation	9,295	8,880	18,457
Loss on sale of assets	40	—	236
Cost of share gifts	24	478	967
(Increase) in debtors	(20,631)	(12,499)	(6,146)
Increase in creditors	52,385	39,301	31,571
Net cash inflow from operating activities	<u>45,153</u>	<u>25,824</u>	<u>83,376</u>

Consolidated cash flow statements

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Net cash inflow from operating activities	45,153	25,824	83,376
Returns on investments and servicing of finance	3,417	134	1,737
Taxation	541	—	—
Capital expenditure and financial investment	(2,405)	(16,293)	(29,027)
Cash inflow before management of liquid resources and financing	46,706	9,665	56,086
Management of liquid resources	15,000	(20,000)	(15,000)
Financing	90,757	205,002	174,261
Increase in cash in the period	<u>152,463</u>	<u>194,667</u>	<u>215,347</u>

CASH FLOW INFORMATION (continued)

Reconciliation of net cash flow to movements in net funds

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Increase in cash in the period	152,463	194,667	215,347
Cash outflow for decrease in debt	4,631	5,751	37,893
Cash (inflow)/outflow for movement in liquid resources	(15,000)	20,000	15,000
Change in net funds resulting from cash flows	142,094	220,418	268,240
Exchange difference on loans	(2,684)	(4,316)	(1,081)
Increase in net funds for the period	139,410	216,102	267,159
Net funds/(debt) at the start of the period	161,154	(106,005)	(106,005)
Net funds at the end of the period	<u>300,564</u>	<u>110,097</u>	<u>161,154</u>

Net funds at the end of the period comprises:

	Unaudited 31 March 2002 £000	Unaudited 31 March 2001 £000	30 September 2001 £000
Cash at bank and in hand	381,898	228,755	244,435
Bank loans	(81,334)	(118,658)	(83,281)
	<u>300,564</u>	<u>110,097</u>	<u>161,154</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Retained profit/(loss) for the period	778	(10,286)	37,907
Foreign currency translation differences	3,347	3,050	(254)
Total recognised gains and losses for the period	<u>4,125</u>	<u>(7,236)</u>	<u>37,653</u>

CONSOLIDATED RECONCILIATION IN SHAREHOLDERS' FUNDS

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Retained profit for the period	778	(10,286)	37,907
Foreign currency translation differences	3,347	3,050	(254)
Movement in reserves for employee share scheme	(1,532)	(726)	(1,978)
Shares issued by easyJet plc	96,943	213,439	215,099
Net addition to shareholders' funds	99,536	205,477	250,774
Opening shareholders' funds	316,491	65,717	65,717
Closing shareholders' funds	<u>416,027</u>	<u>271,194</u>	<u>316,491</u>

NOTES TO THE INTERIM STATEMENTS

1. Basis of preparation of interim financial information

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The unaudited consolidated profit and loss and balance sheet for the half years ended 31 March 2001 and 31 March 2002 have been prepared on a basis consistent with the statutory accounts for the year ended 30 September 2001. The comparative figures for the financial year ended 30 September 2001 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The group has adopted FRS18 "Accounting Policies" and FRS19 "Deferred Tax" in this interim financial statement. This has not had a material effect on the financial information included in this statement in either the current or prior period.

2. Turnover and segmental analysis

All revenues derive from easyJet's principal activity as an airline and include scheduled services, in-flight and related sales. Substantially all of easyJet's external revenues are earned by companies incorporated in the United Kingdom.

The geographical analysis of turnover by destination is as follows:

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
Within the United Kingdom	49,055	42,481	86,545
Between the United Kingdom and the Rest of Europe	130,970	91,361	244,764
Within the Rest of Europe	13,917	9,002	25,550
	<u>193,942</u>	<u>142,844</u>	<u>356,859</u>

easyJet's operating profit principally arises from airline-related activities.

The principal revenue earning assets of easyJet are its aircraft fleet. Since easyJet's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

3. Earnings per share

Basic earnings per share has been calculated by dividing the (loss)/profit for the period retained for equity shareholders by the weighted average number of shares in issue during the period after adjusting for changes to the capital structure of the group.

The calculation for diluted earnings per share uses the weighted average number of ordinary shares in issue adjusted by the effects of all dilutive potential ordinary shares. The dilution effect is calculated on the full exercise of all ordinary share options granted by the group including other share schemes, which the group consider to have been earned. The calculation compares the difference between the exercise price of exercisable share options, weighted for the period over which they were outstanding during the year, with the average daily mid-market closing price over the period when they were in existence as options. For the share option and other share schemes in place at 31 March 2001, the loss per share is not dilutive as conversion to ordinary shares would reduce net loss per share.

3. Earnings per share (continued)

The earnings per share are based on the following:

	Unaudited Six months ended 31 March 2002	Unaudited Six months ended 31 March 2001	Year ended 30 September 2001
Profit/(loss) for the period retained for equity shareholders (£000's) . . .	778	(10,286)	37,907
	Number	Number	Number
Weighted average number of ordinary shares in issue during the period used to calculate basic earnings per share (000's)	279,973	238,447	249,322
Weighted average number of dilutive shares options used to calculate dilutive earnings per share (000's)	16,103	—	13,288

4. Administrative expenses

There are no exceptional items to be reported in the administrative expenses for this half year. Included within administrative expenses were the following exceptional items in the previous year:

- £1.3 million in 6 months ended 31 March 2001 (£1.8 million for year ended 30 September 2001), principally in respect of granting gifts of shares to certain employees of the group.
- £2.0 million in 6 months ended 31 March 2001 (£2.0 million for year ended 30 September 2001), in respect of a court decision against easyJet Switzerland, relating to VAT on tour operators for charter services provided in the years before shares in easyJet Switzerland were purchased by the group.

5. Amounts written off investments

easyJet is one of seven shareholders in The Airline Group, a consortium of airlines which owns a minority interest in the company that operates the UK air traffic control system (NATS). Given the long time period before a return would be realised, the £7.2 million investment in The Airline Group has been fully provided for.

6. Taxation

The taxation charge is made up as follows:

	Unaudited Six months ended 31 March 2002 £000	Unaudited Six months ended 31 March 2001 £000	Year ended 30 September 2001 £000
UK corporation tax	—	—	1,936
Overseas taxation	235	—	290
	235	—	2,226
Effective tax rate	23.2%	—	5.5%

The effective tax rate is lower than the standard rate of tax for a number of reasons:

- an exemption exists from cantonal and communal taxes in Switzerland for the business of easyJet Switzerland until 31 December 2006, which reduces the effective rate of taxation in Switzerland to 7.8 per cent; and
- tax allowances are available in the UK and Switzerland in respect of share options granted to group employees.

6. Taxation (continued)

Share options

A deduction is available for the difference between the market value of the shares at the date of exercise of the share option (or the market value at 31 March 2002 if the options remain unexercised) and the option price for UK employees. This deduction has been available since 22 November 2000, the date that easyJet plc's shares were first admitted to the Official List of the London Stock Exchange.

If the share price increases between 31 March 2002 and the date of exercise of the outstanding options, then a further tax deduction will be recognised in subsequent financial periods. However, if the share price falls, then there will be a tax charge. Given the number of options outstanding, movements in the share price could potentially cause a significant variation in the tax charge and the effective tax rate in future years. For example, a one penny reduction in the share price will potentially reduce the deduction available against taxable profits by £0.2 million. For Swiss employees, a similar tax deduction is available, but only when the stock options have been exercised.

7. Dividends

No dividends have been paid or proposed in the period ended 31 March 2002 or during the comparative accounting periods.

8. Share capital and reserves

	Share capital £000	Share Premium £000	Profit and loss account £000	Total £000
At 1 October 2001	65,108	196,638	54,745	316,491
Retained profit for the period	—	—	778	778
Foreign currency translation differences	—	—	3,347	3,347
Issue of ordinary share capital	6,669	90,274	—	96,943
Movement in profit and loss account for employee share schemes	—	—	(1,532)	(1,532)
At 31 March 2002	<u>71,777</u>	<u>286,912</u>	<u>57,338</u>	<u>416,027</u>

The called up share capital was increased during the period by the issue of 26,032,258 Ordinary Shares at a price of £3.75 under a Placing and Open Offer. Of these shares, 19,532,258 new Ordinary Shares were the subject of an Open Offer made to Qualifying Shareholders and the balance of 6,500,000 new Ordinary Shares were placed with institutional investors.

Part III – Information on Go and easyJet

SECTION A – INFORMATION ON GO

Overview

Go is a European low-cost airline. It provides services from London Stansted Airport, Bristol International Airport and East Midlands Airport on short-haul and medium-haul point-to-point routes within Europe. It targets both the business and leisure travel markets at fares which are on average significantly below those offered by traditional “flag-carrier” and regional airlines

Go aims to deliver high quality service with punctuality whilst maintaining a low cost structure. It seeks to ensure that aircraft utilisation rates are optimised and crew requirements are minimised by efficient scheduling and crew management. Where possible, services such as ground handling are outsourced to specialist service providers. During March 2002, Go sold approximately 83.5 per cent of its seats via the internet, thereby reducing its cost of sale compared to “flag-carrier” airlines.

Go started flying in May 1998 as a stand-alone subsidiary of British Airways, operating solely in the low-cost airline sector. In November 2000, British Airways announced its intention to sell Go. In June 2001 Go became an independent company, following a management buy-out led by 3i.

Go has experienced substantial year-on-year growth since its launch in 1998 from London Stansted. During the financial year ended 31 March 2001, it had an average 13 aircraft, flew 2.8 million passengers and operated 23 routes. In May 2001 Go launched its second UK base at Bristol International and in March 2002 it launched its third UK base at East Midlands airport. During the financial year ended on 31 March 2002, Go flew 4.3 million passengers generating revenues of £233.7 million and profits before tax of £14.0 million.

At 31 March 2002 Go operated 36 routes within the UK and Europe with a fleet of 24 Boeing 737-300 aircraft with another 3 aircraft expected to be delivered by the end of June 2002. In comparison, at 31 March 2002 easyJet operated 40 routes with a fleet of 30 Boeing 737 aircraft. Go’s fleet has an average aircraft age of 8 years and flies from its bases mostly to the primary airports at its destinations.

11 September 2001

In common with the airline industry at large, Go saw passenger bookings drop approximately 20 per cent below budget in the immediate aftermath of 11 September 2001. Thereafter bookings recovered steadily, stimulated by extensive fare reductions introduced in the immediate aftermath of 11 September. By January 2002, both passenger bookings and passengers travelled were exceeding pre-11 September budget levels, with yields returning to normal soon after.

Concurrently, management implemented a series of cost reduction measures, many of which are permanent.

Summary Financial Information

The audited consolidated revenue, operating profit and profit before and after tax of Go for the years ended 31 March 2000, 2001 and 2002, as reported in the Go annual accounts for those years and extracted without material adjustment therefrom, are set out below. Investors considering an investment in Rights Issue Shares should read the whole of this document and not just rely on the information summarised below.

	Year ended 31 March		
	2000	2001	2002
	£ million	£ million	£ million
Revenue	100.6	159.7	233.7
Operating profit (loss)	(23.1)	1.8	10.2
Profit (loss) before tax	(21.8)	4.2	14.0
Profit (loss) after tax	(15.2)	2.7	9.8

Newgo 1, through its wholly owned subsidiary Newgo 2, owns the entire issued share capital of Go apart from 10 million A Preference Shares of £1 each in the capital of Newgo 2 which are owned by British Airways. These A Preference Shares will be redeemed on Completion. The summary financial information above relates only to that of Go for the periods stated and is extracted from Part VIII of this document. Part VII of this document includes consolidated financial information on Newgo 1 and its subsidiary undertakings for the period from the incorporation of Newgo 1 to 31 March 2002.

Key Operational Statistics

The key operational statistics for Go for the years ended 31 March 2000, 2001 and 2002, as derived from the Go management accounts and extracted without material adjustment therefrom, are set out below. Investors considering an investment in Rights Issue Shares should read the whole of this document and not just rely on the information summarised below.

	Year ended 31 March		
	2000	2001	2002
Average number of aircraft owned/leased during year ⁽¹⁾	11.6	13.1	17.5
Sectors ⁽²⁾	20,808	26,227	40,370
Block hours ⁽³⁾	40,878	52,594	69,159
Number of routes operated at year end	15	23	36
Number of airports served at year end	16	24	22
Operated aircraft utilisation (hours per day) ⁽⁴⁾	9.77	11.08	10.97
Available seat kilometres (“ASK”) (million) ⁽⁵⁾	3.2	4.3	5.4
Revenue passenger kilometres (“RPK”) (million) ⁽⁶⁾	2.0	3.1	4.1
Passengers (million) ⁽⁷⁾	1.9	2.8	4.3
Load factor (per cent) ⁽⁸⁾	63.0	74.8	76.5
Average internet sales percentage during final month of period ⁽⁹⁾	36.1	63.0	83.5

(1) Represents the average number of aircraft leased during the relevant financial year.

(2) Represents the number of one-way revenue flights.

(3) Represents the number of hours that aircraft are in actual service, measured from the time that each aircraft leaves the terminal at the departure airport to the time that such aircraft arrives at the terminal at the arrival airport.

(4) Represents the average number of block hours per day per aircraft operated during the relevant financial year.

(5) Represents the sum of seats available for passengers multiplied by the number of kilometres those seats were flown.

(6) Represents the sum of passengers multiplied by the number of kilometres those passengers were flown.

(7) Represents the number of earned seats flown by Go.

(8) Represents passengers flown/available seat kilometres.

(9) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the final month of the relevant period. Sales that are originally made via the internet, but are later amended by phone, are included.

Network

As at 31 March 2002 Go operated on 36 routes serving 22 airports, including scheduled services from its bases at London Stansted, Bristol International Airport and East Midlands Airport to airports in the United Kingdom and continental Europe. Go’s expected route network for Summer 2002 is as follows:

Between London Stansted and:	Between Bristol and:	Between East Midlands and:
Alicante	Alicante	Alicante
Barcelona	Barcelona	Edinburgh
Belfast	Belfast	Faro
Bilbao	Edinburgh	Glasgow
Bologna	Faro	Malaga
Copenhagen	Glasgow	Prague
Edinburgh	Malaga	
Faro	Nice	
Glasgow	Palma de Mallorca	
Ibiza (seasonal)	Prague	
Malaga		
Milan Linate		
Munich		
Naples		
Newcastle		
Nice		
Palma de Mallorca		
Prague		
Rome Ciampino		
Venice Marco Polo		

Part III – Information on Go and easyJet

Go also provides a service to Belfast International Airport from Glasgow International Airport and Edinburgh Airport.

Go's expected schedule for Summer 2002 includes increased frequency on routes to Alicante, Barcelona, Faro, Malaga, Nice and Palma de Mallorca.

Sales and Distribution

Go sells seats via its own website (www.go-fly.com), its in-house call centre, travel agencies and global distribution systems. Approximately 98 per cent of its tickets are sold directly, with internet sales accounting for most of the large majority of sales and Go's in-house call centre and airport ticket desk sales accounting for most of the balance.

Marketing

Go's strong brand communicates the company's simple, modern, low-cost approach. Frequent press, radio and television advertising is used to drive seat sales, route announcements and brand awareness.

Suppliers

In order to maintain a flexible cost structure, many of Go's services are outsourced. In May 2000 it entered into a base-handling agreement with Groundstar who operate all Go's ground and customer check-in services at London Stansted.

Safety and Security

Go maintains high standards of safety in all business areas and safety is one of the most important considerations in its commercial decisions. Go is committed to safe operations, which is manifested in its training procedures, its investment in modern aircraft equipment and its adoption of a confidential safety issue reporting system.

Fleet

Go's fleet currently consists of 24 Boeing 737-300s, all of which are financed via operating leases. A further three 737-300s are due to join the fleet on operating leases by June 2002. Go recently announced plans to expand its fleet to 80 aircraft by 2008, which would be partly funded by an initial public offering. The Board intends to review its requirements for additional aircraft in light of the announcement of the Acquisition to take into account the additional aircraft requirements of the Enlarged Group and any need to replace aircraft in the Go fleet and intends to continue negotiations with suppliers.

Employees

As at 31 March 2002, Go employed a total of 880 staff, including 568 pilots and cabin crew. Go recognises the British Airline Pilots' Association, the pilots' representative group, and Go's cabin crew and all other employees are entitled to representation by the Amalgamated Engineering and Electrical Union.

SECTION B – INFORMATION ON EASYJET

Overview

easyJet operates one of Europe's leading low-cost scheduled passenger airlines. Through its operating companies, easyJet UK and easyJet Switzerland, easyJet provides high frequency services on short-haul and medium-haul point-to-point routes within Europe from its five airport bases at London Luton, Liverpool, Geneva, Amsterdam and London Gatwick. easyJet offers a simple, "no frills" service aimed generally at both the leisure and business travel markets at fares which are on average significantly below those offered by traditional full-service, or "multi-product" airlines.

easyJet has experienced substantial year-on-year growth since its first flight in November 1995. After its first twelve months, easyJet had sold approximately 485,000 seats and had established a network of six routes using four Boeing 737 aircraft. During the 12 months ended 30 September 2001, easyJet flew 7.1 million passengers generating profits before tax of £40.1 million. During the six months ended 31 March 2002, easyJet flew 4.3 million passengers generating profits before tax of £1.0 million. As at 31 March 2002, easyJet operated on 40 routes with a core fleet of 30 modern Boeing 737 aircraft. easyJet seeks to continue to grow its business whilst maintaining profitability by combining value-for-money fares with sustainable lower operating costs.

easyJet is considered by the Directors to be a "high utilisation, no frills, low-cost" operator. easyJet operates a young fleet with an average aircraft age of 4.0 years at 31 March 2002, and flies from its bases mostly to primary airports as its destinations. Unit costs are minimised through high aircraft utilisation, simplified business processes and the extensive use of information technology. Travel agents' commissions are eliminated by easyJet offering all seats directly to the public over the internet (in the month of March 2002 approximately 90.9 per cent of easyJet's initial seat sales were made via the internet) or through easyJet's own call centre or airport sales desks.

easyJet has entered into a purchase agreement with Boeing for 32 new "next generation" 737-700 aircraft, the first of which was delivered on 13 October 2000 and the remainder of which are due to be delivered over the period from that date to May 2004. As at 31 March 2002, 12 aircraft have been delivered and 20 remain to be delivered under this agreement.

In January 2002, easyJet announced that it was in discussions with Boeing and Airbus concerning the possible acquisition by easyJet of a nominal seventy-five additional aircraft and that it was reviewing the benefits of potentially operating a mixed fleet. The Board intends to review its requirements for additional aircraft in light of the announcement of the Acquisition to take into account the additional aircraft requirements of the Enlarged Group and intends to continue its negotiations with suppliers, with the result that some aircraft may be delivered under any future aircraft purchase agreement prior to May 2004, the date on which the last aircraft is due to be delivered under easyJet's current contract with Boeing.

easyJet's growth has been fuelled by the acceptance of low-cost scheduled airline services in Europe over the last five years. The expansion of the European low-cost sector has been faster than the overall growth in the European passenger market, stimulated in part by easyJet's own product offerings and marketing efforts. easyJet believes that the growth in Europe's low-cost sector reflects both previously untapped demand and a shift in market share from the established national flag carriers and charter airlines.

11 September 2001

Since the terrorist attacks on 11 September 2001, a number of European traditional full-service airlines have announced new plans or accelerated existing plans for business cutbacks, route withdrawals and fleet reductions, and some are now facing insolvency and switching to business models closer to those adopted by low-cost airlines. In contrast, the larger low-cost airlines, such as easyJet, are now reporting that passenger volumes are back to previously recorded levels, although with weaker yields. In the six months to 31 March 2002, easyJet flew 4.3 million passengers, a half-year-on-half-year increase of 35.6 per cent compared to the six months to 31 March 2001, with an average load factor of 84.2 per cent. Over the same period the average fare decreased by 2.5 per cent, half-year-on-half-year.

Summary Financial information

The audited consolidated revenue, operating profit and profit before and after tax of easyJet for the years ended 30 September 1999, 2000 and 2001 as reported in the annual report and accounts and extracted without material adjustment therefrom together with the unaudited consolidated revenue, operating profit and profit before and after tax of easyJet for the six months ended 31 March 2002 as reported in Part II of this document

Part III – Information on Go and easyJet

and extracted without material adjustment therefrom, are set out below. Investors considering an investment in Rights Issue Shares should read the whole of this document not just rely on the information summarised below.

	Year ended 30 September			Six months ended
	1999	2000	2001	31 March 2002
	£ million	£ million	£ million	£ million
Revenue	139.8	263.7	356.9	193.9
Operating Profit	8.3	28.7	38.1	4.0
Profit before tax	1.3	22.1	40.1 ⁽²⁾	1.0 ⁽¹⁾
Profit after tax	1.3	22.1	37.9 ⁽²⁾	0.8
Earnings per share (basic) (in pence)	0.7	11.9	15.2	0.3
Earnings per share (diluted) (in pence)	0.7	11.9	14.4	0.3

(1) Profit before tax for the six months ended 30 March 2002 includes a write-off of £7.2 million in relation to easyJet's investment in The Airline Group Limited. This includes the entire £6.6 million investment together with £0.6 million relating to advisory fees and capitalised interest.

(2) Profit for the year ended 30 September 2001 includes exceptional administrative expenses of £1.8 million relating to the gift of Ordinary Shares under the easyJet Share Gift and £2.0 million in respect of a court decision against easyJet Switzerland.

Key Operational Statistics

The key operational statistics for easyJet for the years ended 30 September 1999, 2000 and 2001 as reported in its annual report and accounts and extracted without material adjustment therefrom and for the six months ended 31 March 2002 as reported in Part II of this document and extracted without material adjustment therefrom, are set out below. Investors considering an investment in Rights Issue Shares should read the whole of this document and not just rely on the information summarised below:

	Year ended 30 September			Six months ended
	1999	2000	2001	31 March 2002
Average number of aircraft owned/leased during period ⁽¹⁾	12.5	18.2	21.7	27.5
Number of routes operated at period end	23	28	35	40
Number of airports served at period end	16	18	17	17
Passengers (million) ⁽²⁾	3.1	5.6	7.1	4.3
Load factor (per cent) ⁽³⁾	75.6	80.8	83.0	84.2
Average internet sales percentage during final month of period ⁽⁴⁾	38.7	77.8	91.0	90.9

(1) Represents the average number of aircraft owned (including those held on lease arrangements of more than one month's duration) during the relevant accounting period.

(2) Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up, because easyJet is generally a no-refund airline and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to easyJet staff for business travel.

(3) Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "stage") lengths.

(4) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the relevant financial period. Sales that are originally made via the internet, but are later amended by phone, are included.

The Market

The liberalisation of the air transport market within Europe in the 1990s created the opportunity for the emergence of the European low-cost passenger airline sector. In 1992, EU member states adopted a final package of liberalisation measures that, from 1 January 1993, permitted greater access to intra-EU international routes. In 1995, the European Economic Area Agreement extended these measures to Norway, Iceland and Liechtenstein. In April 1997, liberalisation was further extended to the domestic routes of EEA member states, so that any EEA carrier can now provide passenger services on any route within the EEA without restriction on price or capacity (see "Air transport regulation" in Part V of this document).

Airlines operating in the European passenger market fall into the following broad categories:

- National flag carriers, which generally offer multi-product scheduled services on both intra-European and intercontinental routes. In the past the majority of these carriers were state-owned and many benefited from state aid. Many of these carriers have been either fully privatised or partly privatised.
- Regional carriers, which provide multi-product scheduled services on largely intra-European routes using small jet or turboprop aircraft. Many of these airlines have entered into strategic alliances with national flag carriers.
- Low-cost scheduled carriers such as easyJet, which usually offer lower fares and operate point-to-point services. Some of these carriers are independently owned whilst others have been formed and are owned by national flag carriers.
- Charter airlines which operate primarily on leisure dominated routes between northern and southern Europe (as well as from Europe to long-haul destinations such as Florida). The majority of these airlines are owned by major tour operators. Seat sales are primarily offered as part of a package holiday offered by tour operators rather than on a seat-only basis.

Strategy

easyJet's mission is "To provide our customers with safe, good value, point-to-point air services. To offer a consistent and reliable product at fares appealing to leisure and business markets on a range of European routes. To achieve this we will develop our people and establish lasting relationships with our suppliers".

The Directors believe that easyJet and, following the Acquisition, the Enlarged Group is well positioned for success in a market that shows an increasing acceptance of low-cost airline travel.

Despite the events of 11 September 2001, easyJet's strategy remains unaltered. The Directors do not anticipate that the Acquisition will alter its mission or its strategy for the operation of the Enlarged Group. The Directors believe that easyJet can continue to achieve competitiveness, scalability and sustainable growth by executing its established business model, which is based on the following six key strengths:

➤ **Simple fare structure**

easyJet offers only a single fare at any one time for a specific flight. easyJet's pricing strategy is to offer value-for-money fares, although not necessarily the lowest fares for any given route. Fares generally increase in line with demand towards the date of flight.

➤ **Low unit costs**

easyJet keeps unit costs low by maintaining high aircraft utilisation, eliminating all sales intermediaries between the customer and easyJet (other than at some airport sales desks), focusing on internet sales, eliminating unnecessary service frills, using a simple business model and establishing long-term agreements with many key suppliers.

➤ **Strong branding**

easyJet has established a strong brand in its key European markets: the UK, the Netherlands and Switzerland.

➤ **Commitment to customer service**

Safety is easyJet's first priority. easyJet also aims to provide a service consistent with its image: professional, friendly and informal.

➤ **Multi-base network**

easyJet's network strategy is to provide high frequency point-to-point services on dense routes, within Europe. The Directors believe that this strategy provides significant benefits, including reducing dependence on a single "hub" and the creation of local competitive advantages as a result of the size of easyJet at its bases and the frequency of its flights.

➤ **Strong corporate culture**

easyJet has a strong and coherent corporate culture, internally known as the “orange culture”, which the Directors believe helps to motivate employees to implement easyJet’s strategy. On the basis of discussions with Go’s operational managers, the Directors believe that the two cultures are compatible.

Network

easyJet intends to grow its network in five ways:

- by increasing the frequency of flights on many existing routes. The aim in doing this is to consolidate and confirm easyJet’s position in each of its current markets, and to maximise the effectiveness of its marketing spend. The Directors believe there is room in the current schedule for higher flight frequencies which attract more business travellers, who generally book later and therefore pay more;
- by creating new links between points already served in the network;
- by continuing to add new destinations from existing bases. In order to select new destinations, multiple evaluation criteria are used, including market characteristics, fit with the existing network, competition, slot availability and airport costs;
- in due course, by growing selected destinations into new bases, as it did during 2001 with Amsterdam and in 2002 with London Gatwick; and
- through suitable acquisitions, such as Go and the potential acquisition of Deutsche BA.

At 31 March 2002, easyJet operated on 40 routes serving 17 airports, including scheduled services from its five bases at London Luton, Liverpool, Geneva, Amsterdam and London Gatwick to airports in the United Kingdom and continental Europe.

London Luton is the Company’s largest base measured by the number of passengers served. It currently serves 14 airports and is located approximately 32 miles north of central London.

easyJet’s base in Liverpool currently serves nine airports. The airport serves a catchment area covering much of north-west England and north Wales, with an estimated population of 7.5 million within 50 miles of the airport.

easyJet Switzerland operates from a base in Geneva and currently serves six airports. Geneva Airport serves a catchment area of an estimated 1.5 million people within a one hour drive of the airport.

easyJet established a base at Amsterdam in January 2001, which currently serves nine airports, and in February 2002 established its most recent base at London Gatwick, which currently serves eight airports.

easyJet’s new service from Paris Charles de Gaulle commenced on 2 May 2002 and its new service from Paris Orly commenced on 10 May 2002. Two other services to and from Paris Charles de Gaulle to London Luton and Nice will commence in Summer 2002. A new service from London Gatwick to Athens will also commence in Summer 2002.

Sales and Distribution

easyJet sells seats via its own website (www.easyjet.com) and through its call centre at London Luton. To a much lesser extent, it also sells seats via airport sales desks. easyJet believes its prominent use of the slogan “the web’s favourite airline” and the painting of the website address on many of easyJet’s aircraft encourages customers to use this low-cost sales channel.

Marketing

easyJet has established a strong brand in its key European markets of the UK, the Netherlands and Switzerland by significant investment in distinctive, high-profile advertising and public relations campaigns. Advertising spending is concentrated on the catchment areas which easyJet serves in order to ensure that exposure is both intensive and effective. This approach is closely aligned with the network strategy of developing multiple bases and building frequency in selected markets.

Scheduling and Slot Management

The Company's objective is to schedule a sufficient number of flights per day on most routes to be attractive to both leisure and business travellers. On busy routes such as London Luton – Amsterdam, London Luton – Glasgow and London Luton – Edinburgh, easyJet offers between six and seven daily flights from Monday to Friday.

Access to some congested European airports is regulated by a system of historical precedence in relation to the allocation of slots. Each slot represents an authorisation to take off or land at the particular airport at a specific time on a particular day. Airports subject to slot allocation are known as "fully co-ordinated airports". easyJet operates from some fully co-ordinated airports. Slots are allocated in accordance with the EC Slot Regulation and otherwise according to IATA procedures by an airport co-ordinator for no consideration. Although the EC Slot Regulation provides that 50 per cent of slots becoming available must be reserved for new entrant carriers, the number of slots becoming available (particularly at peak times) at congested airports may be negligible. There are, however, mechanisms by which airlines can exchange slots and easyJet participates in these mechanisms.

The Directors believe that prior to 11 September several European airlines were considering reducing their frequencies of service to selected routes for profitability reasons. Following 11 September many European airlines began cutting their schedules. Many of these cuts should, under the EC Slot Regulation, lead to those airlines forfeiting slots. easyJet has in the past pursued opportunities to increase its own slot holdings, and will continue to do so.

Safety and Security

easyJet's commitment to safety is the top priority of the Company and its management. It is the first agenda item at Board, executive committee and operations meetings. During its operating history, easyJet has not had a single incident resulting in serious injury to passengers or crew, other than an incident on 24 February 2002, when an elderly Greek passenger travelling from Athens to London Luton sustained serious head injuries after falling from the forward airstairs when disembarking the aircraft. easyJet immediately initiated an internal inquiry, following which it was concluded that easyJet was not at fault.

easyJet is committed to safe operations, which is manifested in its training procedures, its investment in modern aircraft equipment and its adoption of a confidential safety issue reporting system. easyJet has active flight safety and standards teams which review both internal and external reports and promote a "No Blame" safety culture.

The attacks in the United States on 11 September 2001 have altered the aviation security regime in Europe. Immediately after the attacks, easyJet rigorously applied the UK Government's increased security levels to all easyJet flights, both in the UK and elsewhere in Europe. Although not mandatory in countries outside the UK, easyJet implemented a "no comply, no fly" policy where, for example, 100 per cent baggage screening could not be guaranteed. easyJet believes that the revised security regime within Europe will have minimal impact on turnaround times, as the changes primarily affect passenger processing within terminals.

Fleet

easyJet's fleet plan has two principal aims:

- ▶ to maintain a young fleet to support high reliability and high aircraft utilisation; and
- ▶ to achieve the lowest total cost fleet.

In January 2002, easyJet announced that it was in discussions with Boeing and Airbus concerning the possible acquisition by easyJet of a nominal seventy-five additional aircraft and that it was reviewing the benefits of potentially operating a mixed fleet. The Board intends to review its requirements for additional aircraft in light of the announcement of the Acquisition to take into account the additional aircraft requirements of the Enlarged Group and intends to continue its negotiations with suppliers.

As at 31 March 2002 the easyJet fleet consisted of 18 737-300s and 12 next-generation 737-700s, 20 of which are leased and 10 of which are owned.

Airport Operations

easyJet depends on local airport authorities and, generally, third-party ground handling suppliers to support operations at its airports. Arrangements with airports are typically on the standard terms for the airport, including prices. At three airports (including London Luton), easyJet has negotiated agreements with prices specific to easyJet.

Facilities

The Company's headquarters are at London Luton, in office facilities comprising approximately 20,250 square feet, which easyJet UK occupies under a lease which expires 31 December 2008. These facilities contain the Company's various executive, finance and operations departments, including the call centre, and are referred to as "easyLand". easyJet leases and uses other facilities at its various bases and destinations.

Air Traffic Control

easyJet is one of seven shareholders of The Airline Group Limited, a consortium of airlines which was successful in bidding for the public-private partnership stake offered by the UK Government in National Air Traffic Services ("NATS"), which provides the UK's en-route air traffic control services and provides other air traffic control services under contract with airports. The investment was made for strategic reasons to give easyJet the opportunity to influence the direction of the development of UK air traffic control services and the level of charges.

In July 2001 easyJet invested £6.6 million in NATS via The Airline Group Limited. However given the long time period before an expected return would be realised, a total of £7.2 million has been written-off in easyJet's interim accounts for the 6 months ended 31 March 2002, representing the entire investment of £6.6 million and £0.6 million in relation to advisory fees and capitalised interest.

Employees

As at 31 March 2002, easyJet employed a total of 1,989 staff, including 443 pilots and 661 cabin crew.

easyJet has recently signed a recognition agreement with the pilots' representative group BALPA (British Airline Pilots' Association). This agreement excludes any form of industrial action during any disputes procedure period, but cannot exclude the pilots' statutory rights to take industrial action. UK cabin crew and Luton ramp service workers have recently voted to be represented by the Transport & General Workers' Union.

Part IV – Risk Factors

In addition to the other information presented in this document, the following risk factors should be carefully considered by Shareholders when deciding what action to take in relation to the Rights Issue and by others when deciding whether to make an investment in the Company. Additional risks and uncertainties not presently known to the Directors, or that the Board currently deems immaterial, may also adversely affect the business of easyJet and, following the Acquisition, the Enlarged Group and the trading price of Ordinary Shares. If any of the risks actually occur, the business, financial condition or results of future operations of easyJet or, following the Acquisition, the Enlarged Group could be materially adversely affected. In that case, the trading price of the Ordinary Shares could decline and you might lose all or part of your investment.

The risks and uncertainties are described under the following general categories:

- Risks related to easyJet and, following the Acquisition, the Enlarged Group.
- Risks related to the Enlarged Group's industry.
- Risks related to governmental regulation.
- Risks relating to the Acquisition and the Rights Issue.

RISKS RELATED TO EASYJET AND, FOLLOWING THE ACQUISITION, THE ENLARGED GROUP

The attacks on the United States by terrorists on 11 September 2001, and the aftermath of those attacks, could adversely affect easyJet's and, following the Acquisition, the Enlarged Group's business

On 11 September 2001, four commercial aircraft were hijacked in the United States and three of them were used in terrorist attacks on the World Trade Center in New York City and on the Pentagon outside Washington, D.C. The repercussions from these tragic events include or could include economic and political disruptions in many countries, the military operations in Afghanistan by the United States and United Kingdom, the possibility of additional terrorist attacks in the United States, Europe and elsewhere, further unrest in the Middle East and possible military action by the United States and its allies against Iraq, the potential escalation of current hostilities and increasing polarisation among nations. The attacks and their repercussions could adversely affect easyJet's and, following the Acquisition, the Enlarged Group's business. Consequences for all airlines, including easyJet and Go, include or could include: (a) limitations on the scope of available insurance coverage, caps on insurable losses, significantly higher costs of insurance when it is available and the potential for aircraft being grounded if sufficient insurance is not available (see "Insurance costs have increased significantly and the insurance market may face further disruptions" in the section entitled "Risks related to the Enlarged Group's industry" in this Part IV); (b) decreased demand for air travel because of fears of further acts of terrorism; (c) increased costs and service disruptions and reduced operations and aircraft utilisation as a result of heightened security measures; (d) increases in the price of jet fuel; (e) decreases in the resale prices of aircraft; and (f) significant disruptions to the business of key suppliers, including in easyJet's and, following the Acquisition, the Enlarged Group's case possible further disruptions to Boeing's ability to deliver, on time and on the terms agreed with easyJet, the 20 737-700s that remain to be delivered under easyJet's purchase agreement with Boeing (as at 31 March 2002), following the delay of the delivery of 4 aircraft by one month each following 11 September 2001. Moreover, additional terrorist attacks, retaliatory actions or escalations in hostilities could lead to further deteriorations in economic and political conditions around the world and additional adverse consequences that are difficult to foresee.

So far, the consequences of 11 September for easyJet and Go have been limited to disruptions in services during the first few days after the attacks. easyJet had restored its full flying programme within two weeks of 11 September 2001. Many other European airlines have experienced greater business disruptions. Nevertheless, easyJet can give no assurance that it or, following the Acquisition, the Enlarged Group will not suffer material adverse effects as a result of the 11 September attacks and their aftermath, in particular if there are any future terrorist attacks. See "Risks related to the Enlarged Group's industry".

Recent indications that certain of easyJet's competitors, including British Airways, may seek to adopt an operating and economic model closer to that of the low-cost carriers may have been stimulated, or at least accelerated by the economic effects of 11 September. See "Risks related to the Enlarged Group's Industry".

easyJet and Go are dependent on the UK and continental European travel markets

Many of easyJet's and Go's passengers travel on holiday or for other, non-business related reasons. Because a substantial portion of such airline travel is discretionary, the airline industry tends to experience adverse

financial results during economic downturns. It is possible that easyJet or, following the Acquisition, the Enlarged Group will be adversely affected by any economic downturn, although both easyJet and Go may gain a portion of new business from existing full service airlines as passengers trade down for a better priced deal. easyJet's and, following the Acquisition, the Enlarged Group's business would also be adversely affected by any other circumstance causing a reduction in demand for air transport services in or from the UK or continental Europe in general, and low-cost services in particular, including further adverse changes in economic conditions, additional political disruptions or violence (including terrorism), fare increases linked to increased costs including increases in airport access costs or taxes imposed on air passengers and fuel costs, changes in leisure travel or spending patterns or other circumstances.

easyJet's and Go's high aircraft utilisation rate makes them especially vulnerable to delays

Both easyJet and Go have, and aim to maintain, a high aircraft utilisation rate. High utilisation is achieved in part by reducing turnaround times at airports, flying for more hours per day and reducing the amount of time during which spare aircraft are available for backup. Because of easyJet's and Go's high utilisation rate compared to their competitors, they are, more than most of their competitors, exposed to, and adversely affected by, delays resulting from factors such as air traffic control, ground handling, air traffic or airport congestion, weather, acts of third parties upon which they rely, maintenance and technical issues and other factors. In particular a significant number of delays have occurred as a result of unexpected adverse weather including snow and fog, runway closures, airport incidents and the general disruption in airline services in the first few days following the 11 September terrorist attacks. Significant delays in easyJet's or Go's provision of services, especially if repeated on multiple occasions, could damage the Enlarged Group's reputation and materially adversely affect its business, financial condition and results of operations. Adverse effects may be further exacerbated to the extent easyJet regularly makes refunds and provides assistance to passengers if flight delays extend beyond four hours. In addition, easyJet's or Go's expansion of its network to include new bases, new destinations and more frequent flights on current routes could be disruptive to the Enlarged Group's overall schedule, to the extent such expansion increases easyJet's and, following the Acquisition, the Enlarged Group's exposure to congested airports. For example, in January 2001, Amsterdam became easyJet's fourth operating base, increasing easyJet's dependence on Amsterdam's Schiphol airport, which is a busy airport. In February 2002 easyJet commenced services from its new London Gatwick base, which is also a busy airport and on which it is also now reliant. In addition, easyJet has recently commenced services from Paris Charles de Gaulle Airport, and aims to offer up to 15 flights per day to and from Paris by mid-June 2002. Go is also dependent on Stansted Airport, which is a busy airport. Such disruption at these airports, or at other airports from which easyJet operates or from which, following the Acquisition, the Enlarged Group will operate could adversely affect easyJet's and, following the Acquisition, the Enlarged Group's results from existing operations, hamper its expansion efforts or both.

easyJet's and Go's business is subject to strong seasonal variations

easyJet's and Go's results of operations have varied significantly from interim period to interim period and management expects these variations to continue in the future. There are a number of factors that cause these variations, but the principal factor is that easyJet's and Go's business as low-cost carriers tends to be seasonal in nature. Demand in Europe is substantially higher during the summer months, when many Europeans take holidays, than during the winter. easyJet and Go experience their lowest yields between November and February (excluding the Christmas and New Year period), and also relatively lower utilisation due to a higher level of pre-planned aircraft maintenance in the winter. As a result, easyJet's operating revenues are generally much lower in the first half of easyJet's financial year (October to March) than in the second half (April to September), while Go's operating revenues have been lower in the second half of its financial year (October to March) than the first half (April to September). Most or all of easyJet's profit before tax is generated in the second part of its financial year and most of Go's profit before tax is generated in the first part of its financial year. Given easyJet's and, following the Acquisition, the Enlarged Group's planned high utilisation rates, disruptions that affect utilisation, yields and load factors will have a disproportionate effect on results if they happen in the second half of easyJet's and, following the Acquisition, the Enlarged Group's financial year. Such disruptions could have a material adverse effect on easyJet's or, following the Acquisition, the Enlarged Group's financial performance.

easyJet and, following the Acquisition, the Enlarged Group may face difficulties protecting its name and branding

A feature of easyJet's success is its trade name and branding. Both the words "easy" and "jet" have descriptive connotations and the scope of protection afforded by a mark of this nature is less extensive than would be the

case with a wholly distinctive mark. In addition, easyJet's use of orange and white livery is difficult to protect as many companies use orange print on a white background (or white print on an orange background) and courts and trade marks registries throughout the world are reluctant to grant any one trader a monopoly in the use of a particular colour or combination of common colours. easyJet does and is likely to continue to need to spend time and money assisting easyGroup IP Licensing in enforcing the easyJet trade marks, domain names and similar rights against potential third party infringers, but there can be no assurance that it will be able to do so with sufficient success to avoid the confusion that can result if other unrelated companies use similar brandings. In addition, because easyJet does not own its name and branding, but licences them from easyGroup IP Licensing under a licence that reserves rights in respect of brand protection to easyGroup IP Licensing in the first instance, easyJet relies partly on easyGroup IP Licensing to apply for further trade marks, maintain trade mark registrations and take action against third party infringers. There can be no assurance that easyGroup IP Licensing will take adequate steps to enforce the easyJet brand and marks or that it will be able to prevent use of the brand by third parties.

In addition, easyJet has become aware that Go Voyages, a French travel agent, has registered the word "Go Easy" as a French trade mark and is currently using "Go Easy" on its website in relation to travel insurance. This registration may adversely affect easyJet's ability to market itself under the "easy" brand in France.

Go Voyages is also expected to commence proceedings against Go in the French civil court seeking, *inter alia*, an injunction against Go to prevent it from using "Go" as part of its branding in France and the cancellation of Go's European Community trademarks. The success of any injunction or cancellation of trademarks may adversely affect the Enlarged Group's ability to market itself under the "Go" brand in France, and elsewhere in mainland Europe. Please see "Potential litigation in relation to Go Voyages" in this Part IV.

easyJet uses and, following the Acquisition, the Enlarged Group will continue to use, the internet extensively to make sales. Third parties can and have registered confusingly similar website domain names and may offer similar services, seeking to confuse members of the public with similar branding, or may try to sell the domain names to easyJet at inflated prices. easyJet does and will have to continue to spend time and money to co-operate with easyGroup IP Licensing in taking steps to protect its business from such risks, but there can be no assurance that they will be sufficiently successful in these undertakings to avoid adverse effects on easyJet's or, following the Acquisition, the Enlarged Group's business.

easyJet does not own its name and branding

easyJet does not own its trade marks, domain names or any rights in its orange and white livery, but instead licenses them from easyGroup IP Licensing, which is controlled by the Chairman. The licence imposes duties on easyJet to maintain high standards in its use of the brand. In addition, easyJet is restricted to carrying on business as an airline with a core activity of passenger transport in fixed wing aircraft and can only provide services ancillary and conducive to that business if (a) a number of its peer group members (EU flag carriers and EU and North American low-cost airlines) do so first; and (b) the aggregate revenue from such ancillary and conducive activities does not exceed 25 per cent of easyJet's aggregate annual revenue. If easyJet or, following the Acquisition, the Enlarged Group expands outside this business easyJet will lose the rights it has to use the easyJet trade marks, branding and domain names. The terms of the licence from easyGroup IP Licensing may therefore in the future restrict easyJet's ability to develop its business as it wishes. It is, however, the Board's strategy to focus easyJet on its core activity and currently almost all its revenue is generated from its core activity. In return, easyGroup IP Licensing has agreed not to licence any other person to use the "easy" brand in the airline business with a core activity of passenger transport in fixed wing aircraft while the licence continues and for 3 years thereafter. easyGroup IP Licensing maintains control over what further "easy" ventures are introduced using the "easy" name and branding but undertakes to enter into a brand licence with every user of the easy brand which is no less onerous than the licence that has been agreed with easyJet. easyJet must rely heavily on easyGroup IP Licensing to apply for further trade marks, maintain trade mark registrations and take action against third party infringers although easyJet does have certain limited rights to take steps itself. The aggregate liability of easyGroup IP Licensing under the brand licence throughout its term is limited to £10 million. easyJet must, at its own cost, assist other members of the "easy" group of companies to enforce their rights against third party infringers. easyGroup IP Licensing may terminate the brand licence in the event that easyJet UK suffers an insolvency event. If easyJet breaches the terms of the licence and fails to remedy such breach within 90 days, except in the case of the 25 per cent test mentioned above where the time limit is 180 days, or is insolvent for more than one year, its right to use the trade marks and branding could be terminated and it could be required to give up its URL, which is the main method of selling its tickets. However, the Directors believe the cure period to be adequate to remedy most likely breaches. A loss of the licence by

easyJet could substantially and adversely affect easyJet's or, following the Acquisition, the Enlarged Group's results, financial condition and business.

Under the terms of the licence easyJet cannot change the easy "get up" without the consent of all the other licensees. This may restrict easyJet's ability to change the brand if it so wishes.

The Chairman has agreed not to be involved in another airline business with a core activity of passenger transport in fixed wing aircraft from the date of the licence until the expiry of the period ending three years after the later of: (a) his ceasing to hold at least five per cent of the share capital of the Company; and (b) his ceasing to have control of easyGroup IP Licensing, or, if earlier, the termination of the brand licence. If the brand licence terminates for insolvency the three year period shall not apply. This covenant will not prevent the Chairman from being involved in the chartering of private jets or the holding of five per cent in a publicly quoted airline company provided he has no management role. For this purpose the chartering of private jets means the chartering of entire jets to an individual or company but not selling seats directly or indirectly to members of the public and not operating regular scheduled services. The Directors believe this does not compete with easyJet's core business. However, under the terms of the brand licence it is open to other "easy" companies in their ancillary or conducive activities to compete with easyJet in its core area of activity using the "easy" brand. They can only do this if such activity is ancillary and conducive to their own core activity (for instance a tour operator) and only to the extent that their revenue from such activity does not constitute more than 25 per cent of their aggregate revenue. In addition, in certain circumstances it is possible for easyJet to act against other easy companies directly and for them to sue it under the terms of the licence. Each of easyGroup IP Licensing and easyJet UK have agreed to indemnify the other against any capital gains tax liability the other may suffer arising out of the assignment and brand licence. The Directors have been advised that it is unlikely easyGroup IP Licensing will suffer any capital gains tax liability.

Any failure by easyGroup IP Licensing to police properly the use of the "easy" brand by its licensees or to enforce trade mark or domain name or related rights in the brand against infringers or otherwise to comply with its obligations under the brand licence, may have a significant adverse effect on easyJet or, following the Acquisition, the Enlarged Group.

Whilst the Chairman presently indirectly controls easyGroup, which is the largest shareholder in the Company and which controls easyGroup IP Licensing, there can be no certainty that he will continue to do so. Were he to sell his interest in either, easyGroup IP Licensing's relationship with easyJet could deteriorate. While the Directors believe that the licence offers them sufficient protection, there can be no assurance that a change of the ownership of easyJet or easyGroup IP Licensing would not have a materially adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's use of its brand.

easyJet and, following the Acquisition, the Enlarged Group could suffer from the extension of the "easy" brand

The brand extension scheme being implemented through additional licensing by easyGroup IP Licensing holds risks for easyJet and, following the Acquisition, the Enlarged Group. Although the terms on which easyGroup IP Licensing may extend the right to use the "easy" brand and livery outside the fixed wing passenger airline industry must be no less onerous than the terms of easyJet's licence, easyGroup IP Licensing has freedom to determine the extent to which it enforces those licences. easyGroup IP Licensing has licensed easyInternetcafé (internet cafes), easyCar (car rental), easyValue (online product comparisons), easyMoney (personal finance) and easy.com (an internet portal and e-mail service) to market their various businesses under the "easy" brand and livery, and that more "easy" group businesses may arise in the future. easyGroup IP Licensing or the additional licensees may, through their actions or inaction or through failure or problems in their businesses, damage the "easy" brand for easyJet by associating it with events, ideas or brand values at odds with easyJet's image and strategy or by adversely affecting the goodwill in the brand generally. Accidents connected with or failures by other "easy" ventures, particularly if they relate to safety issues, may materially and adversely affect the reputation of easyJet and the Enlarged Group.

In addition, the extension of the "easy" brand is likely to increase the profile of the brand and increase the attention by "pirates" or infringers, and accordingly, is likely to increase the cost of protecting the brand. As the profile of each licensee increases, the effect of failures or accidents to other licensees of the brand are likely to be more damaging to easyJet's and, following the Acquisition, the Enlarged Group's brand. There can be no assurance that infringement actions brought by easyGroup IP Licensing or the "easy" group businesses will be successful or that such actions will not undermine the reputation of the easy brand as a consumer-friendly brand. In general, there can be no assurance that the extension of the "easy" brand will not adversely affect the

reputation and image of the easyJet name and branding or be damaging to easyJet's or, following the Acquisition, the Enlarged Group's business.

Chairman's reputation

easyJet's public image is very closely associated with its chairman and founder, Stelios Haji-Ioannou. He regularly appears as its spokesman in marketing and public relations events and is a key part of easyJet's public image. Although it is likely that Stelios' prominence in relation to easyJet's advertising will decrease up until his retirement as Chairman in 2003 whereupon his involvement in easyJet's advertising is likely to cease, were his personal or business reputation to be damaged as a result of anything done or omitted in connection with easyJet, any other "easy" company, his other business interests or his personal life, this could have a material adverse effect on the reputation and image of easyJet or, following the Acquisition, the Enlarged Group, and accordingly its financial performance and the market price of its shares.

easyJet's openness with the media risks adverse exposure

easyJet intentionally seeks a close and open relationship with the media to increase its public profile and to reinforce its brand positioning of transparency and informality. This openness means that, just as in the "Airline" TV series, the public and the media may become aware of both negative and positive aspects of easyJet. Negative exposure of easyJet in the media over which the airline has no control may have an adverse impact on easyJet's or, following the Acquisition, the Enlarged Group's brand, public support, customer bookings, financial performance and the market price of its shares.

The Enlarged Group may not meet its growth targets

Although the Acquisition will provide a one-off increase in growth in capacity, the Directors believe that this will not prevent continued growth thereafter in the medium term. However, for a variety of reasons, easyJet and, following the Acquisition, the Enlarged Group may not be able to grow its business at a rate necessary to make sufficient use of the additional capacity it is likely to acquire and avoid the adverse financial effects of having acquired too much capacity. Growth could be hampered by an economic downturn, problems specific to the air passenger industry or the low-cost portion of the industry, competitor action, terrorism or other violence or political disruption, air traffic or airport congestion, shortages of key or specialised personnel, factors adversely affecting utilisation, yields or load factors, changes in consumer preferences or other risks described in this Part IV. In addition, if easyJet or, following the Acquisition, the Enlarged Group were perceived to be growing but not at a pace sufficiently in line with its plans or abilities, then the market price of its shares could be adversely affected.

Rapid growth may be difficult to manage

Although management believes in the scalability of easyJet's business, expansion will place strains on easyJet's and, following the Acquisition, the Enlarged Group's resources, including management, specialist personnel, information technology, internal controls and other resources. The Directors believe these resources are adequate at present. However, there are reasons why they may not be able to support the increase in the scale of operations that easyJet currently expects. These could include the fact that easyJet's and, following the Acquisition, the Enlarged Group's management structure is deliberately lean; that easyJet and, following the Acquisition, the Enlarged Group may face shortages in other specialist staff; that its financial, control and planning systems will have to grow in complexity; that the integration of the easyJet and Go businesses may not be effectively completed; and that it has a relatively brief operating history. Any shortfall in resources might require easyJet and, following the Acquisition, the Enlarged Group to make significant additional expenditures, including on systems, facilities and personnel. An inability to hire the required personnel, or delays in designing and implementing effective new systems or the inability to acquire the necessary facilities or other assets might adversely affect easyJet's or, following the Acquisition, the Enlarged Group's ability to grow in a cost effective manner. In addition, the Directors believe that it has succeeded in establishing a highly cost-conscious and dynamic corporate culture. These cultural values may be difficult to preserve as easyJet and, following the Acquisition, the Enlarged Group grows.

Another challenge that easyJet and, following the Acquisition, the Enlarged Group face is the cost-effective management of new aircraft deliveries and deployments. The precise timing of aircraft deliveries can be, and has in the past been, affected by many factors over which easyJet has no control such as parts supply difficulties to the Boeing production line or Boeing labour unrest. Similar issues will apply in relation to deliveries from manufacturers other than Boeing if easyJet or, following the Acquisition, the Enlarged Group purchases aircraft from such other manufacturers. If a delivery is only slightly late easyJet or, following the Acquisition, the

Enlarged Group could suffer adverse economic consequences. In addition, moving quickly from aircraft delivery to revenue-generating deployment requires the co-ordination of a number of processes, such as pilot hiring and training and schedule expansion, and is a process susceptible to delays due to many factors. If easyJet is unable to put new aircraft into service in a quick and co-ordinated manner, easyJet or, following the Acquisition, the Enlarged Group may incur costs and lose anticipated revenues.

The Enlarged Group will incur significant costs acquiring additional aircraft

easyJet's strategy for continued growth is dependent on its ability to acquire additional aircraft and to replace older aircraft in line with its intention to always have a young fleet. To this end, easyJet has a purchase agreement with Boeing for 32 new "next generation" 737-700 aircraft. 12 of these new aircraft have been delivered as of 31 March 2002 and the remaining 20 are due to be delivered over the period up to May 2004. The purchase agreement to acquire the remaining 20 undelivered aircraft requires substantial payments by easyJet over the next two years. Cash deposits must be paid during the period two years before delivery of each aircraft. In addition, easyJet has acquired purchase rights for 30 more new Boeing 737-700s. Although the Directors are of the opinion that, taking into account existing bank and other available facilities and the net proceeds of the Rights Issue, easyJet and, following the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this document, there can be no assurance that easyJet or, following the Acquisition, the Enlarged Group, will have sufficient cash reserves after the period ending twelve months from the date of this document to fund these cash commitments. Further details of the purchase agreement can be found at paragraph 14 of Part XI of this document.

easyJet currently operates a fleet consisting only of Boeing 737-300 and 737-700 aircraft. The Go fleet consists solely of Boeing 737-300 aircraft. However, in January 2002, easyJet announced that it was in discussions with Boeing and Airbus concerning the possible acquisition by easyJet of a nominal seventy-five additional aircraft and that it was reviewing the benefits of potentially operating a mixed fleet. Although any decision to begin to operate a mixed fleet would be made only if the Company believed that it would produce substantial long-term shareholder benefits, it is possible that the operation of a mixed fleet would result in additional expense being incurred by easyJet and, following the Acquisition, the Enlarged Group. Go recently announced plans to expand its fleet to 80 aircraft by 2008, which would be partly funded by an initial public offering. Go has conducted a study to evaluate the purchase of additional aircraft. The Board intends to consolidate these processes, and will make a decision based on the additional fleet requirements of the Enlarged Group and any need to replace aircraft in the Go fleet.

In addition, in order to finance the purchase of the aircraft easyJet has entered into, and intends to enter into various further arrangements, including arrangements whereby easyJet retains ownership of the aircraft and pays for it with the proceeds from loans secured against the aircraft, and arrangements whereby the aircraft will be sold to a financial institution and then leased back to easyJet. Such arrangements will mean a significant increase in the total amount of aircraft payment obligations to which easyJet will be subject. Go has committed operating lease arrangements in place for the remaining three aircraft due for delivery in 2002. In the case of debt or lease finance, there can be no assurance that lenders or counter-parties will be available to easyJet or, following the Acquisition, the Enlarged Group at the times needed and with financing packages that provide acceptable terms at affordable costs. In the case of aircraft held under lease, such leases cannot generally be terminated by easyJet without substantial financial penalty. If growth in passenger numbers and revenues do not keep up with the planned expansion of easyJet's fleet (including the expansion of the fleet as enlarged by the Acquisition), easyJet and, following the Acquisition, the Enlarged Group could face difficulties meeting its aircraft payment obligations and could as a result suffer substantial adverse effects to its financial condition.

Landing charges and potential problems with airport access

Airport access charges represent a significant operating cost to easyJet and Go. Any substantial increase in such charges could have a material adverse impact on results of easyJet and, following the Acquisition, the Enlarged Group's operations. There can be no assurance that airports at which easyJet and Go operate will not impose higher airport charges in the future.

In addition to the application of competition law at EU and national levels, the airports easyJet and Go serve in the UK, including London Luton, London Gatwick and London Stansted, are specifically regulated. This means that all users of the airports are required by law to be treated in a non-discriminatory manner and therefore the ability of easyJet and Go or any other operator to negotiate preferential terms does not exist or is substantially restricted. At the airports where it has been permitted and has proved possible, easyJet has sought to negotiate

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the best arrangements it can make without regard to the arrangements made by other users of those airports. There can be no assurance that when these arrangements are due for renewal, regulatory intervention or other factors at these airports would not cause easyJet's or Go's airport charges there to rise substantially.

In the UK, Heathrow, Gatwick, Stansted and Manchester Airports are "designated" for particularly detailed regulation (see "Air Transport Regulation – Airport Regulation" in Part V of this document).

Access to some congested European airports is regulated by a system of historical precedence in relation to slot allocation. Each slot represents an authorisation to take off or land at the particular airport at a specific time on a particular day. Airports subject to slot allocation are known as "fully co-ordinated airports." Gatwick, Stansted, Geneva, Amsterdam and both Paris airports (Orly and Charles de Gaulle) and a significant number of European airports to which easyJet and Go operate are fully co-ordinated. Although easyJet's bases at London Luton and Liverpool and Go's bases at East Midlands Airport and Bristol are not yet fully co-ordinated, they and a number of the other airports easyJet and Go serve are capacity constrained to some degree. At fully co-ordinated airports an airline must use its slots on a regular timely basis or risk having those slots re-allocated to others. Where slots are not available, or their availability is restricted, or they cannot be used on a regular timely basis, airline schedules may have to be amended or aircraft utilisation reduced. Either alternative could have an adverse financial impact on easyJet or, following the Acquisition, the Enlarged Group. In addition, there is no assurance that easyJet or following the Acquisition, the Enlarged Group will be able to obtain a sufficient number of slots at airports to expand services as proposed. It is possible that airports not currently fully co-ordinated may become fully co-ordinated in the future.

At some of the airports to which easyJet and Go fly various operating restrictions apply, including curfews, limits on aircraft noise levels, limits on the number of average daily departures and runway restrictions. In particular, curfews at Amsterdam's Schiphol airport have presented easyJet with operational restrictions as it has expanded its base there. Restrictions such as these may limit the ability of easyJet and, following the Acquisition, the Enlarged Group's ability to continue to provide or to increase services at such airports. In addition, there is no assurance that airports at which there are no such restrictions may not implement some or all of these restrictions in the future or that where such restrictions exist they will not become more onerous.

Potential shortages of specialised personnel

Type-rated pilots are currently in short supply in the European airline industry and easyJet and Go have had to spend significant time, money and effort to recruit and retain them. Additional pilot shortages could also reoccur in the future. Shortages also exist for licensed engineers who are employed by easyTech and FLSA. Engineers employed by FLSA currently maintain Go's aircraft, while GE Aircraft Engine Services Limited carry out Go's aircraft engine maintenance. Any significant or continuing shortage of highly trained or specialised employees could have an adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's business and on its growth plans.

easyJet is, and the Enlarged Group will be, relatively small in size

Compared to some of its full-fare competitors, easyJet has and, following the Acquisition, the Enlarged Group will have substantially fewer aircraft. If aircraft were unavailable for service due to the need for repairs or for other reasons (other than routine maintenance), any resulting interruption in service could materially and adversely affect easyJet's and, following the Acquisition, the Enlarged Group's business, financial condition and operation. The limited number of aircraft and routes operated by easyJet and, following the Acquisition, the Enlarged Group, compared to its full fare competitors means that it is less able than larger carriers to spread its operating costs over equipment and routes. easyJet's and, following the Acquisition, the Enlarged Group's, ability to compete effectively with larger carriers may be adversely affected by its relatively small size.

easyJet is, and the Enlarged Group will be, dependent on key personnel

easyJet's success depends upon the efforts and abilities of its management team, including Ray Webster, the chief executive of the Company, and other key financial, commercial and operating personnel. Similarly, Go's success depends on the abilities of its management team and other key financial, commercial and operating personnel. In particular, there is a risk that, following 22 November 2002, when restrictions on the sale of Ordinary Shares issued under the easyJet Key Employee Pre-Flotation Share Option Scheme referred to in paragraph 5 of Part XI are lifted, key easyJet personnel may decide to leave easyJet. There is also the risk that easyJet will be unable to retain key Go management whom it wishes to retain in the Enlarged Group after Completion. This may be because many of Go's management will have realised sums following the sale of Go to the Company which are material in comparison to their yearly earnings. There can be no guarantee that those managers and personnel

of the Enlarged Group following the Acquisition, or optionholders under the easyJet Key Employee Pre-Flotation Share Option Scheme whose options have become exercisable, will remain with the Enlarged Group. Competition for highly qualified personnel is intense and the loss of any of the senior management of easyJet (including the senior management of Go who will join easyJet) could lead to an adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's business, operating results and financial condition, especially if an adequate replacement cannot be found within a suitable time period. Furthermore, easyJet does not have (and, following the Acquisition, the Enlarged Group will not have) any key man insurance.

easyJet's contracts with certain key personnel are not as restrictive as would usually be the case

Whilst Ray Webster and Chris Walton, easyJet's two executive Directors, have entered into employment contracts with easyJet UK containing six month restrictive covenants and notice periods, the terms and conditions of employment of other key personnel have no or limited restrictive covenants or confidentiality obligations. Although as part of forming the new senior management team of the Enlarged Group a wider group of individuals will be required to sign contracts containing restrictive covenants, the lack of these terms and conditions in the contracts of those employees who do not sign new contracts means that the Company is less well protected than other companies from the risk of key employees leaving, failing to keep the Company's proprietary information confidential, and/or joining competitors. This may have an adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's business.

Potential disruptions to business systems

easyJet's and Go's ability to receive and process seat purchases, manage reservations and its network, and engage in other critical business tasks depends on the efficient and uninterrupted operation of its computer and communications systems. easyJet's web servers are kept at two secure off-site locations. easyJet's other servers are all in one location at easyLand, and they and the systems are vulnerable to damage, power loss, computer viruses, third-party disruptions, fire and similar events. The systems are backed up every night and the backup tapes are stored off-site. Contingency plans exist to ensure that the reservations system could be brought back on-line within 24 hours in the event of major damage such as fire at easyLand. Go's key customer and booking IT system is hosted and supported by Open Skies, while MM Group Limited are contracted to provide fulfillment and database management services. Go has also outsourced the design, delivery and maintenance of its website to Oyster Partners Limited, while its website is hosted remotely by BT Ignite. Although Go has only ever suffered minor and occasional disruption to its website and other systems, it remains dependent on these service providers for the uninterrupted operation of its website and other IT systems. Any significant disruption to easyJet's or Go's systems would damage easyJet's and, following the Acquisition, the Enlarged Group's ability to carry on its business efficiently. While easyJet is in the process of developing further business continuity plans to cover all its major systems and disruption risks which it is anticipated will be extended to cover the systems of the Enlarged Group, a comprehensive plan is not yet fully in place.

As with all companies for which e-commerce is an important sales channel, easyJet and Go are reliant on the ability of customers to access its website. Most internet sites occasionally come under attacks from external hackers, who may seek to redirect customers entering the site to another domain, disrupt the site through "denial of service attacks" or cause other difficulties. easyJet's website is occasionally subject to minor disruption from hackers. easyJet believes that new web server architecture and intrusion monitoring has greatly reduced the exposure. Nevertheless, any significant disruption to easyJet's or Go's website could adversely affect easyJet's and, following the Acquisition, the Enlarged Group's business.

easyJet runs its business on a "paperless" basis by relying heavily on a licensed computer document management system. That system is not a new one, and as time passes and as demands placed on the system increase, the system may begin to hamper easyJet's conduct of its business. There can be no assurance that easyJet's and, following the Acquisition, the Enlarged Group's business will not be adversely affected by either a transition to a new system, or the continued use of the old system.

Potential adverse impacts from new routes

As easyJet acquires additional seat capacity, it intends to increase flight frequency on its existing routes, start new routes and ultimately establish new bases in its route network. Since 1 October 2001, easyJet has commenced service on seven new routes and the summer schedule for 2002 includes a further three routes commencing in June and July, namely: Paris Charles de Gaulle to and from Luton and Nice and Gatwick to and from Athens. Go has recently faced increased competition on some of its routes out of East Midlands Airport as

a result of a decision by British Midland to launch its low cost carrier bmibaby from this airport. In addition, if easyJet is successful in its current attempts to acquire additional slots at Paris Orly, it is anticipated that significant expansion in easyJet's operations at Paris Orly will take place. easyJet continues to review options for opening additional routes. It is possible that easyJet may face greater competition on some of these new routes than it currently faces on its existing routes. In addition, easyJet may find that its low-cost service does not gain market acceptance on its new routes. Also, when easyJet commences a new route, although the load factor tends to be fairly similar to that of existing routes, the average fare easyJet can command is much lower, particularly in the first months of operation, and advertising and promotion costs are usually higher, particularly if the destination is one not previously served by easyJet. To the extent easyJet and, following the Acquisition, the Enlarged Group is unable to expand its route network successfully, its future revenue and earnings growth may be limited and its financial strength may be reduced.

Potential problems with the Boeing 737

During the global operational history of the Boeing 737 there have been a number of reports of, and two crashes in the early 1990s possibly caused by, rudder malfunction. As a result of extensive analysis and research by regulators and the manufacturer, Boeing, a number of modifications were recommended. All easyJet's and Go's 737-300 aircraft incorporate these modifications. Despite these modifications, there can be no assurance that a material rudder malfunction or related problem will not occur on one of easyJet's 737-300s or 737-700s. easyJet's and, following the Acquisition, the Enlarged Group's fleet, including its Boeing 737-700s, will require further modifications which are yet to be specified, and these may come at a material expense to easyJet and, following the Acquisition, the Enlarged Group. Although easyJet's commonality of aircraft provides easyJet with what it believes are many advantages, this commonality does increase its exposure to risks flowing from design or systemic manufacturing defects of the Boeing 737 series. The impact of any such risks would be partly diminished if easyJet decided to order new aircraft from Airbus rather than Boeing (please refer to "New Aircraft Purchases" as discussed in Part I of this document).

easyJet and Go are, and, following the Acquisition, the Enlarged Group will be, dependent on third party service providers

easyJet and Go have entered into agreements with contractors for most of their aircraft maintenance needs, for the provision of simulator time for training pilots, and for passenger and aircraft handling services at certain airports, where they consider that such services can be more efficiently provided by third parties. easyJet and Go attempt to obtain competitive rates for all such services by negotiating multi-year contracts at prices that are either fixed or subject to inflation-linked increases only. In addition, easyJet and Go seek to have unit rates reduced if levels of business increase markedly during the life of the contract. These contracts are between one and twenty years in length and some can be terminated at earlier dates by either party subject to suitable prior notice.

The loss of easyJet's or Go's third party service contracts, any inability to renew them or any inability to negotiate suitable replacement contracts could result in an adverse effect on either company and, following the Acquisition, the Enlarged Group. The Enlarged Group will need to enter into similar agreements in any new markets that it enters and there can be no assurance that it will be able to obtain the necessary services at favourable rates. Although easyJet and Go seek to monitor the performance of third parties that provide it with maintenance and passenger and aircraft handling services, the efficiency, timeliness and quality of contract performance by third party providers are often beyond their control. easyJet and Go expect to be dependent on third party arrangements for such services for the foreseeable future.

Potential litigation in relation to Navitaire

On 15 May 2002, Navitaire Inc. ("Navitaire"), a former supplier to easyJet of airline reservation software, issued proceedings against easyJet alleging copyright infringement in relation to airline reservations software. These allegations are being investigated.

easyJet has been advised that any such allegation of copyright infringement brings with it the risk of damages and/or an injunction. In the event of Navitaire being successful in any claim against easyJet, any award of damages against easyJet is, in the opinion of the directors, unlikely to be material. However, any injunction preventing easyJet from using all or part of its reservation system would have a material adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's results of operations or financial condition, if easyJet had not by that time procured an alternative solution.

Potential litigation in relation to Go Voyages

As referred to above, Go is currently engaged in a dispute with Go Voyages, a French travel company (“Go Voyages”). Go Voyages is expected to shortly commence proceedings against Go in the French civil court in Paris alleging a trade mark infringement by Go in relation to the trade mark “Go Voyages” (which is owned by Go Voyages) and unfair competition. The action is expected to seek an injunction against Go to prohibit it from using the word “Go” in France, the cancellation of Go’s European Community trade marks, damages of up to €2 million for infringement of trademark and €1 million for unfair competition. Go has stated its intention to defend the claim and expects to reach a satisfactory settlement. No provision has been made in the Go Group accounts for the period ended 31 March 2002 and Go does not consider the amount of any likely settlement to be material to Go or, following the Acquisition, the Enlarged Group. However, in the event that Go were to lose the case, it may have to pay damages and may also be prevented from using its European Community trade marks, which may be subject to cancellation. Any such cancellation could have a material adverse effect on the results of operations and financial performance of Go and, following the Acquisition, the Enlarged Group.

Government or EU taxes may be imposed or increased

Airport taxes are levied as a fixed tax on the sale of airline seats in many of the countries in which easyJet and Go operate. The United Kingdom currently levies one of the highest taxes in Europe, Air Passenger Duty. The level of Air Passenger Duty levied on easyJet and Go customers flying from the United Kingdom is currently £5 per sector within the EEA, and £20 per sector to points outside the EEA.

If there is an increase in the future by any government on taxes on seat sales this may have an effect on easyJet’s and, following the Acquisition, the Enlarged Group’s results of operations as would any application of taxes on jet aviation fuel, which is currently zero rated.

In addition, there is the possibility that the European Union may introduce a “green” aviation tax, which, if implemented, could add between £5 and £10 onto the cost of a one-way flight within Europe. The UK Government’s recent Green Paper, “The Future of Aviation”, also states that the absence of a tax on kerosene is an anomaly and introducing one would “place environmental costs on the polluter”. This suggests a possible intention to impose duty or another form of taxation onto jet fuel, on which no duty or tax is currently payable.

An increase in taxes may affect easyJet and, following the Acquisition, the Enlarged Group in one of two ways. First, increase in tax may lead to loss of customers who are highly sensitive to increases in ticket price. Secondly, since easyJet’s fares are often lower than those of other airlines, increases in taxes which are not proportionate to ticket price would have a larger proportionate effect on easyJet’s fares than on those of its competitors. This could adversely affect easyJet’s and, following the Acquisition, the Enlarged Group’s business.

The Enlarged Group may in the future be exposed to fuel price fluctuations, and increases in fuel costs or fuel shortages could materially affect operations

Fuel costs constitute a substantial proportion of easyJet’s and Go’s total operating expenses and significant increases in fuel costs could materially affect easyJet’s and Go’s operating costs. Aircraft fuel costs have shown substantial volatility over the last few years and both the cost and availability of jet fuel are subject to economic and political factors and events occurring throughout the world that easyJet can neither control nor accurately predict. Fuel prices dropped following the 11 September terrorist attacks, but they could increase significantly in the event of an escalation or spread of current unrest in the Middle East, including any commencement of military action against Iraq. The jet fuel price (Jet Fuel Houston Contract) had in fact already risen to over 67 US cents per gallon on 10 May 2002 from 55 US cents per gallon on 18 January 2002, in part as a result of the Iraqi embargo on crude oil shipments.

easyJet’s average unit fuel costs in US dollars in the financial year ended 30 September 2001 increased by 5.9 per cent on the prior financial year. In September 2001 easyJet capped its Jet A1 Fuel price at a strike price of approximately 95 US cents per gallon for approximately 90 per cent of its requirements for the first six months of the financial year ended 30 September 2002 and was as a result protected against any major price rise which occurred. Apart from this, easyJet does not hedge its fuel requirements. Go actively hedges its fuel exposure. At 31 March 2002, 73.7 per cent of its anticipated fuel usage over the following 12 months was hedged at an average rate of 75 US cents per gallon. However, easyJet and, following the Acquisition, the Enlarged Group may find itself further exposed to fuel price fluctuations following the expiry of these hedging arrangements, which could have a material adverse effect on easyJet’s and, following the Acquisition, the Enlarged Group’s results of operations or financial condition.

easyJet is, and, following the Acquisition, the Enlarged Group will be, exposed to currency fluctuations

easyJet's significant US dollar denominated costs relate to the purchase price of aircraft, principal and interest payments relating to debt-finance on aircraft owned by easyJet, lease financing on aircraft leased by easyJet pursuant to long-term operating leases, aircraft disposal proceeds, maintenance reserves, engine maintenance and aircraft fuel purchases. In respect of the Company's US dollar exposure relating to its aircraft debt financing costs, easyJet's strategy contemplates the sale of each owned aircraft after approximately seven years of operations and the use of the US dollar sale proceeds to pay down the remaining US dollar debt on the aircraft sold. The Directors' view is that used aircraft will continue to trade in US dollars and that as a result borrowings in US dollars to acquire aircraft are hedged to the extent of the US dollar resale value of the aircraft. Other than the protection provided by these arrangements, easyJet's current policy is not to hedge any of its US dollar commitments. Go actively hedges its US\$ exposure. At 31 March 2002, 49.7 per cent of its anticipated exposure over the following 12 months was hedged at a rate of US\$1.4293/£.

Although easyJet operates primarily out of the United Kingdom, a significant portion of the Company's business is conducted in currencies other than the pound. As a result of the various locations to and from which easyJet flies, easyJet has a proportion of revenues and costs denominated in Swiss Francs, the Euro and Euro-linked currencies. easyJet's results of operations and financial condition can be significantly affected by fluctuations in the respective values of the above-mentioned currencies, most importantly the value of the US dollar against the pound. Other than as described above, easyJet does not engage in any foreign currency hedging although it continues to monitor the efficacy of its currency hedging strategy. Go actively hedges its anticipated Euro exposure. At 31 March 2002, 86.76 per cent of its anticipated exposure over the following 12 months was hedged at a rate of €1.5952/£.

easyJet is, and, following the Acquisition, the Enlarged Group will be, exposed to the second-hand aircraft market

easyJet has and intends to maintain a young fleet of aircraft. As a result, it expects to replace its aircraft after relatively short service periods, currently expected to be about seven years per aircraft. Aircraft which are owned will be sold in the second-hand aircraft market. So long as it maintains an aggressive aircraft replacement strategy, easyJet and, following the Acquisition, the Enlarged Group will therefore be exposed to fluctuations in this market. This exposure may lead to adverse effects on easyJet's and, following the Acquisition, the Enlarged Group's results of operations or financial condition, including if second-hand prices drop or if easyJet or the Enlarged Group faces delays in making sales, and especially to the extent that easyJet or the Enlarged Group wishes or needs to rely on the proceeds of sales of replaced aircraft to discharge debts relating to the financing of such aircraft. Following the events of 11 September, prices for certain second-hand aircraft models have declined significantly. These prices may rebound, or could stay low or go lower in the future. There is no exposure in relation to Go, as all Go's aircraft are leased and therefore the risk in relation to the value of those aircraft is with the lessor. There can be no assurance that easyJet and, following the Acquisition, the Enlarged Group will not be adversely affected by deteriorations in the second-hand aircraft market.

easyJet and Go are exposed to variances in operating lease rates

easyJet currently has a policy of seeking to have between 40 and 60 per cent of the fleet under operating leases. Because the Company is currently not a UK cash tax payer and, currently, the cost of lease financing is much more favourable than the cost of debt financing, easyJet is likely to have a greater proportion of leased aircraft in the medium term. As at 31 March 2002, 66 per cent of the fleet is leased. Go currently leases all its aircraft. Although leasing allows easyJet and Go to take advantage of 100 per cent asset financing and reduces each company's residual value exposure on the disposal of aircraft, leasing also exposes easyJet and Go to variances in operating lease rates. Although operating lease rates are currently at historic lows, there can be no guarantee that lease rates will remain at such levels. Any rise in lease rates could have a material adverse affect on easyJet's and, following the Acquisition, the Enlarged Group's results of operations or financial condition.

easyJet and Go are exposed to interest rate fluctuations

Some of the payments under leases under which easyJet and Go operate some of their aircraft are calculated by reference to a floating interest rate. As a result, easyJet's and Go's operational results and financial condition can be and, following the Acquisition, the Enlarged Group's operational results and financial condition may be affected by fluctuations in the level of interest rates. At present, easyJet and Go do not engage in any interest rate hedging in relation to floating rate lease or debt payments, although easyJet does lock in some rates for short periods.

easyJet’s and Go’s internet sales are dependent on the continued acceptance of e-commerce

easyJet’s and Go’s ability to sell seats over the internet depends on the continued widespread acceptance and use of the internet as a medium for commerce. If acceptance and growth of online commerce does not continue, or the development of e-commerce in some of easyJet’s or Go’s markets is limited, the Enlarged Group will not be able to develop and maintain this cost-effective sales and distribution operation.

Rapid growth in the use of the internet and online services is a recent phenomenon. This growth may not continue, due to privacy concerns or for other reasons. There are few proven products or services in the internet market. Convincing consumers to purchase travel services online may be particularly difficult because expenditures on leisure often form a significant proportion of an individual’s disposable income. In addition, consumers have often relied on travel agents for advice and recommendations as to destinations and scheduling, as well as for bookings, and are often accustomed to a high degree of human interaction in purchasing travel services. easyJet’s and, following the Acquisition, the Enlarged Group’s growth is partially dependent on customers who have historically used traditional means of commerce electing to purchase online.

The need to transmit confidential information securely over the internet has been a significant barrier to e-commerce and communications over the internet. Any compromise of security could deter people from using the internet or from using it to conduct transactions that involve transmitting confidential information. The Enlarged Group may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by those breaches. In addition, alleviating these problems may cause interruptions, delays or cessations in service to easyJet’s or, following the Acquisition, the Enlarged Group’s customers, which could cause them to stop using easyJet’s or, following the Acquisition, the Enlarged Group’s service or to assert claims against easyJet or Go.

easyJet and Go retain personal information received from customers. Personal information held offline and online is highly sensitive and, if such information were made available to third parties without the customer’s prior consent or if a third party were to misappropriate that information, customers could possibly bring legal claims against the Company. No assurances can be given that breaches of confidentiality or privacy will not occur, resulting in possible claims against easyJet and, following the Acquisition, the Enlarged Group or adverse effects on easyJet’s or, following the Acquisition, the Enlarged Group’s business.

easyJet’s open access policy may give rise to regulatory or legal actions

easyJet operates an open access policy in regard to information. The Board believes that this policy is an important part of the “orange” culture and demonstrates the Company’s policy of valuing its employees. However, in line with good business practice, the Company restricts access to personnel information and obvious share price sensitive material such as merger and acquisition activity, consolidated financial information and Board minutes. Apart from this data, virtually all easyJet information can be accessed in the Company’s computer document management system by many full time employees. It is possible that, by permitting such access, the Company, its employees or the Directors are exposed to an increased risk of violating UK legislation on, among other things, “insider dealing” and market abuse. To mitigate this risk, the Company has issued guidelines to warn employees of the dangers associated with misuse of share-price sensitive information. Any adverse publicity arising from breaches of the applicable regulations and any consequent criticism by the UK authorities may have a materially adverse effect on easyJet’s or, following the Acquisition, the Enlarged Group’s reputation and its share price.

easyJet and Go may suffer from industrial action

easyJet and Go use some suppliers which are unionised and as such the airline may be negatively affected by industrial action outside its control. For example, some airport staff such as emergency fire service providers are union members. In addition, unionisation is increasing among easyJet’s employees. easyJet has recently signed a recognition agreement with the pilots’ representative group BALPA (British Airline Pilots’ Association). This agreement excludes any form of industrial action, but cannot exclude the pilots’ statutory rights to take industrial action. easyJet UK cabin crew and Luton ramp service workers have recently voted to be represented by the Transport & General Workers’ Union. Some other groups within easyJet’s employee ranks may also seek to unionise. Go’s pilots are represented by BALPA and cabin crew and all other employees are entitled to representation by the Amalgamated Engineering and Electrical Union. easyJet believes that its relations with its employees, unionised and non-unionised, are generally good, and that unionisation will not lead to a deterioration of employee relations or disruptions to easyJet’s business. However, should the relevant unions elect to take industrial action, for whatever reason, the reliability of easyJet’s and, following the Acquisition, the

Part IV – Risk Factors

Enlarged Group's operations could be compromised for extended periods of time. This would have an adverse impact on customer loyalty and operational and financial performance.

Potential disruption to surface access to easyJet's or Go's base airports

The effectiveness of all airports depends partly on maintaining the surface access links that permit passengers to reach the airport. Serious disruption to the business of easyJet or, following the Acquisition, the Enlarged Group could therefore be caused by a continued disruption to the surface links to any of easyJet's base airports, particularly London Luton or Liverpool or Go's base airports, London Stansted, East Midlands Airport and Bristol. For example, at London Luton, which accounts for about 54 per cent of easyJet's total passenger traffic, serious disruption would occur from any continued problems with either the rail link (primarily north bound from central London) or with the M1 motorway which is the main road artery serving the airport. Since easyJet is the main user of both Liverpool and Luton any such disruption might not affect other airlines to the same extent. Similarly, serious disruption would be caused to Go's business by any interruption of the London Stansted Express or any problems with the M11 motorway, the main artery serving the airport.

Income Tax Consideration for US Shareholders

Certain adverse US tax consequences apply to US shareholders in companies that are characterised as "passive foreign investment companies" for US federal income tax purposes ("PFICs"). easyJet cannot give any assurance that it will not be classified as a PFIC in the current taxable year or future taxable years, particularly in the event that the Acquisition is not completed. For example, if the Acquisition is not completed, easyJet will hold significant cash balances (which are treated as "passive" assets for purposes of determining a company's status as a PFIC) and, depending on the value of the company's goodwill, such cash balances could cause easyJet to be classified as a PFIC. If easyJet is classified as a PFIC, a US Holder (as defined in paragraph 10.2 of Part XI of this document) of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters, Rights Issue Shares or other Ordinary Shares would generally be subject to tax on any gain realised on a sale of such Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters, Rights Issue Shares or other Ordinary Shares as if such gains were ordinary income, and to tax deferral charges on such gains and "excess distributions" as defined under the US tax code. US Holders are encouraged to review the discussion under the heading "Certain US Federal Income Tax Considerations – Passive Foreign Investment Company", in section 10.2 of Part XI of this document, and to consult their own tax advisers with respect to the consequences of owning shares in a company that may be classified as a PFIC.

RISKS RELATED TO THE ENLARGED GROUP'S INDUSTRY

Airlines are exposed to the risk of catastrophic loss

easyJet and Go, like all airlines, are exposed to potential catastrophic losses in the event one of its aircraft is lost or subject to an accident, terrorist incident or other catastrophe. There can be no assurance that the amount of easyJet's or, following the Acquisition, the Enlarged Group's insurance coverage available in the event of such losses would be adequate to cover such losses, or that easyJet or, following the Acquisition, the Enlarged Group would not be forced to bear substantial losses from such events regardless of its insurance cover. Such losses could have a severe material adverse effect on easyJet or, following the Acquisition, the Enlarged Group.

In addition, any loss, accident, terrorist incident or other catastrophe affecting another European airline, or any major terrorist attack anywhere in the world similar to the attacks of 11 September, could harm public confidence in easyJet's or, following the Acquisition, the Enlarged Group's industry, or affect general political, economic or business conditions, in ways that could have a severe material adverse effect on easyJet or, following the Acquisition, the Enlarged Group.

Insurance costs have increased significantly and the insurance market may face further disruptions

Following the 11 September terrorist attacks, easyJet and Go, like all the world's airlines were notified by its insurers that its insurance against war and allied perils risks would be withdrawn in seven days. This cover was to be re-instated only if the airlines agreed to pay a per-passenger "surcharge" and to accept a reduction in the scope of the cover for third party war and allied perils risks to \$50 million, which was substantially less than the previous limit. The war cover on hull policies was also given seven days' notice of termination and only reinstated upon agreement to pay a "surcharge" based on hull values.

With third-party war and allied perils insurance only available for a significantly reduced maximum amount, which was below the minimum amount required by European airlines' operating licences and debt and lease financing, the UK Government and other European Governments were faced with the grounding of European

airlines. In response, the UK Government provided the insurance market with a reinsurance commitment to cover the difference between the market's \$50 million limit and the \$500 million insurance amount needed for UK-licensed airlines to continue flying (Go's current level of cover is for \$1 billion). This UK Government scheme was in place until 20 March 2002 and has now been extended to 31 May 2002 via a special purpose insurer called Troika. easyJet has been offered market cover post 31 May 2002 at similar cost levels. Go will need to enter into negotiations for market cover which may have cost implications if the UK government scheme is not renewed. The Swiss government provided this cover by way of a letter of indemnity until 24 December 2001 after which easyJet Switzerland is covered for this risk by a Berkshire Hathaway policy, which expires on 24 December 2002.

As a result of these events, easyJet and Go, like all other airlines around the world, face substantially increased insurance premiums. Based on recent statements by the insurance industry, in financial year 2002 easyJet's insurance costs may increase five-fold or more. In addition, easyJet and, following the Acquisition, the Enlarged Group and all other European airlines will face the prospect of repeated government interventions and repeated shutdowns due to the absence of adequate insurance, unless and until a long-term solution is implemented. Further terrorist attacks or violence could make the situation worse. There can be no assurance that a lasting solution will be found to the current problem of insurers' refusals to insure European airlines up to their minimum necessary requirements, that governments will continue to provide insurance cover or that, in general, appropriate insurance against catastrophic and other losses will in the future be available to easyJet and, following the Acquisition, the Enlarged Group or others at commercially acceptable rates.

Security costs and disruptions could affect airline operations

Following the terrorist attacks of 11 September, security measures at European airports have been increased. During the first few days immediately following 11 September, such increases caused significant disruptions to easyJet's and Go's operations, but thereafter easyJet and Go were able to return to normal, planned operations. Increased airport security measures have not materially affected easyJet's or Go's aircraft turnaround times, an important component of easyJet's strategy of high aircraft utilisation. Nor have increased airport security measures resulted in any material costs to easyJet or Go so far, although easyJet has been notified of possible additional costs in relation to security at Amsterdam, Belfast, Geneva and London Luton. Nevertheless, in the wake of 11 September, security must be a priority for every airline as well as for airports and others, and (particularly if there are additional terrorist attacks following on from 11 September) regulations may be implemented that compel the imposition of, or airlines may choose to adopt, additional security measures that may entail extra cost or complications to airline operations. For example, aircraft may need to be grounded while security-driven alterations are made to them; air marshals may be required in instances when they might previously not have been used, creating extra expense and taking up passenger seats; additional limitations could be imposed on carry-on baggage which could require a greater proportion of baggage to be checked, potentially increasing costs or causing delays; and the implementation of effective increases in security measures may be difficult to co-ordinate between airlines and airports. There can be no assurance that any security related costs or complications will not result in adverse effects on easyJet's or, following the Acquisition, the Enlarged Group's business.

easyJet operates and, following the Acquisition, the Enlarged Group will operate in a competitive environment

The level of competition amongst airlines is high. Airlines compete primarily on routes, fare levels, frequency, reliability of service, brand recognition, passenger amenities and the availability and convenience of other passenger services. easyJet's and Go's low-cost model means that they are strong in many of these areas, but choose not to compete in the area of passenger amenities and other services. Some of the airlines with which easyJet and Go compete are larger and have greater name recognition and resources than easyJet or Go. Some of these airlines are state-owned, state-controlled or state-protected national flag carriers that have received and may receive in the future significant subsidies and state assistance from their respective governments. Some airlines are indeed so large, powerful or well-positioned that they can engage in anti-competitive activities in certain markets. In some cases it may be possible to demonstrate that these actions are actually unlawful, but there can be no assurance that easyJet or, following the Acquisition, the Enlarged Group will be able to compete effectively against these airlines and any others including any new entrants to the industry.

The airline industry has been historically susceptible to fare discounting. This is partly due to the typical airline cost structure, where there are very low marginal costs in respect of passengers occupying otherwise vacant seats. There can be no assurance that easyJet's competitors will not engage in price cutting activity or other

changes in services in an attempt to shift market share away from easyJet. Such competitive activity could have a significant effect on easyJet's and, following the Acquisition, the Enlarged Group's financial results.

easyJet, Go and a number of its competitors in the low-cost market, such as Buzz, are relatively new airlines. In March 2002, easyJet competed head-to-head with other low-cost airlines on 40 per cent of easyJet's city routes. Ryanair has in the past publicly expressed an interest in establishing a hub at London Luton. This would create significant additional competition for easyJet, which is currently the largest scheduled airline operating out of London Luton. It is difficult to predict whether current or future head-to-head competition between easyJet or, following the Acquisition, the Enlarged Group and other low-cost airlines would be sustainable, when and where it may occur, or how much it would adversely affect easyJet or, following the Acquisition, the Enlarged Group. Certain charter airlines and tour operators have recently announced that they intend to offer seat only bookings over the internet in order to compete more effectively with low-cost carriers.

easyJet and Go operate primarily short-haul services. As such, easyJet is and, following the Acquisition, the Enlarged Group will be more exposed to competition from other modes of transport, such as rail and road, than an airline operating primarily long-haul, intercontinental services. Most of Europe's rail companies are owned by the state and are heavily subsidised. Significant improvements have been made in Europe's high-speed rail network in recent years and this has resulted in significant losses of airline market share on certain routes. easyJet or, following the Acquisition, the Enlarged Group may also be subject to new forms of competition in the future, such as video conferencing and other methods of electronic communication that may add a new dimension of competition.

The low-cost airline model may be emulated by easyJet's competitors

Recently British Airways announced a restructuring plan known as the "Future Size and Shape review". It has subsequently announced a simplification of its pricing model and substantial reductions in some domestic and European fares. It has also announced the withdrawal of certain fare conditions and restrictions and has stated that these developments are a part of changes it is making to its business model to compete with the low-cost carriers on a long term basis. There can be no assurance that British Airways or any other airline will not adopt further measures emulating the low-cost model or that other carriers may not similarly seek to emulate the low-cost model. For example, KLM have recently established Basiq Air, while British Midland have recently established bmibaby, both of which have been designed to mimic the low-cost model. Such positioning by easyJet's competitors closer to the economic model of easyJet may adversely affect easyJet's and, following the Acquisition, the Enlarged Group's financial performance.

The airline industry is characterised by low profit margins and high fixed costs

The airline industry is characterised by low profit margins and high fixed costs. The expenses of an aircraft flight do not vary significantly with the number of passengers carried and, therefore, a relatively small change in the number of passengers in relevant markets, in pricing, in load factors or in traffic mix could have a disproportionate effect on operating results. In addition, any other minor shortfall in expected revenue levels could have a material adverse effect on easyJet's and, following the Acquisition, the Enlarged Group's financial performance.

Airline share ownership is restricted by nationality of ownership and control requirements

It is a requirement of EU law that an EU member state may only permit an air carrier to operate airline services if the majority of its share capital is owned and the carrier is effectively controlled by member states of the EEA or their nationals. The carrier must be able to demonstrate this at any time. Failure to do so may result in revocation of the carrier's operating licence. Furthermore, the ASAs under which easyJet UK currently operates its Geneva and Zurich routes from the UK and under which Go currently operates its Prague routes from the UK both require, and other ASAs under which easyJet UK, Go or, following the Acquisition, the Enlarged Group might seek designation in the future to operate to points outside the EEA will require, easyJet, Go or, following the Acquisition, the Enlarged Group respectively to be owned and substantially controlled by UK nationals. Accordingly, the Company's Articles of Association give the Directors powers to limit the ownership of the Company's shares by non-UK nationals and a number of powers to enforce this limitation. However, there is a risk that in the future the Company may inadvertently breach these restrictions on its ownership. Any consequent revocation of the operating licences of easyJet and, following the Acquisition, the Enlarged Group would have a material adverse effect on the operational and financial performance of easyJet and, following the Acquisition, the Enlarged Group.

Airlines are reliant on the provision of air traffic control services

Air traffic in Europe has become increasingly congested in recent years, particularly in the south east of the United Kingdom, over which a significant portion of easyJet's and Go's flights fly. In the last 12 months there have been a number of incidents where breakdowns in the system have caused severe disruption to easyJet's, Go's and other airlines' schedules. The proposed growth of European air traffic is likely to increase the pressure on the system.

In July 2001, The Airline Group Limited, which is owned by seven airlines including easyJet, became the UK Government's partner in National Air Travel Services ("NATS"), the public/private partnership that operates the UK's en-route air traffic control systems. On 26 January 2002 the new NATS facility at Swanwick in Hampshire became operational. Since the establishment of the system, three breakdowns have occurred, the most recent being in May 2002. The UK government has approved a £60 million loan to NATS to help it survive falling traffic and revenues but recent announcements have suggested that the current financial condition of NATS may have placed its planned infrastructure improvements in jeopardy. There can therefore be no assurance, particularly in the light of the recent breakdowns and funding difficulties, that the future air traffic control system will be any more effective, reliable or able to support expected demand than the previous system. Given easyJet's and Go's aim to achieve high levels of utilisation, any future disruptions may materially and adversely affect the operational and financial performance of easyJet and, following the Acquisition, the Enlarged Group.

In March 2002, easyJet announced that it had fully provided for a total of £7.2 million relating to its investment in The Airline Group Limited. This consisted of the entire £6.6 million investment together with an additional £0.6 million relating to other expenses and capitalised interest.

RISKS RELATED TO GOVERNMENT REGULATION

Maintenance of easyJet UK's, Go's and easyJet Switzerland's operating licences

easyJet UK and Go are each authorised to operate by virtue of an operating licence issued by the Civil Aviation Authority (the "CAA"). The continuation of such authority is subject to on-going compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future. In addition, easyJet UK and Go are subject to other UK and EU laws and regulations relating to protection of the environment, radio communications, employment and other matters. Failure to comply with the terms of their operating licences, or with other laws and regulations, could have a material adverse effect on easyJet's, Go's and, following the Acquisition, the Enlarged Group's financial condition and results of operations.

In addition, the Acquisition Agreement is conditional, *inter alia*, on confirmation by the CAA, on terms satisfactory to easyJet, that Go's operating and route licences shall continue in full force and effect notwithstanding the Acquisition. In the event of satisfactory confirmation not being received, the Directors may decide not to complete the Acquisition.

easyJet Switzerland is authorised to operate by virtue of an operating licence issued by Swiss aviation authorities, and is designated by Switzerland in accordance with the various ASAs between Switzerland and other states, including the UK, to exercise the traffic rights accorded to Switzerland thereunder. At present it is a requirement of Swiss law that Swiss air carriers be majority owned and controlled by Swiss nationals. It is a requirement of the relevant ASAs that carriers designated for service by Switzerland under those ASAs be substantially owned and effectively controlled by Switzerland or nationals of Switzerland. The EU/Switzerland air transport agreement will take effect on 1 June 2002 (see "Air Transport Regulation" at Part V of this document). From that date the terms of that agreement will supersede the terms of the ASAs between Switzerland and EU states (save in so far as any of those ASAs may by their terms be more liberal than the EU/Switzerland air transport agreement), and in particular Swiss carriers will be permitted to be majority owned and effectively controlled by either Swiss nationals or EU nationals.

easyJet Switzerland is majority owned (51 per cent) by Swiss nationals and the majority of its board members are Swiss resident nationals. Whilst the Directors believe that easyJet Switzerland complies with the current requirements of Swiss law and the relevant ASAs, the terms of the commercial agreement between easyJet UK and easyJet Switzerland might be argued as affording easyJet UK a substantial degree of influence upon the management of easyJet Switzerland by virtue of the management services easyJet UK provides and easyJet Switzerland's operational obligations to easyJet UK. It might also be argued that the terms of the shareholders' agreement between the Company and the Swiss shareholders of easyJet Switzerland are such that they afford easyJet UK a degree of influence beyond that which would normally be held by a 49 per cent minority

shareholder. Whilst to date there has been no objection raised by the Swiss government to the ownership and control of easyJet Switzerland, and easyJet Switzerland's designation by Switzerland under the relevant ASAs has been accepted by the other states concerned, there can be no assurance that the Swiss government and those other states may not raise such objections in the future. The Directors believe that the risk of any such objection being raised is small, particularly in view of the expected taking of effect of the EU/Swiss air transport agreement following which easyJet Switzerland's current ownership and control structure will unquestionably satisfy the nationality requirements of that agreement. (See "Air Transport Regulation – Operating rights" in Part V of this document.) Nevertheless, were such an objection to be made it could result in a suspension or revocation of easyJet Switzerland's operating licence. Any such suspension or revocation would have a material adverse effect on the operations and financial performance of easyJet Switzerland.

Go's right to operate to Prague is dependent on the rights granted to it under the bilateral ASA between the Czech Republic and the United Kingdom. If Go ceases to be owned and controlled by United Kingdom nationals the Czech Republic may withdraw the right for Go to operate from the United Kingdom to Prague. The Acquisition will not affect Go's status as being owned and controlled by UK nationals and so its rights under the Czech ASA will be unaffected. However, the restrictions imposed by the UK/Czech ASA may prevent easyJet from relaxing the ownership limitations in its Articles of Association (see paragraph 4.2.1 of Part XI of this document).

Possible EU actions on airport charges

Agreements between airport operators and airlines are subject to scrutiny from national and EU regulatory bodies charged with enforcing competition law. For example, in 1995 the European Commission held that, in the circumstances involved, dissimilar airport charge arrangements amounted to an abuse by the Brussels airport authority of a dominant position in violation of Article 82 of the EC Treaty and were therefore unlawful and unenforceable. The European Commission is currently investigating the agreement between Ryanair and Brussels South Charleroi airport. Whilst easyJet's management does not intend to enter knowingly into airport agreements which are unlawful, there can be no assurance that any agreement that easyJet or Go have entered into, or may enter into in the future, with an airport operator or authority in relation to the airports it serves, will not be subject to similar scrutiny or that easyJet's or, following the Acquisition, the Enlarged Group's costs would not be adversely affected as a consequence. The European Commission has (as have some national authorities) strong powers of enforcement and the ability to impose very substantial penal sanctions for infringements of competition law.

In 1990, the European Commission submitted a proposed regulation requiring charges for aeronautical services and facilities, including charges imposed by airports, to be reasonably related to cost and to be assessed on a non-discriminatory basis. Although the proposal was officially withdrawn from the legislative process in January 1997, a successor proposal with substantially the same content was introduced by the European Commission in late April 1997. If such a proposal were adopted, there can be no assurance that as a consequence easyJet's or, following the Acquisition, the Enlarged Group's costs or existing contractual relations with airports would not be adversely affected.

Changes in airline regulation could increase airline costs or hamper operations

The airline industry is heavily regulated and changes to regulations occur frequently. New regulations could have a negative impact on easyJet's costs and business model. For example, certain current health and safety proposals suggest the establishment of greater minimum distances between passenger seats, which if enacted would require easyJet and Go to retrofit their passenger seats, possibly leading to fewer seats per aircraft. Concerns regarding deep vein thrombosis may also lead to new health regulations in relation to airline passengers. Onerous safety and/or security requirements could force easyJet or, following the Acquisition, the Enlarged Group to reduce the number of seats in the aircraft, or could impact on its ability to manage quick turnarounds or may impose additional capital or revenue costs. It may not be possible to pass such costs on to the customer and therefore easyJet's and, following the Acquisition, the Enlarged Group's financial performance could be adversely affected.

Limitations on pilot and cabin crew working hours

Under the UK CAA flight time limitations regulations, easyJet's and Go's UK pilots are limited to 100 flight hours per 28 day period and 900 flight hours per year. Similar CAA regulations apply to cabin crew, although they are less restrictive and allow potentially greater utilisation of cabin crew compared to pilots. However, a recent European Parliament and Council draft proposal seeks to reduce the cabin crew flight time limitations to bring them in line with the pilots' limitations, and to reduce the maximum number of daily duty hours for both

pilots and cabin crew. If this proposal were adopted, or indeed if more stringent regulations were to be introduced, easyJet and, following the Acquisition, the Enlarged Group could be required to hire additional flight personnel.

RISKS RELATING TO THE ACQUISITION AND THE RIGHTS ISSUE

The Enlarged Group's success will be dependent upon its ability to integrate Go and other businesses

easyJet has grown significantly since its incorporation mainly through organic growth, but also as a result of the purchase in March 1998 of a 40 per cent interest in a Swiss charter carrier TEA Basel AG, subsequently renamed easyJet Switzerland. easyJet increased its investment in easyJet Switzerland to 49 per cent in June 1999. easyJet's and, following the Acquisition, the Enlarged Group's success will be dependent upon easyJet's ability, following the Acquisition, to integrate Go, and any other businesses it or the Enlarged Group may acquire in the future, without disruption to its business. In addition, future acquisitions may involve the assumption of liabilities and exposure to unforeseen liabilities of the acquired companies.

In particular, the Enlarged Group's success will be dependent on its ability to successfully integrate Go's computer systems into those of the Enlarged Group and to ensure that computer data contained in Go's systems can be effectively transposed onto the Enlarged Group's system or interchanged between other systems operated by the Enlarged Group. The Enlarged Group may face difficulties in the integration of Go's systems which are currently unforeseeable.

Following the Acquisition, easyJet may need to make changes to the management structure of Go that it believes are appropriate as it moves from being a privately owned company to being a subsidiary of a public limited company whose Ordinary Shares are traded on the London Stock Exchange. Accordingly, the Enlarged Group may face unforeseen difficulties as those changes are carried out.

Since June 2001 Go has operated as a private business and internal controls and procedures may be less rigorous than the standards of a company whose shares are listed on a stock exchange, such as easyJet. Although the Directors believe that this is unlikely, in view of Go having been, until June 2001, part of the British Airways group, issues may come to light during the course of the integration of Go into the Enlarged Group that may have an adverse effect on the financial condition and results of operations of easyJet and, following the Acquisition, the Enlarged Group.

easyJet can offer no assurance that it will realise the potential benefits of the Acquisition, to the extent and within the timeframe contemplated. If easyJet is unable to integrate successfully Go and any businesses that easyJet or, following the Acquisition, the Enlarged Group may acquire in the future, it could have a negative impact on the results of operations or financial condition of easyJet or, following the Acquisition, the Enlarged Group.

The Enlarged Group's success will be dependent upon its ability to retain key Go personnel

easyJet appreciates the high quality of many of the Go management, in particular the quality of many of its senior personnel and is keen to retain those individuals who wish to stay with the Enlarged Group. The success of the Enlarged Group will, to an extent, depend on the ability to retain these key employees and the successful integration and motivation of those key Go personnel who are retained by the Enlarged Group. Following completion of the Acquisition, many Go employees will have realised their investment in Go which for a number of these employees will be material in comparison to their yearly earnings. With this in mind, easyJet intends to offer appropriate incentives to certain Go personnel who decide to remain with the Enlarged Group after the Acquisition. However, it is possible that some of these individuals will decide not to remain with the Enlarged Group following Completion, or, having initially decided to stay, then decide to leave after a short period of time. It is possible that the failure to retain these individuals will adversely affect the ability of the remaining management to successfully integrate Go into the Enlarged Group.

The Enlarged Group may alienate customers following the Acquisition

Both easyJet and Go base their business models on, among other things, commitment to customer service. While the Enlarged Group will also retain commitment to customer service as one of its core values, it is possible that the level of attention devoted by the management of the Enlarged Group to the integration of Go will be such that their attention will be temporarily diverted away from the day to day management of the Enlarged Group's business and the implementation of its core values. Although the Directors are confident that this will not be the case, it is possible that customer service levels could suffer if management are unable to focus adequately on day to day management of the Enlarged Group. While the low cost of easyJet fares will remain a powerful element

Part IV – Risk Factors

of attracting customers to travel with easyJet, the Directors also recognise that customer service also plays an important role in attracting new and retaining existing easyJet and Go customers. Any decrease in customer service levels could therefore have the effect of alienating these customers.

In addition, it is ultimately intended that the Go brand will be replaced by the easyJet brand. Although the Directors intend to incorporate the best elements of the Go business model into the existing easyJet model, resulting in a strengthened model for the Enlarged Group, certain elements of the Go model which some existing Go customers find attractive may not be maintained. It is possible the phasing out of such elements may alienate existing Go customers.

In either case, the Enlarged Group runs the risk of alienating existing or future easyJet or Go customers who, as a result, may choose to use alternative carriers. This loss of customers could have a negative impact on the results of operations or financial condition of easyJet and, following the Acquisition, the Enlarged Group.

The Merger Clearances

Completion of the Acquisition Agreement is subject to the obtaining of merger clearances from the Secretary of State for Trade and Industry in the UK and various merger authorities including those in Spain. Although the Directors believe these clearances should be forthcoming, it is possible that easyJet may not obtain these clearances, or that they may not be obtained within a timescale acceptable to easyJet, or that they may only be obtained subject to certain conditions or undertakings. In the event of satisfactory merger clearances not being obtained, the Directors may decide not to complete the Acquisition. (See also “The Rights Issue is not Conditional upon the Acquisition” immediately below).

The Rights Issue is not Conditional upon the Acquisition

It is possible that, following Admission and the Rights Issue becoming wholly unconditional, the Acquisition could cease to be capable of Completion; in particular, if the merger clearances are not received, or if the conditions of any such clearance make the Acquisition unacceptable to easyJet. In this case, as the Rights Issue is not conditional upon the Acquisition, the Rights Issue would still be completed and funds would be raised by easyJet. In the unlikely event that the Rights Issue proceeds but Completion does not take place, the Directors’ current intention is that the net proceeds of the Rights Issue will be invested on a short term basis while the Directors consider how best to return surplus capital to Shareholders. Any such return of capital may have adverse tax implications for Shareholders. However, if, before Admission, the Acquisition Agreement has terminated or if the Acquisition ceases to be capable of completion, the Rights Issue will not proceed.

The Ordinary Share market price may be volatile

The trading price of the Ordinary Shares may be subject to wide fluctuations, including in response to seasonal or other variations in its operating results and those of other airlines. In addition, the global stock markets from time to time experience extreme price and volume fluctuations that affect the market prices of many airline company stocks. Global stock markets in general, and airline company stocks in particular, have experienced significant volatility since the 11 September terrorist attacks. Further terrorist attacks, regulatory actions or an escalation of hostilities could result in further volatility. These market fluctuations may adversely affect the market price of the Ordinary Shares regardless of the Company’s actual performance.

Sales of a substantial number of the Ordinary Shares into the public market after the Rights Issue could adversely affect the price of the Ordinary Shares

Sales of a substantial number of the Ordinary Shares into the public market after the Rights Issue and the expected placing of the Nil Paid Rights of easyGroup, Clelia Holdings Limited, Polys Holdings Limited and Elura Investments Limited or the perception that such sales could occur, could materially adversely affect the price of the Ordinary Shares and impair the ability of easyJet to obtain capital through future issues of equity securities.

Shareholding of easyJet’s chairman

On the basis that easyGroup, Polys Holdings Limited and Clelia Holdings Limited take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of their Nil Paid Rights, and based on a theoretical value attributable to each Nil Paid Right of 143 pence and assuming the Rights Issue is in respect of 104,405,503 Rights Issue Shares, it is estimated that, immediately after the Rights Issue, easyJet’s chairman, Stelios Haji-Ioannou, will hold 22.8 per cent of the issued share capital of the Company through easyGroup, and his brother and sister will each hold 12.8 per cent of the issued share capital of the Company through Polys

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Holdings Limited and Clelia Holdings Limited respectively. If in the future the companies through which Stelios Haji-Ioannou's brother and sister are interested in Ordinary Shares vote in a manner consistent with easyGroup's voting then, subject to the Relationship Agreement referred to in paragraph 9.2.8 of Part XI of this document, Stelios Haji-Ioannou and his family would be in a position to exercise significant influence over easyJet's operations, business strategy and all corporate activities which require Shareholders' approval, including the election and removal of directors and significant corporate transactions, which could *inter alia* impact another party seeking to acquire or merge with easyJet. Stelios Haji-Ioannou also controls easyGroup IP Licensing, from which easyJet licenses its name and branding, as well as easyInternetCafé, easyCar, easyValue, easyMoney and easy.com, through which Stelios Haji-Ioannou plans to extend the "easy" brand to other businesses. Should conflicts of interest arise between easyJet and any other of these companies, their resolution may depend on the operation of the Relationship Agreement under which Stelios Haji-Ioannou gave certain undertakings in relation to maintaining the independence of the Company. There is no agreement, formal or otherwise, between easyGroup, Clelia Holdings Limited or Polys Holdings Limited in relation to the voting of Ordinary Shares.

Part V – Regulation

AIR TRANSPORT REGULATION

Operating rights

The air transport industry has historically been highly regulated both internationally and domestically. Internationally, the industry is regulated as to technical and safety matters by a detailed regime established under the auspices of ICAO, an international body established by the 1944 Chicago Convention and based in Montreal. ICAO created a framework of international technical standards which have been the subject of detailed and continuing development over the years. The Chicago Convention also confirmed the principle that each state has sovereignty over the airspace above it, resulting in entry to that airspace for the purpose of uplifting or discharging passengers or cargo by airlines of other states being a matter for bilateral negotiation and agreement between the states concerned (such agreements being known as bilateral air service agreements or “ASAs”). ASAs cover such matters as the routes which airlines are permitted to serve, the number of airlines which each state is permitted to designate to exercise the rights awarded to each state (“traffic rights”), the capacity and frequency offered, the fares and tariffs applicable to the carriage of passengers and cargo, and the nationality of ownership and control of airlines. ASAs vary in their terms from being highly restrictive to being relatively liberal.

Until 1 January 1993, air services in Europe were regulated in accordance with the terms of ASAs entered into on this bilateral basis by pairs of states. By agreement between the member states of the EU, this bilateral regime was progressively liberalised through a series of three “packages” of measures, the last of which (known as the “third package”) completed the creation of the “single aviation market” in the EU. The principal effect of the third package, which took effect on 1 January 1993, was to dismantle the bilateral regime by establishing common rules for the licensing of air carriers in the EU and by permitting EU licensed air carriers (“Community air carriers”) to operate services freely between points in the EU and to set fares and tariffs in accordance with their own commercial judgement. Community air carriers are no longer required to be owned and controlled by nationals of the state by which they are licensed but may be owned and controlled by any EEA nationals (see below). In parallel with the establishment of the single aviation market, measures applying EU competition law to air transport were introduced so that air transport became subject, in particular, to Articles 81 (prohibition of anti-competitive agreements) and 82 (prohibition of abuse of a dominant position) of the Treaty of Rome and to EU merger regulation. In 1995, by virtue of the European Economic Area Agreement (the “EEA Agreement”), Norway, Iceland and Liechtenstein, although not members of the EU, became subject to the single aviation market regime, thus extending the single aviation market to the European Economic Area (“EEA”). On 1 June 2002 the EU/Switzerland air transport agreement will come into effect extending immediately many, and in due course more, aspects of the EU single market to Switzerland. However, air services to, from and within other non-EEA European states, as well as states outside Europe, remain subject to the bilateral regime.

This process of liberalisation and the establishment of the single aviation market afforded the opportunity for easyJet’s and Go’s low-cost model to be applied to European short-haul and medium-haul scheduled services.

easyJet UK and Go hold operating licences granted pursuant to the EC Licensing Regulation. The continued validity of easyJet UK’s and Go’s operating licences depends, *inter alia*, on easyJet UK’s and Go’s ability to demonstrate that they are majority owned and effectively controlled at all times by EEA or (from 1 June 2002) Swiss nationals and that they are “financially fit” by the standards required by the EC Licensing Regulation. Any company which participates in a controlling interest in a Community air carrier must also satisfy the requirements as to nationality of ownership and control. These nationality requirements therefore apply, and will continue to apply, to easyJet following the Acquisition. If these nationality requirements are not maintained, the CAA has a statutory duty to refer the matter to the Secretary of State who might direct the CAA to suspend or revoke easyJet’s or Go’s operating licence. Furthermore, the CAA could suspend or revoke easyJet’s operating licence on grounds of financial fitness or any other requirements of the EC Licensing Regulation.

The EC Market Access Regulation provides that Community air carriers may operate between any airports in the EU and (by virtue of the EEA Agreement) Norway, Iceland and Liechtenstein. No specific route licence is required and the states concerned are required to grant access. By virtue of their operating licences, easyJet UK and Go therefore have authority to serve any route between any two airports in the EEA at the capacity, frequency and fare levels it determines are commercially appropriate. The regulation of air fares within the EEA is liberalised in accordance with the EC Fares Regulation.

In order to serve airports outside the EEA, including, until 1 June 2002, Switzerland, the holder of a UK operating licence requires a specific “route licence” granted by the CAA pursuant to the UK Civil Aviation Act 1982. easyJet UK holds route licences to serve the London Luton – Geneva, London Luton – Zurich, London Stansted – Geneva, London Gatwick – Geneva and Liverpool – Geneva routes. It holds the necessary operating permits issued by the Swiss Federal Office of Civil Aviation (“FOCA”) which until 1 June 2002 also has the power to disapprove the fares easyJet UK files with it. easyJet’s current UK/Switzerland fares are approved by FOCA. It is also currently a requirement of the UK/Switzerland ASA that easyJet UK, as a UK designated carrier, is owned and controlled by UK nationals, a requirement which easyJet UK is at present able to satisfy, and following the Rights Issue and the Acquisition expects to be able to continue to satisfy based on the provisions contained in its Articles of Association which place limitations on the ownership of the Company’s shares by non-UK nationals.

To date it has been a requirement of Swiss law that Swiss air carriers be majority owned and controlled by Swiss nationals. It is a requirement of the relevant ASAs that carriers designated for service by Switzerland under those ASAs be substantially owned and controlled by Switzerland or nationals of Switzerland. easyJet Switzerland is majority owned (51 per cent) by Swiss nationals and the majority of its board are Swiss resident nationals. On 30 April 2000 easyJet Holding Limited’s interests in easyJet Switzerland were transferred to easyJet plc as part of the pre-flotation restructuring. These interests included an option to acquire the remaining 51 per cent of easyJet Switzerland. Although not quite as liberal as the measures establishing the EU single aviation market, and taking effect in stages, from when it first takes effect on 1 June 2002 the EU/Switzerland air transport agreement will remove the requirement for easyJet Switzerland to be majority owned and controlled by Swiss nationals, thereby enabling (subject to the requirements of ASAs with non-EEA states as mentioned below) easyJet plc to exercise its option to acquire the remaining 51 per cent of easyJet Switzerland. In addition, the requirement for easyJet UK to hold specific route licences to operate from any point in the EU to any point in Switzerland will no longer apply and the requirement under the UK/Swiss ASA for easyJet UK and easyJet plc to be owned and controlled by UK nationals will be replaced by the requirement that they be majority owned and effectively controlled by EU nationals (Norway, Iceland and Liechtenstein are not parties to this agreement). In general, under the EU/Switzerland agreement, EU carriers will be permitted to operate routes from any point in the EU to any point in Switzerland and Swiss carriers will be permitted to operate routes between any point in Switzerland and any point in the EU.

easyJet Switzerland’s current authority to operate international services depends upon the terms of the various ASAs between Switzerland and other states. easyJet Switzerland is currently authorised pursuant to the UK/Switzerland ASA to operate from Geneva to London Stansted, London Luton, London Gatwick and Liverpool and from Zurich to London Stansted, London Luton and Liverpool. It is also authorised pursuant to Switzerland’s ASAs with France, the Netherlands and Spain to operate from Geneva to Nice, Paris, Amsterdam and Barcelona.

However, upon the EU/Switzerland air transport agreement taking effect, on 1 June 2002, Swiss carriers, including easyJet Switzerland, will be permitted to operate between any point in Switzerland and any point in the EU without restrictions on capacity or frequency and without the necessity for governmental approval of fares. For the purposes of operations between Switzerland and points outside the EEA, however, the terms and conditions of the ASAs between Switzerland and the relevant non-EEA states will continue to apply. It is likely that such ASAs will continue to require Swiss designated carriers to be owned and controlled by Swiss nationals. Therefore, if easyJet Switzerland does not satisfy the nationality of ownership and control requirements of Switzerland’s ASAs with non-EEA states it may not be possible for Switzerland to designate easyJet Switzerland for service to non-EEA states under the ASAs concerned.

For certain risks that may attach to easyJet Switzerland’s maintenance of its operating licence, see “Risks relating to Government Regulation – Maintenance of easyJet UK’s and easyJet Switzerland’s operating licences” in Part IV of this document.

Airport regulation

At certain of the airports from which easyJet and Go operate, takeoffs and landings are regulated through the allocation of slots. Slots are allocated by an airport co-ordinator who operates in accordance with the EC Slot Regulation and otherwise according to IATA procedures.

As well as being subject to EC and national competition law generally, some of the airports easyJet and Go serve, including London Luton, London Gatwick and London Stansted, are specifically regulated under the Airports Act 1986. This means that all users of the airports are required to be treated in accordance with such

competition law and in a non-discriminatory manner. Therefore the ability of easyJet or any other operator to negotiate preferential terms may be denied or is substantially restricted. Moreover, of those airports served by easyJet and Go, Gatwick and Stansted are “designated” by the UK Secretary of State under the Airports Act 1986. This means that the charges levied by these airports are regulated under a review mechanism involving the CAA and the Competition Commission. All the UK airports from which easyJet and Go operate are in any event regulated under the Airports Act 1986 principally to ensure that they do not discriminate unfairly between, or abuse their bargaining powers with respect to, airport users.

ENVIRONMENTAL REGULATION

The Directors believe that easyJet complies in all material respects with all local and other standards for emissions into the atmosphere and that it meets applicable standards relating to all other discharges into the environment. easyJet is currently seeking to implement a Government-backed environmental management system, Project Acorn.

Under EU directives governing aircraft noise emissions, all aircraft operated by EU carriers are required to comply with Chapter 3 noise requirements established by ICAO. All easyJet’s aircraft are, and easyJet’s new 737-700s will also be, Chapter 3 noise compliant. The Company has received warranties in the Acquisition Agreement that Go complies in all material respects with its environmental obligations.

Environmental controls in the UK are generally imposed through a combination of environmental and property planning legislation which implement EU laws where applicable. At London Luton, easyJet operates on land controlled by London Luton airport. Planning approval for the easyLand head office is currently in line with planning policy requirements for London Luton airport. From time to time noxious or potentially hazardous substances are held on a temporary basis within the hangar at London Luton which is owned by the airport but used by easyTech.

Part VI – Terms and Conditions of the Rights Issue

1. Terms and conditions of the Rights Issue

Subject to the fulfilment of the terms and conditions referred to below, the Company proposes a Rights Issue of up to 109,800,760 Rights Issue Shares. The Rights Issue Shares are being offered by way of rights to Qualifying Shareholders on the following basis and otherwise as set out in this document:

4 Rights Issue Shares at 265 pence per share for every 11 existing Ordinary Shares

held at the close of business on the Record Date and so in proportion for any other number of Ordinary Shares then held. Since outstanding options under the easyJet Share Option Schemes may be exercised before the Record Date for the Rights Issue, the precise number of shares to be issued in the Rights Issue cannot be determined until that date. Assuming no options are exercised prior to the Record Date, 104,405,503 Rights Issue Shares will be issued, raising £276.7 million. However, if outstanding options are exercised, up to 5,395,257 additional Rights Issue Shares will be available for issue.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Entitlements to Rights Issue Shares will be rounded down to the nearest whole number of Rights Issue Shares and fractions will not be allotted to Qualifying Shareholders. The number of Rights Issue Shares equal to the aggregated fractions (including fractional entitlements that would have arisen if Rights Issue Shares had been provisionally allotted to Shareholders who are not Qualifying Shareholders) will be sold in the market for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 3 Ordinary Shares will not be entitled to any Rights Issue Shares.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part VI.

Applications have been made to the UK Listing Authority and to the London Stock Exchange for the Rights Issue Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective on 18 June 2002 and that dealings in the Rights Issue Shares will commence, fully paid, at 8.00 a.m. on 9 July 2002.

None of the Rights Issue Shares are being made available to the public other than pursuant to the Rights Issue.

The existing Ordinary Shares are already admitted to CREST. Applications have been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. CRESTCo requires the Company to confirm to it that certain conditions (imposed by the CREST Rules) are satisfied before CRESTCo will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights on admission of the Rights Issue Shares to the Official List. As soon as practicable after satisfaction of the conditions, the Company will confirm to CRESTCo that the relevant conditions have been satisfied.

The Rights Issue, which has been underwritten by the Underwriters, is conditional upon, amongst other things, fulfilment of the following conditions:

- (i) neither the Acquisition Agreement having terminated nor the Acquisition having ceased to be capable of Completion in accordance with the terms of the Acquisition Agreement prior to Admission;
- (ii) the passing of the Resolutions at the Extraordinary General Meeting;
- (iii) the Underwriting Agreement having become unconditional in all respects (save for the conditions relating to Admission) and not having been terminated in accordance with its terms; and
- (iv) Admission taking place by not later than 8.30 a.m. on 18 June 2002 (or such later time and/or date as Credit Suisse First Boston and the Company may agree).

The Rights Issue is not conditional upon the Acquisition having been completed. However if, before Admission, the Acquisition Agreement terminates or the Acquisition ceases to be capable of Completion, the Rights Issue will not proceed.

Part VI – Terms and Conditions of the Rights Issue

Subject, amongst other things, to the conditions referred to in paragraphs (i) to (iii) above being satisfied and save as provided in paragraph 6 below, it is intended that:

- (i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying non-CREST Shareholders at their own risk on 17 June 2002;
- (ii) Lloyds TSB Registrars will instruct CRESTCo to credit the appropriate stock accounts of Qualifying CREST Shareholders with such shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 18 June 2002; and
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by CRESTCo on 18 June 2002 as soon as practicable after the Company has confirmed to CRESTCo that all the conditions for admission of such rights to CREST have been satisfied.

The offer of Rights Issue Shares to Qualifying CREST Shareholders will be made, on the terms and conditions set out in this document, at the time when (such shareholders' stock accounts having been credited as described in paragraph (ii) above) the Nil Paid Rights are enabled for settlement as described in paragraph (iii) above.

The Rights Issue Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of this document.

All documents and cheques posted to or by Shareholders and/or their transferees or renounees (or their respective agents, as appropriate) will be posted at their own risk.

2. Action to be taken – Introduction

The action to be taken in respect of Rights Issue Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken, are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder please refer to paragraph 3 and paragraphs 5 to 9 of this Part VI.

If you are a Qualifying CREST Shareholder, please refer to paragraph 4 and paragraphs 5 to 9 of this Part VI and to the CREST Manual for further information on the CREST procedures referred to below.

CREST SPONSORED MEMBERS SHOULD REFER TO THEIR CREST SPONSORS, AS ONLY THEIR CREST SPONSORS WILL BE ABLE TO TAKE THE NECESSARY ACTION SPECIFIED BELOW TO TAKE UP THEIR ENTITLEMENTS OR OTHERWISE TO DEAL WITH THE NIL PAID RIGHTS OR FULLY PAID RIGHTS.

3. Action to be taken in relation to Nil Paid Rights represented by Provisional Allotment Letters

(a) General

The Provisional Allotment Letter will set out:

- (i) the holding of existing Ordinary Shares on which a Qualifying non-CREST Shareholder's entitlement to Rights Issue Shares has been based;
- (ii) the aggregate number of Rights Issue Shares which have been provisionally allotted to such Qualifying non-CREST Shareholder;
- (iii) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment consolidation, splitting and registration of renunciation.

(b) Procedure for acceptance and payment

(i) Qualifying non-CREST Shareholders who wish to accept in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must return the Provisional Allotment Letter, in accordance with the instructions thereon, together with a cheque, made payable to “Lloyds TSB Bank plc – a/c easyJet plc Rights Issue” and crossed “A/C payee only”, for the full amount payable on acceptance, by post or by hand (during normal business hours) to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, so as to arrive as soon as possible and in any event so as to be received not later than 10.30 a.m. on 8 July 2002. If you post your Provisional Allotment Letter within the United Kingdom by first class post it is recommended that you allow at least four days for delivery. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the United Kingdom only for this purpose. Any Qualifying non-CREST Shareholder wishing to take up some or all of their entitlement to Nil Paid Rights will be required to complete the declaration of nationality attached to the Provisional Allotment Letter. A copy of this declaration can be found at the end of this document.

(ii) Qualifying non-CREST Shareholders who wish to accept in part

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights and wish to sell some or all of those which they do not want to take up, should first apply for split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter and returning it by post or by hand (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL by 3.00 p.m. on 4 July 2002, the last date and time for splitting Nil Paid Rights, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. They should then deliver the split Provisional Allotment Letter representing the shares they wish to accept together with a cheque, payable to “Lloyds TSB Bank plc – a/c easyJet plc Rights Issue” and crossed “A/C payee only” to the same address by 10.30 a.m. on 8 July 2002, the last date and time for acceptance.

Any Qualifying non-CREST Shareholder wishing to take up some or all of their entitlement to Nil Paid Rights will be required to complete the declaration of nationality attached to the Provisional Allotment Letter. A copy of this declaration can be found at the end of this document. It should also be noted that any transferee of Nil Paid Rights will also be required to complete the declaration of nationality attached to the Provisional Allotment Letter.

Alternatively, Qualifying non-CREST Shareholders who wish to take up only some of their rights (and not sell the balance) should complete Form X on the Provisional Allotment Letter and return it by post or by hand (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL together with a covering letter confirming the number of Rights Issue Shares to be taken up and a cheque to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque must be received by Lloyds TSB Registrars by 3.00 p.m. on 4 July 2002, being the last time and date for splitting Nil Paid Rights.

(iii) Company’s discretion as to validity of acceptances

If payment is not received in full by 10.30 a.m. on 8 July 2002, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance as set out herein) be deemed to have been declined and will lapse. The Company reserves the right, but shall not be obliged, to treat as valid (i) Provisional Allotment Letters and accompanying remittances for the full amount due which are received through the post not later than 10.00 a.m. on 9 July 2002 (the cover bearing a legible postmark dated not later than 10.30 a.m. on 8 July 2002) and (ii) acceptances in respect of which a remittance is received prior to 10.30 a.m. on 8 July 2002 from an authorised person (as defined in FSMA) specifying the number of Rights Issue Shares concerned and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company may (at its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

(iv) **Payments**

All subscription monies must be in pounds sterling and cheques or banker's drafts should be made payable to "Lloyds TSB Bank plc – a/c easyJet plc Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of either of the Committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. All documents and cheques sent through the post will be sent at the risk of the drawer. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Lloyds TSB Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured at first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured.

(c) **Money Laundering Regulations**

If the value of your application exceeds the equivalent of €15,000 (approximately £9,150) (or is one of a series of linked applications, the aggregate value of which exceeds that amount) and either you do not pay by a cheque drawn on an account in your own name and/or the account from which payment is to be made is not held within an institution that is authorised in the United Kingdom by the Financial Services Authority under FSMA, the verification of identity requirements of the Money Laundering Regulations 1993 (the "Money Laundering Regulations") will apply. Lloyds TSB Registrars is entitled to require, at its absolute discretion, verification of identity from any person lodging a Provisional Allotment Letter (the "applicant") including, without limitation, any person who appears to Lloyds TSB Registrars to be acting on behalf of some other person. Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to Lloyds TSB Registrars such information as may be specified by Lloyds TSB Registrars as being required for the purpose of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Lloyds TSB Registrars as to identity, Lloyds TSB Registrars may in its absolute discretion retain a Provisional Allotment Letter lodged by an applicant for Rights Issue Shares and/or the cheque, banker's draft or other remittance relating to it and/or not enter the Rights Issue Shares to which it relates on the register of members or issue any share certificate in respect of them. If satisfactory evidence of identity has not been provided within a reasonable time (and in any event before 10.30 a.m. on 8 July 2002), then the acceptance will not be valid but will be without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of the failure of the applicant to provide satisfactory evidence. In that case the application monies (without interest) will be returned to the bank or building society account from which payment was made.

The following guidance is provided in order to reduce the likelihood of difficulties, delays and potential rejection of an application (but does not limit the right of Lloyds TSB Registrars to require verification of identity as stated above).

- (i) Applicants are urged, if possible, to make their payment by their own cheque. If this is not practicable and an applicant uses a cheque drawn by a building society or other third party, or a banker's draft, the applicant should:
 - (a) write the applicant's name and address on the back of the building society cheque, banker's draft or other third party cheque and, in the case of an individual, record his date of birth against his name; and
 - (b) if a building society cheque or banker's draft is used, ask the building society or bank to print on the cheque the full name and account number of the person whose building society or bank account is being debited or to write those details on the back of the cheque and add their stamp.
- (ii) If an application is delivered by hand, the applicant should ensure that he has with him evidence of identity bearing his photograph, for example, a valid full passport.

If you are making an application as agent for one or more persons and you are not a UK or EC regulated person or institution (e.g. a UK financial institution) irrespective of the value of the application, Lloyds TSB Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the

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application is being made. Applicants making an application as agent should specify on the Provisional Allotment Letter if they are a UK or EU regulated person or institution.

(d) Dealings in Nil Paid Rights

Assuming the Resolutions are passed at the Extraordinary General Meeting and the Rights Issue is otherwise unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 18 June 2002. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee.

(e) Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and lodging it, by post or by hand (during normal business hours) with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only (during normal business hours) with Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL by not later than 10.30 a.m. on 8 July 2002.

After 8 July 2002, the Rights Issue Shares will be in registered form and transferable in the usual way (see paragraph 3(i) of this Part VI).

(f) Renunciation and splitting of Provisional Allotment Letters

Qualifying non-CREST Shareholders who wish to transfer all (and not only some) of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, their Fully Paid Rights comprised in a Provisional Allotment Letter, may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on such letter and passing on the entire letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 10.30 a.m. on 8 July 2002.

If a holder of a Provisional Allotment Letter wishes to have only some of the Rights Issue Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he or his agent must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be lodged by post or by hand (during normal business hours) with Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, by not later than 3.00 p.m. on 4 July 2002, whether nil paid or fully paid, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split letter should be stated in a covering letter. Form X on split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

Alternatively, Qualifying non-CREST Shareholders who wish to take up only some of their rights, without transferring the remainder, should complete Form X on the Provisional Allotment Letter and return it by post or by hand (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, together with a covering letter confirming the number of Rights Issue Shares to be taken up and a cheque to pay for this number of Ordinary Shares. In this case, the Provisional Allotment Letter and cheque must be received by Lloyds TSB Registrars by 3.00 p.m. on 4 July 2002, being the latest time and date for splitting Nil Paid Rights.

(g) Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Nil Paid Rights or Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case, Form X and the CREST Deposit Form must be completed – see paragraph 3(h) below) and lodge the entire letter when fully paid by post or by hand (during normal business hours) with Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only (during normal business hours) to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL, by not later than 10.30 a.m. on 8 July 2002. It should be noted that the renounee or his agents will be required to

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complete the declaration of nationality attached to the Provisional Allotment Letter. A copy of this declaration can be found at the end of this document.

(h) Deposit of Nil Paid Rights or Fully Paid Rights into CREST

Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether following renunciation of those rights or otherwise). Subject as provided in the next following paragraph (or in the Provisional Allotment Letter), normal CREST procedures (including timings) apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights (as appropriate) represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear(s) on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows. Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS; in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each letter must be completed and deposited. The consolidation listing form must not be used.

A holder of Nil Paid Rights represented by a Provisional Allotment Letter who is proposing to so convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 10.30 a.m. on 8 July 2002. **In particular, having regard to normal processing times in CREST and on the part of Lloyds TSB Registrars, the latest recommended time for depositing a renounced Provisional Allotment Letter, with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed, with the CCSS (in order to enable the person acquiring the Nil Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 10.30 a.m. on 8 July 2002) is 3.00 p.m. on 3 July 2002.**

When Form X and the CREST Deposit Form have been completed, the title to the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not be recognised or acted upon by Lloyds TSB Registrars. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through CREST once such rights have been deposited into CREST.

(i) Issue of Rights Issue Shares in definitive form

Definitive share certificates are expected to be despatched by post by 15 July 2002 to the persons entitled thereto, unless lodging agents' details have been completed on page 1 of the Provisional Allotment Letter. After despatch of such certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer will be certified by Lloyds TSB Registrars, against the register against lodgement of fully paid Provisional Allotment Letters and/or, in the case of renounced Provisional Allotment Letters, against the registration receipt, Form Y, bearing the stamp of Lloyds TSB Registrars.

4. Action to be taken in relation to Nil Paid Rights in CREST

(a) General

Subject as provided in paragraph 6 of this Part VI in relation to certain Overseas Shareholders, it is expected that each Qualifying CREST Shareholder will receive a credit to his CREST stock account of his entitlement to Nil Paid Rights. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

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The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If the Rights Issue is delayed, or if for any other reason, stock accounts of Qualifying CREST Shareholders cannot be credited by, or the Nil Paid Rights enabled on, 8.00 a.m. on 18 June 2002, the expected timetable as set out in this document may be adjusted. **References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.** Further, in such circumstances a Provisional Allotment Letter may be sent to each Qualifying CREST Shareholder in substitution for the Nil Paid Rights which would have been credited to its stock account in CREST.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer, Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member and wish to take up your entitlement you should consult your CREST sponsor as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

CREST members or CREST sponsored members who wish to take up any part of their entitlements which are held for the account or benefit of US persons determined to be eligible to participate in the Rights Issue in accordance with the procedures set forth in this document and applicable law will be required to materialise such part of their entitlements and will receive a Provisional Allotment Letter in respect of such part of their entitlements. Any such CREST members or, where applicable, such CREST sponsor should contact Lloyds TSB Registrars.

(b) Procedure for acceptance and payment

(i) Many-To-Many instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many (“MTM”) instruction to CRESTCo which, on its settlement, will have the following effect:

- (aa) the crediting of a stock account of Lloyds TSB Registrars, under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (bb) the making of a CREST payment to Lloyds TSB Registrars in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (aa) above; and
- (cc) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (aa) above.

(ii) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with CRESTCo’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the participant ID of Lloyds TSB Registrars, in its capacity as a CREST receiving agent. This is 6RA10;

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- the member account ID of Lloyds TSB Registrars, in its capacity as a CREST receiving agent. This is RA382201;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the settlement bank payment obligation (as defined in the CREST Manual) on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date. This must be on or before 10.30 a.m. on 8 July 2002;
- the nil paid ISIN number. This is allocated by the London Stock Exchange and can be found by viewing the relevant Corporate Action details in CREST;
- the fully paid ISIN number. This is allocated by the London Stock Exchange and can be found by viewing the relevant Corporate Action details in CREST; and
- the Corporate Action Number for the Rights issue. This will be available by viewing the relevant Corporate Action details in CREST.

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4(b) of Part VI represents, warrants and undertakes to the Company that:

- a) if it is taking up its entitlement to Nil Paid Rights in its own capacity, it is a UK National (as defined in section 106 of the Civil Aviation Act 1982); or
- b) if it is taking up its entitlement to Nil Paid Rights which are held for the account of or benefit of any individual on whose behalf it holds Ordinary Shares as nominee, such individuals are UK Nationals.

In the event that the CREST member or CREST sponsored member wishes to take up its entitlement to Nil Paid Rights on its own account and is not a UK National, it will be required to request the rematerialisation of all its Nil Paid Rights. In the event that the CREST member wishes to take up its entitlement to Nil Paid Rights which are held for the account of or benefit of non-UK Nationals, it will be required to request the rematerialisation of those Nil Paid Rights to which non-UK Nationals are beneficially entitled. The procedure for acceptance, renunciation or splitting of rematerialised Nil Paid Rights is discussed in paragraph 3 of this Part VI. The attention of Shareholders into whose name such Nil Paid Rights are rematerialised and who are resident, or who are citizens of, countries other than the United Kingdom is drawn to paragraph 6 of this Part VI.

(iii) Valid acceptance

Subject to paragraphs 4(b)(vii) and 4(c) of this Part VI an MTM instruction complying with each of the requirements as to authentication and contents set out in subparagraph (ii) of this paragraph 4(b) above will constitute a valid acceptance where either:

- (aa) the MTM Instruction settles by not later than 10.30 a.m. on 8 July 2002; or
- (bb) (i) the MTM instruction is received by CRESTCo by not later than 10.30 a.m. on 8 July 2002 and (ii) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM instruction at 10.30 a.m. on 8 July 2002.

An MTM instruction will be treated as having been received by CRESTCo for these purposes at the time at which the instruction is processed by the network providers' Communications Host at CRESTCo of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the network providers' Communications Host.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4(b) of this Part VI represents, warrants and undertakes to the Company that he has taken (or procured to be taken) and will take (or procure to be taken) whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 10.30 a.m. on 8 July 2002 and remains capable of settlement at all times after that until 2.00 p.m. on 8 July 2002 (or until such later time and date as the Company may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 10.30 a.m. on 8 July 2002 and at all times thereafter until 2.00 p.m. on 8 July 2002 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal systems timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 10.30 a.m. on 8 July 2002. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 4(b), (a) undertakes to pay to the Company, or procure the payment to the Company of, the amount payable in sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the CREST payment, the making of a CREST payment to Lloyds TSB Registrars shall discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Company the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or Rights Issue Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum and articles of association of the Company.

(vii) Company's discretion as to rejection and validity of acceptances

The Company may:

(aa) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 4(b) of this Part VI. Where an acceptance is made as described in this paragraph 4(b) of this Part VI which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 8 July 2002 (or by such later time and date as the Company and Credit Suisse First Boston Equities Limited on behalf of the Underwriters have determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 4(b) of this Part VI, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 4(b) of this Part VI unless the Company is aware of any reason outside the control of the CREST members or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;

(bb) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4(b) of this Part VI;

(cc) with the agreement of Credit Suisse First Boston Equities Limited on behalf of the Underwriters accept an alternative properly authenticated dematerialised instruction from a CREST member or (where

applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company may determine;

- (dd) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid acceptance if, at the time at which Lloyds TSB Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Lloyds TSB Registrars has received actual notice from CRESTCo of any of the matters specified in regulation 35(5)(a) of the Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (ee) with the agreement of Credit Suisse First Boston Equities Limited on behalf of the Underwriters accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Lloyds TSB Registrars in connection with CREST.

(c) Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EC regulated person or institution (e.g. a UK financial institution) then, irrespective of the value of the application, Lloyds TSB Registrars is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Lloyds TSB Registrars before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Lloyds TSB Registrars, any information Lloyds TSB Registrars may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Lloyds TSB Registrars as to identity, Lloyds TSB Registrars may at its absolute discretion take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then Lloyds TSB Registrars will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

(d) Dealings in Nil Paid Rights

Assuming the Resolutions are passed at the Extraordinary General Meeting and the Rights Issue is otherwise unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 18 June 2002. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 8 July 2002.

(e) Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 8 July 2002. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 8 July 2002.

After 8 July 2002, the Rights Issue Shares will be in registered form and transferable in the usual way (see paragraph 4(g) of this Part VI).

(f) Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The recommended latest time for receipt by CRESTCo of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 3.00 p.m. on 2 July 2002, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 10.30 a.m. on 8 July 2002.

(g) Issue of Rights Issue Shares in definitive form

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 8 July 2002 (the latest date for settlement of transfers of Fully Paid Rights in CREST). Rights Issue Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding such Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Lloyds TSB Registrars will instruct CRESTCo to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to Rights Issue Shares with effect from the next business day (expected to be 9 July 2002).

(h) Rights to allot/issue in certificated form

Despite any other provision of this document the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or Rights Issue Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Lloyds TSB Registrars in connection with CREST.

5. Procedure in respect of rights not taken up (whether certificated or in CREST)

If an entitlement to Rights Issue Shares is not validly taken up by 10.30 a.m. on 8 July 2002, in accordance with the procedure laid down for acceptance and payment then that provisional allotment will be deemed to have been declined and will lapse. Credit Suisse First Boston Equities Limited on behalf of the Underwriters will use reasonable endeavours to procure, by 5.00 p.m. on 10 July 2002, subscribers for so many of the unaccepted Rights Issue Shares as are underwritten at a net price (after deducting or providing for all expenses of procuring such subscribers) equal to or exceeding the Issue Price as is reasonably practicable by that time. Notwithstanding the above, Credit Suisse First Boston Equities Limited on behalf of the Underwriters may at any time cease to endeavour to procure such subscribers if, in its opinion, it is unlikely that any such subscribers can be so procured at such a price. Any such premium shall be paid (subject as provided in this paragraph 5):

- (i) where the provisional allotment was, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter; and
- (ii) where the Nil Paid Rights were, at the time of their lapsing, in uncertificated form, to the person registered as the holder of such Nil Paid Rights at the time of their disablement in CREST.

Rights Issue Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the premium (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring such subscribers) will be distributed by cheque (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments. Cheques for amounts due to non-accepting Qualifying Shareholders or Overseas Shareholders will be sent by post at the risk of persons entitled to them, to the first named shareholder at his registered address.

Any transactions undertaken pursuant to this paragraph 5 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and neither the Company nor the Underwriters nor any person procuring such subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any such subscription or any decision not to endeavour to procure subscribers, or for failure to procure subscribers. The Underwriters will be entitled to retain any brokerages, commissions or other benefits received in connection with these arrangements. Cheques for the amount due will be sent at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST the amount due will, unless the Company (at its absolute discretion) otherwise determines, be satisfied

by the Company procuring the making of a CREST payment to the relevant CREST member. If subscribers for the underwritten Rights Issue Shares not taken up cannot be procured on the basis outlined above, such Rights Issue Shares will be subscribed for at the Issue Price by the Underwriters or by subscribers procured by the Underwriters pursuant to the Underwriting Agreement.

6. Overseas Shareholders

The making of the offer of Rights Issue Shares to persons resident in, or who are citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

The attention of Shareholders who have registered addresses in, or are residents, citizens or nationals of, countries other than the United Kingdom (“Overseas Shareholders”) is drawn to the following in connection with the Rights Issue:

(a) General

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights or Fully Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter if received is sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights or Fully Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event deal with the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST (as the case may be) could lawfully be dealt with without contravention of any registration or other legal requirement.

Accordingly, persons receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not in connection with the Rights Issue distribute or send the same, or transfer Nil Paid Rights or Fully Paid Rights to any person in, or citizen or resident of, or into, any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory or by their agent or nominee, they must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST except under an express written agreement between them and the Company. Any person who does forward this document or a Provisional Allotment Letter into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient’s attention to the contents of this paragraph 6.

Subject to paragraphs 6(b) and 6(c) below, any person (including without limitation, nominees and trustees of such a person) outside the United Kingdom wishing to take up rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. **The comments set out in this paragraph 6 are intended as a general guide only and any Shareholder who is in doubt as to his position should consult his professional adviser without delay.**

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the offer of Rights Issue Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements, or if, in the case of a Provisional Allotment Letter, it provides an address for delivery of share certificates for Rights Issue Shares which is (or, in the case of a credit of Rights Issue Shares in CREST to a CREST member or CREST sponsored member, which would be) in the United States or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates. The attention of Shareholders with registered addresses in the United States or persons who are citizens or residents of the United States is drawn to paragraph (b) below.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Overseas Shareholder to take up his rights if the Company in its sole and absolute discretion

Part VI – Terms and Conditions of the Rights Issue

is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraph 3 of this Part VI (where Nil Paid Rights are represented by Provisional Allotment Letters) and paragraph 4 of this Part VI (where Nil Paid Rights are in CREST).

The provisions of paragraph 5 of this Part VI will apply generally to Overseas Shareholders who are unable to take up Rights Issue Shares provisionally allotted to them.

Specific restrictions relating to certain jurisdictions are set out below:

(b) United States

None of the Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters have been or will be registered under the Securities Act, or under the securities laws of any state of the United States, and none of them may be offered, sold, resold, delivered, taken up, transferred or renounced, directly or indirectly, in or into the United States except pursuant to the terms of applicable exemptions under the Securities Act and applicable securities laws of the United States.

Accordingly, the offer by way of rights is not being made in the United States. Provisional Allotment Letters will not be sent to any Shareholders with registered addresses in the United States. Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid. No definitive share certificates for Rights Issue Shares will be sent to addresses in the United States. Nil Paid Rights and Fully Paid Rights will not be credited to a stock account in CREST of Shareholders with registered addresses in the United States and must not be transferred to any such Shareholders.

Subject as provided below, the Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of, or the delivery of definitive certificates for, the Rights Issue Shares, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring rights to Rights Issue Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Issue Shares in the United States. The Company will not be bound to allot or issue Rights Issue Shares to any person with an address or who is otherwise located in the United States in whose favour a Provisional Allotment Letter or any Rights Issue Shares may be transferred or renounced. In addition, the Company reserves the right to reject any MTM instruction in respect of the Nil Paid Rights concerned sent by or on behalf of any CREST member with a registered address in the United States.

Notwithstanding the foregoing, the Company reserves the right to make Nil Paid Rights, Fully Paid Rights, Rights Issue Shares and Provisional Allotment Letters available to QIBs in transactions exempt from the registration requirements of the Securities Act. Any such transactions shall be in the sole discretion of the Company and the Underwriters. Any recipient of Nil Paid Rights, Fully Paid Rights, Rights Issue Shares or Provisional Allotment Letters pursuant to such transactions will make certain acknowledgements, representations and agreements that establish to the Company and the Underwriters that such transactions are exempt from the registration requirements of the Securities Act.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OF, QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 regarding the financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities, plans and objectives of management and other matters. Statements in this document that are not historical facts are hereby identified as “forward-looking statements” for the purpose of the safe harbour provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. Such forward-looking statements, including, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to the Company and/or Go, wherever they occur in this document, are necessarily based on assumptions reflecting the views of the Company and Go and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in Part IV, “Risk Factors”. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- the potential adverse effect on the Enlarged Group’s business of the attacks on the United States by terrorists on 11 September 2001;
- the significant increase in airline insurance costs and possible further disruption in the aviation insurance market;
- the Enlarged Group’s ability to develop and maintain economically attractive services and to attract and retain customers;
- the Enlarged Group’s ability to effectively manage rapid growth and evolve its business to gain advantages in a competitive environment;
- greater than expected costs or difficulties related to the integration of the businesses of the Company and Go;
- the Enlarged Group’s ability to effectively maintain, extend and protect the “easy” brand; and
- the Enlarged Group’s vulnerability to fuel price fluctuations.

Enforceability of judgments

The Company is a public limited company incorporated under the laws of England and Wales. All of the directors of the Company are citizens or residents of countries other than the United States. All or a substantial portion of the assets of such persons and substantially all the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the US federal securities laws or the securities laws of any state or territory within the United States. There is also doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities predicated solely upon the civil liability provisions of such laws. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales.

(c) Jurisdictions outside the United Kingdom other than the United States

Due to restrictions under the securities laws of certain jurisdictions outside the United Kingdom, no Provisional Allotment Letter in relation to the Rights Issue Shares will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of Shareholders with registered addresses in, and the Rights Issue Shares and the rights thereto may not be transferred or sold to or renounced or delivered in, jurisdictions outside the United Kingdom other than (in the limited circumstances set out in paragraph 6(b) of this Part VI) the United States. Accordingly, no offer of Rights Issue Shares or the rights thereto is being made under this document to Shareholders with registered addresses in, or to residents of any such jurisdictions.

If a Shareholder with a registered address in, or who is resident in, any such jurisdiction can demonstrate to the satisfaction of the Company and Credit Suisse First Boston Equities Limited on behalf of the Underwriters by

Part VI – Terms and Conditions of the Rights Issue

2.00 p.m. on 3 July 2002 that receipt, or acceptance, of the offer in such jurisdiction will not breach local securities law then the Company in its absolute discretion may either arrange for him to be sent a Provisional Allotment Letter (which in the case of such a Shareholder with a registered address in, or who is resident in, the Republic of South Africa, will be in non-renounceable form) if he is a non-CREST Shareholder or, if he is a CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account (except for those CREST Shareholders with a registered address in, or resident in, the Republic of South Africa who in such circumstances will receive a Provisional Allotment Letter in non-renounceable form).

The provisions set out in paragraph 5 of this Part VI will apply to the rights of Shareholders with registered addresses in any jurisdiction other than the United Kingdom that are not taken up.

Persons resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

If you are in any doubt as to your eligibility to accept the offer of Rights Issue Shares you should contact your professional adviser immediately.

7. Times and dates

The dates set out in the timetable of events at the beginning of this document and mentioned throughout the document may be adjusted by agreement between the Company and Credit Suisse First Boston Equities Limited on behalf of the Underwriters in which event details of the new dates will be notified to a Regulatory Information Service and where appropriate, to Qualifying Shareholders.

8. General

Even if all the Rights Issue Shares are not taken up (whether by Qualifying Shareholders, the Underwriters or otherwise), those Rights Issue Shares which have been taken up will be allotted if the Rights Issue becomes unconditional.

All documents and remittances in connection with the Rights Issue will be sent to or by allottees or their renounees (or their agents) at their risk.

9. Governing law

The terms and conditions of the Rights Issue as set out in this document and (where appropriate) the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England.

Part VII – Accountant’s Report in Relation to the Go Group



KPMG Audit Plc

8 Salisbury Square
London EC4Y 8BB
United Kingdom

The Directors
easyJet plc
London Luton Airport
Luton
Bedfordshire, LU2 9LS

The Directors
Credit Suisse First Boston (Europe) Limited
One Cabot Square
London E14 4QJ

The Directors
Credit Suisse First Boston Equities Limited
One Cabot Square
London E14 4QJ

23 May 2002

Dear Sirs

Newgo 1 Limited

Newgo 1 Limited (“Newgo 1”) was incorporated on 22 May 2001. On 14 June 2001 Newgo 1, through its wholly owned subsidiary Newgo 2 Limited (incorporated on 22 May 2001) acquired the entire issued share capital of Go Fly Limited (“Go”).

We report on the financial information set out below. This financial information has been prepared for inclusion in the circular on the proposed acquisition of Newgo 1 and its subsidiary undertakings (collectively referred to as the “Group”) and Rights Issue (the “Circular”) dated 23 May 2002 of easyJet plc (“the Company”).

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of the Group for the period from 22 May 2001 to 31 March 2002 prepared on the basis described in note 4.1 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of Newgo 1 who approved their issue.

The directors of the Company are responsible for the contents of the Circular dated 23 May 2002 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the

Part VII – Accountant’s Report in Relation to the Go Group

financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Group as at 31 March 2002 and of its profits, cash flows and recognised gains and losses for the period then ended.

Part VII – Accountant’s Report in Relation to the Go Group

1. CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Period ended 31 March 2002 £000
TURNOVER	4.3	191,006
Cost of sales		(151,167)
GROSS PROFIT		39,839
Distribution costs and administrative expenses		(33,987)
OPERATING PROFIT	4.4	5,852
Interest receivable	4.7	3,120
Interest payable and similar charges	4.8	(9,612)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(640)
Taxation	4.9	(357)
RETAINED LOSS		(997)

There were no recognised gains or losses in the current financial period other than those shown in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is provided.

All turnover is derived from acquisitions.

2. CONSOLIDATED BALANCE SHEET

	Notes	At 31 March 2002 £000
FIXED ASSETS		
Intangible assets	4.10	115,242
Tangible assets	4.11	5,250
		120,492
CURRENT ASSETS		
Debtors	4.12	28,942
Short term deposits	4.13	115,636
Cash at bank and in hand		869
		145,447
CREDITORS: amounts falling due within one year	4.14	(99,535)
NET CURRENT ASSETS		45,912
TOTAL ASSETS LESS CURRENT LIABILITIES		166,404
CREDITORS: amounts falling due after more than one year	4.15	(129,349)
PROVISIONS FOR LIABILITIES AND CHARGES	4.16	(26,204)
MINORITY INTERESTS		
Non-equity minority interests	4.17	(10,000)
NET ASSETS		851
CAPITAL AND RESERVES		
Called up share capital	4.18,4.19	257
Share premium account	4.19	1,591
Profit and loss account	4.19	(997)
EQUITY SHAREHOLDERS’ FUNDS		851

3. CONSOLIDATED CASHFLOW STATEMENT

	Notes	Period ended 31 March 2002 £000
Net cash inflow from operating activities	4.23	27,356
Returns on investment and servicing of finance	4.23	2,871
Capital expenditure	4.23	(1,330)
Acquisitions and disposals	4.23	(54,858)
Net cash outflow before management of liquid resources and financing		(25,961)
Management of liquid resources		(75,004)
Financing	4.23	101,834
Increase in cash		869

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	Notes	Period ended 31 March 2002 £000
Increase in cash in the period		869
Increase in liquid resources	4.24	115,636
Cash inflow from increase in debt financing	4.24	(99,986)
Change in net funds resulting from cashflows	4.24	16,519
Other movements	4.24	(29,363)
Net debt at 31 March 2002		(12,844)

4. NOTES TO THE ACCOUNTS

4.1 Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Newgo 1 was incorporated on 22 May 2001. On 14 June 2001 Newgo 1, through its wholly-owned subsidiary Newgo 2 Limited (“Newgo 2”) acquired the entire issued share capital of Go.

The statutory accounts of the Group for the period ended 31 March 2002 were audited by Deloitte & Touche Chartered Accountants and Registered Auditor who issued an unqualified audit report.

4.2 Accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Newgo 1 and all its subsidiaries.

Goodwill

Goodwill arising on the acquisition of a business is capitalised in the year of acquisition and amortised over its estimated useful life up to a maximum of 20 years.

Revenue

Revenue comprises the value of flight sales, net of passenger tax, and ancillary revenues. Revenue from flight sales is recognised on the date the passenger travels, and sales in advance of travel represent the value of flight seats sold where the passenger has yet to travel and are included in accruals and deferred income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value of assets, on a straight-line basis over their expected useful economic lives to the Group over the following periods:

Leasehold improvements	5 years
Aircraft spares and modifications	Remaining period of aircraft lease
Fixtures and equipment	5 years
Computer hardware and software	2–3 years

Development expenditure

Any expenditure incurred on the start up of new routes is charged to the profit and loss account as incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the life of the lease term. All of the Group’s leases are of an operating lease nature.

Pension costs

Newgo 1 operates a group personal pension plan on behalf of its employees and provides matching contributions to employees personal pension plans and these are charged to the profit and loss account when they become payable.

Aircraft maintenance

In accordance with Financial Reporting Standard 12: “Provisions, Contingent Liabilities and Contingent Assets” provision is made for the estimated future costs of major overhauls of leased airframes, engines and auxiliary power units by making appropriate charges to the profit and loss account calculated by reference to the number of hours or cycles operated during the period as a consequence of the legal commitments placed on Newgo 1 by the operating leases.

4.2 Accounting policies (continued)

Deferred tax

The Group has adopted FRS 19 “Deferred Tax”. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

4.3 Turnover

Turnover, which is stated net of value added tax, represents flown revenue from scheduled services and other activities. All activities are undertaken within Europe.

4.4 Operating profit

This is stated after charging:

	Period ended 31 March 2002 £000
Depreciation of owned fixed assets	1,813
Goodwill amortisation	4,784
Operating lease rentals — aircraft	26,601
— land and buildings	334
Auditors’ remuneration — audit services	50
— non-audit services	4
	<u> 4</u>

4.5 Directors’ Remuneration and interests

The executive directors are paid basic salaries and can also earn an annual incentive payment based on the increases in total shareholder return and the relative success of the different parts of the business for which the executive directors are responsible.

	Period ended 31 March 2002 £000
Salaries, fees and taxable benefits	<u>723</u>
Pension contributions to personal pension plans	<u>52</u>
Number of directors who received money purchase contributions to the group personal pension plan . .	<u>3</u>

The amount in respect of the highest paid director is as follows:

	2002 £000
Emoluments	<u>269</u>
Pension contribution to personal pension plan	<u>37</u>

Two of the directors participate in a Newgo 2 deferred bonus scheme linked to the redemption of the Series C loan stock and preference shares.

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4.5 Directors’ Remuneration and interests (continued)

The directors who served during the year and their interests in the company were:

	Fully paid ordinary shares	Fully paid A2 ordinary shares
K Hamill Chairman (appointed 1 August 2001)	37,500	—
B A Cassani (appointed 5 June 2001)	—	800,000
E W B Winter (appointed 5 June 2001)	—	400,000
A M Cowen (appointed 14 June 2001)	160,000	—
P E Sterbenz (appointed 25 September 2001)	6,250	—
A E Wellenreiter (appointed 14 June 2001)	—	—
R A Baker (appointed 10 January 2002)	6,250	—
B R Ally (appointed 22 May 2001, resigned 29 June 2001)	—	—
B Collett (appointed 22 May 2001, resigned 5 June 2001)	—	—

B A Cassani also has an interest in one fully paid C share.

Certain of the directors had interests in the loan stock of the subsidiary undertaking of Newgo 2, as follows:

	Series A Loanstock £000	Series B Loanstock £000
B A Cassani	—	1,064
E W B Winter	—	278
K Hamill	101	—
P E Sterbenz	17	—
R A Baker	17	—

No director had any other beneficial interest in the shares or loan stock of any other group undertaking.

No director had any material interest in any contract or arrangement subsisting during the period with the company.

4.6 Staff costs

	Period ended 31 March 2002 £000
Wages and salaries	21,590
Social security costs	1,750
Pension costs	424
Other staff costs	397
	<u>24,161</u>

The average number of staff, including executive directors, during the period was:

	No.
Operations	576
Sales and administration	241
	<u>817</u>

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4.7 Interest receivable

	Period ended 31 March 2002 £000
Bank interest receivable	3,120

4.8 Interest payable and similar charges

	Period ended 31 March 2002 £000
Loan note interest	9,039
Finance fee amortisation	562
Bank overdraft and other borrowings	11
	<u>9,612</u>

4.9 Tax on loss on ordinary activities

	Period ended 31 March 2002 £000
UK corporation tax at 30%	653
Deferred taxation	(296)
	<u>357</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current period exceeds the standard rate for the reasons set out in the following reconciliation:

	Period ended 31 March 2002 £000
Loss on ordinary activities before tax	(640)
Tax credit at 30%	(192)
Deferred tax	296
Expenses not deductible for tax purposes	30
Goodwill amortised not deductible for tax purposes	1,435
Share option expenses	(887)
Other	(29)
	<u>653</u>

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4.10 Intangible fixed assets

	Goodwill £000
Cost:	
Additions	120,026
At 31 March 2002	<u>120,026</u>
Accumulated amortisation:	
Charge for the period	4,784
At 31 March 2002	<u>4,784</u>
Net book value:	
At 31 March 2002	<u>115,242</u>

Goodwill is being amortised over 20 years.

4.11 Tangible fixed assets

	Leasehold improvements £000	Aircraft spares and modifications £000	Fixtures, equipment and computers £000	Total £000
Cost or valuation:				
Acquisition	320	5,859	2,394	8,573
Additions	—	281	1,049	1,330
At 31 March 2002	<u>320</u>	<u>6,140</u>	<u>3,443</u>	<u>9,903</u>
Depreciation:				
Acquisition	192	1,547	1,101	2,840
Provided during the period	30	1,053	730	1,813
At 31 March 2002	<u>222</u>	<u>2,600</u>	<u>1,831</u>	<u>4,653</u>
Net book value:				
At 31 March 2002	<u>98</u>	<u>3,540</u>	<u>1,612</u>	<u>5,250</u>

4.12 Debtors

	At 31 March 2002 £000
Trade debtors	9,979
Other debtors	1,333
Prepayments and accrued income	<u>17,630</u>
	<u>28,942</u>

Included in prepayments and accrued income above are the following amounts due after more than one year:

	At 31 March 2002 £000
Prepaid aircraft maintenance and deposits	<u>12,195</u>

4.13 Short term deposits

	At 31 March 2002 £000
Term deposits with banks	<u>115,636</u>

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4.14 Creditors: amounts falling due within one year

	At 31 March 2002 £000
Trade creditors	9,561
Corporation tax	1,468
Other taxes and social security costs	706
Accruals and deferred income	87,800
	<u>99,535</u>

4.15 Creditors: amounts falling due after one year

	At 31 March 2002 £000
Series ‘A’ loan stock	105,785
Series ‘B’ loan stock	1,546
Series ‘C’ loan stock	4,966
Series ‘D’ loan stock	17,052
	<u>129,349</u>

Analysis of loan repayments:

	£000
In more than one year but not more than two years	422
In more than two years but not more than five years	50,538
In more than five years	81,355
	132,315
Unamortised finance fees	(2,966)
	<u>129,349</u>

On 14 June 2001, Newgo 2 issued loan notes to management, institutional investors and previous shareholders as a result of the purchase of Go from British Airways plc.

The payment terms and interest rates for the loanstock are as follows:

Series A – repayable in four annual instalments commencing April 2006 bearing interest at LIBOR plus 2.25%.

Series B – repayable in four annual instalments commencing December 2003 bearing interest at LIBOR plus 2.25%.

Series C and D – repayable on the earlier of a sale or listing or June 2006. Series C bears interest at 6% and Series D at escalating rates commencing at 12%.

4.16 Provisions for liabilities and charges

	Deferred tax £000	Aircraft maintenance £000
Acquired	260	20,437
Provided during the period	—	11,572
Utilised during the period	(296)	(5,805)
Reclassification to debtors	36	—
At 31 March 2002	<u>—</u>	<u>26,204</u>

4.17 Non-equity minority interests

The non-equity minority interest comprises 10,000,000 A preference shares issued by Newgo 2. The shares do not entitle the holders to any rights against other Group companies.

The preference shares will be redeemed on 14 June 2006 if a sale or listing of Newgo 2 or any Group company has not occurred prior to that date. This redemption will be either cash of £10,000,000 or conversion into B preference shares which will be redeemed for a total price of £1, according to the sale or listing value achieved.

If a sale or exit of Newgo 2 is achieved prior to 14 June 2006, the maximum redemption amount is £10,000,000.

4.18 Called up share capital

	At 31 March 2002 £000
<hr/>	
Authorised:	
816,800 ordinary shares of 10p each	82
15,500,000 ordinary A1 shares of 0.1p each	15
1,600,000 ordinary A2 shares of 10p each	160
2,133,200 ordinary B shares of 10p each	213
1 ordinary C share of £1	—
	<hr/> <hr/>
	At 31 March 2002 £000
<hr/>	
Allotted, called up and fully paid:	
816,800 ordinary shares of 10p each	82
15,450,000 ordinary A1 shares of 0.1p each	15
1,600,000 ordinary A2 shares of 10p each	160
1 C share of £1	—
	<hr/> <hr/>
	257

On 14 June 2001, the one issued ordinary share was redesignated as a C ordinary share.

On 14 June 2001 each of the existing 999 authorised but unissued shares of £1 each were subdivided into ten ordinary shares of 10 pence each, and the authorised share capital was increased by £464,501 by the creation of 15,500,000 ordinary A1 shares of 0.1p each, 1,600,000 ordinary A2 shares of 10p each, 2,133,200 ordinary B shares of 10p each and 756,810 ordinary shares of 10p each.

On 14 June 2001, Newgo 1 issued 420,000 ordinary shares at nominal value and 1,600,000 ordinary A2 shares at nominal value. On that date, Newgo 1 also issued 15,500,000 ordinary A1 shares at 10p per share, creating a share premium of £1,534,500.

On 19 June 2001, Newgo 1 issued 322,800 ordinary shares at nominal value and on 30 July 2001 Newgo 1 issued a further 24,000 ordinary shares at nominal value.

On 14 February 2002, Newgo 1 purchased and cancelled 50,000 ordinary A1 shares and issued 50,000 ordinary shares at 133 pence per share, creating a share premium of £61,500.

The rights attaching to the ordinary A1 shares are treated as having the same nominal value as the ordinary A2 shares and the ordinary shares. On a sale of Go, a number of ordinary A1 shares will convert into deferred B shares which do not entitle the holder to a return of capital or dividends.

The ordinary A shares entitle the holder to receive a dividend at the rate of 15% of net profit from April 2004 and the right to a priority return of capital of 10p each plus any dividend which has been declared at either winding up or a repayment of capital.

The ordinary and ordinary B shares entitle the holder to a return of capital of 10p per share plus any dividend arrears on winding up or a repayment of capital.

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4.18 Called up share capital (continued)

The C share entitles the holder to a return of capital of £1 each share on winding up or a repayment of capital and the voting rights of the ordinary shares and ordinary B shares. All other holders have the right to one vote per share.

4.19 Reconciliation of shareholders’ funds and movements in reserves

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Ordinary shares issued	257	1,591	—	1,848
Loss for the period	—	—	(997)	(997)
At 31 March 2002	<u>257</u>	<u>1,591</u>	<u>(997)</u>	<u>851</u>

4.20 Capital commitments

The Group had committed to purchase items for aircraft modification at 31 March 2002 of £122,000.

4.21 Contingent liabilities

Newgo 1’s bank has provided guarantees on behalf of the company of approximately £2,922,000 in connection with normal operations.

The Group has received notification of a claim from Go Voyages in relation to the alleged infringement of their French intellectual property rights. The Group will defend this claim. No amount has been provided for at 31 March 2002. The amount of the claim is not considered to be material to the continued success of the business.

4.22 Other financial commitments

At 31 March 2002 the Group had annual commitments under non cancellable operating leases as set out below:

	Land and buildings 2002 £000	Aircraft 2002 £000
Operating leases which expire:		
In two to five years	424	40,143
In over five years	74	—
	<u>498</u>	<u>40,143</u>

Newgo 1 has commitments in respect of forward currency and fuel purchases, created in the ordinary course of business.

4.23 Notes to the statement of cashflows

Reconciliation of operating profit to net cash inflow from operating activities:

	Period ended 31 March 2002 £000
Operating profit	5,852
Goodwill amortisation	4,784
Depreciation	1,813
Increase in debtors	(18,516)
Increase in creditors	27,656
Provisions	5,767
Net cash inflow from operating activities	<u>27,356</u>

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4.23 Notes to the statement of cashflows (continued)

Analysis of cash flows for headings netted in the statement of cash flows:

	Period ended 31 March 2002 £000
Returns on investments and servicing of finance:	
Interest paid	(249)
Interest received	3,120
	<u>2,871</u>
Capital expenditure:	
Payment to acquire tangible fixed assets	<u>(1,330)</u>
Acquisitions:	
Acquisition (note 4.25)	(88,805)
Cash acquired with subsidiary	33,947
	<u>(54,858)</u>
Financing:	
Issue of loan notes	103,514
Issue of ordinary shares	1,848
Financing fees	(3,528)
	<u>101,834</u>

4.24 Analysis of changes in net debt

	At 22 May 2001 £000	Cashflow £000	Acquisition (excluding cash and overdrafts) £000	Other changes £000	At 31 March 2002 £000
Cash	—	869	—	—	869
Short term deposits	—	75,004	40,632	—	115,636
Debt due after one year	—	(99,986)	—	(29,363)	(129,349)
Net debt	<u>—</u>	<u>(24,113)</u>	<u>40,632</u>	<u>(29,363)</u>	<u>(12,844)</u>

4.25 Purchase of subsidiary undertakings

	Period ended 31 March 2002 £000
Net assets acquired:	
Tangible fixed assets	5,732
Debtors	10,390
Group loan	40,632
Cash at bank and in hand	33,947
Creditors	(70,434)
Taxation	(1,051)
Provisions	(20,437)
	<u>(1,221)</u>
Goodwill	120,026
	<u>118,805</u>
Satisfied by:	
Cash	88,805
Loan notes	20,000
Preference shares	10,000
	<u>118,805</u>

On 14 June 2001 Newgo 1 acquired Newgo 2 and its subsidiary, Go.

In the period from 1 April to 14 June 2001, Go achieved turnover of £42,728,000, operating profit of £1,904,000, profit before tax of £2,592,000 and profit after tax of £1,816,000. In its prior financial year ended 31 March 2001, Go achieved profit after tax of £2,722,000.

4.26 Related party transactions

Newgo 1 has taken advantage of the exemption conferred by Financial Reporting Standard 8 “Related Party Transactions” not to disclose transactions with companies 90% or more of whose voting rights are controlled within the Group.

4.27 Post balance sheet events

On 16 May 2002 Newgo 1 announced that it had entered into a conditional agreement in relation to the sale of its entire issued share capital to easyJet plc.

Yours faithfully

KPMG Audit Plc

Part VIII – Financial information on Go

GO FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 MARCH 2002

The financial information set out below does not constitute Go Fly Limited's ("Go") statutory accounts within the meaning of Section 246 of the Companies Act. The financial information below for the three years ended 31 March 2000, 2001 and 2002 and as at 31 March 2000, 2001 and 2002 has been extracted from Go's audited financial statements for the three years ended 31 March 2002 without material adjustment.

For the years ended 31 March 2000 and 2001, the financial statements of Go were audited by Ernst & Young LLP, Chartered Accountants and Registered Auditor and have been delivered to the registrar of companies. The auditors have reported on the financial statements for each of the years ended 31 March 2000 and 2001; these reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

For the year ended 31 March 2002, the financial statements of Go were audited by Deloitte & Touche, Chartered Accountants and Registered Auditor and have not yet been delivered to the registrar of companies. The auditors have reported on the financial statements for the year ended 31 March 2002; the report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

1. PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
TURNOVER	4.2	100,578	159,668	233,734
Cost of sales		(94,213)	(128,763)	(187,451)
GROSS PROFIT		6,365	30,905	46,283
Distribution costs and administrative expenses		(29,509)	(29,110)	(36,060)
OPERATING PROFIT/(LOSS)	4.3	(23,144)	1,795	10,223
Interest receivable	4.5	1,326	2,414	3,746
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(21,818)	4,209	13,969
Taxation on profit on ordinary activities	4.6	6,592	(1,487)	(4,216)
RETAINED PROFIT/(LOSS)		(15,226)	2,722	9,753

All turnover is derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Profit/(loss) for the financial period	(15,226)	2,722	9,753
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	(15,226)	2,722	9,753
Prior Year Adjustments	(1,776)	—	—
TOTAL RECOGNISED GAINS AND LOSSES	(17,002)	2,722	9,753

Part VIII – Financial information on Go

2. BALANCE SHEETS

	Notes	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
FIXED ASSETS				
Tangible assets	4.7	3,732	5,433	5,250
CURRENT ASSETS				
Debtors	4.8	14,547	13,973	28,851
Short term deposits	4.9	26,937	40,186	115,636
Cash at bank and in hand		7,699	18,558	718
		49,183	72,717	145,205
CREDITORS: amounts falling due within one year	4.10	(48,249)	(60,298)	(104,937)
NET CURRENT ASSETS		934	12,419	40,268
TOTAL ASSETS LESS CURRENT LIABILITIES		4,666	17,852	45,518
PROVISIONS FOR LIABILITIES AND CHARGES	4.11	(10,425)	(20,889)	(26,302)
NET ASSET/(LIABILITIES)		(5,759)	(3,037)	19,216
CAPITAL AND RESERVES				
Called up share capital	4.12	25,000	25,000	37,500
Profit and loss account	4.13	(30,759)	(28,037)	(18,284)
TOTAL SHAREHOLDERS' FUNDS/(DEFICIT)		(5,759)	(3,037)	19,216

3. CASHFLOW STATEMENTS

	Notes	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Net cash inflow from operating activities	4.14(a)	6,829	17,356	44,673
Returns on investment and servicing of finance	4.14(b)	1,326	2,414	3,746
Taxation	4.14(b)	6,381	7,360	(1,308)
Capital expenditure	4.14(b)	(1,611)	(3,022)	(2,001)
Net cash inflow before management of liquid resources and financing		12,925	24,108	45,110
Management of liquid resources		—	—	(75,450)
Financing	4.14(b)	—	—	12,500
(Decrease)/increase in cash in the year		12,925	24,108	(17,840)

RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	Notes	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
(Decrease)/increase in cash in the year		12,925	24,108	(17,840)
Increase in short term deposits		—	—	75,450
Change in net funds resulting from cash flows	4.14(c)	12,925	24,108	57,610
Net funds at 1 April	4.14(c)	21,711	34,636	58,744
Net funds at 31 March	4.14(c)	34,636	58,744	116,354

4. NOTES TO THE ACCOUNTS

4.1 Accounting policies

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below. The new financial reporting standards FRS 18—Accounting Policies, and FRS 19—Deferred Tax have been adopted during the year ended 31 March 2002.

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue

Revenue comprises the value of flight sales, net of passenger tax and ancillary revenues. Revenue from flight sales is recognised on the date the passenger travels and sales in advance of travel represent the value of flight seats sold where the passenger has yet to travel and are included in accruals and deferred income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value of assets, on a straight-line basis over their expected useful economic lives to the group over the following periods:

Leasehold improvements	5 years
Aircraft spares and modifications	Remaining period of aircraft lease
Fixtures and equipment	5 years
Computer hardware and software	2-3 years

Development expenditure

Any expenditure incurred on the start up of new routes is charged to the profit and loss account as incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the life of the lease term.

Pension costs

Go operates a group personal pension plan on behalf of its employees and provides matching contributions to employees' personal pension plans and these are charged to the profit and loss account when they become payable.

Aircraft maintenance

In accordance with Financial Reporting Standard 12: "Provisions, Contingent Liabilities and Contingent Assets" provision is made for the estimated future costs of major overhauls of leased airframes, engines and auxiliary power units by making appropriate charges to the profit and loss account calculated by reference to the number of hours or cycles operated during the year as a consequence of the legal commitments placed on Go by the operating leases.

Deferred tax

Go has adopted FRS 19 "Deferred Tax". Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Part VIII – Financial information on Go

4.2 Turnover

Turnover, which is stated net of value added tax, represents flown revenue from scheduled services and other activities. All activities are undertaken within Europe.

4.3 Operating profit/(loss)

This is stated after charging:

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Depreciation	726	1,321	2,184
Operating lease rentals – aircraft and other	20,088	23,514	32,688
Share option expense	—	—	2,955
Auditors' remuneration – audit services	35	62	50
– non-audit services	—	—	4

The share option expense of £2,955,000 relates to the cost to date of Go meeting its obligations under the share option scheme. The charge represents the difference between the exercise price of the options and management's view of the market value of the shares under option at 31 March 2002.

4.4 Directors' remuneration and staff costs

All of the directors of Go are directors of the ultimate parent company, Newgo 1 Limited. It is not practical to allocate the directors' remuneration between their services as directors of Newgo 1 Limited and its subsidiary undertakings.

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Emoluments	436	452	869
Pension contributions to personal pension plans	—	—	56
Aggregate of other awards	—	—	3,604

The directors no longer participate in the defined benefit pension scheme of British Airways plc after the acquisition of Go by Newgo 2 on 14 June 2001. During 2002, three of the directors received contributions towards personal pension plans.

As part of the completion of the acquisition of Go by Newgo 2 Limited, two directors received amounts totaling £3,604,000.

The amounts in respect of the highest paid director are as follows:

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Emoluments	262	275	337
Pension contributions to personal pension plan	—	—	37
Awards	—	—	2,404
Defined benefit pension scheme – accrued pension	38	50	—

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	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Wages and salaries	13,592	16,790	25,526
Social security costs	1,184	1,445	2,129
Pension costs	286	344	518
Other staff costs	361	282	499
	<u>15,423</u>	<u>18,861</u>	<u>28,672</u>

The average number of staff, including executive directors, during the year was:

	Year ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002
Operations	326	374	552
Sales and administration	188	203	236
	<u>514</u>	<u>577</u>	<u>788</u>

4.5 Interest receivable

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Group undertakings	980	1,749	436
Bank	346	665	3,310
	<u>1,326</u>	<u>2,414</u>	<u>3,746</u>

4.6 Tax on profit/(loss) on ordinary activities

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
UK corporation tax at 30%	—	—	2,355
Group relief payable/(receivable)	(6,592)	1,250	2,922
Prior year adjustments	—	(19)	(16)
	<u>(6,592)</u>	<u>1,231</u>	<u>5,261</u>
Deferred taxation – current year	—	256	(162)
– prior year	—	—	4
	<u>(6,592)</u>	<u>1,487</u>	<u>5,103</u>
Tax credit in respect of share option expense	—	—	(887)
	<u>(6,592)</u>	<u>1,487</u>	<u>4,216</u>

Part VIII – Financial Information on Go

4.6 Tax on profit/(loss) on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous year exceeds the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Profit on ordinary activities before tax	4,209	13,969
Tax charge at 30%	1,263	4,191
Expenses not deductible for tax purposes	21	37
Capital allowances in excess of depreciation	(256)	162
Prior period adjustments	203	(16)
	1,231	4,374
Deferred tax	256	(158)
	<u>1,487</u>	<u>4,216</u>

4.7 Tangible fixed assets

	Leasehold improvements £000	Aircraft spares and modifications £000	Fixtures, equipment and computers £000	Total £000
Cost:				
At 1 April 2000	320	3,333	1,227	4,880
Additions	—	2,117	905	3,022
At 31 March 2001	<u>320</u>	<u>5,450</u>	<u>2,132</u>	<u>7,902</u>
Additions:	—	690	1,311	2,001
At 31 March 2002	<u>320</u>	<u>6,140</u>	<u>3,443</u>	<u>9,903</u>
Depreciation:				
At 1 April 2000	94	596	458	1,148
Provided during the year	81	745	495	1,321
At 31 March 2001	<u>175</u>	<u>1,341</u>	<u>953</u>	<u>2,469</u>
Provided during the year	47	1,259	878	2,184
At 31 March 2002	<u>222</u>	<u>2,600</u>	<u>1,831</u>	<u>4,653</u>
Net book value:				
At 31 March 2000	<u>226</u>	<u>2,737</u>	<u>769</u>	<u>3,732</u>
At 31 March 2001	<u>145</u>	<u>4,109</u>	<u>1,179</u>	<u>5,433</u>
At 31 March 2002	<u>98</u>	<u>3,540</u>	<u>1,612</u>	<u>5,250</u>

4.8 Debtors

	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
Trade debtors	2,377	7,309	9,979
Amounts owed by group undertakings	7,354	302	—
Other debtors	733	783	1,269
Prepayments and accrued income	4,083	5,579	17,603
	<u>14,547</u>	<u>13,973</u>	<u>28,851</u>

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4.8 Debtors (continued)

Included in prepayments and accrued income above are the following amounts due after more than one year:

	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
Prepaid aircraft maintenance and deposits	1,071	1,981	12,195

4.9 Short term deposits

	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
Term deposits with banks	—	—	115,636
Balances held with group undertakings	26,937	40,186	—
	<u>26,937</u>	<u>40,186</u>	<u>115,636</u>

4.10 Creditors

Amounts falling due within one year

	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
Amounts owed to parent undertakings	—	—	2,921
Amounts owed to group undertakings	85	1,988	—
Trade creditors	8,630	9,723	9,551
Corporation tax	—	—	1,468
Other taxes and social security costs	345	427	706
Other creditors	8	6	—
Accruals and deferred income	39,181	48,154	90,291
	<u>48,249</u>	<u>60,298</u>	<u>104,937</u>

4.11 Provisions for liabilities and charges

	Aircraft Maintenance £000	Deferred Tax £000	Total £000
At 31 March 2000	10,425	—	10,425
Provided during the year	12,566	256	12,822
Utilised during the year	(2,358)	—	(2,358)
At 31 March 2001	<u>20,633</u>	<u>256</u>	<u>20,889</u>
Reclassification	(3,159)	—	(3,159)
Provided/(released) during the year	14,705	(158)	14,547
Utilised during the year	(5,975)	—	(5,975)
At 31 March 2002	<u>26,204</u>	<u>98</u>	<u>26,302</u>

Go has adopted FRS 19—Deferred Tax which has not resulted in any adjustments to the current period or prior year. At 31 March 2002, 31 March 2001 and 31 March 2000, there was no unprovided deferred tax.

Part VIII – Financial Information on Go

4.12 Called up share capital

	At 31 March 2000 £000	At 31 March 2001 £000	At 31 March 2002 £000
Authorised, allotted, called up and fully paid: 37,500,000 ordinary shares of £1 each	25,000	25,000	37,500

On 14 June 2001, Go issued 12,500,000 £1 ordinary shares at par to its intermediate parent company, Newgo 2 Limited.

4.13 Reconciliation of shareholders' funds and movements in reserves

	Share capital £000	Profit and loss account £000	Total £000
At 31 March 1999	25,000	(15,533)	9,467
Retained loss for the year	—	(15,226)	(15,226)
At 31 March 2000	25,000	(30,759)	(5,759)
Retained profit for the year	—	2,722	2,722
At 31 March 2001	25,000	(28,037)	(3,037)
Share issue	12,500	—	12,500
Retained profit for the year	—	9,753	9,753
At 31 March 2002	37,500	(18,284)	19,216

4.14 Notes to the statement of cashflows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Operating profit/(loss)	(23,144)	1,795	10,223
Depreciation	726	1,321	2,184
Increase in debtors	(3,470)	(8,272)	(18,037)
Increase in creditors and provisions	32,717	22,512	50,303
Net cash inflow from operating activities	6,829	17,356	44,673

Part VIII – Financial Information on Go

4.14 Notes to the statement of cashflows (continued)

(b) Analysis of cashflows for headings netted in the statement of cashflows:

	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Returns on investments and servicing of finance			
Interest received	1,326	2,414	3,746
	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Capital expenditure			
Payment to acquire tangible fixed assets	(1,664)	(3,022)	(2,001)
Receipts from sales of tangible fixed assets	53	—	—
	(1,611)	(3,022)	(2,001)
	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Taxation			
Payment (made)/received for tax losses	6,381	7,360	(1,308)
	Year ended 31 March 2000 £000	Year ended 31 March 2001 £000	Year ended 31 March 2002 £000
Financing			
Issue of ordinary shares	—	—	12,500

(c) Analysis of changes in net funds:

	At 1 April 2000 £000	Cashflow £000	At 31 March 2001 £000	Cashflow £000	At 31 March 2002 £000
Cash and short term deposits	34,636	24,108	58,744	57,610	116,354

4.15 Capital commitments

Go had committed to purchase items for aircraft modification at 31 March 2002 totalling £122,000 (2001: £165,000, 2000: £443,000).

4.16 Other financial commitments

At 31 March 2002 Go had annual commitments under non cancellable operating leases as set out below:

	Land and buildings	Aircraft	Land and buildings	Aircraft	Land and buildings	Aircraft
	At 31 March 2000	At 31 March 2000	At 31 March 2001	At 31 March 2001	At 31 March 2002	At 31 March 2002
	£000	£000	£000	£000	£000	£000
Operating leases which expire:						
In two to five years	240	8,481	337	17,665	424	40,143
In over five years	—	14,326	—	11,361	74	—
	240	22,807	337	29,026	498	40,143

Go has commitments in respect of forward currency and fuel purchases, created in the ordinary course of business.

4.17 Contingent liabilities

The company’s bank has provided guarantees on behalf of the company of approximately £2,922,000 (2001: £510,000 2000: £460,000) in connection with normal operations.

The company has received notification of a claim from Go Voyages in relation to the alleged infringement of their French intellectual property rights. The company will defend this claim. No amount has been provided at 31 March 2002. The amount of this claim is not considered to be material to the continued success of the business.

4.18 Ultimate parent company

The immediate parent undertaking at 31 March 2002 was Newgo 2 Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and controlling party at 31 March 2002 was Newgo 1 Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the accounts of Newgo 1 Limited can be obtained from Enterprise House, Stansted Airport, Essex, CM24 1SB.

Newgo 1 Limited is the smallest and largest group of which the company is a member and for which group accounts are prepared.

4.19 Post balance sheet events

On 16 May 2002 Newgo 1 Limited announced that it had entered into a conditional agreement in relation to the sale of its entire issued share capital and its subsidiary undertakings to easyJet plc.

Part IX – Pro Forma Statement of Net Assets

PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Basis of preparation

The unaudited pro forma combined net asset statement set out below has been prepared to illustrate the effect on the net assets of easyJet as if the acquisition of Newgo 1 had occurred at 31 March, 2002. The unaudited pro forma combined net asset statement has been prepared for illustrative purposes only and, because of its nature, may not give a complete picture of the Enlarged Group's financial position.

	easyJet as at 31 March 2002 £000	Newgo 1 as at 31 March 2002 £000	Adjustments		Pro forma Combined £000
			Rights Issue £000	Acquisition of Newgo 1 £000	
Fixed assets					
Intangible assets	2,911	115,242	—	240,334	358,487
Tangible assets	205,765	5,250	—	—	211,015
	<u>208,676</u>	<u>120,492</u>	<u>—</u>	<u>240,334</u>	<u>569,502</u>
Current assets					
Debtors	67,195	28,942	—	—	96,137
Short term deposits	—	115,636	—	—	115,636
Cash at bank and in hand	381,898	869	270,200	(383,500)	269,467
	<u>449,093</u>	<u>145,447</u>	<u>270,200</u>	<u>(383,500)</u>	<u>481,240</u>
Creditors: amounts falling due within one year	<u>(166,216)</u>	<u>(99,535)</u>	<u>—</u>	<u>—</u>	<u>(265,751)</u>
Net current assets	<u>282,877</u>	<u>45,912</u>	<u>270,200</u>	<u>(383,500)</u>	<u>215,489</u>
Total assets less current liabilities	<u>491,553</u>	<u>166,404</u>	<u>270,200</u>	<u>(143,166)</u>	<u>784,991</u>
Creditors: amounts falling due after more than one year	<u>(74,242)</u>	<u>(129,349)</u>	<u>—</u>	<u>132,315</u>	<u>(71,276)</u>
Provisions for liabilities and charges	<u>(1,284)</u>	<u>(26,204)</u>	<u>—</u>	<u>—</u>	<u>(27,488)</u>
Minority Interests					
Non-equity minority interests	—	(10,000)	—	10,000	—
Total Net Assets	<u>416,027</u>	<u>851</u>	<u>270,200</u>	<u>(851)</u>	<u>686,227</u>

Notes:

- Information on easyJet has been extracted without material adjustment from the unaudited consolidated Interim Report for the six months ended 31 March 2002 as set out in Part II of this document.
- Information on Newgo 1 has been extracted without material adjustment from the audited consolidated financial statements for the period ended 31 March 2002 as set out in the Accountants Report at Part VII of this document.
- The rights issue adjustment illustrates the effect on the balance sheet as if the rights issue had occurred on 31 March 2002. The rights issue adjustment assumes the issue of 104,405,503 new Ordinary Shares, raising £276.7 million of proceeds, less rights issue costs of £6.5 million.
- The adjustment illustrates the acquisition of Newgo 1 for consideration of £374 million satisfied in cash plus costs of acquisition of £9.5 million. The resulting additional goodwill is calculated as follows:

	£000	£000
Net assets of Newgo 1 at 31 March 2002		851
Creditors: amounts falling due after more than one year	129,349	
Loan note financing costs	<u>2,966</u>	
Repayment of loan notes		132,315
Redemption of non-equity minority interests (British Airways preference shares)		<u>10,000</u>
Net assets acquired		143,166
Purchase consideration (includes £9.5 million acquisition costs)		<u>383,500</u>
Additional goodwill on acquisition of Newgo 1		<u>240,334</u>

- No account has been taken in the pro forma financial information of the results of easyJet or Newgo 1 since 31 March 2002.
- No fair value adjustments have been considered.
- The pro forma financial information does not constitute statutory accounts within the meaning of section 240 of the Act.



KPMG Audit Plc

8 Salisbury Square
London EC4Y 8BB
United Kingdom

The Directors
easyJet plc
London Luton Airport
Luton
Bedfordshire, LU2 9LS

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London E14 4QJ

Credit Suisse First Boston Equities Limited
One Cabot Square
London E14 4QJ

23 May 2002

Dear Sirs

EASYJET PLC (THE “COMPANY”)

We report on the pro forma statement of net assets set out in Part IX of the circular of the Company (the “Circular”) dated 23 May 2002, which has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company (the “Directors”) to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis set out therein;
- such basis is consistent with the accounting policies of the Company; and
- the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

KPMG Audit Plc

Part X – Summary of the Acquisition Agreement

1. Background

The Acquisition Agreement is dated 16 May 2002 and is made between easyJet (1), 3i Group plc, Barclays Industrial Development Limited, Pensman Nominees Limited (as nominees for Gartmore Investment Managers), Barbara Cassani and others (2) (the “Sellers”) and Newgo 1 (3). Under the Acquisition Agreement, easyJet will purchase the entire issued share capital of Newgo 1, the indirect parent company of Go, from the Sellers in accordance with the terms of the Acquisition Agreement.

2. Conditions

Completion of the Acquisition is conditional, *inter alia*, upon:

- (a) the passing at the Extraordinary General Meeting of the Resolutions;
- (b) admission of the Rights Issue Shares to dealing in fully paid form becoming effective in accordance with paragraph 7.1 of the Listing Rules and completion of the financing;
- (c) consent to the Acquisition being obtained from the Secretary of State for Trade and Industry in the UK;
- (d) regulatory approval being obtained from certain other merger authorities outside the UK, including Spain;
- (e) warranty and indemnity insurance being issued to easyJet before 31 May 2002 with effect from the date of the Acquisition Agreement in respect of the breach of certain warranties contained in the Acquisition Agreement, up to an aggregate limit of £44 million and subject to the exclusions or limitations of the policy acceptable to the parties;
- (f) confirmation from certain Sellers, shareholders of Newgo 1 and loan stock holders and holders of preference shares being received by easyJet in a form acceptable to easyJet as to their entitlement to receive sums at Completion; and
- (g) approval from the UK Civil Aviation Authority of the Acquisition and the repayment of loan stock and redemption of preference shares in Newgo 2 at Completion.

easyJet may waive any of the conditions set out above. Other than the condition set out at (e) above, if the conditions are not satisfied or waived by easyJet by 31 July 2002 the Acquisition Agreement is terminated, unless the parties agree otherwise. It is also a condition that capital gains tax roll over relief is obtained for those Sellers who wish to elect to receive loan notes.

3. Purchase Price

easyJet will acquire all the shares in Newgo 1 and will procure that the Go Group will on Completion repay £135 million in principal of loan notes, preference shares and other obligations of Newgo 2, plus accrued interest, at Completion (the “Newgo 2 Liabilities”). Subject to the escrow arrangements referred in paragraph 5 of this Part X, easyJet will then pay in cash the difference between £374 million and the Newgo 2 Liabilities as consideration for the shares in Newgo 1. easyJet has also offered the non-institutional Sellers the ability to receive some or all of their proportion of the consideration for the sale of Go in the form of loan notes. The loan notes will be guaranteed by The Governor and Company of the Bank of Scotland and will have a final maturity date of the second anniversary of their issue. They will be transferable in whole or in part to immediate family members and allow holders of the loan notes to redeem them prior to the final maturity date in whole or in part. The rate of interest under the loan notes is LIBID, payable quarterly in arrears on each interest payment date. For these purposes, LIBID is defined as, on any particular day, the rate per annum certified by The Governor and Company of the Bank of Scotland to be LIBOR (the London Inter-Bank Offered Rate) for the relevant currency, amount or period on that day less 0.0125 per cent. per annum.

4. Completion Cash Adjustment

The Sellers have undertaken that, if at Completion the free cash in Go is less than £30.5 million, they will compensate easyJet on a £ for £ basis for the shortfall to the extent of monies retained in an escrow account for

Part X – Summary of the Acquisition Agreement

this purpose of an amount determined by the Sellers' accountants and the Company's accountants prior to Completion.

5. Warranties

Warranties given by the institutional Sellers will be limited to matters such as title to the shares they are to sell. Certain of the Go management team who are Sellers and who are to remain within the business after Completion have severally given warranties on terms typical of a transaction of this nature. In addition, easyJet intends to obtain a policy of insurance to cover possible claims under certain of the warranties as referred to in paragraph 2(e) of this Part X. The terms of the Acquisition Agreement require that the first £6 million of any claim payable for breach of the insured warranties will be met from an escrow account into which easyJet and the institutional Sellers (by means of a deduction from the purchase price) have each paid £3 million. Thereafter claims will be met from the insurance policy subject to the terms and limits of the policy. Claims under the warranties must be made prior to 31 January 2004 in respect of matters occurring prior to 31 December 2003. Further escrow accounts to be deducted from the purchase price totalling approximately £15 million will be established to cover certain specific matters of concern to easyJet, including an escrow of £9 million in respect of tax and other associated losses and costs arising to the Go Group in respect of the Go share option arrangements. These escrow accounts will be released on agreed dates up to 31 January 2004 if no claim has been made under them, or, if the relevant issue has been settled to easyJet's satisfaction before that date, following such satisfaction. If the relevant matter is satisfied prior to Completion, no escrow account will be established in relation to it.

easyJet intends to enter into an insurance policy to cover possible warranty claims in excess of the £6 million escrow account with New Hampshire Insurance Company for £20,500,000 of cover and an excess policy for £9,500,000 with Allied World Assurance Company Limited. The premium for these policies of approximately £2.4 million will be paid by easyJet and half the premium will be deducted from the purchase price paid to the Sellers on Completion. easyJet intends to consider whether to take out additional insurance cover up to an additional £14 million. If it does so, the additional premium will be paid by easyJet and half of the additional premium will be deducted from the purchase price paid to the Sellers on Completion. easyJet has not obtained a tax deed from the Sellers.

6. Restrictive Covenant

The restrictive covenants applicable to the three principal members of the management of Go who will remain employed by Go from Completion provide that they may not carry on the business of a low-cost airline operating in Europe or solicit suppliers or contractors of any Go Group company or be employed by or employ a member of the senior management of the Go Group. In respect of two of such members, the term of these restrictive covenants is 12 months and in respect of the other member, it is six months. The same restrictive covenants also apply to the four principal members of the management of Go who will not remain employed by Go from Completion, including Barbara Cassani. In relation to Barbara Cassani, the term of these restrictive covenants is 12 months and in respect of the other three members, it is six months.

All except one of the institutional Sellers have undertaken not to solicit for the purpose of a low-cost airline any director or senior executive of Go for a period of 12 months from Completion.

7. Termination Right

easyJet may terminate the Acquisition Agreement if there is a serious breach of the Acquisition Agreement, including a material breach of warranty or a serious failure to comply with any undertaking given by the Sellers in respect of the period between signing and completion or if there occurs a material adverse change in the business of easyJet or Go or if there is, prior to the closing of the Rights Issue, a material adverse change in the market in the opinion of Credit Suisse First Boston.

Part XI – Additional Information

1. Responsibility

The Directors of easyJet, whose names are set out in paragraph 6 below, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation

The Company was incorporated and registered in England and Wales on 24 March 2000 as a private company limited by shares with registered number 3959649. It re-registered on 16 October 2000 as a public limited company, with the name easyJet plc.

The principal legislation under which the Company operates is the Act and regulations made thereunder. The Company's registered office is easyLand, London Luton Airport, Bedfordshire LU2 9LS.

3. Share capital

3.1 The following table shows the authorised and issued and fully paid share capital of easyJet as it was on 22 May 2002 (being the latest practicable date prior to the posting of this document) and as it will be immediately following completion of the Rights Issue.

Shares		Authorised	Issued	Shares Issued
At the date of this document	Ordinary Shares of 25p	£100,000,000	£71,778,783.50	287,115,134
Immediately after Rights Issue ⁽¹⁾	Ordinary Shares of 25p	£125,000,000	£97,880,159.25	391,520,637
Immediately after Rights Issue ⁽²⁾	Ordinary Shares of 25p	£125,000,000	£99,228,973.50	396,915,894

(1) Assuming no optionholders under the easyJet Share Option Schemes exercise options, in respect of Ordinary Shares prior to the Record Date.

(2) Assuming all currently exercisable options under the easyJet Share Option Schemes are exercised prior to the Record Date.

3.2 On incorporation, the authorised share capital of the Company was £100,000,000 divided into 100,000,000 ordinary shares of £1 each, one of which was issued fully paid or credited as fully paid. On incorporation there was one subscriber, Luciene James Limited, 83 Leonard Street, London EC2A 4QS, holding one share. On 24 March 2000 that share was transferred to easyJet Holdings Limited.

3.3 On 30 April 2000 the Company entered into two share purchase agreements and a share exchange agreement pursuant to which the Company acquired easyJet Holdings Limited's entire interest in the shares of its subsidiary companies and easyJet Switzerland. In consideration of such acquisitions, the Company issued 46,646,729 of its ordinary shares to easyJet Holdings Limited.

3.4 By an ordinary resolution of the Company passed on 14 September 2000:

3.4.1 The authorised and issued ordinary shares of £1 each were each sub-divided into four ordinary shares of 25 pence each, being 186,586,920 ordinary shares of 25 pence each; and

3.4.2 The authorised and unissued ordinary shares of £1 were each sub-divided into four ordinary shares of 25 pence each, being 213,413,080 ordinary shares of 25 pence each.

3.5 On 12 October 2000, shortly before the re-registration of the Company as a public limited company, one share of the Company was transferred from easyJet Holdings Limited to easyJet Nominees Limited (a wholly owned subsidiary of easyJet Holdings Limited) holding such share as nominee for easyJet Holdings Limited. The purpose of this transfer was to comply with the requirement for public companies to have at least two shareholders.

3.6 The Global Offering

On 22 November 2000, 63,000,000 new Ordinary Shares were offered at 310p per share and those Ordinary Shares were admitted to the Official List of the UK Listing Authority. An additional 9,450,000 Ordinary Shares were issued at 310p per share on 5 December 2000 and admitted to the Official List of the London Stock Exchange pursuant to an over-allotment option granted to Credit Suisse First Boston Equities Limited and UBS AG acting through its business agent UBS Warburg, the joint bookrunners of the Global Offering.

3.7 On 24 November 2000 949,884 Ordinary Shares were issued by the Company to certain qualifying employees in connection with the easyJet Share Bonus Scheme and the easyJet Share Gift referred to in paragraph 5.3 below.

3.8 The Placing and Open Offer

On 2 October 2001, 19,532,258 new Ordinary Shares were offered by the Company to existing qualifying shareholders at an offer price of 375p by way of an Open Offer (“Open Offer”). In addition, on 7 November 2001 6,500,000 new Ordinary Shares were issued by the Company to be placed, together with 13,000,000 existing Ordinary Shares then held by easyGroup, on a non-pre-emptive basis with certain investors at an offer price of 375p (the “Placing”). All new Ordinary Shares issued pursuant to the Placing and Open Offer were admitted to the Official List of the London Stock Exchange.

3.9 Between 13 February 2001 and 1 May 2002, in addition to those new Ordinary Shares issued pursuant to the Placing and Open Offer, a total of 1,096,072 new Ordinary Shares have been issued by the Company pursuant to the terms of the easyJet Share Option Schemes. The Company is committed to the issue of a further 28,881,893 Ordinary Shares pursuant to the terms of the easyJet Share Option Schemes.

3.10 At the Annual General Meeting of the Company held on 15 March 2002:

3.10.1 the Directors were given authority by Ordinary Resolution for the purposes of section 80 of the Act to allot relevant securities up to an aggregate nominal value of £21,062,241. This authority remains in effect until the conclusion of the Company’s annual general meeting in 2003;

3.10.2 the Directors were empowered pursuant to Section 95 of the Companies Act 1985 (the “Act”) to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the said resolution as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this authority was limited to the allotment of equity securities:

(a) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory); and

(b) (otherwise than pursuant to sub-paragraph (a) of this resolution) up to the aggregate nominal amount of £3,946,888

Unless earlier revoked, these authorities shall expire at the conclusion of the annual general meeting held in 2003.

4. Memorandum and articles of association

4.1 Memorandum of association

The objects of the Company are set out in full in clause 4 of the memorandum of association (which is available for inspection at the addresses specified in paragraph 20 below) and include the carrying on of business as an airline and air transport undertaking and acting as a holding company.

4.2 Articles of association

The Articles of Association of the Company (the “Articles”) were adopted pursuant to a special resolution of the Company passed on 15 March 2002 and contain provisions, *inter alia*, to the following effect:

4.2.1 Limitations on share ownership

The Directors are given the powers described below under the Articles to take action to ensure that the amount of shares held in the Company by non-UK nationals does not reach a level which could jeopardise easyJet’s entitlement to continue to hold or enjoy the benefit of any authority, permission, licence or privilege which it or any of its subsidiaries holds or enjoys and which enables an air service to be operated (each an “Operating Right”). In particular, the UK/Swiss ASA and the UK/Czech ASA require that a UK designated air carrier must be majority owned and effectively controlled by UK nationals, although EU nationality will satisfy this requirement in the case of the UK/Swiss ASA from 1 June 2002 (see “Air Transport Regulation” at Part V of this document). The Directors may, from time to time set a “Permitted Maximum” on the number of shares of easyJet plc which may be owned by non-UK nationals at such level as they believe will comply with the UK/Swiss ASA, the UK/Czech ASA and any other ASAs pursuant to which the easyJet Group has or, following the Acquisition, the Enlarged Group will have Operating Rights. This level has initially been set at 40 per cent.

The Articles allow the Directors to relax the ownership limitations such that rather than restrict ownership by non-UK nationals, the limitations will only apply to non-Qualifying Nationals (as defined below) at such level as they believe will comply with the EC Licensing Regulation and EEA Agreement.

The Operating Rights under which easyJet UK operates the vast majority of its routes (all of those between member states of the EEA) are granted pursuant to the EC Licensing Regulation and EEA Agreement (see “Air Transport Regulation” in Part V of this document). The EC Licensing Regulation and EEA Agreement require that in order to obtain and retain an operating licence, an EU air carrier must be majority owned and effectively controlled by EEA nationals (“Qualifying Nationals”). From 1 June 2002 Swiss nationality will also satisfy this requirement (see “Air Transport Regulation” in Part V of this document). The limitations under the UK/Swiss ASA and other ASAs described above are more stringent than those required by the EC Licensing Regulation and EEA Agreement and therefore whilst it complies with such limitations, easyJet UK will also be compliant with the ownership requirements of the EC Licensing Regulation and EEA Agreement.

The Company will maintain a separate register (the “Separate Register”) of shares in which non-UK nationals, whether individuals, bodies corporate or other entities, have an interest (such shares are referred to as “Relevant Shares” in the Articles). An interest in this context is widely defined. The Directors can require relevant members or other persons to provide them with information to enable a determination to be made by them as to whether shares are, or are to be treated as, Relevant Shares. If such information is not available or forthcoming or is unsatisfactory then the Directors can, at their discretion, determine that shares are to be treated as Relevant Shares. Registered holders of shares are also obliged to notify the Company if they are aware that any share which they hold ought to be treated as a Relevant Share for this purpose.

The Directors may determine that it is necessary to take steps to protect any Operating Right or the status of the Company or any subsidiary as an EU or UK airline or air carrier by reason of the fact that, broadly, an Operating Right has been or is threatened to be refused, withheld, suspended or revoked or the aggregate number of Relevant Shares is such that an Operating Right may be refused, withheld, suspended or revoked or the ownership of the Company is otherwise such that an Operating Right may be refused, withheld, suspended or revoked. In such circumstances the Directors can *inter alia*:

- (a) remove any Director;
- (b) identify those shares which give rise to the need to take action and treat such shares as Affected Shares (see below); or
- (c) set a Permitted Maximum on the number of Relevant Shares which may subsist at any time (which may not, save in the circumstances referred to below, be lower than 25 per cent of the total

number of issued shares) and treat any Relevant Shares in excess of this Permitted Maximum as Affected Shares (see below). The Directors may serve a notice (“an Affected Share Notice”) in respect of any Affected Share. An Affected Share Notice can, if it so specifies, have the effect of depriving the registered holder of the rights to attend, vote and speak at general meetings which he would otherwise have had as a consequence of holding such shares. Such an Affected Share Notice can, if it so specifies, also require the recipient to dispose of the shares (so that the relevant shares will then cease to be Affected Shares) within 21 days or such longer period as the Directors may determine. The Directors are also given the power to transfer such shares themselves where there is non-compliance with an Affected Share Notice.

The rights of the Directors referred to above apply until such time as the Directors resolve that grounds for the making of a determination have ceased to exist, whereupon the Directors must withdraw such determination.

The Directors have resolved to set the Permitted Maximum at 40 per cent initially. This Permitted Maximum may be varied by the Directors. At any time when the Directors have resolved to specify a Permitted Maximum (other than on the first occasion after the adoption of the Articles when this is set) or deal with shares as Affected Shares, or relax the ownership limitations, they shall publish in at least one national newspaper in the United Kingdom (and in any country in which the Ordinary Shares are listed) notice of the determination and of any Permitted Maximum. The Directors shall publish, from time to time, information as to the number of shares, particulars of which have been entered on the Separate Register.

The Directors may not register any person as a holder of shares unless such person has furnished to the Directors a declaration, together with such evidence as the Directors may require, stating (a) the name and nationality of any person who has an interest in any such share and, if the Directors require, the nature and extent of such interest; or (b) such other information as the Directors may from time to time determine. The Directors may decline to register any person as a shareholder if satisfactory evidence or information is not forthcoming.

4.2.2 Voting rights

Subject to any special terms as to voting on which any shares may have been issued or may from time to time be held, at a general meeting of the Company every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company or if he, or any other person appearing to be interested in such shares, has been issued with a notice pursuant to Article 81 (requiring disclosure of interests in shares) and has failed in relation to any such shares to give the Company the information required by such notice within 14 days.

4.2.3 Dividends

Subject to the provisions of the Act and the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the

dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such conditions as the Board may determine, offer to holders of Ordinary Shares the right to select to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of Ordinary Shares will be withheld if such shares represent at least 0.25 per cent of their class and the holder, or any other person appearing to be interested in those shares, has been duly served with a notice under Article 81 (requiring disclosure of interests in shares) and has failed to supply the information required by such notice within 14 days. Furthermore such a holder shall not be entitled to elect to receive Ordinary Shares instead of a dividend.

4.2.4 Division of assets on a winding-up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members, or vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

4.2.5 Transfer of shares

Subject to the restrictions on transfer summarised in this paragraph 4, every member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless all of the following conditions are satisfied:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of only one class of shares;
- (c) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (d) it is duly stamped (if so required); and
- (e) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued, or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the grounds they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

The Board may also refuse to register any transfer of a share if, in the opinion of the Directors, such share would, upon transfer, become, or would be capable of being treated as, an Affected Share, provided that in the case of a share held in uncertificated form the Directors may only exercise their discretion not to register a transfer if permitted to do so by regulation 27 of the Regulations.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under Article 81 (requiring disclosure of interests in shares), has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a take-over offer, in consequence of a sale on a recognised stock exchange or a sale to an unconnected party.

4.2.6 Lien and forfeiture

The Company shall have a first and paramount lien on each of its shares which is not fully paid, for all amounts payable to the Company (whether presently or not) in respect of that share and to the extent and in the circumstances permitted by the Act.

If any member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment, the Board may at any time serve a notice in writing on such member requiring payment (on a date not less than 14 clear days from the date of the notice), of the amount unpaid and any interest which may have accrued thereon and any costs, charges and expenses incurred by the Company by reason of such non-payment. If the notice is not complied with, any share in respect of which it was given may, at any time before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends declared or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

4.2.7 Variation of rights

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of any extraordinary resolution passed at a separate general meeting of the holders of shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued, or by the reduction of the capital paid up on such shares, or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles.

4.2.8 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Act, to create and issue debenture and other loan stock and debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Articles do not contain any limit on the amount of easyJet Group borrowings.

4.2.9 Changes in capital

Subject to the provisions of the Act, the Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled, and sub-divide all or any of its shares into shares of smaller amount. The Company may also, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve or any share premium account in any way.

4.2.10 Issue of shares

Subject to the provisions of the Act and to any special rights for the time being attached to any shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine, and any share may be issued which is, or is liable to be, redeemed at the option of the Company or the holder in accordance with the Articles. Subject to the Act and to any relevant authority of the Company in general meeting required by the provisions of the Act, the unissued shares at the date of adoption of the Articles and any shares created thereafter shall be at the disposal of the Board.

4.2.11 Remuneration of Directors

The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding in aggregate £300,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses (including the cost of independent professional advice) properly incurred by them in or about the performances of their duties as Directors.

The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director.

4.2.12 Pensions and gratuities for Directors

The Board may exercise all the powers of the Company to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of any company in the easyJet Group and their relatives or dependants.

4.2.13 Directors' interests in contracts

Subject to the provisions of the Act and provided that his interest is disclosed at a meeting of the Board in accordance with the Articles, a Director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit under the Company (except that of auditor of the Company or of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement,

transaction or proposal. No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

4.2.14 Restrictions on Directors voting

Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities or otherwise in or through the Company, unless the resolution concerns any of the following matters:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any proposal concerning any other body corporate in which he (together with persons connected with him within the meaning described above) does not to his knowledge have an interest (as the term is used in Part VII of the Act) in one per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;
- (e) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his or its own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

4.2.15 Age of Directors

The Articles state that section 293 of the Act applies to the Company and accordingly special notice will be required of any resolution appointing or approving the appointment of a Director who has attained the age of 70.

4.2.16 Number and nationality of Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall be not less than three nor more than 15. At any time a majority of the Directors must be Qualifying Nationals.

4.2.17 Powers of the Directors and quorum at Board Meetings

Subject to the provisions of the Act, the Memorandum of Association of the Company and the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not. No alteration of the Memorandum of Association or of the

Articles and no such direction given by the Company shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given.

The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be three persons, each being a Director or an alternate Director. The Articles provide that no Board meeting will be quorate unless a majority of the Directors present at the relevant Board meeting are UK Nationals.

4.2.18 Directors' indemnification

Subject to the provisions of the Act, every Director, alternate Director, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation thereto, including (without prejudice to the generality of the foregoing) any liability incurred in defending any proceedings (whether civil or criminal) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company, and in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by any court of competent jurisdiction.

4.2.19 Directors' appointment and retirement by rotation

Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation. Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than alternate Directors) shall not be less than three nor more than fifteen. A Director shall not be required to hold any shares in the Company.

For so long as easyGroup and/or Stelios Haji-Ioannou (the "Controlling Shareholders") directly or indirectly hold in aggregate at least 25 per cent of the issued ordinary share capital of the Company and the Company is entitled to continue to use the easyJet brand under the terms of the easyJet Brand Licence (details of which are set out in paragraph 9.2.14 of this Part XI), the Controlling Shareholders (or either of them) shall be entitled to appoint any two persons to be non-executive Directors of the Company and in addition Stelios Haji-Ioannou shall be entitled to be the Chairman of the Board and of the Company. For so long as the Controlling Shareholders directly or indirectly hold in aggregate at least ten per cent of the issued ordinary share capital of the Company and the Company is entitled to continue to use the easyJet brand under the terms of the easyJet Brand Licence (as referred to above), Stelios Haji-Ioannou shall be entitled to be the Chairman of the Board and of the Company.

At each annual general meeting of the Company one third of the Directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. Subject to the Act and to the Articles, the Directors to retire will, first, be any Director who wishes to retire and not offer himself for re-election and secondly, be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless the Directors otherwise agree) be determined by lot.

4.2.20 Untraced shareholders

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal given in accordance with the Articles. Until the untraced member claims such net proceeds of sale, they will be available for use in the business of the Company or for investment, in either case at the discretion of the Board, and will not carry interest.

4.2.21 Non-UK shareholders

Non-UK shareholders are not entitled to receive notices of general meetings unless they have given an address in the UK to which such notices may be sent.

4.2.22 CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Company is a CREST Member.

4.2.23 Electronic Communication

The Articles reflect the fact that electronic communications can be used. This allows the Company, where a shareholder so elects, to send the shareholder by electronic communications certain information relating to the Company (including notices, proxy forms, and annual reports) or to place such information on a website having notified the shareholder of its availability on that website by e-mail. Shareholders who do not make such election will continue to receive communications by traditional means.

5. easyJet Share Option Schemes

5.1 easyJet Key Employee Pre-Flotation Share Option Scheme (the “UK Pre-Flotation Scheme”)

The UK Pre-Flotation Scheme was adopted on 29 February 2000 by easyJet Holdings Limited and is not approved by the Inland Revenue. No further options will be granted under this scheme.

The principal terms of the UK Pre-Flotation Share Option Scheme are as follows:

5.1.1 When options may be exercised

Options are normally only exercisable to the extent that they have vested. With the exception of Amir Eilon’s options (which vested in full on 22 November 2000, but which only become exercisable on 22 November 2002), options are vested/will vest as follows:

Date	Percentage of option shares vesting
22 November 2000	25%
22 November 2001	25%
22 November 2002	25%
22 November 2003	25%

Ordinary Shares acquired when options are exercised before 22 November 2002 may not generally be sold until 22 November 2002 (except that enough Ordinary Shares may be sold to satisfy the exercise price, any tax or employee’s national insurance liability and any employers’ National Insurance Contributions which the employees have agreed to bear and which arise on exercise).

Where options are exercised after 22 November 2002, all Ordinary Shares received may be sold immediately, subject to the provisions of the Company’s code on security transactions.

Where the optionholder ceases to be a director or employee of the easyJet Group, the option becomes exercisable over all Ordinary Shares under option which have vested at the date of termination of employment and over further Ordinary Shares only at the Board’s discretion for a period specified by the Board. The Board has exercised its discretion to allow four option holders who are no longer employees of the easyJet Group, namely Nick Manoudakis, James Rothnie, George Karageorgiou and George Charalambous, to retain their options for such period as would have applied had they continued to be employed by the group. All these individuals were actively involved in easyJet during its formative period. Nick Manoudakis and James Rothnie now work for easy Group (UK) Limited and George Karageorgiou and George Charalambous work for easy Group as well as Stelinvest Inc. They hold respectively options over 106,106 Ordinary Shares, 57,738 Ordinary Shares, 83,632 Ordinary Shares and 11,711 Ordinary Shares.

Special provisions allow for early exercise in the event of a take-over, reconstruction or winding up of the Company. Alternatively options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

No option may be exercised more than 10 years after its date of grant.

5.1.2 Transfer and other rights

Options granted under the UK Pre-Flotation Scheme are personal to the optionholder and may not be transferred, assigned or charged.

Options under the UK Pre-Flotation Scheme are not pensionable.

5.1.3 Amendment

The Board (with the approval of the Trustee) may amend the UK Pre-Flotation Scheme at any time. However, no amendment may be made which would materially adversely affect any of the subsisting rights of optionholders, unless optionholders holding options over three quarters of the total number of Ordinary Shares under option consent in writing to the amendment.

5.1.4 No further options to be granted

No options have been granted under this scheme since 22 November 2000 and no further options will be granted.

5.1.5 Adjustment of Exercise Price

In accordance with the rules of the UK Pre-Flotation Scheme, the Directors intend to make adjustments to the terms of the options granted under the scheme to take account of the Rights Issue. Any such adjustments will be subject to confirmation by the Company's auditors that the adjustments are, in their opinion, fair and reasonable. Options under the UK Pre-Flotation Scheme do not confer any right to participate in the Rights Issue.

5.2 easyJet Switzerland Key Employee Pre-Flotation Share Option Scheme (the "Swiss Pre-Flotation Scheme")

The terms of the Swiss Pre-Flotation Scheme are largely identical to those of the UK Pre-Flotation Scheme. Participants in the Swiss Pre-Flotation Scheme are employees or former employees of easyJet Switzerland and its subsidiaries.

5.3 easyJet Share Bonus Scheme ("Share Bonus Scheme") and easyJet Share Gift ("Share Gift")

Prior to 22 November 2000 the Company operated the Share Bonus Scheme and the Share Gift, under which the Trustee transferred, for no consideration, to each qualifying employee Ordinary Shares to the value of his award, each Ordinary Share being valued at the price at which an Ordinary Share was sold under the Global Offering of November 2000 (310 pence per Ordinary Share). Qualifying employees granted Ordinary Shares under the Share Bonus Scheme and Share Gift must retain the Ordinary Shares until 22 November 2002 (although a proportion of the Ordinary Shares may be sold to cover the cost of any tax liability and any employee's NICs arising on vesting).

5.4 easyJet Approved Discretionary Share Option Scheme 2000 (the "Approved Scheme")

On 28 October 2000 the Company adopted the Approved Scheme, which was approved by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 on 22 January 2001.

The principal terms of the Approved Scheme are as follows:

5.4.1 Eligibility

The Directors (or a trustee of any trust which holds Ordinary Shares) may select any full-time director (full-time is if he/she is obliged to devote not less than 25 hours a week to the performance of his/her duties) or any employee of any member of the easyJet Group to participate in the Approved Scheme.

5.4.2 Scheme Limit

In any 10 year period not more than 10 per cent of the issued ordinary share capital of the Company may be made subject to options under the Approved Scheme or any other share option scheme or share incentive scheme operated by the Company. Any options over Ordinary Shares which are already issued or options which lapse are disregarded for the purpose of this limit.

5.4.3 Individual Limit

The aggregate market value (as at the date of grant) of Ordinary Shares which may be acquired in pursuance of subsisting options granted to any participant under the Approved Scheme (and any other approved discretionary share option scheme of the Company or an associated company) may not exceed £30,000.

5.4.4 Grant of options

Options to acquire Ordinary Shares may generally only be granted in the period of 42 days commencing on the day following the occurrence of any of the following events:

- (a) the approval of the Approved Scheme or any amendment by the Inland Revenue; or
- (b) an announcement by the Company of its results for any year, half year or other period, or the issue by the Company of a prospectus, listing particulars or similar document; or
- (c) a day on which an announcement is made of an amendment or amendments to be made to the relevant tax legislation or a day on which any such amendments come into force,

or, in relation to the grant of an option to an individual, a period of 42 days commencing on the day on which that individual became an eligible employee.

Options may also be granted outside those periods in exceptional circumstances if the Directors so decide.

5.4.5 Exercise price

The price payable for each Ordinary Share on the exercise of an option is to be determined on the date on which the option is granted. This price shall be:

- (a) the average middle market quotation of an Ordinary Share for the five dealing days immediately preceding the date of grant as derived from the Daily Official List of the London Stock Exchange; or
- (b) if greater, and Ordinary Shares are to be subscribed, the nominal value of an Ordinary Share.

5.4.6 Adjustments following Rights Issue

In accordance with the rules of the Approved Scheme, the Directors intend to make adjustments to the terms of the options granted under the scheme to take account of the Rights Issue. Any such adjustments will be subject to confirmation by the Company's auditors that the adjustments are, in their opinion, fair and reasonable. Options under the Approved Scheme do not confer any right to participate in the Rights Issue.

5.4.7 When options may be exercised

In normal circumstances, an option is only exercisable whilst the optionholder is still a director or employee of any member of the easyJet Group participating in the Approved Scheme. On granting an option, the Directors (or trustee where relevant) have absolute discretion to determine any date(s) between the first and tenth anniversaries of the date of grant when the option shall first become exercisable in whole or in part. Early exercise is allowed by personal representatives within a one year period of an optionholder's death. If an optionholder ceases to be employed within the easyJet Group by reason of injury, ill-health, disability, redundancy or retirement, by reason of the transfer of the undertaking in which the optionholder is employed to a person outside the easyJet Group or by reason of the company by which the optionholder is employed ceasing to be under the control of the Company, then early exercise is permitted within a six month period after such cessation. If an optionholder ceases employment for any other reason his option will lapse unless the Directors (or trustee where relevant) in their absolute discretion decide otherwise.

A performance condition or conditions may be set at the date when the option is granted. Any performance condition(s) must be such that significant and sustained improvement in the underlying financial performance of the easyJet Group is required. The performance condition(s) may, in specified circumstances, be amended or waived.

Special provisions also allow early exercise in the event of a take-over, reconstruction or winding-up of the Company. Alternatively, options may, by agreement with the acquiring company, be rolled over into equivalent options over shares in the acquiring company.

No option may be exercised more than 10 years after its date of grant.

5.4.8 Amendment

The Directors may amend the Approved Scheme at any time. However, the prior approval of the Company in general meeting must be obtained in the case of amendments which are to the advantage of optionholders or eligible employees, except that any amendment or addition to the Approved Scheme which the Directors consider necessary or desirable (a) to benefit the administration of the Approved Scheme; (b) to take account of a change in legislation; or (c) to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders, the Company or any other member of the easyJet Group, may be made by resolution of the Directors without the need for prior approval of the Company in general meeting.

No amendment may be made which would adversely affect any of the subsisting rights of optionholders unless the Directors have invited such optionholders to indicate whether they approve such amendment and such amendment is approved by three quarters of those optionholders who have given such indication.

Any amendment to the Approved Scheme requires Inland Revenue approval if the Directors wish the Approved Scheme to retain its approved status.

5.4.9 Termination

Unless previously terminated by a resolution of the Directors or a resolution of the Company in general meeting, the Approved Scheme shall terminate 10 years from the date of its approval by the Inland Revenue and no option may be granted thereafter.

5.5 The easyJet Non-Approved Discretionary Share Option Scheme 2000 (the “Non-Approved Scheme”)

The Non-Approved Scheme was adopted by the Company on 28 October 2000. The Non-Approved Scheme has not been approved by the Inland Revenue. The rules of the Approved Scheme, other than those specifically relating to Inland Revenue approval, also generally apply to the Non-Approved Scheme.

The principal differences are as follows:

5.5.1 Eligibility

Any Director or employee of any member of the easyJet Group or of easyJet Switzerland, easyJet Tours SARL or easyTech may be selected to participate in the Non-Approved Scheme.

5.5.2 Individual Limit

In any year no individual may be granted an option or options which would, if exercised in full, require him/her to pay an aggregate amount in excess of 200 per cent of his/her total annual remuneration (including bonuses) or 400 per cent in an employee’s first year of employment.

5.5.3 National Insurance Contributions

An optionholder must unconditionally and irrevocably agree to indemnify the Company and each participating company against any employers’ National Insurance contributions which may arise as a consequence of, or in connection with, the exercise of his/her option.

5.5.4 Adjustments following Rights Issue

In accordance with the rules of the Non-Approved Scheme, the Directors intend to make adjustments to the terms of the options granted under the scheme to take account of the Rights Issue. Any such adjustments will be subject to confirmation by the Company’s auditors that the adjustments are, in their opinion, fair and reasonable. Options under the Non-Approved Scheme do not confer any right to participate in the Rights Issue.

5.6 easyJet All-Employee Share Ownership Plan (the “AESOP”)

This plan was adopted on 28 October 2000 and is designed for approval by the Inland Revenue under Schedule 8 to the Finance Act 2000. The principal features of the AESOP are set out below.

5.6.1 Operation

The AESOP will provide employees with the opportunity to receive Ordinary Shares in one or more of three ways:

- ▶ each time an invitation is made, participants may choose to allocate from their salary up to £125 a month to buy Ordinary Shares (“Partnership Shares”);
- ▶ the Company may match Partnership Shares acquired with free shares (“Matching Shares”). Whether the Company will match Partnership Shares and the matching ratio (which may not exceed two Matching Shares for each Partnership Share) will be announced when an invitation to acquire Partnership Shares is made; and
- ▶ as a separate opportunity from Partnership and Matching Shares, the Company may award up to £3,000 of free shares (“Free Shares”) to each eligible employee in any tax year. The award of Free Shares can be dependent on individual, business unit or corporate performance.

5.6.2 Participation

All UK resident employees and full time directors of the easyJet Group who have completed a specified period of continuous service are eligible to participate in the AESOP. The Directors have the discretion to allow non-UK employees also to participate.

5.6.3 Partnership Shares

When offering Partnership Shares, the Company may determine a savings period which may not exceed 12 months. This period is known as the “accumulation period”, in which employees may choose to allocate a specified amount (not exceeding £125 per month or (if less) 10 per cent of taxable salary) of their pre-tax salary for the purchase of Ordinary Shares. Payment will be made by way of monthly payroll deductions in favour of the trustees of the easyJet All-Employee Share Ownership Plan Trust (the “Trust”).

Within 30 days of the end of each accumulation period, the trustees of the Trust (the “Trustees”) will purchase Partnership Shares on behalf of the participants. The number of Partnership Shares received by a participant is determined by reference to the accumulated savings divided by the lower of the market value of Ordinary Shares at the beginning and at the end of the accumulation period.

Alternatively, there may be no accumulation period and deductions from salary will then be applied by the Trustees in acquiring Ordinary Shares within 30 days of each deduction.

After Partnership Shares have been acquired on behalf of a participant, they may be withdrawn from the AESOP at any time.

5.6.4 Matching Shares

The Company may decide at its discretion to offer Matching Shares to participants who purchase Partnership Shares, the ratio not to exceed two Matching Shares for each Partnership Share. The Matching Share ratio will be notified to employees before they enter into a Partnership Share Agreement.

Matching Shares must be subject to a holding period of anything between three and five years.

5.6.5 Free Shares

Each year, at the discretion of the Company, an award of Free Shares may be offered to all eligible employees. No employee may receive an award of more than £3,000 in any tax year. The Company will determine in respect of each award whether that award is to be dependent on the achievement of performance targets before Free Shares can be received.

An award will be subject to a holding period during which the Free Shares must be held in the AESOP. The holding period must be between three years and five years.

Shares must be offered on similar terms that will vary only in accordance with remuneration, length of service and performance. For any award of Free Shares which depends on the achievement of performance targets, the Company will notify participants of the target or targets, and Free Shares will only be awarded to the extent those targets are met.

5.6.6 Reinvestment of dividends

The AESOP provides that, at the direction of the Company, all dividends in respect of a participant's Ordinary Shares held in the AESOP may be applied in acquiring further Ordinary Shares on his behalf ("Dividend Shares"), provided that the amount so applied per participant may not exceed £1,500 per year. The holding period during which Dividend Shares must generally remain in the AESOP is three years.

5.6.7 Share acquisitions

The Trustees may either subscribe for or purchase Ordinary Shares for the purpose of the AESOP. In any 10 year period, not more than 10 per cent of the Company's issued ordinary share capital may be issued or become issuable pursuant to the AESOP and any other employee share scheme.

Whilst a participant's Ordinary Shares remain held by the Trustees, he or she will be the beneficial owner and will be entitled to receive dividends, and, through the Trustees, to vote, to participate in rights and capitalisation issues and to elect to receive scrip dividends in substantially the same way as other shareholders.

Adjustments may be made to rights in such a manner as the Company's auditors confirm to be fair and reasonable to reflect, inter alia, capitalisation or rights issues.

5.6.8 Other

Basic salary before Partnership Share savings deductions will be pensionable. Any benefits under the AESOP will not be taken into account for the pension entitlements of any participant.

Participants who cease employment are not entitled to compensation for any loss which may arise as a result of ceasing to participate or to be able to participate in the AESOP.

5.6.9 Amendments

With the prior approval of the Inland Revenue, Directors may at any time alter or add to the key features of the rules of the AESOP or the terms of any award made under it. The Board may amend the non-key features of the AESOP without Inland Revenue approval. However, any provisions relating to:

- ▶ the persons to whom Ordinary Shares are provided under the AESOP;
- ▶ the limitations on the number of Ordinary Shares subject to the AESOP; and
- ▶ the maximum entitlement of any one participant under the AESOP (other than to take account of increases in limits imposed by relevant tax legislation),

cannot be altered to the advantage of participants without the prior consent of the shareholders of the Company in general meeting (except for minor amendments to benefit the administration of the AESOP and any amendments to take account of a change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company, any subsidiary or the Trustees).

5.7 The easyJet Management Combination Incentive Plan (the "Combination Plan")

The Combination Plan is designed to reward key participants in the process of combining the businesses of easyJet and Go (the "Combination") with free Ordinary Shares if performance milestones are met within certain periods following Completion.

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5.7.1 Awards and Acquisition of Shares

Awards will be made by the Trustee. If Ordinary Shares are subscribed by the Trustee to meet awards, they will count towards the dilution limits imposed by the Company's other employee share schemes. It is currently intended that the necessary Ordinary Shares will be purchased on the London Stock Exchange shortly after Completion.

5.7.2 Eligibility

Although all full-time employees and directors of the easyJet Group are eligible to participate, the Combination Plan is intended for approximately 40 senior managers who have primary responsibility for implementing the Combination.

5.7.3 Grant of Awards

Awards will be made by the Trustee. The granting of awards will be conditional upon the holders of the awards agreeing to pay any liability to employer's National Insurance contributions arising on the exercise of the awards. Benefits under the Combination Plan will not be pensionable.

5.7.4 Number of Ordinary Shares contained in each Award

Each award will be over a fixed number of Ordinary Shares, divided into three equal tranches. Each tranche will be over the number of Ordinary Shares calculated by dividing the participant's basic salary immediately after Completion by the average price paid by the Trustee for the Ordinary Shares which it will be acquiring for the purposes of the Combination Plan. If within a year of Completion any participant takes on a position in the Enlarged Group which in the opinion of the Directors justifies a salary in excess of 120 per cent of his current salary then the award shall be calculated on the new salary.

5.7.5 Performance conditions

Each award will become exercisable in three tranches. The exercisability of a tranche will be triggered by the following milestones:

- ▶ one tranche of Ordinary Shares if the "Single Brand Milestone" is achieved within 12 months of Completion. The "Single Brand Milestone" is defined as the date on which the combined easyJet/Go entity has common inventory, held on eRes (easyJet's booking system), yield managed in an identical way and sold off the same website, together with common check-in services around the combined network.
- ▶ a second tranche of Ordinary Shares if the "Single AOC Licence Milestone" is achieved within 18 months of Completion. The "Single AOC Licence Milestone" is defined as the date on which the combined easyJet/Go entity commences operation in the United Kingdom under one Air Operator's Certificate.
- ▶ a third tranche of Ordinary Shares if the "Combination Completion Milestone" is achieved within 24 months of Completion. The "Combination Completion Milestone" is defined as the date on which all substantial issues arising from the integration of the businesses of easyJet and Go are complete and the integration team is disbanded.

5.7.6 Termination of Employment

If the participant leaves easyJet Group employment, his award will generally lapse to the extent that it has not already been exercised. However, if:

- a) a participant dies or leaves because of ill-health, injury or disability, redundancy or retirement, the sale outside the Enlarged Group of the company or business by which the participant is employed or in other circumstances at the Directors' discretion; and
- b) at the date of departure at least one milestone remains unachieved,

then provided the next milestone to be achieved after his departure is achieved before the deadline for its achievement, the participant will be entitled for a period of one month following achievement of the

milestone, to exercise his award to the same extent as if he had not ceased to be an Enlarged Group employee.

5.7.7 Change of Control

If:

- there is a takeover or other change of control of the Company, and
- the participant remains employed by the Enlarged Group or the purchaser's group on essentially the same terms as before the change of control, and
- the milestones remain the policy of the purchaser's group

the awards may be converted into equivalent options over shares in the purchaser's group or into options over cash.

Otherwise, all outstanding awards will vest on the change of control and sale restrictions will fall away.

If a participant is not offered employment in the Enlarged Group or the purchaser's group or is offered employment on less favourable terms, his award will vest in full. If the participant declines an offer of suitable employment, the award will be forfeited.

5.7.8 Adjustments to Awards

On a variation of the Company's share capital, the number of shares subject to awards can be adjusted at the discretion of the Trustee, subject to confirmation by the Company's auditors that the adjustment is fair and reasonable.

5.7.9 Amendments

The Trustee may amend the Combination Plan at any time, except that no amendment can be made relating to:

- the participants under the Combination Plan;
- limitations on the number or amount of Ordinary Shares subject to the Combination Plan;
- the maximum entitlement for any one participant under the Combination Plan; or
- the basis for determining the entitlement of participants to, and the terms of, awards of Ordinary Shares subject to the Combination Plan and the adjustment thereof (if any) in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital

and which would materially enhance the rights of participants, without the prior approval of the Company's shareholders in general meeting and no amendment can be made which would adversely affect any of the subsisting rights of participants, without participants' prior approval.

However, minor amendments considered necessary or desirable to benefit the administration of the Combination Plan, to take account of legislative changes, or to obtain favourable tax or regulatory treatment, may be made by the Trustee without the approval of Shareholders or participants provided that the amendments do not affect the basic principles of the Combination Plan.

5.7.10 Availability of rules of the Combination Plan for inspection

The rules of the Combination Plan will be available for inspection at the place of the Extraordinary General Meeting for at least 15 minutes prior to and during the meeting.

6. Directors’ Interests

6.1 The full names and functions of the Directors are as follows:

Name of Director	Function
Stelios Haji-Ioannou	Non-Executive Chairman
Sir Colin Michael Chandler	Non-Executive Deputy Chairman
Raymond Douglas Webster	Chief Executive
Christopher John Walton	Executive Director (Finance)
Colin Richard Day	Non-Executive Director
Amir Eilon	Non-Executive Director
Nicholas Hartley	Non-Executive Director
Anthony Kim Illsley	Non-Executive Director
Diederik Karsten	Non-Executive Director
John Anthony Quelch	Non-Executive Director

Each of the above Directors has a business address at easyland, London Luton Airport, Bedfordshire LU2 9LS, which is the registered office of the Company.

6.2 Aggregate Companies Act interests

As at the date of this document, the interests of the Directors, and of persons connected with them, which, unless otherwise stated, are beneficial, in the issued Ordinary Share capital of the Company, which have been notified to the Company pursuant to section 324 or section 328 of the Act or which are required pursuant to section 325 of the Act to be entered in the register referred to in section 325 of the Act, or are the interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under this paragraph and the existence of which is known or could with reasonable due diligence be ascertained by that Director are as follows:

Directors	Ordinary Shares of 25p each	
	At the date of this document	Immediately after Rights Issue
Stelios Haji-Ioannou	79,016,497	89,087,226 ⁽¹⁾
Raymond Douglas Webster	1,943,616	2,191,331 ⁽¹⁾
Nicholas Hartley	96,441	108,732 ⁽²⁾
Colin Richard Day	15,000	20,454 ⁽³⁾

(1) Assuming easyGroup (the company through which Stelios Haji-Ioannou is indirectly interested in Ordinary Shares) and Elura Investments Limited (the company through which Ray Webster is interested in Ordinary Shares) take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of their entitlements based on a theoretical value attributable to each Nil Paid Right of 143 pence.

(2) Assuming Nicholas Hartley takes up the number of Rights Issue Shares as can be funded by the proceeds of sale of the balance of his entitlement based on a theoretical value attributable to each Nil Paid Right of 143 pence.

(3) Assuming Colin Day takes up his full entitlement to Rights Issue Shares.

Part XI – Additional Information

6.3 In addition to the interests in the share capital of the Company described in paragraph 6.2 above, the following options (which, as at the date of this document, remain unexercised) have been granted to Directors under the UK Pre-Flotation Scheme, the easyJet Approved Discretionary Share Option Scheme and the easyJet Non-Approved Discretionary Share Option Scheme:

Directors	Number of Ordinary Shares under Option(d)	Exercise Price per Ordinary Share(d)
Raymond Douglas Webster	4,381,742	£1.82(a)
	6,607	£4.54(b)
	45,199	£4.54(c)
Amir Eilon	3,286,305	£1.82(a)
	825	£4.54(c)
Christopher John Walton	531,947	£1.82(a)
	6,607	£4.54(b)
	25,682	£4.54(c)
Nicholas Hartley	105,336	£1.82(a)
	825	£4.54(c)
Colin Richard Day	12,992	£2.28(a)
	825	£4.54(c)
Anthony Kim Illsley	12,992	£2.28(a)
	825	£4.54(c)
John Anthony Quelch	12,992	£3.10(a)
	825	£4.54(c)
Diederik Karsten	13,817	£4.54(c)

- (a) Options granted under the easyJet Key Employee Pre-Flotation Share Option Scheme.
- (b) Options granted under the easyJet Approved Discretionary Share Option Scheme.
- (c) Options granted under the easyJet Non-Approved Discretionary Share Option Scheme.
- (d) Following the Rights Issue, the number and/or exercise price of Ordinary Shares under option will be adjusted to reflect the effect of the Rights Issue.

As part of the UK Pre-Flotation Scheme, selected executives of the easyJet Group (including certain executive Directors, whose outstanding options are detailed above) were granted options over Ordinary Shares by easyJet Trustees Limited. All of these options (other than those granted to Amir Eilon whose options have vested but only become exercisable on 22 November 2002) have vested or will vest on the terms set out in paragraph 5.1.1 of this Part XI.

Shares acquired on the exercise of options before 22 November 2002 may not be disposed of until that date, other than to settle the option holder’s tax and National Insurance liabilities on exercise and to pay the exercise price.

Options under the easyJet Approved Discretionary Share Option Scheme and the easyJet Non-Approved Discretionary Share Option Scheme vest in full on 6 December 2004, subject to certain performance criteria.

- 6.4 Apart from the interests set out in 6.2 and 6.3 above, there are no other interests of a Director, or of any person connected with a Director, which are required to be disclosed under the Act.
- 6.5 Save as disclosed in paragraphs 8.6, 9.1.6 and 9.2.8 of this document, none of the Directors has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the easyJet Group and which was effected during the current or immediately preceding fiscal year of the Company or which was effected during an earlier fiscal year and which remain in any respect outstanding or unperformed.

7. Significant Interests

So far as is known to the Company, the names of any persons other than a Director who, directly or indirectly, are interested in 3 per cent or more of the Company’s issued capital as at 22 May 2002 (being the latest practicable date prior to the publication of this document) are as follows:

Name	At the date of this document		Immediately after the Rights Issue		
	Number of Ordinary Shares	Percentage	Number of Ordinary Shares	Percentage ⁽³⁾	Percentage ⁽⁴⁾
Polys Haji-Ioannou	44,278,566	15.4	49,921,912 ⁽¹⁾	12.8 ⁽¹⁾	12.6 ⁽¹⁾
Clelia Haji-Ioannou	44,278,566	15.4	49,921,912 ⁽¹⁾	12.8 ⁽¹⁾	12.6 ⁽¹⁾
Wellington Management Company, LLP	10,899,216	3.8	10,899,216 ⁽²⁾	2.8 ⁽²⁾	2.7 ⁽²⁾

- (1) Assuming Polys Holdings Limited (the company through which Polys Haji-Ioannou is indirectly interested in Ordinary Shares) and Clelia Holdings Limited (the company through which Clelia Haji-Ioannou is indirectly interested in Ordinary Shares) take up such number of Nil Paid Rights as can be funded by the proceeds of sale of the balance of their entitlements based on a theoretical value attributable to each Nil Paid Right of 143 pence.
- (2) These numbers do not take into account any Rights Issue Shares which may be taken up by this Shareholder pursuant to the Rights Issue.
- (3) Assuming no optionholders, under the easyJet Share Option Schemes exercise options in respect of Ordinary Shares prior to the Record Date.
- (4) Assuming all currently exercisable options under the easyJet Share Option Schemes are exercised prior to the Record Date.

Apart from the foregoing, the Company is not aware of any person other than a Director who is directly or indirectly interested in 3 per cent or more of the issued capital of the Company.

8. Directors’ Service Agreements, Emoluments and Experience

8.1 Executive Directors

The Executive Directors have been issued with contracts of employment by easyJet UK, which set out their basic terms and conditions of employment (the “Terms and Conditions”) with easyJet UK and which govern their appointments with easyJet plc.

8.2 Details of Executive Directors who have entered into the Terms and Conditions are set out below together with details of their remuneration:

Director	Date of contracts of employment	Remuneration per annum
Raymond Douglas Webster	14 November 2000	£256,000
Christopher John Walton	14 November 2000	£138,889

8.3 Both Executive Directors are entitled to participate in the pension scheme of easyJet plc. easyJet plc will contribute 7 per cent of the Directors’ annual salary to the pension scheme. Both Executive Directors are entitled to be paid an annual bonus. Ray Webster’s bonus is derived from a base bonus of 50 per cent of salary and Chris Walton’s bonus is derived from a base bonus of 25 per cent of salary. The actual bonus earned is calculated with reference to performance measures, namely personal performance and company performance. Performance against these two measures is assessed and can result in a multiple of up to 200 per cent of basic salary for Ray Webster and 100 per cent of basic salary for Chris Walton. Neither contract of employment of either Executive Director contains any express termination date, although in each case employment is terminable by either party on six months’ notice. Both Executive Directors are subject to restrictive covenants and confidentiality undertakings which are applicable upon termination of their employment. Neither contract contains any provision for any compensation payable for early termination of employment.

8.4 Ray Webster has an agreement with Air New Zealand that he will perform 2 weeks’ consultancy services each year in return for employer and employee contributions to a pension and free flights to New Zealand for him and his family.

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- 8.5 Stelios Haji-Ioannou, Sir Colin Chandler, Amir Eilon, Nick Hartley, Tony Illsley, Colin Day, Diederik Karsten and John Quelch are Non-Executive Directors. Tony Illsley, Colin Day, Amir Eilon, Nick Hartley, Diederik Karsten and John Quelch have all been appointed Non-Executive Directors for a period of three years and are entitled to £30,000 per annum plus expenses. Tony Illsley and Colin Day are also entitled to an additional £5,000 per annum in relation to their respective chairing of the Remuneration Committee and Audit Committee. Stelios Haji-Ioannou serves as Chairman of the Company under the terms of a relationship agreement and has agreed not to draw any director's fees or receive any reimbursement of expenses for his services. He will retire as Chairman of the Company at the conclusion of the Company's annual general meeting in 2003. Sir Colin Chandler was appointed as deputy chairman of the Company on 17 April 2002 and will become chairman of the Company following the conclusion of the Company's annual general meeting in 2003 for a period of two years. He is entitled to a fee in his capacity as deputy chairman of £75,000 per annum.
- 8.6 The Company has entered into a consultancy agreement with Eilon & Associates (the "Consultant") and Amir Eilon under which the Consultant undertakes to provide the services of Amir Eilon to the Company to assist it in effecting certain merger and acquisition transactions and their financing (including the Acquisition and the acquisition of Deutsche BA). The term of the agreement is until 30 June 2002 (or such later date as the parties may agree). The Consultant will receive a daily fee of £1,500 per day plus expenses and a success fee of £125,000 plus a performance-related further payment of up to £50,000 at the discretion of the chief executive and as approved by the Board. The aggregate amount of fees payable to the Consultant is capped at £250,000. To the extent that VAT is payable in respect of the fees it shall be added. The Consultant and Amir Eilon jointly indemnify the Company against any tax liability it may suffer in connection with any payment of fees and the Company indemnifies the Consultant and Amir Eilon in respect of any legal proceedings connected with the appointment of the Consultant by the Company, other than proceedings resulting from negligence, default or bad faith of the Consultant or Amir Eilon. Amir Eilon resigned from the audit committee of the Company on entering into this consultancy agreement.
- 8.7 Save as mentioned above, there are no service agreements between any Director and any member of the easyJet Group (other than agreements expiring or determinable by the employing company without payment of compensation (other than statutory compensation and damages in respect of unexpired notice) within one year) nor are any such contracts proposed.
- 8.8 The total aggregate of the remuneration paid, and benefits in kind granted to, the Directors of the Company by any member of the easyJet Group during the financial year ended 30 September 2001 was £962,000. This figure represents the Directors' salaries, bonuses, benefits in kind and pension contributions made on their behalf by the Company.

8.9 Non-executive Directors

Letters of appointment with each of the non-executive Directors provide for the payment of the following annual fees:

Sir Colin Chandler	£75,000 per annum
Colin Day	£30,000 per annum
Amir Eilon	£30,000 per annum
Nick Hartley	£30,000 per annum
Tony Illsley	£30,000 per annum
Diederik Karsten	£30,000 per annum
John Quelch	£30,000 per annum

Colin Day also receives £5,000 in relation to his chairing of the Audit Committee.

Tony Illsley also receives £5,000 in relation to the chairing of the Remuneration Committee.

8.10 The relevant management expertise and experience of the Directors is as follows:

The Board of directors and executive officers are:

Name	Position	Age
Stelios Haji-Ioannou	Chairman	35
Sir Colin Chandler	Deputy Chairman	62
Ray Webster	Chief Executive	55
Chris Walton	Finance Director	44
Colin Day	Non-Executive Director	47
Amir Eilon	Non-Executive Director	53
Nick Hartley	Non-Executive Director	64
Tony Illsley	Non-Executive Director	45
Diederik Karsten	Non-Executive Director	45
John Quelch	Non-Executive Director	50

The following paragraphs contain brief biographies of each of the Company’s directors and executive officers:

Stelios Haji-Ioannou founded easyJet in 1995. Prior to that, he founded and ran Stelmar Tankers, a shipping company which is listed on the New York Stock Exchange and in which he retains a significant shareholding, but whose management he has delegated to Stelmar executives. In 1998, he established the easy group of companies, with the objective of exploiting the “easy” brand for ventures other than easyJet. Such ventures launched thus far include easyInternetCafe, a chain of internet cafes, easyCar, a budget car rental business, easyValue, an internet price comparison service, easyMoney, a personal finance service and easy.com, an internet portal and e-mail service. Stelios is a national of the UK and Cyprus.

Sir Colin Chandler is currently Chairman of Vickers Defence Systems, a subsidiary of Rolls-Royce Plc, Deputy Chairman of Smiths Group Plc, and a director of Thales Plc, the UK subsidiary of the French aerospace, defence and IT company Thales SAe. He is Pro-Chancellor of Cranfield University. He was formerly Chairman & CEO of Racal Electronics (1999-2000); a director of Guardian Royal Exchange (1995-1999) and from 1990-1999 he was variously Managing Director, Chief Executive and Chairman of Vickers Plc. In his earlier career, he held various posts at British Aerospace Plc and its predecessor companies and undertook a four-and-a-half secondment to the Ministry of Defence. He was knighted in June 1988 for services to export.

Ray Webster joined easyJet in March 1996. Prior to that Ray had 27 years of experience in the airline industry at Air New Zealand. In his career with Air New Zealand he held various positions within the engineering business unit, formed their cargo business unit and had responsibility for marketing, sales and operations within the Americas market. His last role at Air New Zealand was as General Manager of Strategic Planning, where he was responsible for the identification, evaluation and implementation of corporate development options, including the concept development and planning of a start up “value based” (low-cost) airline serving short-haul routes within the Australasian market. Ray is a New Zealand national.

Chris Walton joined easyJet in 1999. Prior to that Chris had 13 years of experience in the airline industry working in finance and commercial capacities for Qantas, Air New Zealand, Australia Post and Australian Airlines. At various times, his roles have included responsibility for strategic planning, a number of M&A transactions, sales and marketing and the negotiation of strategic alliances. Before joining the airline industry, Chris worked as a strategic planner for British Petroleum (Australia) and had spent several years on the staff of an Australian senator. Chris is an Australian national.

Colin Day joined easyJet in September 2000 and is also currently chief financial officer for Reckitt Benckiser Plc, the world’s largest household cleaning products company. Before that Colin was group finance director of Aegis Plc, a leading European media buying and planning company. Prior to joining Aegis, Colin spent six years in a number of divisional finance director positions with ABB, latterly as group finance director of ABB Instrumentation. Much of his earlier career was spent in various finance positions with De La Rue Group. Colin is also a non-executive director of Bell Group Plc, a security systems company, and was previously a non-executive director of Vero Group. Colin is a UK national.

Amir Eilon spent the major part of his career working for investment banks, specialising in particular in global capital markets. Before joining easyJet in March 1999, Amir was with the Credit Suisse First Boston Private Equity Group where he had joint responsibility for Western Europe within its international group. Prior to that, Amir was at Barclays de Zoete Wedd for eight years, where he was head of global capital markets. Amir is also a non-executive director of easy Group (UK) Limited, easyValue, easyMoney, easyCar Limited and easyInternetCafé Limited. Amir is a UK national.

Nick Hartley acted as a consultant to Stelios Haji-Ioannou on the business strategy for easyJet prior to its incorporation. Before that, he worked as a consultant on business strategy for Stelmar Tankers and subsequently became a director and then chairman of that company. He worked at BP for 35 years until 1992, where his posts included Managing Director of BP Southern Africa and Managing Director of BP Shipping. He is also a non-executive director of easy Group (UK) Limited, easyValue Limited, easyMoney Limited, easyCar Limited and easyInternetCafé Limited. Nick is a UK national.

Tony Illsley joined easyJet in September 2000. Prior to that Tony worked at Telewest Communications plc where he was Chief Executive prior to the merger with Flextech plc. Prior to his appointment at Telewest he was President and Chief Executive of Walkers Snack Foods, the UK division of Frito Lay, PepsiCo's foods subsidiary, having been promoted in 1995 from the position of president of Pepsi-Cola Asia Pacific. Before this, Tony spent four and a half years as Pepsi-Cola's President in Japan. From 1984 to 1988 he held various positions in the group's European soft drinks operations, culminating in responsibility for the then 7-UP European Division. Before joining PepsiCo, Tony worked for five years at Colgate Palmolive in the United Kingdom, holding various senior marketing roles. Tony is a non-executive director of Capital Radio plc, Megabeam Networks Limited and non-executive chairman of Leisure Link Holdings Limited. Tony is a UK national.

Diederik Karsten joined easyJet in May 2001 and, from February 2000 to November 2001, was Chief Executive Officer of KPN Mobile N.V. Previously, he was director of the business unit Mobile Telephony and director of The Mobile Net, part of KPN Telecom. Prior to joining KPN Telecom in 1996, Diederik held various management and marketing positions at Pepsi Co in Europe as well as the US, including Vice President of sales and marketing Snacks Ventures Europe and sales and marketing director Pepsi Cola, Germany. Before that, Diederik held various marketing positions at Procter & Gamble. Diederik is a Dutch national.

John Quelch joined easyJet in November 2000 at which time he was the Dean of the London Business School and a Professor at London University. Subsequently he accepted the position of Senior Associate Dean, International Development and Lincoln Filene Professor of Business Administration at Harvard Business School. He was previously the Sebastian S. Kresge Professor of Marketing and Co-Chair of the Marketing Area at Harvard Business School. John serves as a non-executive director of WPP Group plc, a large UK marketing services company. As an academic, author and consultant, John specialises in international marketing, human resource management and general business management in both emerging and developing markets. John is a UK national.

On 17 April 2002, it was announced that three executive directors of the Company, Vilhelm Hahn-Petersen, Mike Cooper and Keith McMann, would resign as directors of the Company and continue to be or become directors of easyJet UK, the holder of one of the easyJet Group's Air Operating Certificates. These three individuals will continue to perform senior management roles with easyJet Group.

The following paragraphs contain brief biographies of each of the three individuals referred to above:

Vilhelm Hahn-Petersen joined easyJet in September 1999. Prior to that Vilhelm was employed by FLS Industries for 11 years. For nine of those years, he was employed by FLS Aerospace Limited, a UK subsidiary of FLS Industries, involved in the maintenance, repair and overhaul of commercial jets and their accessories, serving the European airline market. Vilhelm held a number of business development and operational management positions leading to his appointment in 1996 as Chief Executive of FLS Aerospace Limited. Vilhelm is a Danish national.

Mike Cooper joined easyJet in May 2000. Prior to that Mike was employed by ICI and Thomson Travel Group. Mike spent nine years with ICI Paints in a number of roles, including marketing manager (Dulux) and other positions in marketing, sales and strategic planning. Mike joined Thomson Travel in 1996 where

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he was Head of Strategic Planning, before being promoted in 1997 to Managing Director of Portland Direct, the direct selling business within the Thomson Travel Group. In 1999, he became Director of Digital Travel Group and was heavily involved in Thomson Travel’s e-commerce strategy and online content. Mike is a UK national.

Keith McMann joined easyJet in May 2000. Prior to that Keith was employed by BAA plc for four years where he was Head of Operations at World Duty Free and most recently Retail Director at Scottish Airports, which included involvement in airport design and development. Previously Keith managed airport activities for Alders International and spent seven years with Thorn EMI’s retail division in a variety of planning and operations roles. Earlier career roles include positions at British Airways and public-sector management consultancy. Keith is a UK national.

8.11 In addition to their directorships in the Company and subsidiaries of the Company, the Directors hold, or have held, the following directorships and are, or were, partners of the following partnerships, over or within the past five years:

Director's name	Current directorships/ partnerships	Past directorships/partnerships
Stelios Haji-Ioannou	easy Group (UK) Limited easyRentacar (UK) Ltd easyMoney Limited easyMoney Holdings Limited easyMoney Creditcard Limited easyInternetcafé Limited easyValue Limited easyBank Limited easydotcom (UK) Limited easyGroup Limited easyGroup IP Licensing Limited Stelfund Limited Stelios Haji-Ioannou is also the director of a number of offshore single purpose asset holding companies	Troodos Maritime International SA Stelinvest Inc. Stelmar Shipping Limited Stelsoft Limited easyJet Holdings Limited
Sir Colin Chandler	TI Group PLC TI Group Trustees Limited Crawshore Limited Thales PLC Thales Electronics PLC Thales Corporate Services Limited Thales Overseas Holdings Limited Thales Nominees Limited Thomson-CSF PLC Smiths Group PLC Vickers Defence Systems	Guardian Royal Exchange Public Limited Company Racal-Decca Pension Trustee Limited Racal Staff Trustee Limited Racal Executive Trustee Limited Racal Finance Limited Racal Senior Manager Trustee Limited Thales Avionics Limited Thales Research Limited Vickers PLC Vickers Engineering PLC
Raymond Webster	The Airline Group Limited easyJet Switzerland SA	None
Christopher Walton	easyJet Switzerland SA	None
Colin Day	Reckitt Benckiser PLC Bell Group PLC	Aegis Group plc Vero Group PLC

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Director's name	Current directorships/ partnerships	Past directorships/partnerships
Amir Eilon	easy Group (UK) Limited easyInternetcafé Limited easyGroup IP Licensing Limited easyRentacar Limited easyRentacar (UK) Limited easyMoney Limited easyMoney (Holdings) Limited easyMoney (UK) Limited easyMoney Creditcard Limited easyValue Limited easyValue IFA Limited easyValue (Holdings) Limited easydotcom Limited easydotcom (UK) Limited easyBank Limited North Square Properties (Wigan) Limited Eilon & Associates Limited	Vine Telecom Limited Vine Telecom Networks Limited Vine Telecom Holdings Limited Credit Suisse First Boston Limited Barclays de Zoete Wedd Limited Barclays Capital Finance Limited Barclays Capital Services Limited Ebbgate Holdings Limited
Nick Hartley	Stelmar Shipping Limited easydotcom Limited easydotcom (UK) Limited easy Group (UK) Limited easyGroup IP Licensing Limited easyMoney (UK) Limited easyMoney Creditcard Limited easyInternetcafe Limited easyRentacar Limited easyRentacar (UK) Limited easyValue Limited easyValue (Holdings) Limited easyValue IFA Limited N. Hartley Consultancy Limited	Homepages Limited
Tony Illsley	Capital Radio plc Megabeam Networks Limited Leisure Link Holdings Limited	Telewest Communications PLC Walkers Snack Foods Limited Cartezia Limited
Diederik Karsten	None	Hutchison 3G UK Limited Hutchison 3G UK Holdings Limited KPN Mobile N.V.
John Quelch	WPP Group plc	Pentland Group plc Blue Circle Industries plc European Communication Management Limited The London Business School Trust Company LBS Services Limited Centre for Management Development Company Limited

8.12 Save as disclosed in paragraphs 8.12 and 8.13 of this Part XI, none of the Directors or senior management has:

- (a) any unspent convictions in relation to indictable offences;
- (b) at any time been adjudged bankrupt or been the subject of any individual voluntary arrangement in the United Kingdom or elsewhere;
- (c) at any time been a party to a deed of arrangement or any form of voluntary arrangement (as defined in Part VIII of the Insolvency Act 1986);

- (d) any unsatisfied judgements outstanding against him;
- (e) been subject to any public criticism by any statutory or regulatory authority or professional body;
- (f) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (g) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors either whilst he was a director of that company or within 12 months of him ceasing to be a director of that company;
- (h) been a partner in a partnership which has been placed in compulsory liquidation or administration or entered into any partnership voluntary arrangement, either whilst he was a partner of such partnership or within 12 months of him ceasing to be a partner in such partnership;
- (i) any asset which has been placed in receivership or been a partner of any partnership whose assets have been placed in receivership, either whilst he was a partner of such partnership or within 12 months of him ceasing to be a partner in such partnership.

8.13 In June 1999 the UK Securities and Futures Authority ("SFA") settled disciplinary proceedings against Amir Eilon and Barclays de Zoete Wedd Securities Limited ("BZWS") brought in relation to a breach of its rules by fining them £10,000 and £100,000 respectively and requiring them to pay its costs. The breach occurred whilst Amir Eilon was working as co-Head of the Equity Capital Markets team at BZWS acting as the senior person on the flotation of a client on the London Stock Exchange when he procured that BZWS sold shares it held in the client company in order to stabilise the market price in the incorrect belief that such action was permitted under the SFA's stabilisation rules. The SFA publicly acknowledged that both Amir Eilon and BZWS co-operated fully with its investigation. The SFA subsequently granted Amir Eilon authorisation under its regulatory framework to start Eilon & Associates as a sole practitioner giving corporate finance advice.

8.14 One of Stelios Haji-Ioannou's uncles is claiming that Stelios Haji-Ioannou's father, Loucas Haji-Ioannou, had a silent partnership with him for a number of years and that as a result the uncle is entitled to a share of 28.17 per cent of Loucas Haji-Ioannou's assets and, to the extent the assets now held by Loucas Haji-Ioannou are not sufficient to meet that claim, to recover the shortfall from Stelios Haji-Ioannou and his brother and sister. Stelios Haji-Ioannou and his brother and sister have been advised that the claim as presented is likely to fail and could not in any event give rise to any right attaching to their interests in easyJet.

9. Material Contracts

9.1 easyJet

Other than the following contracts and those material contracts listed in paragraph 9.2 below, there are no contracts (not being a contract entered into in the ordinary course of business) which are, or may be, material and which have been entered into by any member of the easyJet Group during the two years preceding the date of this document, nor are there any other contracts (not being a contract entered into in the ordinary course of business) entered into by any member of the easyJet Group which contain any provision under which any member of the easyJet Group has any obligation or entitlement which is material to the easyJet Group as at the date hereof:

- 9.1.1 The Acquisition Agreement, further details of which can be found in Part X of this document.
- 9.1.2 The Underwriting Agreement, wherein it has been agreed between the parties thereto, subject to the conditions set out therein, that:
 - (a) Credit Suisse First Boston be appointed by the Company as sponsor for the purpose of the applications for admission of the Rights Issue Shares in nil paid form to listing on the Official List;

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- (b) Credit Suisse First Boston be appointed by the Company as nominated representative for the purpose of the applications for admission of the Rights Issue Shares in nil paid form to trading on the London Stock Exchange;
- (c) in consideration of their agreement to, among other things, underwrite 104,405,503 Rights Issue Shares (being the number of Rights Issue Shares that are expected to be issued assuming no options are exercised prior to the Record Date), the Company has agreed to pay to the Underwriters a commission of 1.2 per cent of the aggregate Issue Price of such Rights Issue Shares plus VAT (where applicable);
- (c) the Company has given certain representations, warranties and unlimited indemnities to Credit Suisse First Boston and the Underwriters;
- (e) the Company has agreed to pay all costs arising in connection with the Underwriting Agreement including all costs and out of pocket expenses incurred by Credit Suisse First Boston and the Underwriters on behalf of the Company, in relation to the Rights Issue, up to a maximum of £350,000; and
- (f) the Underwriting Agreement is conditional, among other things, on Admission becoming effective by no later than 8.30 a.m. on 18 June 2002 (or such later time and/or date as the Company and Credit Suisse First Boston on behalf of the Underwriters may agree). The Underwriting Agreement confers on Credit Suisse First Boston and Credit Suisse First Boston Equities Limited on behalf of the Underwriters the right to terminate the obligations of Credit Suisse First Boston and the Underwriters in certain circumstances, prior to Admission, including: material breach of warranty or of the Underwriting Agreement; material inaccuracy of the Prospectus; there being any material change affecting the condition (financial or other), prospects, earnings, business affairs, management or properties of the Company or the Group; or if there shall occur any material change in national or international financial, economic or political conditions, or market conditions, which in the reasonable opinion of Credit Suisse First Boston and Credit Suisse First Boston Equities Limited on behalf of the Underwriters would materially prejudice the success of the Rights Issue or distribution of the Rights Issue Shares or dealing in or the price of Ordinary Shares in the secondary market.
- (g) the Company has undertaken to Credit Suisse First Boston that, save with the prior written consent of Credit Suisse First Boston (which Credit Suisse First Boston may grant or refuse in its absolute discretion) it will not, for a period of 6 months from the date of Admission, allot, issue, offer, sell, pledge or otherwise dispose of, directly or indirectly, whether conditionally or otherwise, any shares in the Company or securities convertible into or exchangeable or exercisable for any such shares, or publicly disclose the intention to make any such allotment, issue, offer, sale, pledge or disposition, save in respect of:
 - (i) the grant of employee share options pursuant to the terms of the easyJet Share Option Schemes or (subject to approval of the Resolutions at the Extraordinary General Meeting) the Combination Plan in accordance with normal practice (or, in the case of the Combination Plan, in accordance with the proposals detailed in the Prospectus), or the issuances of shares in the Company pursuant to the exercise of such options; or
 - (ii) any issuance or allotment, announced after the date one month after 8 July 2002, of Ordinary Shares or securities convertible into Ordinary Shares otherwise than for cash in connection with a merger or acquisition, provided that in connection with such transaction the allottees of such Ordinary Shares or securities enter into an agreement (containing substantially the same terms as set out at this paragraph (g)) not to sell their shares in the Company at least until the expiry of the 6 month period from the date of Admission.

The Underwriters have separately agreed that they will not without the consent of Credit Suisse First Boston Equities Limited (which consent it may grant or refuse in its absolute discretion) offer or sell on a proprietary basis any of the Rights Issue Shares not taken up at a price less than the Issue Price for a period ending on the date approximately forty five days after 8 July 2002. The Underwriters have also separately agreed that they will not without the consent of Credit Suisse

First Boston Equities Limited (which consent it may grant or refuse in its absolute discretion) offer or sell on a proprietary basis any Nil Paid Rights at a price less than the Placing Price prior to trading in Nil Paid Rights ceasing.

- (h) The obligations of the Underwriters under the Underwriting Agreement are several. If an Underwriter defaults, the purchase commitments of non-defaulting Underwriters may be increased. However, any such increase may not necessarily cover the full extent of the default by the defaulting Underwriter.

9.1.3 The purchaser's warranty and indemnity insurance policy entered into on 16 May 2002 between the Company and New Hampshire Insurance Company ("AIG"), under which AIG have agreed to pay the Company the amount of any loss (including any damages, settlements, losses, liabilities, expenses and certain defence costs arising from any claim made against any company in the Go Group) it incurs arising from a breach of the warranties given by certain of the individual Sellers under the Acquisition Agreement which are reported by the Company to AIG between the date of the Acquisition and 31 January 2004. AIG shall only be liable for the amount of any loss in excess of the £6 million escrow account referred to in paragraph 5 of Part X of this document. The limit of AIG's liability under the insurance policy is £30.5 million. AIG will not be liable to pay the amount of any loss in respect of, *inter alia*, a breach of a warranty of the Acquisition Agreement of which Amir Eilon, Ray Webster or Chris Walton had actual knowledge before 16 May 2002 or any loss arising which constitutes civil or criminal fines or penalties. The total premium payable by the Company under the insurance policy is £1,988,054, half of which is to be recovered from the Sellers from the purchase price.

9.1.4 The excess warranty and indemnity insurance policy dated 16 May 2002 between the Company, AIG (as primary insurer) and Allied World Assurance Company Ltd (as underwriter) under which Allied World Assurance Company Ltd provides excess coverage of £9.5 million to the policy referred to at paragraph 9.1.3 above on the same terms as that policy. The total premium payable by the Company under the insurance policy is £428,250, half of which is to be recovered from the Sellers.

9.1.5 The Placing and Open Offer Agreement entered into on 29 October 2001 between the Company, UBS AG, Credit Suisse First Boston Equities Limited, Merrill Lynch International, Schroder Salomon Smith Barney, easyJet Holdings Limited, easyGroup and Stelios Haji-Ioannou in relation to the Placing and Open Offer.

9.1.6 A services agreement dated 27 October 2001 between easyJet UK and London Luton Airport Operations Limited ("LLAOL") ("Luton Services Agreement"), as supplemented by a supplemental services agreement dated 27 October 2001 between easyJet UK and LLAOL ("Luton Supplemental Services Agreement"), relating to the provision of airport services and infrastructure at London Luton Airport and including the following principal terms:

- (a) The Luton Services Agreement sets out the terms of easyJet UK's use of London Luton Airport for the period of twenty years from 1 October 2001.
- (b) LLAOL agrees to provide airport services and infrastructure to easyJet UK. In consideration for the provision of the airport services, easyJet UK agrees to pay LLAOL a charge per departing passenger. In addition, the Luton Services Agreement provides for a reduced charge for any growth in traffic, as a way of incentivising easyJet to increase passenger numbers.
- (c) LLAOL has agreed to implement certain short term infrastructure improvements as agreed between the parties and to ensure that any further infrastructure improvements are made in accordance with industry best practice and that easyJet UK is consulted on any material new developments.
- (d) The Luton Services Agreement may not be terminated by notice, but may be terminated on the occurrence of certain specified events, including insolvency of either party and force majeure.

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- 9.1.7 A services agreement dated 7 February 2001 between easyJet UK and Liverpool Airport PLC (“Liverpool Airport”) (“Liverpool Services Agreement”) relating to the provision of airport services and infrastructure at Liverpool Airport and including the following principal terms:
- (a) The Liverpool Services Agreement sets out the terms of easyJet UK’s use of Liverpool Airport for the period of twenty years from 1 April 2001.
 - (b) easyJet UK agrees to operate scheduled flights from Liverpool Airport on a daily basis in accordance with the terms of the Liverpool Services Agreement and Liverpool Airport agrees to provide airport services and infrastructure to easyJet UK. In the event that easyJet UK increases the minimum number of departing flights, easyJet UK and Liverpool Airport agree to hold discussions in relation to the increased number of departing flights and the level of airport services required for such an increase. Liverpool Airport also has the option at any time on 90 days’ notice to cease to perform baggage handling services for the easyJet Group at Liverpool Airport.
 - (c) In consideration for the provision of the airport services, easyJet UK agrees to pay Liverpool Airport an all inclusive rate per departing passenger.
 - (d) The Liverpool Services Agreement may not be terminated by notice, but may be terminated on the occurrence of certain specified events, including insolvency of either party and force majeure.
- 9.1.8 An amending agreement dated 29 October 2001 and made between the Company, easyGroup, easyJet Holdings Limited and Stelios Haji-Ioannou replacing easyJet Holdings Limited with easyGroup under the Relationship Agreement referred to in paragraph 9.2.8

The purpose of this agreement was to substitute easyGroup for easyJet Holdings Limited as party to the Relationship Agreement referred to in paragraph 9.2.8 below following the liquidation of easyJet Holdings Limited, the distribution of a proportion of Ordinary Shares to easyGroup and other minor consequential changes.

- 9.2 The following contracts (not being entered into in the ordinary course of business) are material contracts entered into by members of the easyJet Group during the two years preceding the date of this document or which contain a provision under which a member of the easyJet Group has an obligation or entitlement which is material to the easyJet Group as at the date hereof and have previously been available for inspection and were summarised in the Listing Particulars:
- 9.2.1 A Sponsors and Underwriting Agreement dated 15 November 2000 between the Company, the Directors, easyJet Holdings Limited, Credit Suisse First Boston (Europe) Limited, UBS Warburg Ltd., Credit Suisse First Boston Equities Limited, UBS AG acting through its business group UBS Warburg, Merrill Lynch International and Salomon Brothers International Limited.
 - 9.2.2 A Loan Agreement dated 17 August 1998 between Fortis Bank N.V. (previously MeesPierson N.V.) as lender and security agent, Bankgesellschaft Berlin AG (previously Berliner Bank AG) as lender and facility agent, The Bank of Nova Scotia as lender and paying agent and easyJet Aircraft Company as borrower, as amended by an amendment letter dated 4 November 1998 and an amendment agreement dated 30 April 2000 and an amendment agreement No. 2 dated 30 October 2000 as acceded to by Capital Bank plc as a further lender.
 - 9.2.3 A Facility Agreement dated 23 November 1998 as amended by an amendment agreement dated 8 March 1999 and as novated, amended and restated by a novation, amendment and restatement agreement dated 30 April 2000, the facility agreement now being between Hamburgische Landesbank Girozentrale (“Hamburgische”) as lender, easyJet Hamburg Limited as borrower and the Company and easyJet Aircraft Company as guarantors.
 - 9.2.4 A Facility Agreement dated 4 February 1997 as novated, amended and restated by a novation, amendment and restatement agreement dated 30 April 2000, the Facility Agreement now being between Hamburgische as Lender, Yankee Bravo Aviation Limited as borrower, and the Company and easyJet Aircraft Company as guarantors.
 - 9.2.5 A Facility Agreement dated 5 September 1997 as novated, amended and restated by a novation, amendment, and restatement agreement dated 30 April 2000, the facility agreement now being between Hamburgische as lender, Yankee Charlie Aviation Limited as borrower, and the Company and easyJet Aircraft Company as guarantors.

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- 9.2.6 An aircraft lease agreement dated 25 March 1997 between General Electric Capital Corporation Co (“GECC”) as lessor and easyJet Switzerland as lessee, as amended and supplemented by a restructuring agreement between the same parties dated 29 May 1998.
- 9.2.7 Agreement number 2165 dated 23 July 1998 between easyJet Holdings Limited and The Boeing Company (“Boeing”) as subsequently amended by a supplemental agreement dated 29 March 2000 between easyJet Holdings Limited and Boeing and as assigned from easyJet Holdings Limited to the Company under an assignment and assumption agreement dated 30 April 2000 between easyJet Holdings Limited and the Company (the “Boeing Contract”), details of which can be found at paragraph 14 of this Part XI.
- 9.2.8 A Relationship Agreement dated 14 November 2000 entered into between Stelios Haji-Ioannou, easyJet Holdings Limited and the Company.
- 9.2.9 A Charter Agreement dated 6 October 2000 between easyJet Switzerland and easyJet Tours SARL for the charter of one Boeing 737-300 aircraft and crew employed by easyJet Switzerland on once daily return flights between Geneva and Barcelona airports between 29 October 2000 to 24 March 2001.
- 9.2.10 A Commercial Agreement dated 24 June 1999 between easyJet UK and easyJet Switzerland setting out the terms upon which easyJet Switzerland is licensed to use the easyJet marks, livery and colour scheme, including the terms upon which it is to operate specified flights from designated airports as part of the easyJet business.
- 9.2.11 A Shareholders Agreement dated 23 February 1999 between FLSA, easyJet UK and easyTech relating to easyTech.
- 9.2.12 An Intellectual Property Licence dated 23 February 1999 between easyJet UK, easyTech and FLSA.
- 9.2.13 A Trademark Licence between easyJet UK and easyTech for the use of the “easyTech” trademark in relation to easyTech’s business. This licence is provided for, and included as a schedule to the intellectual property licence summarised in paragraph 9.2.12 above.
- 9.2.14 The brand assignment, the brand consolidation agreement and the easyJet Brand Licence entered into between easyJet UK and other companies in the “easy” group dated 5 November 2000.

9.3 Go

Other than the contracts referred to in this paragraph 9.3, there are no contracts (not being a contract entered into in the ordinary course of business) which are, or may be, material to the Go Group and which have been entered into by any member of the Go Group during the two years preceding the date of this document nor are there any other contracts (not being a contract entered into in the ordinary course of business) entered into by any member of the Go Group which contain any provision under which any member of the Go Group has any obligation or entitlement which is material as at the date of this document.

9.3.1 Share Purchase Agreement

A share purchase agreement between Newgo 2 and British Airways in relation to the purchase by Newgo 2 of the entire issued share capital of Go on 14 June 2001. The consideration was an initial payment of £80,000,000 in cash as well as the issue of £10,000,000 of preference shares and £20,000,000 of loan stock by Newgo 2. The preference shares and loan stock are repayable on a subsequent disposal of any of the group companies. British Airways gave warranties to Newgo 2 customary for this type of transaction as well as an indemnity for tax. Claims in respect of taxation must be brought before 31 March 2008 and in respect of any other claims before 30 June 2002.

Newgo 1 entered into a deed of guarantee on 14 June 2001 with British Airways under which Newgo 1 guaranteed the due and punctual performance by it and its subsidiaries of their obligations under the share purchase agreement and all its related agreements and provided an indemnity to British Airways for any failure by the Go group to meet any of its obligations.

9.3.2 Investment Agreement

An investment agreement entered into between Newgo 1, Newgo 2, various Go management and various investors in relation to Newgo 1 on 14 June 2001. Under the terms of the agreement, the

parties agreed to subscribe for a mixture of shares in Newgo 1 and loan stock in Newgo 2 with which to fund the purchase of Go from British Airways. The loan stock is repayable on a subsequent disposal of any of the group companies. Newgo 1 and the management gave undertakings to each investor regarding the future conduct of the business. The management gave warranties to the investors customary in agreement of this type. The provisions of this agreement will terminate upon the disposal of their shares of Newgo 1.

The contracts listed in paragraphs 9.1, 9.2 and 9.3 are available for inspection as described in paragraph 20.

10. Taxation

10.1 United Kingdom taxation

The following statements are intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of the Inland Revenue. They summarise the position of Shareholders who (unless the position of non-United Kingdom resident Shareholders is expressly referred to) are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares beneficially and as an investment. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom or the United States is strongly recommended to consult his professional advisers immediately.

10.1.1 Taxation of chargeable gains

(a) *Acquisition of Rights Issue Shares under the Rights Issue (“Rights Issue Shares”)*

For the purposes of UK taxation of chargeable gains, the issue of Rights Issue Shares under the Rights Issue should be regarded as a reorganisation of the Company’s share capital. Accordingly to the extent that a Shareholder takes up all or part of his entitlement under the Rights Issue in respect of his existing holding of Ordinary Shares, he should not be treated as having disposed of any part of that shareholding. Instead, his existing Ordinary Shares and the Rights Issue Shares issued to him in respect of those Ordinary Shares (the “New Holding(s)”) should be treated as acquired at the same time as the Shareholder’s existing holding was acquired (save that when a non-corporate Shareholder’s existing holding is treated as consisting of more than one asset for tax purposes, the Rights Issue Shares acquired will be attributed pro rata to those existing holdings). For the purpose of computing any gain or loss on a subsequent disposal by a Shareholder of any shares comprised in his New Holding or New Holdings, the Issue Price paid for the Rights Issue Shares will be added in the base cost of his existing holding or holdings of Ordinary Shares.

If a Shareholder disposes of all or some of his rights to subscribe for Rights Issue Shares under the Rights Issue, or if he allows all or part of those rights to lapse and receives a cash payment in respect of this, he may, depending on his circumstances, incur a liability to UK taxation of chargeable gains i.e. capital gains tax for individuals, trustees and personal representatives and corporation tax for companies. If however, the proceeds resulting from the disposal or lapse are “small” (currently interpreted by the Inland Revenue as not exceeding the greater of £3,000 or five per cent of the market value (as at the date of the disposal or lapse) of the holding of Ordinary Shares in respect of which the rights arose) the Shareholder should not be treated as making a disposal for the purposes of UK taxation of chargeable gains. Instead the proceeds will be deducted from the acquisition cost of those Ordinary Shares.

(b) *Indexation/taper relief*

For disposals on or after April 1998, indexation allowance is available only for the purposes of corporation tax and is not available to individuals, personal representatives or trustees. The following paragraphs accordingly deal separately with the positions of corporate and non-corporate Shareholders.

(a) Corporate Shareholders

Shareholders within the charge to corporation tax will continue to obtain the benefit of indexation allowance on the New Holding, although in calculating the amount of any indexation allowance on any subsequent disposal of, or of any part of, the New Holding, the

expenditure incurred in subscribing for the Rights Issue Shares will be treated as incurred only when the Shareholder made or became liable to make payment of the Issue Price.

(b) Non-corporate Shareholders

For individuals, personal representatives and trustees, indexation allowance has been frozen as at April 1998 (although indexation relief for holding periods up to April 1998 has been preserved for Ordinary Shares acquired prior to 1 April 1998) and has been replaced by a system of taper relief. Taper relief operates by reducing the amount of any gain realised on the disposal of an asset (after taking into account indexation relief, if applicable) by a percentage dependent on the period of ownership of that asset since 5 April 1998 and on whether the asset qualifies as a business or non-business asset for that period. Taper relief will be calculated according to the period of ownership, measured in years, of a Shareholder's existing holding or holdings of Ordinary Shares.

10.1.2 Taxation of dividends

(i) Company

The Company is not currently required to withhold tax at source on any dividends it pays to its Shareholders

(ii) United Kingdom Resident Shareholders

An individual Shareholder who is resident in the United Kingdom for tax purposes and receives a dividend from the Company will generally be entitled to a tax credit in respect of that dividend, currently equal to one-ninth of the cash dividend received or ten per cent of the aggregate of the cash dividend received and the related tax credit (the "gross dividend"). The related tax credit can be set against the individual Shareholder's total liability to income tax (if any) on the dividend.

An individual Shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of ten per cent on the gross dividend and so the tax credit should satisfy in full that individual Shareholder's liability to income tax on the dividend received.

An individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent on the gross dividend to the extent that the gross dividend, when treated as the top slice of that Shareholder's income falls above the threshold for higher rate income tax. The related tax credit will therefore not fully satisfy that individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax equal to 22.5 per cent of the gross dividend or 25 per cent of the cash dividend received.

United Kingdom resident Shareholders who are not liable to UK tax on dividends including pension funds and charities, are not entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

Tax credits on dividends paid by the Company on or before 5 April 2004 in respect of Ordinary Shares held in personal equity plans or individual savings accounts should be repayable.

Subject to certain exceptions for traders in securities and insurance companies, a corporate Shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax on dividends received from the Company.

(iii) Non-United Kingdom resident Shareholders

The right of a Shareholder who is not resident in the United Kingdom for tax purposes to claim repayment from the Inland Revenue of any part of the tax credit attaching to dividends paid by the Company, will depend upon the existence and the terms of any applicable double tax treaty between the United Kingdom and the country in which the Shareholder is resident.

A Shareholder who is not resident in the United Kingdom may be subject to foreign taxation on dividend income under local law and should consult his own tax adviser concerning his liabilities to tax on dividends received from the Company.

10.1.3 Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by recognised intermediaries in the ordinary course of their business and to certain categories of person (such as depositories and clearance services and their nominees or agents) who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split letters of allotment or on the issue of definitive share certificates or crediting of CREST member accounts in respect of such allotment letters.

A purchase of rights to subscribe for Rights Issue Shares represented by a Provisional Allotment Letter on or before the latest time for registration of renunciation will not be liable to stamp duty but will be liable to SDRT, generally at the rate of 0.5 per cent of the amount or value of the consideration payable.

A transfer for value of Ordinary Shares (including Rights Issue Shares after the latest time for registration of renunciation) will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer such Ordinary Shares and SDRT will arise on the entry into an agreement to sell such Ordinary Shares. The amount of stamp duty or SDRT payable on the consideration for the transfer is generally calculated at the rate of 0.5 per cent of consideration paid (with stamp duty rounded up to the nearest £5).

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a purchaser).

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration payable. SDRT on relevant transactions is settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

Any person who is in any doubt to his taxation position, requires more detailed information than the general outline above or who is subject to tax in a jurisdiction other than the United Kingdom should consult his professional advisers.

10.2 Certain US Federal Income Tax Considerations

Subject to the limitations described below, the following generally summarises certain material US federal income tax consequences to a US Holder (as defined below) of the acquisition, ownership and disposition of the rights and the Rights Issue Shares. This discussion is limited to US Holders who are beneficial owners of Ordinary Shares, or who will be beneficial owners of rights or Rights Issue Shares, and who hold their Ordinary Shares, or who will hold their rights or Rights Issue Shares, as capital assets within the meaning of the US Internal Revenue Code of 1986, as amended (the “Code”). For the purposes of this summary, a US Holder is a beneficial owner of rights, Rights Issue Shares or Ordinary Shares that does not maintain a “permanent establishment” or “fixed base” in the UK, as such terms are defined in the Current Income Tax Convention or New Convention (each as defined below) and that is, for US federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised in the United States or under the laws of the United States or of any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for US federal income tax purposes regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust. If a partnership (including for this purpose any entity treated as a partnership for US federal income tax purposes) is a beneficial owner of the rights, Rights Issue Shares or Ordinary Shares, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships and partners in such partnerships should consult their tax advisors about the US federal income tax consequences of owning and disposing of the rights, Rights Issue Shares or Ordinary Shares.

This summary is for general information purposes only. It does not purport to be a comprehensive description of all of the US federal income tax considerations that may be relevant to each US Holder's decision in regard to the Rights Issue, the rights, the Rights Issue Shares or the Ordinary Shares. This discussion also does not address any aspect of US federal gift or estate tax, or any state, local or non-US tax laws. Prospective owners of rights or Rights Issue Shares who are US Holders are advised to consult their own tax advisers with respect to the US federal, state and local tax consequences, as well as to non-US tax consequences, of the acquisition, ownership and disposition of the rights or the Rights Issue Shares applicable to their particular tax situations.

This discussion is based on current provisions of the Code, current and proposed US Treasury regulations promulgated thereunder, the current double taxation convention between the United States and the United Kingdom (the "Current Income Tax Convention") and administrative and judicial decisions, each as of the date hereof, all of which are subject to change or differing interpretation, possibly on a retroactive basis. The United States and the United Kingdom have agreed to the form of a new double taxation convention (the "New Convention") to replace the existing Current Income Tax Convention. If and when the New Convention between the United States and the United Kingdom enters into force, the tax consequences to US Holders will differ as set out below. The following discussion assumes that US Holders are residents of the United States for purposes of the Current Income Tax Convention and New Convention and entitled to the benefits of these conventions.

This disclosure does not address the tax consequences to any US Holder (other than a US Holder that qualifies as a QIB with a registered address outside of the United Kingdom) nor does it apply to any US Holder acquiring rights or Rights Issue Shares other than a QIB.

This discussion does not address all aspects of US federal income taxation that may be relevant to a particular US Holder based on such Holder's individual circumstances. In particular, this discussion does not address the potential application of the alternative minimum tax nor does it address the tax treatment of shareholders, partners or beneficiaries of a holder of the rights, Rights Issue Shares or Ordinary Shares. In addition, this discussion does not address the US federal income tax consequences to US Holders that are subject to special treatment, including broker-dealers, including dealers in securities or currencies; insurance companies; taxpayers that have elected mark-to-market accounting; tax-exempt organisations; financial institutions or "financial services entities"; taxpayers who hold Ordinary Shares or who will hold rights or Rights Issue Shares as part of a straddle, hedge or conversion transaction; Holders owning directly, indirectly or by attribution at least 10 per cent of the Company's voting power; taxpayers whose functional currency is not the US dollar; certain expatriates or former long-term residents of the United States; and taxpayers who acquired their Ordinary Shares, or who will acquire rights or Rights Issue Shares as compensation.

For the purposes of this discussion, a Nil Paid Right or a right to acquire Rights Issue Shares pursuant to a Provisional Allotment Letter, nil paid, constitutes a "right." A US Holder that takes up (or exercises) such holder's rights by payment of the subscription price is treated as acquiring a Fully Paid Right. Once a US Holder acquires a Fully Paid Right, such Holder will be treated as acquiring the underlying Rights Issue Shares for US federal income tax purposes. Any acquisition or disposition of a Fully Paid Right will be treated as an acquisition or disposition of Rights Issue Shares for US federal income tax purposes.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT SUCH INVESTOR'S OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO SUCH PERSON IN ACQUIRING, OWNING OR DISPOSING OF RIGHTS OR RIGHTS ISSUE SHARES.

(a) Issuance of Rights

The proper US federal income tax treatment of the Rights Issue is somewhat uncertain. The US federal income tax consequences of the Rights Issue to US Holders will depend upon whether the Rights Issue is characterised as a non-taxable or a taxable distribution.

The qualification of the Rights Issue as a non-taxable distribution to a US Holder for US federal income tax purposes depends upon (i) the Rights Issue being treated, for US federal income tax purposes, as a distribution by the Company to the shareholders of the Company of rights to purchase Rights Issue Shares, and (ii) any cash proceeds received by a shareholder of the Company being treated, for US federal income

tax purposes, as having been received by such shareholder on account of a sale of such shareholder's rights. Certain additional US federal income tax consequences of the Rights Issue depend on a right that lapses without the Holder of such right receiving any cash proceeds with respect thereto being treated, for US federal income tax purposes, as having expired in accordance with its terms. Although it may be reasonable to characterise the Rights Issue in accordance with the foregoing for US federal income tax purposes, it is unclear whether such characterisation would be respected if challenged by the US Internal Revenue Service (the "IRS"). Except as otherwise indicated herein, the disclosure below assumes that such treatment will be respected for US federal income tax purposes. If the treatment described in the first sentence of this paragraph is respected for US federal income tax purposes, the receipt of rights from the Company by a US Holder pursuant to the Rights Issue should be treated as a non-taxable distribution with respect to such Holder's Ordinary Shares.

If the Rights Issue is treated as a non-taxable distribution, the basis and holding period of the rights would be determined by reference to a US Holder's Ordinary Shares. If the fair market value of rights on the date of distribution is less than 15 per cent of the fair market value on such date of the Ordinary Shares held by such US Holder with respect to which such rights were issued, the tax basis of the rights would be zero, unless the US Holder affirmatively elects to allocate the tax basis in its Ordinary Shares between such Ordinary Shares and the rights in proportion to the relative fair market value of each on such date. This election (which is irrevocable once made) must be made on the US Holder's tax return for the taxable year in which the rights are received and will apply to all the rights received by the US Holder pursuant to the Rights Issue. On the other hand, if the fair market value of the rights is 15 per cent or greater than the fair market value of such US Holder's Ordinary Shares on the date that the rights are distributed, the US Holder must allocate the tax basis of its Ordinary Shares between the rights and such Ordinary Shares in proportion to their relative fair market values on such date. The holding period of rights issued to a US Holder in a non-taxable distribution would include the holding period of the Ordinary Shares held by such US Holder with respect to which the rights were issued.

It is possible, however, that the IRS will treat the receipt of rights from the Company by a US Holder pursuant to the Rights Issue as a taxable distribution in an amount equal to the fair market value of such rights as of the date of the distribution. If so treated, the US Holder would be required to include in gross income as ordinary income an amount equal to the fair market value of such distribution to the extent that the distribution is paid out of the Company's current and/or accumulated earnings and profits as determined under US principles. To the extent that the distribution exceeds the Company's current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of a US Holder's adjusted basis in the Ordinary Shares, and thereafter as capital gain. The Company does not currently maintain calculations of its earnings and profits under US tax principles. Dividends paid by the Company to corporate US Holders will not be eligible for the dividends-received deduction that might otherwise be available if such dividends were paid by a US corporation. For a more detailed discussion of US federal income taxation of dividends with respect to the Company's Ordinary Shares, see the discussion under the heading "Taxation of Dividends" below. If the Rights Issue were treated as a taxable distribution for US federal income tax purposes, the US Holder's tax basis for the rights would be equal to the fair market value of the rights on the date of distribution, and the US Holder's holding period in the rights would commence on the day after the distribution of the rights.

(b) Purchase of Rights

A US Holder that purchases a right (including a US Holder who, by reason of having purchased Rights Issue Shares underlying an unexercised right at a premium, is treated for US federal income tax purposes as having purchased such right) will have a tax basis in such right equal to the cost of acquiring such right which is generally the US dollar cost of such right. A US Holder's holding period with respect to a right it purchases will commence on the day after the acquisition of such right.

(c) Sale or Exchange of Rights

Subject to the passive foreign investment company rules described below, upon the sale or exchange of rights prior to the exercise thereof (or a deemed sale, for US federal income tax purposes, of rights by a US Holder that receives cash proceeds with respect to its *unexercised rights*), a US Holder will recognise gain or loss in an amount equal to the difference between the amount realised upon such sale or exchange and such US Holder's tax basis in the rights. Any such gain or loss will generally be short-term capital gain or loss. The deductibility of capital losses is subject to limitations.

Gain or loss recognised by a US Holder on a sale or exchange of rights generally will be US-source income for foreign tax credit purposes. A US Holder that receives foreign currency upon the sale or exchange of the rights generally will realise an amount equal to the US dollar value of the foreign currency on the date of sale (or, if the rights are traded on an established securities market, in the case of cash basis tax payers and electing accrual basis taxpayers, the settlement date). A US Holder will have a tax basis in the foreign currency received equal to the US dollar amount realised. Any gain or loss realised by a US Holder on a subsequent conversion or other disposition of foreign currency will be ordinary income or loss and will generally be US-source income for foreign tax credit purposes.

A US Holder who is liable for both UK tax and US federal income tax on a gain from the sale or exchange of rights prior to exercise may be entitled to offset a credit for UK tax against its US federal income tax liability in respect of such gain, subject to applicable limitations. The rules relating to foreign tax credits are complex and US Holders are urged to consult their tax advisors to determine whether and to what extent a foreign tax credit might be available in connection with the sale or exchange of the rights.

(d) Expiration of Rights

If a right is received by a US Holder in a non-taxable distribution and the US Holder allows such right to expire without selling or exercising such right and receives no proceeds from subscribers of Ordinary Shares, the right will be deemed to have a zero basis and, therefore, the US Holder will not recognise any loss upon the expiration of such right. In addition, the tax basis of the Ordinary Shares with respect to which the expired right was distributed will remain unchanged compared to the basis in such Ordinary Shares prior to the Rights Issue.

If, however, a right is treated as received by a US Holder in a taxable distribution and the US Holder allows such right to expire without selling or exercising such right and receives no proceeds from subscribers of Ordinary Shares, the US Holder will recognise short-term capital loss on the expiration of the right in an amount equal to the US Holder's tax basis in the right, which loss generally would be US source for foreign tax credit purposes.

A US Holder that purchases a right and allows such right to expire without selling or exercising such right and receives no proceeds from subscribers of Ordinary Shares will recognise a short-term capital loss equal to such holder's tax basis in such right upon such expiration, which loss generally will be US source for foreign tax credit purposes.

(e) Purchase of Rights Issue Shares Pursuant to an Exercise of Rights

The exercise of a right by a US Holder (including a US Holder who, by reason of purchasing Rights Issue Shares underlying an unexercised right at a premium, is treated for US federal income tax purposes as having purchased and exercised such right) generally will not be a taxable transaction for US federal income tax purposes. The basis of each Rights Issue Share acquired upon exercise of a right by a US Holder will be equal to the sum of the price paid for the Rights Issue Share by such US Holder and such US Holder's tax basis, if any, in the right that is exercised. The holding period of Rights Issue Shares acquired upon exercise of a right by a US Holder will begin on the date of the exercise of such right.

(f) Purchase of Rights Issue Shares Other Than Pursuant to an Exercise of Rights

The basis of a Rights Issue Share of a US Holder that is treated, for US federal income tax purposes, as acquiring such Share other than upon an exercise of a right (including a right that is deemed to have been purchased from a non-exercising holder for US federal income tax purposes), will be equal to the cost of acquiring such Rights Issue Share, which is generally the US dollar cost of such Share. A US Holder's holding period with respect to the Rights Issue Share will commence on the day after the acquisition of the Rights Issue Share.

(g) UK Stamp Duty and UK Stamp Duty Reserve Tax ("SDRT")

Any UK stamp duty or UK stamp duty reserve tax ("SDRT") paid by a US Holder will not be eligible as a credit against such US Holder's US federal income tax liability.

(h) Taxation of Dividends

General

Subject to the passive foreign investment company rules discussed below, the amount of any distributions (including, provided certain elections are made, as discussed in “UK Withholding Tax/Foreign Tax Credits” below, the full Tax Credit Amount deemed received) paid out of current and/or accumulated earnings and profits, as determined under US tax principles, will be included in the gross income of a US Holder on the day such distributions are actually or constructively received and will be characterised as ordinary income for US federal income tax purposes. To the extent that a distribution exceeds the Company’s current and accumulated earnings and profits, it will be treated as a non-taxable return of capital to the extent of a US Holder’s adjusted basis in the Rights Issue Shares, and thereafter as capital gain. The Company does not currently maintain calculations of its earnings and profits under US tax principles. Dividends paid by the Company to corporate US Holders will not be eligible for the dividends-received deduction that might otherwise be available if such dividends were paid by a US corporation.

Foreign Currency Considerations

Distributions paid by the Company in pounds sterling will be included in a US Holder’s income when the distribution is actually or constructively received by the US Holder. The amount of the dividend distribution includible in the income of a US Holder will be the US dollar value of the pounds sterling, determined by the spot rate of exchange on the date when the distribution is actually or constructively received by the US Holder, regardless of whether the pounds sterling are actually converted into US dollars at such time. If the pounds sterling received as a dividend distribution are not converted into US dollars on the date of receipt, then a US Holder may realise exchange gain or loss on a subsequent conversion of such pounds sterling into US dollars. The amount of any gain or loss realised in connection with a subsequent conversion will be treated as ordinary income or loss and generally will be treated as US-source income or loss for foreign tax credit purposes.

UK Withholding Tax/Foreign Tax Credits

A US Holder that is eligible to receive benefits under the Current Income Tax Convention is generally entitled to claim a refund from the UK Inland Revenue for (i) the amount of the tax credit that a UK resident individual would be entitled to receive with respect to a dividend payment (the “Tax Credit Amount”), reduced by (ii) the amount of UK withholding tax (“UK Notional Withholding Tax”) imposed on such dividend payment which equals the lesser of (x) the Tax Credit Amount and (y) 15 per cent on the sum of the actual dividend payment and the Tax Credit Amount. Under present law, the Tax Credit Amount will equal that amount of UK Notional Withholding Tax imposed on dividends paid by the Company, therefore, no such refund is available. However, a US Holder may be entitled to claim a foreign tax credit for the amount of UK Notional Withholding Tax associated with a dividend paid by the Company by filing a Form 8833 in accordance with administrative guidance recently issued by the US Internal Revenue Service (the “IRS”) in Revenue Procedure 2000-13 (effective as of 7 February 2000). US Holders that file Form 8833 will be treated as receiving an additional dividend from the Company equal to the Tax Credit Amount (unreduced by the UK Notional Withholding Tax), which additional dividend must be included in the US Holder’s gross income, and will be treated as having paid the applicable UK Notional Withholding Tax due under the Current Income Tax Convention. A US Holder who is entitled under the Current Income Tax Convention to a refund of UK tax, if any, withheld on the Rights Issue Shares will not be entitled to claim a foreign tax credit with respect to such withheld tax. For the purposes of calculating the foreign tax credit, dividends paid on the Rights Issue Shares will be treated as non-US source income and generally will constitute “passive income” or, in the case of certain US Holders, “financial services income”. In lieu of claiming a foreign tax credit, a US Holder may be eligible to claim a deduction for foreign taxes paid in a taxable year. However, a deduction generally does not reduce a US Holder’s US federal income tax liability on a dollar-for-dollar basis like a tax credit.

If the New Convention enters into force, the Tax Credit Amount and UK Notional Withholding Tax described above will no longer apply to US Holders. The UK does not currently apply a withholding tax on dividends under its internal tax laws. Were such withholding imposed in the UK, as permitted under the New Convention, the UK generally will be entitled to impose a withholding tax at a rate of 15 per cent on dividends paid to US Holders. A US Holder who is subject to such withholding should be entitled to a credit for such withholding, subject to applicable limitations, against such Holder’s US federal income tax liability.

The rules relating to foreign tax credits are complex and US Holders are urged to consult their tax advisors to determine whether and to what extent a foreign tax credit might be available in connection with dividends paid on the Rights Issue Shares.

(i) Taxation of the Sale or Exchange of Rights Issue Shares

Subject to the passive foreign investment rules described below, a US Holder generally will recognize capital gain or loss on the sale or exchange of the Rights Issue Shares in an amount equal to the difference between the amount realised in such sale or exchange and the US Holder's adjusted tax basis in such Shares. Such capital gain or loss will be long-term capital gain or loss if the US Holder has held the Rights Issue Shares for more than one year and generally will be US-source income for foreign tax credit purposes. Long-term capital gains realised by an individual US Holder on a sale or exchange of Rights Issue Shares are generally subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A US Holder that receives foreign currency upon the sale or exchange of the Rights Issue Shares generally will realise an amount equal to the US dollar value of the foreign currency on the date of sale (or, if Ordinary Shares are traded on an established securities market, in the case of cash basis tax payers and electing accrual basis taxpayers, the settlement date). A US Holder will have a tax basis in the foreign currency received equal to the US dollar amount realised. Any gain or loss realized by a US Holder on a subsequent conversion or other disposition of foreign currency will be ordinary income or loss and will generally be US-source income for foreign tax credit purposes.

(j) Passive Foreign Investment Company Rules

Certain adverse US tax consequences apply to a US shareholder in a company that is classified as a passive foreign investment company, which is referred to herein as a PFIC. The Company will be classified as a PFIC in a particular taxable year if either (i) 75 per cent or more of its gross income is passive income; or (ii) the average percentage of the value of its assets that produce or are held for the production of passive income is at least 50 per cent. Cash balances, even if held as working capital, are considered to be passive.

If the Acquisition is completed, the Company expects to derive sufficient operating revenues and hold sufficient non-passive assets so that it will not be classified as a PFIC. However, classification as a PFIC will depend on factors that are not entirely within its control, and therefore the Company can give no assurance that it will not be classified as a PFIC in the current or any future taxable years.

If the Acquisition is not completed, the cash balances held by the Company will be significant and could result in the Company holding a significant percentage of passive assets. In such circumstances, the percentage of the Company's active assets, by value, will depend largely on the value attributed to goodwill and the going concern value of the Company. The Company believes the value of its goodwill is significant, although this value is somewhat volatile and could be affected by a material decline in the Company's share price and equity value. Therefore, no assurance can be given that the Company will not be classified as a PFIC in the current or any future taxable years.

If the Company were a PFIC in any year during which a US Holder owned Ordinary Shares, Rights Issue Shares or rights, the US Holder would generally be subject to special rules (regardless of whether the Company continued to be a PFIC) with respect to (i) any "excess distribution" (generally, distributions received by the US Holder in a taxable year in excess of 125 percent of the average annual distributions received by such Holder in the three preceding taxable years, or, if shorter, such Holder's holding period) and (ii) any gain realized on the sale or other disposition of Ordinary Shares, Rights Issue Shares or rights. Under these rules (a) the excess distribution or gain would be allocated rateably over the US Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company is a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the prior taxable years would be subject to tax at the highest rate of tax in effect for the taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such prior taxable year.

US Holders who own Ordinary Shares generally should be able to avoid the interest charge described above by making a mark-to-market election with respect to such Shares, provided that the Ordinary Shares are "marketable". The Ordinary Shares are marketable if they are regularly traded on certain US stock

exchanges, or on a foreign stock exchange if (i) the foreign exchange is regulated or supervised by a governmental authority of the country in which the exchange is located; (ii) the foreign exchange has trading volume, listing, financial disclosure, and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open market, and to protect investors; (iii) the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and (iv) the rules of the exchange effectively promote active trading of listed stocks. For purposes of these regulations, the Ordinary Shares will be considered regularly traded during any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. If a US Holder makes a mark-to-market election, it will be required to include as ordinary income the excess of the fair market value of such Ordinary Shares at year-end over its basis in those Ordinary Shares. In addition, any gain it recognizes upon the sale of such Ordinary Shares will be taxed as ordinary income in the year of sale. US Holders of Rights Issue Shares may similarly be able to avoid the interest charge if such a mark-to-market election is made, but only for periods after the exercise of the rights. The mark-to-market election is not available with respect to the rights. US Holders should consult their tax advisers regarding the availability of the mark-to-market election.

A US Holder of an interest in a PFIC can sometimes avoid the interest charge described above by making a “qualified electing fund” (“QEF”) election to be taxed currently on its share of the PFIC’s undistributed ordinary income. Such election must be based on information concerning the PFIC’s earnings provided by the relevant PFIC to investors on an annual basis. The Company does not anticipate that it will make such information available to US Holders, and consequently US Holders will not be able to make a QEF election.

US Holders should consult their tax advisers regarding the US federal income tax considerations discussed above and the desirability of making a mark-to-market election.

(k) Return of Capital if Acquisition is not Completed

It is possible that the Rights Issue will become wholly unconditional but the Acquisition not be completed. In such event, the Company may consider a return of surplus capital to Shareholders. Any such return of capital may have adverse tax consequences for Shareholders. For example, the return of capital could be characterized as a taxable dividend to US Holders and, depending upon the Company’s status as a PFIC, as an “excess distribution” to US Holders subject to tax under the rules described in paragraph (j) above. The Company cannot provide any assurance that adverse tax consequences will be avoided in the event of a return of surplus capital to Shareholders.

(l) US Backup Withholding and Information Reporting Requirements

Dividend payments made with respect to the Ordinary Shares and the Rights Issue Shares, and proceeds received in connection with the sale or exchange of rights and Rights Issue Shares may be subject to information reporting to the IRS and backup withholding (at a maximum rate of 30 per cent). Backup withholding will not apply, however, if a US Holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates such fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable backup withholding rules. Persons required to establish their exempt status generally must provide certification on IRS Form W-9 or Form W-8BEN (as applicable). Amounts held as backup withholding may be credited against a holder’s US federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

11. Working Capital

easyJet is of the opinion that, taking account of existing bank and other available facilities and the net proceeds of the Rights Issue, it and, following the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of publication of this document.

12. Litigation

- 12.1 Other than the potential litigation in relation to Navitaire (see “Potential litigation in relation to Navitaire” at Part IV of this document), no member of the easyJet Group is engaged in any legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against any member of the easyJet Group of which the Company is aware) which may have or have had in the twelve months preceding the date of this document a significant effect on the easyJet Group’s financial position.
- 12.2 Other than the potential litigation in relation to Go Voyages (see “Potential litigation in relation to Go Voyages” at Part IV of this document), no member of the Go Group is engaged in any legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against any member of the Go Group of which the Company is aware) which may have or have had in the twelve months preceding the date of this document a significant effect on the Go Group’s financial position.

13. Subsidiary and Associate Undertakings of easyJet

- 13.1 The business of easyJet plc and its principal activity is to act as the holding company of easyJet Aircraft Company, easyJet UK, easyJet Hamburg Limited, easyJet Switzerland S.A., Yankee Bravo Aviation Limited and Yankee Charlie Aviation Limited.
- 13.2 easyJet plc is the holding company of the easyJet Group. The subsidiary undertakings of easyJet plc are listed below:

Name and registered office	Principal activity	Issued and fully paid share capital	Proportion of capital held
easyJet Airline Company Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Airline operating	14,000,000 ordinary shares of £1 each	100%
easyJet Airports Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Not trading	1 ordinary share of £1	100%
easyJet Ramp Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Aircraft handling services	1,000 ordinary shares of £1 each	100%
easyJet Services Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Passenger handling and flight despatch services	1,000 ordinary shares of £1 each	100%
easyJet Aircraft Company Limited, Grand Pavilion, Main Entrance, West Bay Road, P.O. Box 1982, George Town, Grand Cayman, Cayman Islands, BWI	Aircraft holding	101 ordinary shares of US\$1 each	100%
easyJet Hamburg Limited, Grand Pavilion, Main Entrance, West Bay Road, P.O. Box 1982, George Town, Grand Cayman, Cayman Islands, BWI	Aircraft holding	100 ordinary shares of US\$1 each	100%
easyJet Leasing Limited Grand Pavilion, Main Entrance, West Bay Road, P.O. Box 1982, George Town, Grand Cayman, Cayman Islands, BWI	Engine holding	2 ordinary shares of US\$1 each	100%
⁽¹⁾ easyJet Switzerland S.A., 5 Route de l’Aeroport 1215 Geneva 15, Switzerland	Airline operating	29,200 registered class A shares of a par value of CHF 1,000 each and 19,460 registered class B Preference Shares of a par value of CHF 100 each	49%
easyJet Tours SARL, 88 avenue Louis-Casai, 1216 Cointrin, Switzerland	Not trading	1 share of par value CHF 19,000 and 1 share of par value CHF 1,000	49% held indirectly

Part XI – Additional Information

Name and registered office	Principal activity	Issued and fully paid share capital	Proportion of capital held
Yankee Bravo Aviation Limited, Grand Pavilion, Main Entrance, West Bay Road, P.O. Box 1982, George Town, Grand Cayman, Cayman Islands, BWI	Aircraft holding	2 ordinary shares of US\$100 each	100%
Yankee Charlie Aviation Limited Grand Pavilion, Main Entrance, West Bay Road, P.O. Box 1982, George Town, Grand Cayman, Cayman Islands, BWI	Aircraft holding	2 ordinary shares of US\$100 each	100%
easyJet Spain S.L., Calle Balmes 195, 503a, Barcelona, Spain	Website address holding and staff employing	1,000 shares of €3.006 each	100%
easyJet B.V., Locatellikade 1, 1076 AZ, Amsterdam, The Netherlands	Website address holding and staff employing	40 shares of NLG 1,000 each	100%
easyJet Cyprus Limited Berengaria Building, 25 Spyrou Araouzou Street, PC3036 Limassol, Cyprus	Website address holding	1,000 shares of Cyprus £1 each	100%
⁽²⁾ easyJet Trustees Limited PO Box 453, 45 The Esplanade, St. Helier, Jersey	Trustee under easyJet Share Option Schemes	2 shares of £1 each	100%
easyJet Nominees Limited easyLand, London Luton Airport, Bedfordshire, LU2 9LS	Nominee shareholder	1 share of £1	100%
Airline One Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Not trading	1 ordinary share of £1	100%
Airline Two Limited, easyLand, London Luton Airport, Luton, Bedfordshire LU2 9LS	Not trading	1 ordinary share of £1	100%

(1) *easyJet has an option over the remaining 51 per cent of easyJet Switzerland.*

(2) *The two issued shares of easyJet Trustees Limited are held by Orbis Nominees Jersey Limited and Orbis Secretaries Jersey Limited on trust for the Company.*

Following Completion of the Acquisition, each company in the Go Group will be a wholly owned subsidiary of the Company.

14. The Boeing Contract

14.1 Delivery Schedule

The Company took delivery of the first 737-700 aircraft on 13 October 2000. As at 31 March 2002, 12 aircraft had been delivered with additional deliveries currently scheduled as follows: six aircraft between 1 April 2002 and 31 December 2002, eight aircraft in 2003 and the final six aircraft between January 2004 and May 2004. The first 12 aircraft which have been delivered and the next 3 aircraft to be delivered are referred to as the “Block A” aircraft and the remaining 17 are referred to as the “Block B” aircraft.

14.2 Price

The “Basic Price” (equivalent to a standard list price for an aircraft of this type) for each of the 737-700 aircraft (defined as a per aircraft airframe price, including engines, plus the per aircraft price for certain optional features agreed between the parties) is US\$37,168,500 for the Block A aircraft and US\$39,781,000 for the Block B aircraft (in respect of aircraft to be delivered after 31 December 2003 this price is an estimate only). The “Basic Price” will be increased by (a) an estimated US\$1.55 million per Block A aircraft and US\$1.6 million per Block B aircraft for certain “seller-purchased” equipment the Company has asked Boeing to purchase and install on each of the aircraft, and (b) an “Escalation Factor” designed to increase the Basic Price of any individual aircraft by applying a formula reflecting increases in the published U.S. Employment Cost and Producer Price Indexes between the time the Basic Price was set and the period six months prior to the delivery of such aircraft. The Company is also responsible for the payment of any taxes on the aircraft other than certain U.S. federal income taxes and Washington State taxes imposed upon Boeing.

Part XI – Additional Information

Boeing has granted the Company substantial confidential price and payment terms concessions with regards to the 737-700 aircraft. These include: (a) credit memoranda to the Company for the amount of such concessions, which the Company may apply toward the purchase of goods and services from Boeing or toward certain payments, other than advance payments, in respect of the purchase of the aircraft; and (b) Escalation Factor sharing arrangements. Boeing and CFM International S.A. (the manufacturer of the CFM56-7B24 engines to be fitted on the purchased aircraft) have also agreed to give the Company certain allowances for promotional and other activities, as well as providing other goods and services to the Company on concessionary terms.

14.3 Payment Terms

Subject to the concessions granted, the Company was required to pay Boeing one per cent of the Basic Price of each of the 32 Boeing 737-700 aircraft at the time of signing the Boeing Contract and will be required to make periodic advance payments of the purchase price for each aircraft it has agreed to purchase during the course of the two-year period preceding the delivery of each aircraft. As a result of these required advance payments, and subject to the concessions granted, the Company would be required to pay up to 30 per cent of the total cost of each aircraft plus the “Escalation Factor” prior to its delivery (before the deduction of credit memoranda and other concessions due), with the balance of the net price being due at the time of delivery.

The following table sets out the delivery dates for the remaining aircraft to be delivered, together with the schedule of payments excluding the “Escalation Factor” and the substantial confidential price and payment terms concessions granted to the Company by Boeing:

Aircraft Payment Schedule

Advance Payment per aircraft (Amounts Due/Months, prior to Delivery)

Delivery ⁽¹⁾ date per aircraft	Basic price US\$	Seller purchased equipment US\$	Total cost US\$	At signing 1% US\$	24 months 4% US\$	21/18/12/9/6 months 5% US\$	Total advance payment 30% US\$	Balance due at delivery US\$ 70%
June 2002 . .	37,168,500	1,550,000	38,718,500	387,185	1,548,740	1,935,925	11,615,550	27,102,950
June 2002 . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Sept 2002 . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Oct 2002 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Jan 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Feb 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Mar 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Apr 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
May 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
June 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Aug 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Sept 2003 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Jan 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Feb 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Feb 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Mar 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
Apr 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700
May 2004 . . .	39,781,000	1,600,000	41,381,000	413,810	1,655,240	2,069,050	12,414,300	28,966,700

(1) The table above shows the dates on which Boeing is contracted to deliver aircraft. These dates are subject to change by mutual agreement between easyJet and Boeing.

14.4 Boeing Support

In addition to manufacturing and delivering the aircraft, the Boeing Contract requires Boeing to provide various ancillary goods and services to the Company both prior to delivery of the aircraft and throughout the period when they are operated by the Company. These ancillary goods and services include operations and field service engineering, technical support and training, spare parts support, training of the

Part XI – Additional Information

Company’s flight crews in the operation of the aircraft and a complete set of technical manuals, software and other materials (including subsequent revisions) with respect to each aircraft.

Under the Boeing Contract, Boeing has also provided the Company with a 48-month warranty on the 737-700 aircraft (including warranties against defects in design, materials or workmanship and a warranty that the aircraft comply with agreed specifications). It has also agreed to indemnify the Company against any intellectual property infringement claims that may be brought in respect of the aircraft. Boeing also indemnifies the Company against any claims in connection with any demonstration or test flights of the aircraft prior to transfer of title to the aircraft to the Company. The Company has provided Boeing with indemnities with respect to equipment furnished by the Company for installation in the aircraft (if any).

14.5 Termination and Assignment

The Company and Boeing’s respective obligations to buy or sell any individual aircraft may be terminated by either party in the event of a bankruptcy or similar event affecting the other party or if any scheduled delivery of an aircraft is delayed for more than 12 months because of an “excusable delay” (which includes, acts of god, war, government acts, fires, floods, earthquake, strikes and other causes beyond Boeing’s control and not caused by its fault or negligence). The Boeing Contract also generally provides that the rights and obligations of the parties may not (subject to certain stated exceptions) be assigned or transferred to non-affiliated third parties without the consent of the non-transferring party.

14.6 Certain Terms of the Options

The Boeing Contract grants the Company options to acquire up to 15 additional Boeing 737-700 aircraft (the “Purchase Rights Aircraft”), together with rolling options to acquire 15 further aircraft (see below). The Company is required to exercise its option with respect to any Purchase Rights Aircraft no later than 18 months prior to the requested delivery date of the relevant Purchase Rights Aircraft. There are currently no scheduled delivery dates for the Purchase Rights Aircraft. The determination of the final purchase price for each of the Purchase Rights Aircraft (including the escalation mechanism and pricing and other concessions) is substantially similar to that for the 32 737-700s that the Company has agreed to purchase.

Each time the Company exercises one of the options, Boeing will offer to sell an additional aircraft (a “Rolling Purchase Rights Aircraft”) to the Company on a one-for-one basis, giving a total of up to 15 Rolling Purchase Rights Aircraft. Each Rolling Purchase Rights Aircraft will be sold by Boeing at a price calculated in a similar way to the price for the Purchase Rights Aircraft.

15. Significant Change

15.1 easyJet

There has been no significant change in the financial or trading position of the easyJet Group since 31 March 2002, being the end of the last financial period for which interim financial statements have been published.

15.2 Go

There has been no significant change in the financial or trading position of the Go Group since 31 March 2002, being the end of the financial period to which the Accountants’ Report at Part VII relates.

16. Historical Market Values of Ordinary Shares

16.1 The following table lists the closing middle market quotations for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the first dealing day in each of the six months before the date of this document and on 22 May (being the latest practicable date prior to the posting of this document):

3 December 2001	446.0p
2 January 2002	470.0p
1 February 2002	535.5p
1 March 2002	548.5p
2 April 2002	530.0p
1 May 2002	460.0p
22 May 2002	523.0p

17. Consents

17.1 Credit Suisse First Boston and the Underwriters have each given and not withdrawn their written consent to the issue of this document with the inclusion in it of references to their names in the form and context in which they appear.

17.2 KPMG Audit Plc has given and has not withdrawn its written consent to the inclusion in this document of its accountants' report and report on the pro forma statement of net assets reproduced in Parts VII and IX of this document, and the references thereto and to its name in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports and the said references for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (SI 2001/No2956) made pursuant to section 79(3) of FSMA.

18. Financial Information

18.1 The auditors of the Company are KPMG Audit Plc, chartered accountants of 8 Salisbury Square, London EC2A 8BB who have audited the financial statements of the Company for each of the three years ended 30 September 1999, 2000 and 2001.

18.2 The financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts of the Company and its subsidiaries for the three years ended 30 September 2001 have been delivered to the Registrar of Companies and the auditors gave reports under section 235 of the Act on such accounts which were not qualified and did not contain any statement under section 237(2) or (3) of the Act.

19. Miscellaneous

19.1 The costs and expenses of and incidental to the Rights Issue which are payable by the Company (including underwriting commissions which amount to £3.0 million) are estimated to amount to £6.5 million (excluding value added tax).

19.2 The Rights Issue price of 265 pence (which is payable in full on application) represents a premium of 240 pence to the nominal value of 25 pence per Ordinary Share.

19.3 The registrars of the Company and receiving bankers for the Rights Issue are Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA.

19.4 The issue of the Rights Issue Shares has been underwritten by the Underwriters on the basis summarised in paragraph 9.1.2 above.

19.5 UBS Warburg Ltd. has also given financial advice to the Company and consents to the inclusion of its name in this document.

20. Documents Available for Inspection and Available Information

Copies of the following documents will be available for inspection at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN and at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 8 July 2002:

20.1 The memorandum and articles of association of easyJet;

20.2 The published audited consolidated accounts of easyJet for the financial years ended 30 September 2000 and 30 September 2001;

20.3 The published audited consolidated accounts of Go for the financial years ended 31 March 2001 and 31 March 2002;

20.4 The service contracts and letters of appointment for the Directors referred to in paragraph 8 of this Part XI of this document;

20.5 The consultancy agreement referred to at paragraph 8.6 of this Part XI of this document;

20.6 The material contracts referred to in paragraph 9 of this Part XI of this document;

Part XI – Additional Information

- 20.7 The written consents referred to in paragraph 17 of this Part XI of this document;
- 20.8 The rules of the easyJet Share Option Schemes referred to in paragraph 5 of this Part XI of this document;
- 20.9 The rules of the Combination Plan referred to in paragraph 5.7 of this Part XI of this document; and
- 20.10 The accountant's report and report on pro forma statement of net assets from KPMG Audit Plc set out in Parts VII and IX of this document.

Dated 23 May 2002

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

“€”	Euro;
“3i”	3i Group plc;
“Acquisition”	the proposed acquisition of the entire issued share capital of Newgo 1 by easyJet on the terms of and subject to the conditions set out in the Acquisition Agreement;
“Acquisition Agreement”	the agreement dated 16 May 2002 between easyJet, Newgo 1, 3i and other institutional shareholders and certain individual sellers, the principal terms of which are summarised in Part X of this document;
“Act”	the Companies Act 1985 as amended;
“Admission”	admission of the Rights Issue Shares to listing on the Official List and to trading on the London Stock Exchange’s market for listed securities (in nil paid form);
“ASA”	Air Service Agreement;
“British Airways”	British Airways plc;
“Combination Plan”	the easyJet Management Combination Incentive Plan;
“Completion”	completion of the Acquisition
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator (as defined in the Regulations);
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“CREST Courier and Sorting Service” or “CCSS”	the CREST Courier and Sorting Service established by CRESTCo to facilitate, amongst other things, the deposit and withdrawal of securities;
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST Central Counterparty Service Manual, CREST International Manual, CREST Rules, and CREST Glossary of Terms (as updated in November 2001);
“CREST Member”	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations);
“CREST Participant”	a person who is, in relation to CREST, a system-participant (as defined in the Regulations);
“CREST Shareholders”	Shareholders who hold Ordinary Shares in uncertificated form;
“CREST Sponsored Member”	a CREST member admitted to CREST as a sponsored member;
“CREST Sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“Credit Suisse First Boston”	Credit Suisse First Boston (Europe) Limited;
“Deutsche BA”	Deutsche BA Holding GmbH;
“Directors”	the Directors of the Company;
“the Company” or “easyJet”	easyJet plc;
“easyJet Aircraft Company”	easyJet Aircraft Company Limited;
“easyGroup”	easy Group Limited;
“easyGroup IP Licensing”	easyGroup IP Licensing Limited;

Definitions

“easyJet Group”	the Company and its subsidiary undertakings (including easyJet Switzerland);
“easyJet Brand Licence”	the brand licence dated 5 November 2000 between easyGroup IP Licensing Limited, easyJet UK, Stelios Haji-Ioannou, easyJet and easy Group (UK) Limited under which, <i>inter alia</i> , easyGroup IP Licensing Limited granted easyJet UK a right to use the easyJet and other “easy” branding livery;
“easyJet Share Option Schemes”	the easyJet Key Employee Pre-Flotation Share Option Scheme, the easyJet Switzerland Key Employee Pre-Flotation Share Option Scheme, the easyJet Share Gift, the easyJet Approved Discretionary Share Option Scheme, the easyJet Non-Approved Discretionary Share Option Scheme and the easyJet All-Employee Share Ownership Plan;
“easyJet Switzerland”	easyJet Switzerland S.A.;
“easyTech”	FLS easyTech Limited;
“easyJet UK”	easyJet Airline Company Limited;
“EC Fares Regulation”	Council Regulation (EEC) No. 2409/92 of 23 July 1992 on fares and rates for air services;
“EC Licensing Regulation”	Council Regulation (EEC) No. 2407/92 of 23 July 1992 on licensing of air carriers;
“EC Market Access Regulation”	Council Regulation (EEC) No. 2408/92 of 23 July 1992 on access for Community air carriers to intra-Community air routes;
“EC Slot Regulation”	Council Regulation (EEC) No. 95/93 of 18 January 1993 on common rules for the allocation of slots at Community Airports
“Enlarged Group”	the easyJet Group as enlarged by the Acquisition;
“Enlarged Share Capital”	the issued share capital of the Company as it will be following the Rights Issue;
“Exchange Act”	the US Securities Exchange Act of 1934, as amended;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 17 June 2002 as set out in the notice contained in this document;
“FLSA”	FLS Aerospace (UK) Limited;
“Form of Proxy”	the form of proxy for use at the Extraordinary General Meeting;
“FSMA”	the Financial Services and Markets Act 2000;
“Fully Paid Rights”	rights to acquire Rights Issue Shares, fully paid;
“Global Offering”	the global offering of Ordinary Shares by the Company and its listing on the London Stock Exchange in November 2000;
“Go”	Go Fly Limited;
“Go Group”	Newgo 1 and its subsidiaries, Newgo 2 and Go;
“ICAO”	International Civil Aviation Organisation;
“Issue Price”	265 pence per Rights Issue Share;
“Listing Particulars”	the listing particulars issued by the Company on 15 November 2000 in connection with the Global Offering;
“Listing Rules”	the listing rules of the UK Listing Authority made in accordance with section 74 of FSMA;
“London Stock Exchange”	London Stock Exchange plc;

Definitions

“member account ID”	the identification code or number attached to any member account in CREST;
“Newgo 1”	Newgo 1 Limited;
“Newgo 2”	Newgo 2 Limited;
“Nil Paid Rights”	Rights Issue Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
“Non-CREST Shareholders”	Shareholders who hold Ordinary Shares in certificated form;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares”	the ordinary shares of 25p each in the share capital of the Company;
“Overseas Shareholders”	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Placing and Open Offer”	the placing and open offer of Ordinary Shares in October and November 2001;
“Placing and Open Offer Circular”	the circular issued by the Company dated 29 October 2001 as supplemented by the pricing circular issued by the Company on 2 November 2001;
“Prospectus”	this prospectus relating to, <i>inter alia</i> , easyJet and the Rights Issue Shares;
“Provisional Allotment Letter”	the renounceable provisional allotment letter to be issued to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) by the Company in connection with Nil Paid Rights, pursuant to the Rights Issue;
“QIB”	a qualified institutional buyer within the meaning of Rule 144A under the Securities Act;
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form;
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form;
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of the Company at the Record Date but excluding (in accordance with paragraph 6 of Part VI of this document) certain Overseas Shareholders;
“Record Date”	the close of business on 10 June 2002;
“Regulatory Information Service”	an information dissemination service approved by the UK Listing Authority for the purpose of the Listing Rules for the dissemination of regulatory information;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Resolutions”	the ordinary and special resolutions to be proposed at the Extraordinary General Meeting, notice of which is set out at the end of this document;
“Rights Issue”	the offer by way of rights of the Rights Issue Shares on the terms and subject to the conditions set out or referred to in Part VI of this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter;

Definitions

“Rights Issue Shares”	the new Ordinary Shares to be issued in connection with the Rights Issue;
“Securities Act”	the US Securities Act of 1933, as amended;
“Sellers”	the holders of Newgo 1’s entire issued share capital selling pursuant to the Acquisition Agreement;
“Shareholder(s)”	holder(s) of Ordinary Shares in the Company;
“Schroder Salomon Smith Barney”	Salomon Brothers U.K. Equity Limited; Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers U.K. Equity Limited;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“Trustee”	easyJet Trustees Limited in its capacity as trustee of the easyJet Employee Share Ownership Trust, the easyJet Overseas Employee Share Ownership Trust and the easyJet Employee Share Ownership Trust 2002;
“UK GAAP”	generally accepted accounting principles in the United Kingdom;
“UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“Underwriters”	Credit Suisse First Boston Equities Limited, UBS AG (acting through its business group UBS Warburg), Salomon Brothers U.K. Equity Limited;
“Underwriting Agreement”	the agreement dated 16 May 2002 between easyJet, Credit Suisse First Boston and the Underwriters, the principal terms of which are summarised in paragraph 9.1.2 of Part XI of this document;
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland and its dependent areas (including the Bailiwick of Jersey);
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“US Person”	has the meaning ascribed to it by Regulation S under the Securities Act; and
“US\$” or “USD”	United States dollars.

NOTICE OF EXTRAORDINARY GENERAL MEETING

OF

easyJet plc

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of easyJet plc (the "Company") will be held at easyland, London Luton Airport, Bedfordshire LU2 9LS on 17 June 2002 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as an ordinary resolution and resolution 3 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. THAT:

- (a) the Acquisition Agreement as described in the Prospectus, of which this notice forms part, be approved and the Directors be and they are authorised to enter into, waive, amend, vary or extend the terms of (or any conditions contained in) the Acquisition Agreement and any agreements and arrangements ancillary to it and to do all such things as they consider to be necessary or expedient to complete or give effect to, or otherwise in connection with, the Acquisition Agreement, any matters incidental to it and any such financing thereof, provided that no material amendment shall be made to the terms of the Acquisition Agreement which is adverse to the Company without the approval of the Company's Shareholders;
- (b) the authorised share capital of the Company shall be increased from £100,000,000 divided into 400,000,000 ordinary shares of 25 pence each to £125,000,000 divided into 500,000,000 ordinary shares of 25 pence each; and
- (c) the Directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £27,450,190 in connection with the Rights Issue (as defined in the Prospectus) and, in addition, up to an additional £21,000,743. This authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 31 May 2003, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and such authority shall be in substitution for and shall replace any existing authority pursuant to the said section 80 to the extent not utilised at the date this resolution is passed.

2. THAT the easyJet Management Combination Incentive Plan, the provisions of which are summarised in the Prospectus, constituted by the rules produced in draft to this meeting and for the purposes of identification initialled by the Chairman hereof be and is hereby approved and the Directors be and are hereby authorised to cause such rules to be adopted in the form of such draft and to do all acts and things which they may consider necessary or expedient for implementing and giving effect to the same.

SPECIAL RESOLUTION

3. THAT, subject to the passing of Resolution 1 above, the Directors be generally and unconditionally empowered to allot equity securities (as defined in section 94(2) of the Act) of the Company pursuant to the

authority conferred by Resolution 1(c) for cash as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (i) the allotment of up to 109,800,760 new Ordinary Shares in connection with the Rights Issue (as defined in the Prospectus);
- (ii) the allotment of such equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body in, any territory; and
- (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii)) of equity securities up to an aggregate nominal value of £3,588,939.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 31 May 2003, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Deborah Woodward
Secretary

Registered Office:

easyland
London Luton Airport
Bedfordshire
LU2 9LS

23 May 2002

NOTES:

1. A member entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. A proxy need not be a member of the Company.
2. A Form of Proxy accompanies this notice. To be effective, the Form of Proxy, together with any power of attorney or other authority under which it is executed, or a notarially certified copy thereof, must be duly completed in accordance with the instructions set out on it and be received by Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than forty-eight hours before the time fixed for the holding of the meeting.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other registered holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members.
4. Completing and returning the Form of Proxy does not preclude a member from attending and voting at the meeting should he/she so wish.

Form of Nationality Declaration

The rights of easyJet UK, a wholly owned subsidiary of easyJet, to operate as an air carrier on routes between the UK and Switzerland could be withdrawn if easyJet UK ceases to be substantially owned and effectively controlled by UK nationals, and its rights to operate as an air carrier on routes within the European Economic Area (the “EEA”) could be withdrawn if easyJet UK ceases to be majority owned and effectively controlled by EEA nationals. Accordingly, the Articles of Association of easyJet contain powers which, inter alia, may be used to limit the number of, or the exercise of voting and other rights attaching to, shares of easyJet in which non-UK nationals own interests and, if necessary, to require their compulsory disposal, and to restrict the transferability of such shares. The Directors of easyJet may in the future relax these powers so as to apply to non-EEA nationals rather than non-UK nationals.

A share transfer cannot be registered and a transfer of Nil Paid Rights or Fully Paid Rights will not be recognised by the Company unless the declaration set forth below has been completed and furnished to Lloyds TSB Registrars at The Causeway, Worthing, West Sussex BN99 6DA. To complete this declaration a prospective transferee must:

- (a) tick one of (but not more than one of) box A, box B or box C, as appropriate;
 - (b) sign this declaration in the space provided; and
 - (c) if the person signing this declaration is a stockbroker, bank manager, solicitor or other agent for the prospective transferee, complete the “declaration of Agent” on page 2 hereof.
- A I/We declare that the shares to be registered in my/our name(s) pursuant to the attached transfer are both “UK Affected Shares” and “EEA Affected Shares”.
- B I/We hereby declare that the shares to be registered in my/our name(s) pursuant to the attached transfer are “UK Affected Shares” but not “EEA Affected Shares”.
- C I/We declare that the shares to be registered in my/our name(s) pursuant to the attached transfer are neither “UK Affected Shares” nor “EEA Affected Shares”.

For the purposes of this declaration:

- (i) a UK Affected Share is a share beneficially owned by a non-UK national or in which a non-UK national has an “interest”;
- (ii) a non-UK national means (a) an individual who is not a national of the UK; (b) a body corporate which is not controlled by nationals of the UK; (c) a government or governmental department, agency or body otherwise than of the UK; (d) a municipal, local, statutory or other authority formed or established in any country other than the UK; or (e) any other undertaking or body which is not controlled by nationals of the UK;
- (iii) an EEA Affected Share is a share beneficially owned by a non-EEA national or in which a non-EEA national has an “interest”;
- (iv) a non-EEA national means (a) an individual who is not a national of an EEA Member State; (b) a body corporate which is not controlled by nationals of the EEA; (c) a government or governmental department, agency or body of any non-EEA country; (d) a municipal, local, statutory or other authority formed or established in any country other than an EEA country; or (e) any other undertaking or body which is not controlled by nationals of the EEA;
- (v) a beneficial owner is any person or entity that, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares (a) voting power (including the power to exercise or direct the exercise of any voting rights attaching to the shares) or (b) investment power (including the power to dispose, or to direct the disposition of, such shares); and

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(vi) a person has an interest in shares if (a) a company is interested in them and (i) the company or its directors are accustomed to act in accordance with his instructions or (ii) he is entitled to exercise or control the exercise of one third or more of the voting power at general meetings of the company (and for this purpose he is deemed to be able to exercise any voting power in any other company which such a company can exercise); (b) he has entered into a contract to purchase the shares or is entitled to exercise or control the exercise of any right attaching to the shares (or he has a right or is under an obligation that, if exercised or fulfilled, would so entitle him); (c) he is entitled to call for delivery of the shares or he is entitled or obliged to acquire an interest in the shares; or (d) a spouse or child under the age of 18 years of such person is interested in the shares.

Date:

**Name of Transferee:*

Surname

First Name Middle Name(s)

Address:

No. and Street Town or City

Post Code Country

**Signature of Transferee:*

**Note if the transferee is a corporate or similar entity, complete the following:*

Name of Entity:

Name of Authorised Signatory:

Title:

Signature:

This declaration should normally be made by the person(s) named in the accompanying documents as the transferee(s) or renounee(s). In the case of joint transferees ALL must sign. A corporation should either affix its seal or complete the form under the hand of a duly authorised official or agent who should state his capacity.

Shares to be held by a nominee must be considered held by the person for whom the nominee is acting if such person is the beneficial owner of such shares or has an interest in such shares, as described above.

If the completion of this declaration by the Transferee(s) or renounee(s) would lead to undue delay easyJet will accept a declaration made by the stockbroker, bank manager, solicitor or by any other person duly authorised by Power of Attorney, in every case acting as the agent of the transferee(s) or renounee(s). In such cases, however, the following declaration must also be made:

DECLARATION BY AGENT: I/We, being the person(s) making the declaration set out above as agent(s) for the person(s) named as transferee(s) or renounee(s) in the accompanying form of transfer or provisional allotment letter and whose name(s) is/are set out herein, represent and warrant that person(s) ON WHOSE BEHALF THE declaration is made is/are known to me/us and that I/we am/are duly authorised to make the said declaration on behalf of such person(s) and that, having made such inquiries as I/we consider appropriate regarding the statements contained in such declaration, such statements are correct to the best of my/our knowledge and belief.

Signature(s):

Date:

Organisation:

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If signed by a stockbroker, bank manager or solicitor, give the name, address and telephone number of the person signing this form:

Full Name(s):

Organisation:

Address:

Telephone Number:

easyJet reserves the right to request a signed copy of the Power of Attorney or other documents establishing any agency relationship. The Directors of easyJet reserve the right to be supplied with such evidence as they may require of the authority of any signatory on behalf of a transferee or renounee and to require such evidence or information as to any matters contained in this declaration or as to any interest whatsoever held by any party in shares within the meaning of Part VI of the Companies Act 1985. The Directors of easyJet will refuse to register a share transfer or to recognise a transfer of Nil Paid Rights or Fully Paid Rights if such further evidence is not provided or given. If you are in any doubt as to how to complete this declaration or as to the definition of UK Affected Shares or EEA Affected Shares, you should consult your lawyer or other professional adviser.

The registration of a share transfer or recognition of a transfer of Nil Paid Rights or Fully Paid Rights following the completion of this declaration and, where relevant, the provision by the transferee or renounee of such other evidence or information as the Directors of easyJet may have required prior to such registration or recognition is without prejudice to the ability of the Directors of easyJet to exercise any or all of the powers exercisable by them pursuant to the Articles of Association of easyJet. In particular the Directors have power to apply a broader definition of the term "Affected Share" pursuant to the Articles of Association of easyJet than is applied for the purposes of this declaration and may adopt a different form of nationality declaration in substitution for this declaration from time to time.