easyJet Plc
(03959649)

RESILIENT FOCUSED DATA DRIVEN

ANNUAL REPORT AND ACCOUNTS 2019

easyJet plc

WHO WE ARE

easyJet makes travel easy, enjoyable and affordable for customers, whether it is for leisure or business.

We use our cost advantage and leading positions in primary airports to deliver low fares and operational efficiency, seamlessly connecting Europe with the warmest welcome in the sky.

Our well-established business model provides a strong foundation to drive profitable growth and long-term shareholder returns.

We are proud to have been awarded Best Low-Cost Airline in Europe at the Skytrax World Airlines Awards 2019.

'Our Promise' is that we will be:

SAFE AND RESPONSIBLE	ON OUR CUSTOMERS' SIDE	IN IT TOGETHER	ALWAYS EFFICIENT	FORWARD THINKING

OUR VALUE CREATION FRAMEWORK

PAGE **2**

The foundation for who we are and what we do

OUR PERFORMANCE

PAGE **10**

Key highlights of the year's performance

OUR PLAN

PAGE **16**

The strategic plan which we announced last year is now fully embedded across easyJet

OUR COMMITMENT

PAGE **48**

Sustainability is a key part of Our Promise

CONTENTS

STRATEGIC REPORT

CORPORATE GOVERNANCE

ACCOUNTS

VISIT OUR WEBSITE FOR MORE INVESTOR INFORMATION

corporate.easyJet.com/investors

OUR VALUE CREATION FRAMEWORK

easyJet's value creation framework is the foundation for who we are and what we do. This provides context for how our wider purpose drives our business model and strategic plan, both of which are underpinned by our responsible and sustainable way of doing business and our core values.

OUR PURPOSE

Our purpose defines who we are and guides our actions and decisions.

SEAMLESSLY CONNECTING EUROPE WITH THE WARMEST WELCOME IN THE SKY

easyJet makes travel easy, enjoyable and affordable, whether it is for leisure or business

DETAILS CAN BE FOUND ON PAGE 12

OUR BUSINESS MODEL

Our well-established business model provides a strong foundation for delivering long-term value to all of our stakeholders.

PURPOSE-DRIVEN, VALUE CREATION BUSINESS MODEL

DETAILS CAN BE FOUND ON PAGE 12

OUR STRATEGY

Our strategic priorities are a plan of action designed to move us closer to fulfilling our purpose.

OUR PLAN

- Number one or number two in primary airports
- Winning our customers' loyalty
- Value by efficiency
- The right people
- Innovating with data

DETAILS CAN BE FOUND ON PAGE 19

OUR SUSTAINABILITY FRAMEWORK

Our sustainable growth is supported by a responsible way of doing business.

OUR SUSTAINABILITY STRATEGY

- Safety is our number one priority
- Honest and fair with our customers and suppliers
- A responsible and responsive employer
- A guardian for future generations
- A good citizen

DETAILS CAN BE FOUND ON PAGE 48

OUR PROMISE

We have a set of values which support and guide Our Strategy.

- Safe and responsible
- On our customers' side
- In it together
- Always efficient
- Forward thinking

DETAILS CAN BE FOUND ON PAGE 15

FOCUSED ON DELIVERING LONG-TERM VALUE

2019 has been a challenging year for easyJet with a tough start in the first half. This was followed by success from our self-help initiatives over the summer, with decisive management actions ensuring a record summer profit performance. The strength of our offering has ensured that customer demand has remained strong in spite of uncertain times for consumer confidence and continued disruption at airports. In 2019 the Group increased the number of passengers flown by 8.6% to 96.1 million passengers (2018: 88.5 million). Our strong business model and robust balance sheet mean we are well positioned to succeed in the years ahead.

RESULTS

easyJet has faced a challenging year, with consumer confidence having been impacted by the ongoing uncertainty around the UK's exit from the EU. This uncertain demand environment and the annualisation of some one-off benefits we experienced last year were the main factors behind the significant reduction in our profits this year. However, the measures we have taken to increase late yields and manage costs have enabled us to meet revised stock market expectations and to stabilise and reposition our business for this new environment. A discussion of the current dynamics influencing our industry can be found in the Market Review on page 14.

Revenue for the full year increased by 8.3% to £6,385 million (2018: £5,898 million). Despite a difficult disruption environment, our Operational Resilience programme ensured that costs remained under control.

This resulted in headline profit before tax of £427 million (2018: £578 million) and basic headline earnings per share of 88.7 pence (2018: 118.3 pence). Total profit before tax of £430 million (2018: £445 million) and non-headline items of a £3 million gain (2018: £133 million cost) led to basic total earnings per share of 88.6 pence (2018: 90.9 pence).

DIVIDENDS

easyJet's dividend policy is to pay shareholders 50% of headline earnings after tax, reflecting the Board's confidence in the long-term prospects of the business. I am pleased to recommend to shareholders a dividend of 43.9 pence per share for the 2019 financial year (2018: 58.6 pence per share).

HOLIDAYS

Last year easyJet identified a significant opportunity to develop a financially meaningful holidays business, to better serve the easyJet generation. Around 20 million customers per year fly with easyJet to Europe's largest leisure destinations, but only 0.5 million book accommodation with us. We will launch in the UK before Christmas, selling holidays for winter 2019 and summer 2020.

OUR BOARD

easyJet's Board has been further strengthened this year by the appointment of two new Independent Non-Executive Directors. Dr Anastassia Lauterbach and Nick Leeder were both appointed to the Board on 1 January 2019. Both bring different perspectives on technology and data and in-depth knowledge of a range of businesses. Adèle Anderson stepped down from the board on 7 February 2019 and I would like to reiterate my thanks to Adèle for her important contribution. Further details of these changes are included in the Governance report on page 66.

OUR PEOPLE

I would like to extend my thanks to all of easyJet's employees, but especially to the wonderful crew, who continue to provide the warmest welcome in the sky. The inclusive culture and people at easyJet are vital to our success.

There have been a number of changes to the Airline Management Board over the course of the year which are detailed in the Governance report on page 72.

Details of how we engage with our stakeholders can be found on page 15.

SUSTAINABILITY

In the past year we have seen increased debate about climate change. As an airline this is our most significant sustainability impact and challenge. This is why we announced in November 2019 that we would become the world's first major airline to operate net-zero carbon flights across its whole network. We are doing this by offsetting the carbon emissions from the fuel used for all of our flights.

We recognise that this is an interim measure, but at the moment we believe it's the best way we have to remove carbon from the atmosphere. At the same time, we will continue to support the development of new technologies to decarbonise aviation for the longer-term, on top of all the other initiatives we are taking to reduce carbon.

THE FUTURE

As ever there will be challenges to face during the coming year. We continue to believe that easyJet's well-established business model and solid financials provide a strong foundation to weather these challenges, and to drive profitable growth and long-term shareholder returns.

JOHN BARTON
Non-Executive Chairman

RESILIENT

As we were planning for summer 2019, we faced increasing airport and airspace congestion, with Eurocontrol predicting 15% more air traffic delays year on year.

The skies are busier than ever, and our own fleet capacity is growing, so we took action to evolve the way we planned for and managed disruption on the day, and recover faster when disruptive events occur.

This involved a co-ordinated, airline-wide effort to identify improvements across the business, including:

- Re-designing our flying schedules and rosters, making over 50,000 updates to the schedule to help us avoid disruption where possible and to be better positioned to manage where we cannot
- Increasing investment in standby aircraft
- Optimising our maintenance planning
- Communicating with and supporting our customers during disruption
- Using data and analytics to make the best network-wide decisions

24%

FEWER CUSTOMERS DELAYED >3 HOURS

25%

FEWER DISRUPTION EVENTS WITHIN OUR CONTROL

73%

REDUCTION IN TIME TO PAY CLAIMS

99.4%

FLIGHT
COMPLETION RATE

46%

FEWER
CANCELLATIONS

FOCUSED

Our growth is targeted in the areas where we see long term returns, within our core business as a low-cost European point-to-point airline.

- Our network strategy of focusing our capacity on slot-constrained primary airports is improving resilience through the cycle and driving revenue per seat and profitability, as we take market share from legacy carriers.
- Our new Holidays initiative is focusing initially on the 19.5 million leisure customers who flew easyJet last year but booked accommodation elsewhere. The Holidays team is targeting the needs of the easyJet generation with an all-new offering and website. We have identified that this represents a significant growth opportunity with low capital requirements.
- Our late yield initiative has enabled us to optimise pricing for super late bookings, in instances where we saw a wide pricing gap relative to our competitors, whilst still maintaining our commitment to offer great value.

OUR CEO REVIEW CONTAINS FURTHER INFORMATION ON OUR CUSTOMER-FOCUSED STRATEGY

– PAGE 21

"WE HAVE THE AMBITION, EXPERIENCE AND DIVERSITY NEEDED TO BECOME A MAJOR PLAYER IN THE HOLIDAY MARKET"

Garry Wilson, Chief Executive Officer of easyJet Holidays

61M SEATS

FLOWN BY LEGACY CARRIERS FROM OUR EXISTING TARGET AIRPORTS – A MAJOR GROWTH OPPORTUNITY

19.5M CUSTOMERS

WHO FLEW WITH EASYJET FOR LEISURE BUT BOOKED ACCOMMODATION ELSEWHERE

1-2

WEEKS BEFORE DEPARTURE

WINDOW TO IMPROVE YIELDS

DATA DRIVEN

At easyJet, we put data to work for the benefit of our customers and employees.

We have designed prediction models which allow our operations team to intervene early when crew duty hour limits are likely to disrupt our schedule, enabling us to create highly resilient rosters and schedules. This is critical to crew wellbeing, reducing out-of-hours travel to cover duties while also enabling greater roster stability and minimising customer disruption.

We are equipping all of our aircraft with 'big data' servers, which allows us to capture, store and interrogate the aircraft data after every flight. Looking for patterns in this data enables us to intervene early, before an aircraft potentially develops a technical fault and impacts upon our operation.

Data from our maintenance systems is also being used to predict when we are most likely to find faults and need extended maintenance downtimes. This allows us to ensure we have the right spare parts and personnel available, and have standby aircraft ready if necessary.

Congestion in European airspace has had a huge impact on our operations, especially during summer 2018 and 2019. We have developed data tools allowing us to predict which flights are most likely to experience delays and impact upon our flying programme. These data tools recommend where to intervene to reduce these delays and help to shape how we build our future schedules in a more resilient way.

The use of data has been fundamental to our success in reducing the impact of disruption. These are early successes in building a data driven operation and we have a full pipeline of data projects for the future.

FURTHER INFORMATION ON OUR FOCUS ON DATA CAN BE FOUND

– CEO REVIEW PAGE 25 – RISK MANAGEMENT 37 – SUSTAINABILITY 48

631

AIRCRAFT TECHNICAL FAULTS DETECTED BEFORE THEY INTERRUPTED OPERATIONS

21 **NEW DATA TOOLS**

900 **CREW PAIRINGS PROACTIVELY SPLIT**

OUR PERFORMANCE

TOTAL PROFIT BEFORE TAX (£M)

2019	430
2018	445
2017	385
2016	507
2015	686

HEADLINE PROFIT BEFORE TAX[1] (£M)

2019	427
2018	578
2017	408
2016	494

TOTAL REVENUE (£M)

2019	6,385
2018	5,898
2017	5,047
2016	4,669
2015	4,686

TOTAL ANCILLARY REVENUE[2] (£M)

2019	1,376
2018	1,210

BASIC TOTAL EARNINGS PER SHARE (PENCE)

2019	88.6
2018	90.9
2017	77.4
2016	110.9
2015	139.1

BASIC HEADLINE EARNINGS PER SHARE[1] (PENCE)

2019	88.7
2018	118.3
2017	82.5
2016	108.4

LOAD FACTOR

91.5%

2018: 92.9%

SEATS FLOWN

105.0M

2018: 95.2M

DIVIDEND PER SHARE

43.9P

2018: 58.6P

1. Headline performance measures were implemented from 2016 onwards
2. Ancillary revenue reporting was implemented from 2018 onwards

FOCUSING ON OUR STRENGTHS

We continue to invest in the core strengths of our network, operational efficiency and customer service.

UNPARALLELED NETWORK

NUMBER ONE OR TWO IN PRIMARY AIRPORTS[1]

56

2018: 51

ROUTES OPERATED[2]

1,051

2018: 979

LOW-COST MODEL

NEW GENERATION AIRCRAFT REDUCE EMISSIONS AND FUEL CONSUMPTION[3]

15%

COST SAVINGS

£139M

2018: £107M

STRONG BALANCE SHEET

NET (DEBT)/CASH[4]

£(326)M

2018: 396M

CUSTOMER LOYALTY

NUMBER ONE AIRLINE BRAND IN THE UK, FRANCE & SWITZERLAND[2,5]

NO.1 OR 2

RETURNING CUSTOMERS[6,7]

68%

2018: 66%

VALUE BY EFFICIENCY

HEADLINE ROCE[8]

11.4%

2018: 14.6%

DRIVING REVENUE GROWTH

PASSENGERS[6]

96.1M

2018: 88.5M

1. As at 30 September 2019 – airports where easyJet is the number one or number two carrier based on short-haul capacity
2. As at 30 September 2019
3. A320neo vs previous generation A320
4. Includes lease liabilities upon adoption of IFRS 16 in FY 2019
5. Millward Brown brand tracker
6. In the year ended 30 September 2019
7. Percentage of seats booked by customers who made a booking in the preceding 24 months
8. 2019 post IFRS 16, 2018 using adjusted capital employed and restated

OUR BUSINESS MODEL

Our robust business model makes it easy, affordable and sustainable to travel, which drives growth and returns for our shareholders.

OUR PURPOSE:

**SEAMLESSLY CONNECTING EUROPE WITH THE WARMEST WELCOME IN THE SKY.
WE MAKE TRAVEL EASY, ENJOYABLE AND AFFORDABLE FOR CUSTOMERS, WHETHER IT IS FOR LEISURE OR BUSINESS, THROUGH OUR UNIQUE AND SUSTAINABLE BUSINESS MODEL.**

OUR RESOURCES:

FINANCIAL CAPITAL

easyJet has a strong capital base, with a market capitalisation of £4.6 billion[1] and very low net debt position of £326 million at 30 September 2019[2] (2018: £396 million net cash). easyJet's credit ratings are amongst the strongest in the world for an airline.

CREDIT RATING
BBB+ /BAA1

AIRCRAFT

easyJet operates a modern fleet of Airbus A320 family aircraft, of which 70% are owned outright. We are investing in new generation aircraft which are more fuel efficient[3] and environmentally friendly,[4] leading to lower operating costs and lower carbon emissions over time.

331
AIRCRAFT[5]
2018: 315

PEOPLE

easyJet has a highly skilled workforce of over 15,000 people, including nearly 4,000 pilots and over 9,000 cabin crew members.[5]

The employee engagement score of 8 out of 10 on our employee listening platform Peakon reflects our strong culture, which is unique in the airline industry.

OVER
15,000
EMPLOYEES[5]
2018: 14,000

SUPPLIERS

easyJet partners with key suppliers to deliver many of its operational and commercial activities. Our partners are carefully selected and significant emphasis is placed on managing these relationships, with the aim of extracting incremental innovation and performance. Currently, our top 300 suppliers are responsible for around 97% of our spend.

85%
SUPPLIER PAYMENTS ON TIME
2018: 87%

SLOTS AND BRAND

easyJet has a valuable portfolio of slot pairs at slot-constrained primary airports, as well as flying rights across Europe and AOCs[6] in the UK, Switzerland and Austria.

easyJet has a strong brand and has been named the best low-cost airline in Europe at the Skytrax World Airlines Awards 2019.

88%
CAPACITY AT SLOT-CONSTRAINED AIRPORTS[7]
2018: 89%

TECHNOLOGY AND DATA

easyJet is aiming to become the world's most data-driven airline. We are seeing significant benefits already from operational resilience processes and predictive maintenance. Our revenues are benefiting from data projects in late yield initiatives and differential seat pricing.

700M
VISITS TO ALL DIGITAL PLATFORMS
2018: 615M

1. Based on share price of £11.50 at 30 September 2019
2. With the adoption of IFRS 16, leases are now on the balance sheet
3. 15% fuel saving A320neo vs previous generation A320
4. Around 50% quieter on takeoff and landing than previous generation aircraft
5. As at 30 September 2019
6. Air operator certificates
7. Based on level 2 and level 3 airports as updated by IATA on 10 November 2018 and defined within IATA Worldwide Slot Guidelines as at 1 August 2019

easyJet continues to go from strength to strength across Europe, adding more top destinations to our market-leading network and increasing our presence at slot-constrained primary airports.

BUSINESS ACTIVITIES:

WHAT WE DO

We are a low-cost European point-to-point airline. We use our cost advantage, operational efficiency and leading positions in primary airports to deliver low fares, seamlessly connecting Europe with the warmest welcome in the sky.

easyJet is the seventh[1] largest airline in the world, with 331 aircraft and 96 million customers across 34 countries and 159 airports.

In time for the 2020 summer season we are launching a new easyJet Holidays business, in order to capture additional revenues from the 97% of our leisure customers who book accommodation elsewhere.

HOW WE DO IT

- Our leading position at slot-constrained airports with high customer demand allows us to deliver profitable growth and resilient returns over the long term
- We continually evaluate opportunities to extend our network profitably
- Our cost efficiency is achieved through long-term strategic partnerships with key airports and ground handling operators
- easyJet has a focus on providing services which our customers value
- The new easyJet Holidays offering has been tailored to the needs of the easyJet generation

AIRPORTS

159

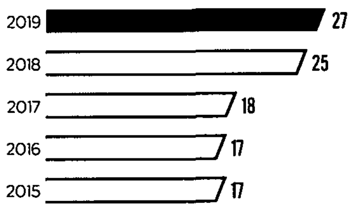
2018: 156

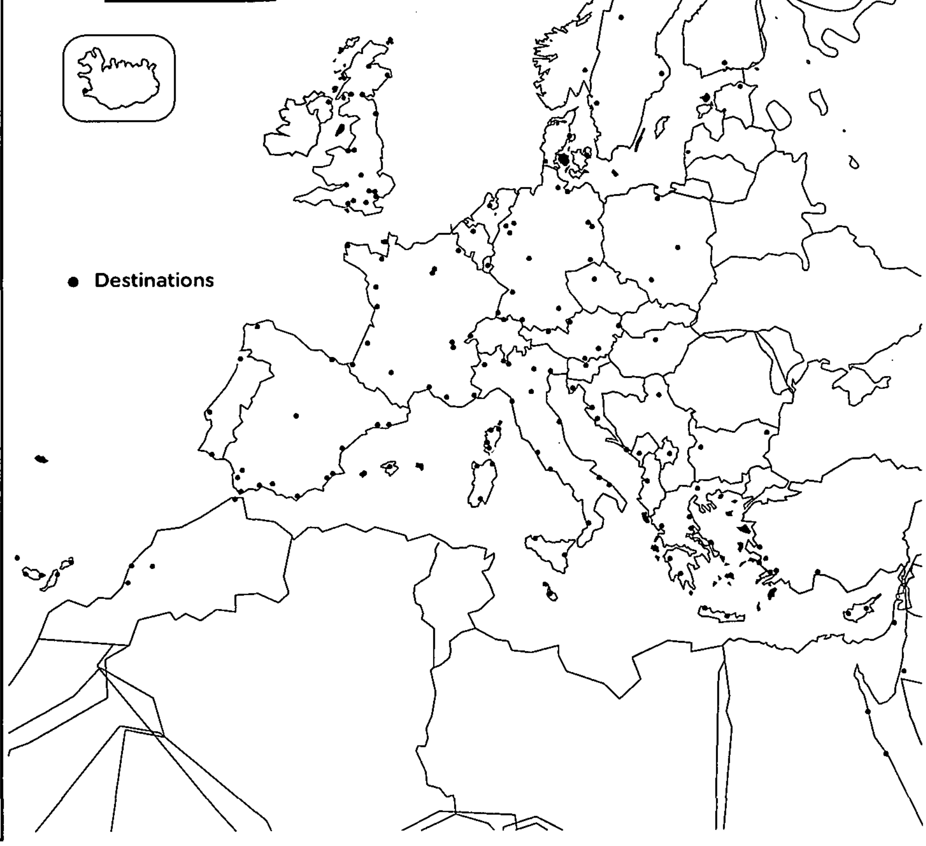
ROUTES

1,051

2018: 979

INCREASING NO 1 POSITIONS ACROSS THE NETWORK





1. Based on sectors flown, as reported by OAG as at September 2019

MARKET DYNAMICS

The key factors which influence easyJet and all operators within the European airline industry

DEMAND

The airline industry is a cyclical one, with demand for flights driven by economic growth.

Low-cost carriers such as easyJet continue to take market share from legacy carriers.

The aviation industry has been affected by a number of geopolitical events in recent years, such as terror attacks and extreme weather events. These have both short-term and long-term consequences for demand and the structure of the industry.

The UK's decision to leave the EU has led to considerable uncertainty for people booking flights, as well as operational challenges for airlines. The outcome of the Brexit process may continue to affect GDP and the propensity to travel.

HOW WE ARE RESPONDING

Our dense, Europe-focused network enables economies of scale and allows us some flexibility, to move capacity in response to local demand.

easyJet's Brexit preparations are extensive and have addressed both operational and financial issues. Further details can be found on page 18.

FUEL

Fuel is one of the biggest costs which airlines face and one of the most volatile. Fuel represented 24% of easyJet's cost base for the 2019 financial year. During the year the average price of Brent crude oil fell by 6% from \$70 to \$66. The price of jet fuel is strongly correlated to the price of crude oil.

HOW WE ARE RESPONDING

easyJet continues to hedge fuel costs in order to mitigate against the risk of major volatility in fuel prices.

ENVIRONMENTAL AND SOCIAL

Environmental factors are a major issue for the airline industry, affecting both passenger demand and operating parameters.

Customers are increasingly aware of their carbon footprint and are considering alternatives to air travel, which accounts for around 3% of global carbon emissions.

HOW WE ARE RESPONDING

easyJet is now the world's first major airline to operate net-zero carbon flights. Our first comprehensive Sustainability Report begins on page 68 and contains further details of this and all of our Sustainability initiatives.

SUPPLY AND AIRSPACE MANAGEMENT

European short-haul capacity increased by 3.6% in total and by 5.3% in easyJet's markets during 2019.

The Air Traffic Control environment in Europe has continued to worsen, with delay minutes rising from 14.1 million in 2015 to 24.5 million by 2019, according to Eurocontrol data.

HOW WE ARE RESPONDING

easyJet is taking steps to address the difficult ATC environment and the rising costs of disruption. Our Operational Resilience programme is proving very successful and further details can be found on page 23.

FOREIGN EXCHANGE

easyJet is exposed to foreign exchange rate movements, particularly Sterling against the US dollar and the Euro.

Sterling has fallen in value since the UK voted to leave the EU in the 2016 referendum. Sterling's depreciation continues to impact negatively upon easyJet's costs and capital expenditure. A strong US dollar increases the price of fuel, one of easyJet's biggest costs. A strong Euro typically has a net benefit for easyJet's European operations. See page 30 for details of the impact from foreign exchange on our results for the 2019 financial year.

HOW WE ARE RESPONDING

We hedge foreign exchange exposures in order to mitigate against volatility.

OUR STAKEHOLDERS

Our stakeholders are an important part of our operations and are referenced throughout this report. Details of our key stakeholders and how we engage with them are set out below.

WHO THEY ARE	HOW WE ENGAGE
CUSTOMERS We flew 96 million passengers in 2019. They include individuals who book flight-only trips with us for leisure or business, as well as those who also book holidays.	• Our crew interact with customers on a daily basis, providing the warmest welcome in the sky. • When customers need extra support, our customer services teams help with special assistance requests or arrangements when their travel is disrupted. • We also regularly survey our customers to find out about their experiences.
SUPPLIERS Our current fleet of 331 aircraft is supplied by Airbus. The fleet is maintained by specialist suppliers. Ground handling agents manage the logistics operations at airports, such as baggage handling and aircraft loading and unloading. We have a strategic partnership with DHL to provide these services at Gatwick, Bristol and Manchester. We have a number of critical technology suppliers.	• We aim to have an open, constructive and effective relationship with all suppliers, as we believe they are integral to the Group's success. • We have an established supplier relationship management framework, which provides a toolkit and guidance for easyJet managers who lead relationships with key partners. • Our IT supplier relationship management process is designed to ensure that third-party services and associated risks are regularly reviewed and assessed.
EMPLOYEES We have 15,000 employees across eight countries in Europe, including 4,000 pilots and 9,000 cabin crew.	• In addition to Peakon, our employee engagement platform, we have country and base teams which manage and interact with staff on a daily basis. • We have a number of employee representative groups across Europe. We also engage with 20 trade unions across eight countries. • Moya Greene engages with employees through her role as the Employee Representative Director.
COMMUNITIES We operate out of 30 bases across Europe and fly from 159 airports. Our head office is based at London Luton Airport, where we have a training academy for crew. We opened our first European pilot training centre near Milan in 2019.	• Community engagement is typically coordinated by local management teams. In the community around our head office, we support Luton Town Football Club's community sport programme and the 'Love Luton' economic development campaign.
SHAREHOLDERS As a company listed on the London Stock Exchange, our shares are publicly traded. Our major shareholders are set out on page 117.	• We have an active engagement programme with institutional investors through our Investor Relations department. Shareholders can also attend our AGM and ask questions. • We engage with our major shareholders on a regular basis around specific issues.
REGULATORS AND GOVERNMENTS Our three pan-European airlines are regulated by Austrocontrol (Austria), the Civil Aviation Authority (UK) and the Federal Office of Civil Aviation (Switzerland). We engage with governments, policy makers, Air Traffic Control operators, airline associations and tourism bodies.	• Our regulatory affairs team engages with regulators on a regular basis. We also engage with governments in all markets where we have bases, at both a national and regional level. • Our operations team engage with Air Traffic Control operators and airline associations. We also work with business and tourism bodies across our network.

OUR PLAN FOR THE FUTURE

JOHAN LUNDGREN
Chief Executive Officer

OVERVIEW

easyJet delivered a resilient performance in the 2019 financial year. Our financial results reflect the underlying strength of easyJet's network and brand. We continue to see easyJet as a structural winner in the European short-haul airline market, across the economic cycle.

easyJet is reinforcing its competitive advantage by building leading positions at the primary airports which our customers want to fly to. This customer-focused strategy is driving profitable growth and delivering resilient returns for the long term. We have made significant progress with the Berlin operations which we acquired last year and they have been successfully integrated into our network.

We believe that it is the strength of this network, combined with our welcoming people and all-round value, which are enabling easyJet to deliver robust bookings and continue to take market share from the legacy carriers.

Our revenues on a per seat basis were negatively impacted by uncertainty around the original March 2019 Brexit date, although have since recovered well, supported by a number of self-help initiatives, such as our late yield pricing programme.

Operational performance has remained strong as we have invested in operational resilience initiatives to reduce the impact of industry disruption for our customers.

Cost control continues to be a core focus and our underlying cost per seat has remained broadly stable this year, despite some industry-wide issues in the fourth quarter such as summer storms and disruption at London Gatwick.

Our all-new easyJet Holidays platform will launch in the UK market before Christmas, taking bookings for the winter 2019 and summer 2020 seasons. Our new holidays website and mobile app will offer a simple-to-use, streamlined search and booking process with inspiring content. We are excited about the opportunity to build a financially meaningful holidays business for a low upfront investment and limited risk. We expect easyJet Holidays to be at least breakeven in the financial year to 30 September 2020.

REVENUE

Total revenue increased by 8.3% to £6,385 million (2018: £5,898 million) due to our increase in capacity[1]. Total revenue per seat decreased by 1.8% to £60.81 (2018: £61.94), reflecting economic uncertainty across our markets, weakness in the second quarter and subsequent recovery in the second half. Revenue per seat at constant currency[2] decreased by 2.7%.

Passenger revenue grew by 6.9%. The drivers of this performance were:

- The self-help initiatives delivered in the second half, mainly focusing on optimising late yield, whilst maintaining our commitment to offer great value
- Strength in the UK regions and in France
- A full year's contribution from our Tegel base in Berlin
- Positive impact from strikes at British Airways and Ryanair

Offset by:

- A tougher comparison as the previous year had benefited from the collapse of Monarch, cancellations at Ryanair and industrial action in France
- Economic uncertainty in core markets
- Weakness in the second quarter, as customers' propensity to book flights was impacted by uncertainty surrounding the original date of 29 March 2019 proposed for the UK to leave the European Union
- Softer London market
- Drone sightings at London Gatwick

Ancillary revenue grew 13.7% to £1,376 million (2018: £1,210 million). This reflected our continued focus on a data-driven programme of products and services which our customers value, including:

- Seasonal pricing on allocated seating
- Introduction of the fourth band of seat pricing
- Loss of revenue from changes to admin fees more than offset by strong performance of ancillary revenues generally

COST

easyJet's underlying cost performance has been strong in the 2019 financial year. Headline cost per seat including fuel increased by 1.5% to £56.74 (2018: £55.87). Headline cost per seat at constant currency[2] increased by 0.4% to £56.08 (2018: £55.87).

1. Capacity represents the number of earned seats flown. Earned seats include seats which are flown whether or not the passenger turns up, as easyJet is 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 staff for business travel.
2. Constant currency is calculated by comparing performance for the 2019 financial year, translated at the effective exchange rate for the 2018 financial year, with the 2018 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.

Headline cost per seat excluding fuel decreased by 0.8% at constant currency[2] to £43.11 (2018: £43.43). This cost performance was driven by:

- Investment in operational resilience, which drove decreases in cancellations and delays over three hours despite experiencing the drone issue at Gatwick as well as summer thunderstorms across many markets
- Lower navigation costs due to reduction in Eurocontrol rates
- Favourable impact of IFRS 16 in relation to maintenance costs offset by increased underlying costs of maintenance
- Fleet up-gauging from A319ceo to A320neo and A321neo albeit this has been somewhat lower than planned due to Airbus delivery delays
- Established strategic relationships with key suppliers, particular airports and ground handling agents, to drive long-term cost efficiencies
- Lower de-icing costs due to relatively benign weather

Partially offset by:

- Annualisation of previously agreed crew pay deals
- Price increases from both regulated and non-regulated airports
- Ownership costs reflecting new aircraft year on year and the impact of IFRS 16 accounting changes. The net impact of IFRS 16 is an £8 million decrease in headline costs
- The cost impact of the drones at Gatwick relating to customer welfare costs. The incident affected around 82,000 customers and led to over 400 flights being cancelled.

Fuel cost per seat increased by 8.4% to £13.48 (2018: £12.44) and by 4.3% at constant currency[2], driven by a higher hedged fuel price compared to the prior year, partially offset by a continued investment into more fuel efficient aircraft.

NON-HEADLINE ITEMS

easyJet incurred a net benefit of £3 million in non-headline items during the 2019 financial year (2018: £133 million cost). Non-headline items are material non-recurring items or items which do not reflect the trading performance of the business. These costs are separately disclosed and further detail can be found in the notes to the accounts. These include:

- £2 million gain as a result of the sale and leaseback of ten A319 aircraft in the period (2018: charge of £19 million)
- £2 million gain from the retranslation of balance sheet monetary assets and liabilities (2018: nil)
- £2 million credit related to the commercial IT platform programme (2018: £65 million charge)
- £4 million charge for ongoing organisational and legal costs associated with easyJet's Brexit-mitigation programme (2018: £7 million)
- £1 million credit related to fair value adjustments (2018: £1 million charge)

There were no non-headline charges relating to Tegel, which is now fully integrated into the underlying business (2018: charge of £40 million).

TOTAL PROFIT

Total profit before tax fell to £430 million (2018: £445 million), including a £3 million positive impact (2018: £133 million adverse) from non-headline items.

Headline profit before tax fell to £427 million (2018: £578 million).

Headline profit per seat fell to £4.07 (2018: £6.07). The tax charge for the year was £81 million (2018: £87 million). The effective tax rate for the period was 18.9% (2018: 19.7%).

Basic earnings per share fell to 88.6 pence (2018: 90.9 pence) after the impact of non-headline items. Basic headline earnings per share fell by 25% to 88.7 pence (2018: 118.3 pence). Subject to approval by shareholders, the Board is recommending that the dividend per share decreases by 25% to 43.9 pence (2018: 58.6 pence), in line with the Company's stated dividend policy of a payout ratio of 50% of headline profit after tax.

FLEET

easyJet's fleet is a major component of its business model and a competitive advantage. easyJet's total fleet as at 30 September 2019 comprised 331 aircraft (2018: 315 aircraft) with the increase driven by the addition of new aircraft from the A320 family. The average gauge of the fleet is now 175 seats per aircraft, an increase from 172 seats at 30 September 2018. The average age of the fleet increased slightly to 7.4 years (2018: 7.0 years). During the year easyJet's asset utilisation across the network decreased slightly to an average 10.9 block hours per day (2018: 11.1 hours).

easyJet is pleased to announce that it has reached an agreement with Airbus which ensures continued delivery of aircraft from 2024 and executes some fleet flexibility. Specifically, the agreement includes:

- The exercise of 12 purchase options resulting in 12 firm orders of A320neo aircraft for delivery in 2024 under the existing 2013 agreement
- The deferral of delivery dates of nine A320neo aircraft and three A321neo aircraft resulting in 2021 deliveries reducing by 12 aircraft, and being deferred to delivery dates starting from 2023

The agreement secures valuable delivery slots in 2024 at a list price of $1,368.4m for the 12 new firm orders of A320neo aircraft. Under the terms of the 2013 agreement between easyJet and Airbus, the actual cost of the aircraft is subject to a substantial discount from the list price. Following this agreement, easyJet have 13 purchase options and 58 purchase rights remaining.

The agreement also allows the fleet to meet the planned fleet size for 2021 and is a key demonstration of easyJet's fleet flexibility which means the airline is able to either increase or decrease the fleet growth programme as well as increase or decrease deployed capital.

FLEET AS AT 30 SEPTEMBER 2019:

	Owned	Leased	Total	% of fleet	Changes since Sept 2018	Future deliveries	Purchase options	Unexercised purchase rights
A319	69	56	125	38%	(7)	–	–	–
A320 180 seat	17	23	40	12%	(35)	–	–	–
A320 186 seat	109	20	129	39%	36	–	–	–
A320 neo	31	–	31	9%	18	79	25	58
A321 neo	6	–	6	2%	4	24	–	–
	232	99	331		16	103	25	58
Percentage of total fleet	70%	30%						

BALANCE SHEET

easyJet's business model and strategy are underpinned by sector-leading balance sheet strength. easyJet is committed to its investment grade rating, with a BBB+ (stable) rating from Standard & Poor's and a Baa1 (stable) rating from Moody's.

Of easyJet's 331 aircraft on the balance sheet at 30 September 2019, the 232 owned aircraft are unencumbered, representing 70% of the total fleet (unchanged year-on-year).

Over the next four years easyJet's gross capital expenditure, including the impact of new IFRS accounting standards is expected to be as follows:

Year	2020	2021	2022	2023
Gross capital expenditure (£ million)	1,350	950	1,200	1,100

easyJet's funding position is strong with net debt at 30 September 2019 of £326 million, which comprised cash and money market deposits of £1,576 million (2018: £1,373 million) and borrowings of £1,902 million (2018: £977 million).

Borrowings as at 30 September 2019 include £578 million of lease liabilities, with the majority added as a result of the adoption of IFRS 16.

After allowing for the impact of aircraft operating leases, as previously adjusted (seven times operating lease costs incurred in the 12 months ending 30 September 2018), adjusted net debt as at 30 September 2018 was £738 million.

Liquidity per 100 seats was £3.6 million (2018: £3.9m), which represents comfortable headroom compared to our target of a liquidity buffer of £2.6 million per 100 seats, defined as cash plus undrawn revolving credit facilities and business interruption insurance.

Headline return on capital employed (ROCE) fell to 11.4% (2018: 14.6%), driven by the weaker performance in Q2. Total ROCE fell to 11.4% (2018: 11.7%). On a like-for-like accounting basis, total ROCE decreased to 10.0%.

BREXIT

easyJet is well prepared for the UK's departure from the European Union and has been operating in a 'No-Deal Brexit' environment since March 2019.

Since March easyJet has been structured as a pan-European airline group with three airlines based in Austria, Switzerland and the UK. This ensures that easyJet will continue to be able to operate flights both across the EU and domestically within EU countries after the UK has left the EU, regardless of the Brexit outcome.

easyJet has made good progress in meeting the European ownership requirements and our equity capital is currently around the 50% threshold of qualifying nationals (EU member states plus Switzerland, Norway, Iceland, Liechtenstein, but excluding the UK). In the event that the UK were to leave the EU without a deal and if the European ownership of easyJet were to fall below 50% then easyJet could invoke the provisions within its Articles of Association which allow for suspension of rights to attend and vote at shareholder meetings and/or sale of shares by non-qualifying nationals to qualifying nationals. Similar powers exist in the articles of association of other airlines, as well as in the articles of companies in other sectors which have national share ownership requirements. Whilst easyJet has no current intention of exercising these powers, the position will be kept under review pending the outcome of Brexit negotiations between the UK and the EU, along with other options.

easyJet continues to closely monitor demand on all of our routes, in the event that political events may affect our customers' propensity to travel.

Having started our Brexit preparations early and with contingency plans in place, we are confident that easyJet will keep flying and that our operations will not be materially affected, whatever the outcome of the current political situation.

OUTLOOK

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

For the 2020 financial year easyJet plans to grow capacity at the lower end of our medium-term 3-8% guidance. Scheduled capacity growth in Q1 is currently around 2% and is expected to be less than 2% for the first half.

Forward bookings for the first half of the 2020 financial year are reassuring. Bookings are slightly ahead of last year (recognising that the second quarter is a weak comparative).

Revenue per seat for the first half of the 2020 financial year is expected to be up low to mid single digits year-on-year. This excludes the incremental revenues associated with easyJet Holidays.

Disruption costs are expected to continue improving next year, driven by our Operational Resilience programme. A lower rate of capacity growth will make it more challenging to deliver lower costs per seat on an underlying basis. Headline cost per seat excluding fuel at constant currency for the 2020 financial year is expected to increase by low single digits, assuming normal levels of disruption. This guidance excludes the incremental costs associated with easyJet Holidays, which is expected to be at least breakeven for the financial year ending 30 September 2020.

Capital expenditure for the 2020 financial year is expected to be c.£1.35 billion (including the effect of new IFRS accounting standards).

Based on today's fuel prices, unit fuel costs[1] for the year to 30 September 2020 are expected to result in a headwind of between £70 million and £140 million, due to easyJet's advantaged hedging position. Total fuel bill is expected to be around £1.62 billion (includes £10 million of the headline foreign exchange impact) and this figure includes c.£25 million investment in carbon offsetting.

The total expected headline foreign exchange impact[2] for the year to 30 September 2020 is expected to be a positive movement of around £40 million.

HEDGING

Details of hedging arrangements as at 30 September 2019 are set out below:

	Fuel requirement	US Dollar requirement	Euro surplus	CHF Surplus
Six months to 31 March 2020				
Percentage of anticipated requirement hedged	74%	70%	68%	76%
Average rate	\$632 / metric tonne	\$1.36	€1.11	CHF 1.27
Full year ending 30 September 2020				
Percentage of anticipated requirement hedged	68%	66%	67%	73%
Average rate	\$655 / metric tonne	\$1.36	€1.11	CHF 1.27
Full year ending 30 September 2021				
Percentage of anticipated requirement hedged	45%	46%	52%	52%
Average rate	\$643 / metric tonne	\$1.31	€1.10	CHF 1.23

1. Unit fuel calculated as the difference between latest estimate of 2020 fuel costs less 2019 fuel cost per seat multiplied by 2020 seat capacity
2. Based on rates as at 30 September 2019 of US\$ to £ Sterling 1.28, Euro to £ Sterling 1.15. Currency, capital expenditure and fuel increases are shown net of hedging impact

OUR PLAN

The strategic plan which we announced last year is now fully embedded across easyJet, to help build on our strengths and chart our path into an even more successful future.

OUR PRIORITIES:

NUMBER ONE OR NUMBER TWO IN PRIMARY AIRPORTS	WINNING OUR CUSTOMERS' LOYALTY	VALUE BY EFFICIENCY	THE RIGHT PEOPLE	INNOVATING WITH DATA
Giving customers the leading offer in the airports they want to fly to	**Making it easy, enjoyable and affordable to travel again and again for business and holidays**	**We control our costs and focus our investments where it matters most to our customers and our people**	**Creating an inclusive and energising environment that attracts the right people and inspires everyone to learn and grow**	**Using data to make smart decisions and shape the future of travel, to become the world's leading data-driven airline**
Customers do not just want a great deal on price – they want to fly from the airports which work best for them. We will continue to target being the market share leader at our primary airports, offering the most compelling network of destinations and driving greater returns and frequencies from these markets.	Customers have increasing choice and their expectations are rising. We will give customers reasons to choose to spend more with us, including growing our end-to-end holiday offer, expanding our business travel and offering a compelling customer loyalty programme.	We continue to drive a number of cost and efficiency programmes in order to mitigate the effects of inflation and to build further resilience into our business model. Our improved operational resilience procedures and efficient new aircraft not only reduce cost but also reduce the impact on the environment.	People are at the heart of everything which easyJet does. Our customer-facing employees are the very best in the industry and provide the warmest welcome in the sky. The positive experience which they provide for customers leads to increased loyalty and repeat business.	Our team has identified a rich pipeline of data projects. The early results have been extremely positive, improving scheduling, seat band pricing, late yield pricing and operational resilience.
FOR MORE DETAILS PLEASE SEE PAGE 20	FOR MORE DETAILS PLEASE SEE PAGE 21	FOR MORE DETAILS PLEASE SEE PAGE 22	FOR MORE DETAILS PLEASE SEE PAGE 24	FOR MORE DETAILS PLEASE SEE PAGE 25

NUMBER ONE OR NUMBER TWO IN PRIMARY AIRPORTS

easyJet aims to provide customers with the leading, best value offer for the destinations they want to fly to. easyJet's strategy is driving both leisure and business travel by focusing on the key airports which serve valuable catchment areas and represent Europe's largest markets by GDP. easyJet has a portfolio of slots at customer-friendly times in these capacity-constrained airports, which reinforces its competitive advantage against airlines which cannot match its breadth of destinations and frequencies.

#1 POSITIONS

27

2018: 25

INCREASE IN #1 & #2 POSITIONS

66%

SINCE 2012

99% of easyJet's seat capacity touches these key, primary airports, positioning the airline strongly against its competitors. During the year easyJet established a number one position at two more airports, taking the total to 27.

Looking forward, easyJet has identified a number of potential target airports for the coming years where GDP and passenger volumes are high, and where there is a weak incumbent or fragmented competition. By being number one in key airports, with the strongest brand and delivering the best value, we can become the first choice airline for our customers. easyJet estimates that within its existing target airports there are 61 million head-to-head seats being flown with legacy airlines. This represents a significant opportunity for growth.

easyJet regularly reviews its route network in order to maximise returns and exploit demand opportunities in the market. During the 2019 financial year easyJet added 112 routes to the network. Reflecting the airline's discipline, it also discontinued 40 routes which either did not meet expected return criteria or became secondary to a more attractive route elsewhere. We will continue to monitor any additional opportunities for growth which may become available in our target airports.

easyJet's network decisions are not driven solely by cost but by the desire to secure long-term, sustainable and profitable positions in our customers' favourite airports, which in turn will drive long-term, sustainable competitive advantage and returns for shareholders, throughout the cycle.

easyJet's strategy is a winning one and customers continue to choose to fly with us. This is due to our fantastic staff, our efficiency and our all-round value proposition in short-haul European flights.

easyJet continues to target growth in regional France, leveraging its long-established brand and network presence. In April easyJet opened a new base in Nantes, which brings its number one positions in France to six, including Nice, Lyon, Bordeaux, Lille and Grenoble as well as a number two position in Paris-Charles de Gaulle and Toulouse.

easyJet also consolidated its position as the UK's leading airline in the domestic market, with growth at Manchester, Edinburgh, Glasgow, Belfast, Liverpool, Southend and Bristol, as well as continuing to strengthen its number one positions in Italy at Milan Malpensa, Venice and Naples.

During the 2019 financial year, easyJet grew capacity by 9.8m seats (+10.3%). This was a faster rate of growth than our markets, which grew capacity by 5.3%.

Our growth came predominantly from the UK, French, Spanish and Italian operations, as well as from Germany where we benefited from a full year of operations at our Tegel base. 25% of easyJet's capacity growth during 2019 was from domestic flights, in markets we already knew very well.

Shortly after the end of the financial year easyJet acquired Thomas Cook's slots at Gatwick Airport (12 summer slot pairs and 8 winter slot pairs) and Bristol Airport (6 summer slot pairs and one winter slot pair) for £36 million. We are in the process of finalising the schedules and will be flying these routes as early as February 2020.

WINNING OUR CUSTOMERS' LOYALTY

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

We are making great progress in strengthening our brand across Europe, with record brand scores across many markets and more consumers now saying that we are their first choice airline in the markets where we operate. Consumers are choosing us because they want to fly easyJet, and not just because of our great prices and strong network.

SUSTAINABILITY

From 19 November 2019 easyJet will offset the carbon emissions from the fuel used for all its flights on behalf of customers. In doing so easyJet will become the world's first major airline to have net-zero carbon emissions from all its flights. The airline will also continue its long-term work to support the development of new technology, including electric planes, so that European aviation can move towards becoming net-zero carbon. At this stage the expected cost will be c.£25m for 2020.

RETURNING CUSTOMERS

68%

2017: 66%

CUSTOMER SATISFACTION

74%

2018: 75%

easyJet will offset carbon emissions from the fuel used for every flight across its whole network. Through carbon offsetting easyJet will invest in projects to reduce carbon and carbon equivalents from the atmosphere. easyJet will compensate for every tonne of CO2 emitted from fuel used for its flights, by ensuring there is one tonne less in the atmosphere – whether by reducing CO2 by physically removing it from the air (for example by planting more trees) or by avoiding the release of additional CO2.

easyJet has undertaken a rigorous process in selecting its carbon offset programmes. Only programmes which meet either the Gold Standard or Verified Carbon Standard (VCS) accreditation, which are globally recognised and respected for their standards of offsetting, will be used.

These accreditors ensure that the carbon reductions claimed by individual programmes would not have happened without that project, or that by reducing carbon emissions in one place they do not inadvertently increase them elsewhere.

easyJet has partnered with Climate Focus to help with the appointment of the projects. Climate Focus is an international advisory company committed to the development of policies and programmes that mitigate and adapt to the impacts of climate change.

This action on easyJet's carbon emissions is an interim measure, and will be in place until new carbon-reducing technologies become available and commercially viable. The airline will continue to support innovative technology, including the development of hybrid and electric planes, working with others across the industry to reinvest aviation over the long-term so that European aviation can become net-zero carbon. The aim will be for easyJet to reduce the amount of carbon offsetting it does as new technologies emerge.

As part of this work, the easyJet and Airbus partnership has been established, to jointly research the opportunities and challenges of introducing hybrid and electric aircraft for short haul flying in Europe.

easyJet has been supporting Wright Electric over the last two years, which is aiming to produce an all-electric commercial aircraft which could be used for short haul flights. The airline is also working with Rolls Royce and Safran on new technologies to reduce the carbon footprint of flying.

easyJet's focus on operational efficiency also continues to deliver fuel and carbon emissions savings. The airline is transitioning its fleet to increasingly more modern, fuel efficient aircraft; operating the aircraft in ways which avoid the unnecessary use of fuel; and maximising passenger load factor as much as possible. Since 2000 easyJet has reduced its carbon emissions per passenger kilometre by over one third. Its carbon dioxide emissions per passenger kilometre in the 2019 financial year were 77.07 grams, down from 78.46 grams in the 2018 financial year.

HOLIDAYS

Last year easyJet identified a significant opportunity to develop a financially meaningful holidays business. We have built a brand new organisation from the ground up to replace the previously outsourced commission-based model, so we can directly sell to customers and grow our business quickly and at scale.

Around 20 million customers per year fly with easyJet to Europe's largest leisure destinations, but only 0.5 million book accommodation with us. These 19.5 million leisure customers are our initial target market. The total European package holidays market is worth around £61 billion per year. The UK alone is a £13 billion market and has grown by 6% annually.

easyJet Holidays has built an entire organisation focused on technology, digital and data, working alongside our experienced local hotel sourcing team and supported by our commercial, marketing, finance, HR, legal and customer functions. Our people are a mix of industry and tech specialists and easyJet talent.

The all-new easyJet Holidays offering will be launching in the UK market before Christmas, taking bookings for the winter 2019 and summer 2020 seasons. Our new holidays website and mobile app will offer a simple-to-use streamlined search and booking process with inspiring content.

The way that customers are taking holidays is changing and we know customers want holidays with various durations and not just the traditional seven and 14 nights. Our research tells us that easyJet customers will value easyJet Holidays' unrivalled flight flexibility, curated portfolio of hand-picked hotels and compelling pricing. easyJet Holidays is well placed to provide customers with this level of flexibility and the tailored holidays they want, and our business is built to respond to this.

easyJet is excited about the opportunity to build a major player in the holidays market for a low upfront investment and with limited risk.

BUSINESS

easyJet is proud that it has been voted UK Business Airline of the Year at the Business Travel Awards (UK).

easyJet has a well-established and attractive business passenger offer, based on its network of primary airports, its slot portfolio and high frequency on Europe's major commercial routes. easyJet has built its business customer base from 10 million in 2012 to almost 17 million in 2019. The increase in business passengers during 2019 was 11.0% and has been driven by a B2B sales focus on promoting a new Flexi Fare proposition and Inclusive products on our UK, French and German domestic routes, which saw a 13% increase in business passenger numbers. Overall penetration of business rose by 0.5 percentage points to 17.5%. The business pricing premium decreased by 4% reflecting tougher market conditions, however continued investment in its business offer will help easyJet reach a higher market share of European short-haul business travellers. We now proactively work with 40% of the FTSE 100 and our dedicated business travel team is actively engaged with a high proportion of DAX30 and CAC40 companies.

LOYALTY

easyJet has a great offer and a great brand which continue to drive customer loyalty. Loyal customers are much more valuable to us, with returning customers buying twice as many flights per year as first timers.

Brand affinity is at an all-time high across our major markets, with both affinity and preference increasing to our highest ever levels compared to 2018 in the UK, France, Germany, Italy, Netherlands and Switzerland.

The easyJet brand is considered of equal status to many of our full-service competitors.

In the 2019 financial year, 68% of easyJet seats were booked by customers who had made a booking in the preceding two years, representing 65 million passengers. This is a 7 million increase compared to 2018.

Membership of easyJet's invitation-only loyalty programme, Flight Club (for those who fly more than 20 times a year with easyJet) also grew strongly, with Flight Club members increasing by 24% in 2019 and accounting for 9% of all bookings made. easyJet Plus membership rose by 17% over the 2019 financial year.

easyJet's ambition is to drive customer loyalty further whilst proving that expensive and complex structures are not needed in order to be innovative. Whilst our internal resources have been focused on the easyJet Holidays launch during 2019, easyJet will continue to evolve its loyalty offering during 2020 to grow the total value per passenger through a customer-centric loyalty programme that enhances the end-to-end travel experience, driving loyalty through personalised benefits which offer fair value and relevancy.

VALUE BY EFFICIENCY

easyJet has built a sustainable cost advantage based on ongoing efficiency and cost control. We continue to drive a number of cost and efficiency programmes in order to mitigate the effects of inflation and to build further resilience into our business model.

FEWER CANCELLATIONS

46%

COST SAVINGS

£139M

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

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

The Cost and Efficiency Programme has been able to deliver sustainable reductions this period: £139 million of savings have been achieved in the financial year (2018: £107 million), principally in:

- airport deals: easyJet continues to benefit from economies of scale and delivering passenger growth to its network of airports
- ground handling costs
- disruption cost savings

easyJet expects to deliver at least £80 million incremental savings in the 2020 financial year.

DISRUPTION

In addition to our structural cost programme initiatives to leverage our scale, easyJet sees opportunities to address the difficult aviation operating environment and the associated cost of disruption. This in turn will drive better On Time Performance (OTP) and customer satisfaction, as well as reduce costs.

The Air Traffic Control (ATC) environment in Europe remains challenging, experiencing 24.5 million delay minutes in 2019, compared to 14.1 million in 2015, as reported by Eurocontrol.

During the financial year easyJet has made significant progress in its Operational Resilience (OR) programme, using data and resource from across the company to plan for this difficult environment.

The OR Programme has resulted in improvements in several key areas:

- Schedule design – for the summer 2019 schedule easyJet has improved automation and increased the number of parameters used in the planning process, including factoring in longer turn times for bigger aircraft such as the A320s and A321s and buffers for congested airspace or curfew-constrained airports. As easyJet operates more slots at constrained airports than any other airline in the world this is a key development which will continue to be enhanced in the future
- Crew cost and resilience – standby has been increasingly shifted to afternoon/evening duties, and around 900 prioritised pairings have been proactively split
- Aircraft planning – increased standby aircraft to 13 aircraft
- First wave and turn – re-timed first wave processes and introduced new hot turn/hot arrival processes
- Operations Control Centre (OCC) resilience – new operating model rolled-out including specialist 'pods' or sub teams to manage each cluster of bases
- Customer management – reduced unnecessary or duplicative customer communications, and increased automation in claims processing
- Data products – introduced 21 new data products, to support operational decision making including
  - Crewing Analyser, to predict crew pairings which would benefit from being split
  - OTP Simulator, to predict EU 261 events and enable proactive action.

easyJet has successfully reversed the trend of increasing disruption events and costs (this includes delays over 3 hours, overnight delays and cancellations) during the 2019 financial year thanks to our resilience work.

Our Operational Resilience programme has yielded tangible positive results (2019 compared to 2018) including:

- 30% reduction in total events
- 46% reduction in cancellations
- 24% reduction in 3 hour delays

In mitigating the impact of ATC delays our pre-flight tactical planning team avoided over 550 hours of forecast delay and the flight planning team is re-routing on the day to avoid a further 20,000 minutes of delay per week.

Overall we have managed to keep net total minutes of delay per flight broadly flat this year, in extremely challenging conditions. For the first time in the last four years easyJet has seen a reduction in disruption costs year-on-year.

ON-TIME PERFORMANCE

In the year to 30 September 2019, OTP was flat year on year at 75%. This reflects our renewed focus on operational resilience in order to counteract the effects of operating at scale in increasingly congested airspace. This is despite OTP in the fourth quarter being significantly affected by the impact of lightning storms across Europe.

OTP % ARRIVALS WITHIN 15 MINUTES[1]

	Q1	Q2	Q3	Q4	Full year
2019 Network	79%	82%	74%	66%	75%
2018 Network	81%	82%	73%	68%	75%

1. On-time performance is defined as the percentage of flights which arrive within 15 minutes of the scheduled arrival time and is measured by internal easyJet systems

THE RIGHT PEOPLE

People are at the heart of everything easyJet does. Our customer-facing employees are the very best in the industry and provide the warmest welcome in the sky. The positive experience which they provide for customers leads to increased loyalty and repeat business.

As our business continues to evolve and grow, easyJet remains committed to fostering an inclusive and energising environment which attracts the right people and inspires everyone to learn and grow.

This commitment is demonstrated in an Employee Net Promoter Score (eNPS) of 23 and an overall engagement score of 8 out of 10, which are both strong results. easyJet also has a Glassdoor rating of 4.1, which puts us in the Top 50 places to work in the UK and the best airline.

easyJet's business model of employing crew on local contracts across Europe delivers significant value in attracting and retaining high quality crew. easyJet believes this is the best long-term and sustainable resourcing model in the markets where we operate. easyJet's investment in this area has driven structural benefits including employee turnover being amongst the lowest in the industry.

EMPLOYEE TURNOVER

Employee turnover remains at very low rates, at 5% for cabin crew, 6% for pilots and 6% in total over the year.

Our employees tell us that they value our friendly, positive and upfront atmosphere, our famous 'orange spirit' and our competitive remuneration policies.

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

FEMALE PILOTS

easyJet's Amy Johnson Flying Initiative continues to address the significant gender imbalance in the worldwide pilot community. This programme promotes and supports female recruits and has seen considerable success. Activity this year has included over 180 visits to schools and youth organisations, sponsorship of an Aviation Badge for Brownies (a division of Girlguiding in the UK) and highlighting female easyJet pilots in the media. From just 5% of our pilot intake in 2015, the proportion of new entrant pilots who were female continues to rise and is on track to meet our 20% target in 2020. We will continue to work to influence the issue of diversity on the flight deck in the coming years.

EMPLOYEE TURNOVER

6%

TARGET FOR NEW FEMALE PILOTS

20%

INNOVATING WITH DATA

easyJet is aiming to become the world's most data-driven airline. Our Chief Data and Information Officer Sam Kini has built a team of data scientists and data analysts to help us achieve this goal. We have identified a rich pipeline of projects to optimise revenues and costs throughout easyJet.

PIECES OF PAPER TO BE SAVED EVERY DAY WITH CREW I-PADS

30,000

SUMMER SCHEDULE UPDATES

>50,000

Over the 2019 financial year our teams have been working in a coordinated, airline-wide way to identify improvements across the end-to-end process, from designing our flying schedules and rosters, managing our fleet, communicating with and supporting our customers, and using data to make the best network-wide decisions.

Our data scientists now use analytics in a much more sophisticated way to inform every part of our plan. We have introduced new data products, upgraded core systems and created a new team to provide rapid insights on recent events, and identify any systemic patterns or opportunities to improve. This has included activating over 50,000 updates to the summer 2019 schedule to help us avoid disruption where possible, and to be better positioned to manage where we cannot. easyJet has also optimised our maintenance planning and used analytics to better predict where and when standby aircraft might be required, reducing delays and speeding up recovery when disruption occurred.

easyJet has invested in a new team to work directly with external bodies involved in air traffic management, so we can improve how we plan our flight slots and work together to avoid delays.

Notable successes in 2019 included:

- taking predictive data analysis into our schedule design, in order to manage disruption. This has resulted in our disruption costs actually falling this year, for the first time in the last four years
- testing the impact of what is placed in the booking funnel and where, in order to maximise ancillary revenue
- analysing the results of our fourth band of seat pricing, which is delivering well
- voted best airline app at the World Aviation Awards
- starting the roll-out of iPads for our crew, to improve OTP, reduce disruption, improve customer service and save 30,000 pieces of paper a day

FUTURE PROJECTS

easyJet's current pipeline of data projects include:

- our late yield initiative, which was introduced after the softer trading in Q2, in order to capture some of the pricing gap in super-late bookings, relative to our competitors. easyJet now has a new data team working side-by-side with a much larger trading team, identifying the best performing flights to get more yield, generating tens of millions of pounds in incremental revenue. Initial results have been very encouraging and we will roll out a further wave in 2020
- ongoing operational resilience processes, such as the OTP simulator, which has helped us to keep net total minutes of delay per flight broadly flat year-on-year, in extremely challenging conditions
- continued roll-out of our predictive maintenance capabilities, with 56 aircraft already benefiting from the Advanced Active software. The predictive maintenance programme notifies us in advance of potential issues and has avoided 318 cancellations and 47 major delays already since launch
- analysis of onboard purchasing decisions to assess whether changes should be made to our offering
- continual innovation in our offer such as the new Bag Sizer on the easyJet app and the roll-out of Auto Bag Drop, which is now offered in 19 airports

This exciting pipeline of projects for the coming year will continue to drive cost efficiency and operational excellence in 2020 and beyond.

MEASURING OUR PERFORMANCE

easyJet has six Key Performance Indicators, aligned to Our Plan, which we use to measure progress.

HEADLINE PROFIT BEFORE TAX PER SEAT (£)

WHY IT IS IMPORTANT

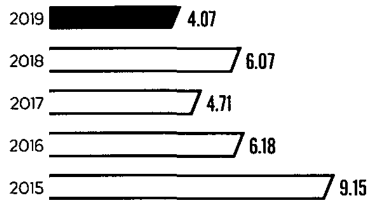
Incremental improvements in profitability ensure that we have a platform for long-term growth while generating value for all stakeholders.

WHAT WE MEASURE

Headline profit before tax divided by the number of seats flown.

HOW WE PERFORMED

Headline profit before tax per seat decreased to £4.07 (2018: £6.07). Revenue per seat decreased primarily due to Brexit-related market uncertainty coupled with a wider macroeconomic slowdown in Europe. This was partially offset by the reduction in headline cost per seat excluding fuel due to our strong cost focus and operational resilience.



2015 as reported, not headline.
2016 as restated, headline.

HEADLINE EARNINGS PER SHARE (P)

WHY IT IS IMPORTANT

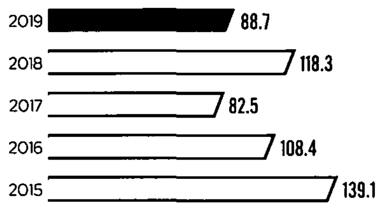
Delivering sustainable shareholder value is a fundamental part of our mindset as we manage our business.

WHAT WE MEASURE

Headline profit after tax divided by the weighted average number of shares in issue during the period (adjusted for shares held in employee benefits trusts).

HOW WE PERFORMED

Headline EPS decreased to 88.7 (2018: 118.3) driven by a reduction in profit in the year. Total EPS decreased to 88.6 (2018: 90.9).



2015 as reported, not headline.
2016 as restated, headline.

HEADLINE RETURN ON CAPITAL EMPLOYED (%)

WHY IT IS IMPORTANT

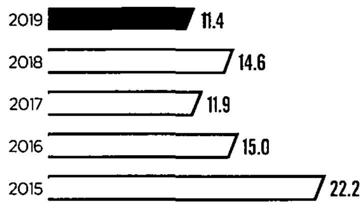
As a low cost business, we focus on efficiency to produce customer solutions whilst also driving operational efficiencies which will maximise our return on investment.

WHAT WE MEASURE

Headline operating profit after tax, divided by average capital employed.

HOW WE PERFORMED

Headline ROCE decreased to 11.4% (2018: 14.6%) driven by a reduction in headline profit in the year. Total ROCE decreased to 11.4% (2018: 11.7%). Without the adoption of IFRS 9, 15 and 16 headline ROCE would have been 9.9% and total ROCE 10.0%.



2015-2018 pre IFRS 16: normalised operating profit after tax divided by average adjusted capital employed. 2019 post IFRS 16.
2015 as reported, not headline.
2016 and 2018 restated, headline.

CUSTOMER SATISFACTION (%)

WHY IT IS IMPORTANT

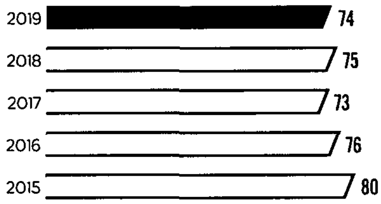
Customers have increasing choice and their expectations are rising. Ensuring we meet their evolving needs will position us as the brand of choice when flying within Europe.

WHAT WE MEASURE

Our customer satisfaction index is based on the results of a customer satisfaction survey measuring how satisfied the customer was with their most recent flight.

HOW WE PERFORMED

Overall customer satisfaction was lower this year primarily due to delays caused by ongoing air traffic congestion.



Revised calculation in 2019, 2015-2018 restated.

ON-TIME PERFORMANCE (%)

WHY IT IS IMPORTANT

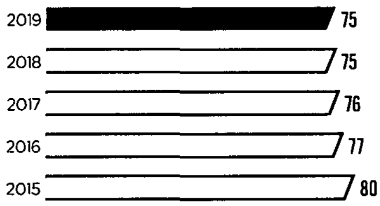
Reliable operational performance is a key factor in our customers' perceptions of their experience with us. Managing OTP and minimising disruption will positively impact on the likelihood of our customers choosing to fly with us on a repeat basis.

WHAT WE MEASURE

Percentage of flights which arrive within 15 minutes of the scheduled arrival time.

HOW WE PERFORMED

Our OTP is flat year on year at 75% (2018: 75%). This is in spite of increased congestion in air traffic on our network, continued adverse weather conditions, and disruption at London Gatwick.



CO_2 EMISSIONS PER PASSENGER

WHY IT IS IMPORTANT

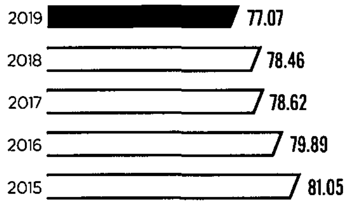
An important part of Our Promise to be a safe and responsible airline is to help tackle climate change. In the short-term our focus is over being as efficient as we can, to reduce carbon emissions.

WHAT WE MEASURE

How much carbon dioxide is produced for each passenger, for each kilometre they fly with us.

HOW WE PERFORMED

In 2019 our carbon emissions per passenger kilometre were 77.07g, down from 78.46g in 2018. Since 2000, we have reduced our carbon emission per passenger kilometre by over one third.



OUR FINANCIAL RESULTS

ANDREW FINDLAY
Chief Financial Officer

In the 2019 financial year, easyJet flew 96.1 million passengers (2018: 88.5 million) and delivered a headline profit before tax for the year of £427 million (2018: £578 million) or £4.07 per seat (2018: £6.07 per seat). Total reported profit before tax for the year was £430 million (2018: £445 million) or £4.10 per seat (2018: £4.68 per seat).

IFRS 9, 15 and 16 have been adopted with effect from 1 October 2018, applying the standard prospectively for IFRS 9 and using the cumulative catch-up ('modified') transition method for IFRS 15 and 16. This means that the prior year comparatives have not been restated. The impact on the 2019 financial results of the adoption has been disclosed in the income statement to allow comparability with the 2018 financial year.

Amounts presented at constant currency are an alternative performance measure and not determined in accordance with International Financial Reporting Standards but provide relevant and comparative reporting for users.

FINANCIAL OVERVIEW

			2019	2018
£m (reported)	Amounts without adoption of new IFRSs	Impact of new IFRSs	As reported	As reported
Revenue	6,408	(23)	6,385	5,898
Headline costs excluding fuel	(4,568)	26	(4,542)	(4,136)
Fuel	(1,416)	–	(1,416)	(1,184)
Headline profit before tax	424	3	427	578
Headline tax charge	(78)	–	(78)	(112)
Headline profit after tax	346	3	349	466
Non-headline items	18	(15)	3	(133)
Non-headline tax (charge)/credit	(3)	–	(3)	25
Total profit/(loss) after tax	361	(12)	349	358

			2019	2018
£ per seat (reported)	Amounts without adoption of new IFRSs	Impact of new IFRSs	As reported	As reported
Revenue	61.03	(0.22)	60.81	61.94
Headline costs excluding fuel	(43.51)	0.25	(43.26)	(43.43)
Fuel	(13.48)	–	(13.48)	(12.44)
Headline profit before tax	4.04	0.03	4.07	6.07
Headline tax charge	(0.75)	–	(0.75)	(1.18)
Headline profit after tax	3.29	0.03	3.32	4.89
Non-headline items	0.17	(0.14)	0.03	(1.39)
Non-headline tax (charge)/credit	(0.02)	–	(0.02)	0.26
Total profit/(loss) after tax	3.44	(0.11)	3.33	3.76

REVENUE

6,385M
2018: 5,898M

HEADLINE PROFIT BEFORE TAX

427M
2018: 578M

TOTAL PROFIT AFTER TAX

349M
2018: 358M

Total revenue increased by 8.3% to £6,385 million (2018: £5,898 million), and increased by 7.3% at constant currency. Excluding the impact of IFRS 15, which changes the recognition of certain fees from the time of booking to the time of flying and reclasses an element of disruption costs to offset revenue, total revenue would have been £6,408 million. The increase in total revenue reflected an increase in passenger numbers of 8.6% to 96.1 million. Within total revenue, ancillary revenue increased by 13.7% reflecting easyJet's customer-focused products and improved ancillary conversion.

Total revenue per seat decreased by 1.8% to £60.81 (2018: £61.94), with a decrease of 2.7% at constant currency. Excluding the impact of IFRS 15, total revenue per seat would have fallen 1.5% to £61.03, or 2.3% at constant currency. The decrease in revenue per seat is a consequence of a number of contributors including Brexit-related market uncertainty coupled with a wider macroeconomic slowdown in Europe. In addition, the dilutive impact of a full period of Tegel flying, and the non-repeat of one-off benefits in 2018, such as the bankruptcies of Monarch and Air Berlin, also impacted our performance.

Headline cost per seat excluding fuel decreased by 0.4% to £43.26, and decreased by 0.8% at constant currency. The key drivers were lower disruption costs, benefiting from easyJet's Operational Resilience programme, reduced navigation charges and lower wet leasing costs, as well as unit cost savings from the up-gauging of the fleet to larger and more efficient aircraft. easyJet continues to negotiate volume deals on airport contracts, and obtain savings through our cost programme initiatives. This decrease in cost was achieved in spite of an environment of continued inflationary pressure and significant air traffic congestion. Excluding the impact of the adoption of IFRS 15 and 16, headline cost per seat excluding fuel decreased by 0.2%, and decreased by 0.5% at constant currency.

Fuel cost per seat increased by 8.4% to £13.48 (2018: £12.44) and by 4.3% at constant currency, driven by hedging fuel at higher rates compared to the prior year.

A non-headline profit of £3 million (2018: £133 million charge) was recognised in the period, consisting of a £2 million gain as a result of the sale and leaseback of 10 A319 aircraft, a £2 million gain for balance sheet revaluations, a £2 million credit from releasing the balance of the non-headline 2018 Commercial IT platform close down accrual no longer required, a £1 million gain on fair value adjustments, partially offset by a £4 million charge in relation to Brexit-related plans.

The total tax charge for the year was £81 million (2018: £87 million). The effective rate for the year was 18.9% (2018: 19.7%). This is in line with the standard UK rate of 19% (2018: 19%).

Due to the recognition of the post-employment obligation for the Swiss retirement benefit scheme, a change was reflected as a restatement of previous financial statements. In addition, easyJet has presented other income as a separate line on the face of the consolidated income statement. Prior year comparatives have been reclassified from other costs and other financing income lines to be consistent with the change in presentation. Please refer to note 1 of the Annual Report and Accounts for full details of both changes.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

	2019	2018	
	Pence per share	Pence per share	Change in pence per share
Basic headline earnings per share	88.7	118.3	(29.6)
Basic total earnings per share	88.6	90.9	(2.3)
Diluted headline earnings per share	87.8	117.4	(29.6)
Proposed ordinary dividend per share	43.9	58.6	(14.7)

Basic headline earnings per share decreased to 88.7 pence (2018: 118.3 pence) and basic total earnings per share decreased to 88.6 pence (2018: 90.9 pence).

In line with the stated dividend policy of a pay-out ratio of 50% of headline profit after tax, the Board is recommending an ordinary dividend of £174 million or 43.9 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 6 February 2020. This will be paid on 20 March 2020 to shareholders on the register at close of business on 28 February 2020.

RETURN ON CAPITAL EMPLOYED (ROCE)

	2019		2018
	Pre IFRS 9, 15 and 16 adoption	Reported	Restated
Headline return on capital employed	9.9%	11.4%	14.6%
Total return on capital employed	10.0%	11.4%	11.7%

Headline ROCE for the period was 11.4%, a decline of 3.2 percentage points on the prior year, driven by the decrease in profit for the period, partially offset by a decrease in the average adjusted capital employed due to the adoption of IFRS 16. Total ROCE for the period was 11.4%, a decline of 0.3 percentage points from last year.

For 2018, the ROCE calculation includes an adjustment for the capital implicit in aircraft operating lease arrangements. This adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven. Upon adoption of IFRS 16 in 2019, the recognition of newly-capitalised lease liabilities results in this lease adjustment no longer being required.

Headline ROCE without adopting IFRS 9, 15 and 16 would be lower at 9.9%, due to the adverse impact of the lease adjustment described above.

EXCHANGE RATES

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

	Revenue		Costs	
	2019	2018	2019	2018
Sterling	43%	45%	30%	29%
Euro	46%	44%	38%	39%
US dollar	1%	1%	26%	26%
Other (principally Swiss franc)	10%	10%	6%	6%

AVERAGE EXCHANGE RATES

	2019	2018
Euro – revenue	€1.13	€1.15
Euro – costs	€1.13	€1.13
US dollar	$1.32	$1.37
Swiss franc	CHF 1.27	CHF 1.31

Foreign exchange rate movements arise as easyJet's foreign currency risk management policy is to hedge between 65% and 85% of the next 12 months' forecast surplus cash flows on a rolling basis, and hence a portion of cash flows remains unhedged. Additionally the Group's foreign currency risk management policy is aimed at reducing the impact of a fluctuation in exchange rates on future cash flows, however the timing of cash flows can be different to the timing of recognition within the income statement resulting in foreign exchange movements.

HEADLINE EXCHANGE RATE IMPACT

Favourable/(adverse)	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Total revenue	37	16	3	(1)	55
Fuel	–	–	(54)	–	(54)
Headline costs excluding fuel	–	(11)	(3)	(1)	(15)
Headline total	37	5	(54)	(2)	(14)

NON-HEADLINE EXCHANGE RATE IMPACT

Favourable/(adverse)	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Non-headline profit excluding prior year balance sheet revaluations	–	–	4	3	7
Prior year balance sheet revaluations	3	1	(4)	(1)	(1)
Non-headline total	3	1	–	2	6

There was an £8 million adverse (2018: £1 million adverse) impact on total profit due to the year-on-year changes in exchange rates. A £14 million adverse (2018: £8 million favourable) impact on headline profit was partially offset by a £6 million favourable (2018: £9 million adverse) impact on the non-headline items. The adverse impact of the Sterling/US dollar exchange rate movement on fuel costs was offset by a favourable impact on revenue mainly driven by the continued weakening of Sterling against the Euro.

FINANCIAL PERFORMANCE

Revenue

£ million (Reported)	Amounts without adoption of IFRS 15	Impact of IFRS 15	2019 As reported	2018 As reported
Passenger revenue	5,030	(21)	5,009	4,688
Ancillary revenue	1,378	(2)	1,376	1,210
Total revenue	6,408	(23)	6,385	5,898

£ per seat (Reported)	Amounts without adoption of IFRS 15	Impact of IFRS 15	As reported	As reported
Passenger revenue	47.91	(0.20)	47.71	49.23
Ancillary revenue	13.12	(0.02)	13.10	12.71
Total revenue	61.03	(0.22)	60.81	61.94

Total revenue increased by 8.3% to £6,385 million (2018: £5,898 million), and increased by 7.3% at constant currency. Excluding the impact of IFRS 15, total revenue would have been £6,408 million. The number of passengers increased by 8.6% to 96.1 million (2018: 88.5 million) driven by a growth in capacity of 10.3% to reach 105.0 million seats (2018: 95.2 million). Load factor decreased by 1.4 percentage points to 91.5% (2018: 92.9%).

Revenue per seat (RPS) decreased by 1.8% to £60.81 (2018: £61.94), with a decrease of 2.7% at constant currency. Excluding the impact of IFRS 15, total revenue per seat would have fallen 1.5% to £61.03, or 2.3% at constant currency.

Despite Brexit-related market uncertainty coupled with a wider macroeconomic slowdown in Europe, there has been strength in underlying trading, with easyJet's brand recognition supporting demand, as well as the success of a number of self-help initiatives including a focus on late yields. This helped to partially offset a number of other adverse contributors such as the impact of IFRS 15, the dilutive impact of a full period of Tegel flying, as well as the non-repeat of one-off benefits in 2018 such as the bankruptcies of Monarch and Air Berlin.

The increase in ancillary revenue of 13.7% has been mainly driven by the capacity growth. On a per seat basis, ancillary revenue has increased by 3.1%, with product and pricing initiatives and improved conversion rates offsetting lower load factor.

HEADLINE COSTS EXCLUDING FUEL

Headline cost per seat excluding fuel decreased by 0.4% to £43.26 (2018: £43.43) and decreased by 0.8% at constant currency.

	2019 Amounts without adoption of new IFRSs £ million	2019 Impact of new IFRSs £ million	2019 As reported £ million	2019 Cost per seat £ million	2018 As reported £ million	2018 Cost per seat £ million
Operating costs/(income)						
Airports and ground handling	1,848	(3)	1,845	17.57	1,649	17.32
Crew	859	–	859	8.18	754	7.92
Navigation	409	–	409	3.89	400	4.20
Maintenance	387	(85)	302	2.88	313	3.28
Selling and marketing	157	–	157	1.50	143	1.50
Other costs	480	(24)	456	4.36	507	5.32
Other Income	(29)	–	(29)	(0.27)	(13)	(0.13)
	4,111	(112)	3,999	38.11	3,753	39.41
Ownership costs						
Aircraft dry leasing	187	(182)	5	0.05	152	1.59
Depreciation	240	244	484	4.61	199	2.09
Amortisation	15	–	15	0.14	15	0.15
Net finance charges	15	24	39	0.35	17	0.19
	457	86	543	5.15	383	4.02
Total headline costs excluding fuel	4,568	(26)	4,542	43.26	4,136	43.43

Headline airports and ground handling cost per seat increased by 1.5%, and by 1.1% at constant currency. Airport charges were adversely impacted by the change in airport mix, which is driven by the annualisation of Tegel flying and continued inflationary increases at regulated airports. This was partially offset by cost savings obtained by our continued focus on airport procurement activity and cost initiatives.

Headline crew cost per seat increased by 3.3% to £8.18, and by 2.9% at constant currency. This was driven by agreed inflationary increases in crew and pilot pay, low attrition rates and investment in operational resilience over the summer peak period.

Headline navigation cost per seat decreased by 7.5% to £3.89, and decreased by 7.6% at constant currency, resulting from lower Eurocontrol rates from January 2019.

Headline maintenance cost per seat decreased by 12.3% to £2.88, and decreased by 13.2% at constant currency. Underlying increases in maintenance costs from inflationary price rises and unanticipated heavy maintenance findings were offset by the impact of the introduction of IFRS 16, which reclassifies maintenance provision charges out of the maintenance line into depreciation expense.

Headline other costs per seat decreased by 17.9% to £4.36 per seat, and by 18.6% at constant currency. There has been a significant decrease in disruption costs as a result of our investment in operational resilience, which resulted in a lower number of disruption events and cost in 2019 and a small reclassification of disruption costs to revenue from the introduction of IFRS 15. In addition, there was a reduction in wet leasing charges, due to the high level of Tegel wet lease flying in 2018 whilst our own fleet was being introduced and lower staff incentive payments.

Headline other income is an additional line item in the income statement that separately recognises income not originating from customers, which includes items such as insurance receipts, compensation (including Airbus delay compensation) and dividends received, which have been reclassified in both 2018 and 2019.

OWNERSHIP COSTS

Ownership cost per seat has been significantly impacted by the adoption of IFRS 16. Under IFRS 16, all aircraft and properties previously held under operating leases have been capitalised. Annual operating lease and maintenance costs, which would have been recognised under the existing leases accounting standard, are replaced by similar aggregated levels of depreciation and interest expense.

Dry lease costs have decreased from £152 million in 2018 to only £5 million in 2019. Only those leases which are exempt under IFRS 16, due to their short duration or low value, are now recognised within this line item.

Depreciation costs have increased from £199 million in 2018 to £484 million in 2019. Excluding the impact of the adoption of IFRS 16, depreciation increased to £240 million, being driven by the additional depreciation charged as a result of the annualisation of the 28 aircraft delivered in 2018, and 22 new aircraft delivered in 2019.

Net finance charges have increased by £22 million to £39 million in 2019. Excluding the impact on interest expense from the adoption of IFRS 16, the net charge decreased by £2 million from 2018. This was mainly due to income from higher yield deposits, partially offset by an increase in interest payable as a result of the issuance of a €500m bond in June 2019.

FUEL

	2019		2018	
	£ million	£ per seat	£ million	£ per seat
Fuel	1,416	13.48	1,184	12.44

Total fuel cost for the year was £1,416 million (2018: £1,184 million). Fuel cost per seat of £13.48 increased by 8.4% and by 4.3% at constant currency.

The operation of easyJet's fuel and US dollar hedging policy meant that the average effective fuel price movement saw an increase of 5.5% to an actual cost of £458 per tonne from £434 per tonne in the previous year.

The increase in fuel costs also reflects increased fuel fees and an increase in the price of ETS (Emission Trading System) permits.

NON-HEADLINE ITEMS

Non-headline items are non-recurring items or items which are not considered to be reflective of the trading performance of the business.

	2019		2018	
	£ million	£ per seat	£ million	£ per seat
Commercial IT platform credit/(charge)	2	0.02	(65)	(0.68)
Tegel integration	–	–	(40)	(0.42)
Sale and leaseback gain/(loss)	2	0.02	(19)	(0.20)
Brexit-related costs	(4)	(0.04)	(7)	(0.07)
Organisational review	–	–	(1)	(0.01)
Fair value adjustment	1	0.01	(1)	(0.01)
Balance sheet foreign exchange gain	2	0.02	–	–
Non-headline profit/(charge) before tax	3	0.03	(133)	(1.39)

Non-headline profit before tax items of £3 million comprise:

- a £2 million credit for releasing the balance of a 2018 non-headline commercial IT platform close down accrual no longer required (2018: £65 million charge);
- there were no further non-headline integration costs in relation to the operations in Tegel in 2019 (2018: £40 million charge);
- a £2 million gain as a result of the sale and leaseback of 10 A319 aircraft in the period (2018: £19 million charge as a result of the sale and leaseback of 10 A319 aircraft);
- a £4 million charge in relation to our Brexit-related preparation plans (2018: £7 million charge) principally due the cost of transferring pilot licenses and re-registering aircraft to Austria;
- there were no further organisational review costs classified as non-headline during 2019 (2018: £1 million charge);
- £1 million fair value gain (2018: £1 million charge); and
- a £2 million gain for balance sheet revaluations (2018: £nil).

SUMMARY NET CASH RECONCILIATION

	2019 £ million	2018 £ million	Change £ million
Operating profit	466	463	3
Depreciation and amortisation	499	214	285
Loss on disposal of intangibles	–	4	(4)
Commercial IT platform charge	(2)	60	(62)
Net movement in working capital and other items of an operating nature	118	446	(328)
Net tax paid	(58)	(74)	16
Net capital expenditure	(984)	(1,012)	28
Net proceeds from sale and operating leaseback of aircraft	121	106	15
Purchase of own shares for employee share schemes	(16)	(17)	1
Decrease/(increase) in restricted cash	7	(4)	11
Repayment of capital element of finance leases arising under IAS 17	–	(6)	6
Repayment of capital element of leases arising under IFRS 16	(174)	–	(174)
Other (including the effect of exchange rates)	65	21	44
Ordinary dividend paid	(233)	(162)	(71)
Net (decrease)/increase in net cash	(191)	39	(230)
Net cash at closing of the prior period	396	357	39
IFRS 16 implementation impact at 1 October 2018	(531)	–	(531)
Net (debt)/cash at the beginning of the period	(135)	357	492
Net (debt)/cash at end of year	(326)	396	(722)
Operating lease adjustments (7x basis)	–	(1,134)	1,134
Adjusted Net debt	(326)	(738)	412

Net debt as at 30 September 2019 was £326 million (30 September 2018: net cash £396 million) and comprised cash and money market deposits of £1,576 million (30 September 2018: £1,373 million) and borrowings of £1,902 million (30 September 2018: £977 million). Borrowings as at 30 September 2019 include £578 million of lease liabilities as a result of the adoption of IFRS 16. On 1 October 2018, £531 million of lease liabilities were recognised, and £98 million of existing finance lease obligations within borrowings in the financial statements were reclassified as lease liabilities.

After allowing for the impact of aircraft operating leases (calculated as seven times operating lease costs incurred in the year), adjusted net debt as at 30 September 2018 was £738 million, with no operating lease adjustment required to the £326 million net debt balance as at 30 September 2019 due to the recognition of lease liabilities upon adoption of IFRS 16.

The movement in net working capital has decreased by £328 million, driven by a decrease in trade and other payables as a result of timing of invoices, movement in short-term derivative financial instruments and provisions.

Net capital expenditure includes final delivery payments for the acquisition of 22 aircraft (2018: 28 aircraft), the purchase of life-limited parts used in engine restoration, and pre-delivery payments relating to aircraft purchases. The number of aircraft in the fleet increased from 315 as at 30 September 2018 to 331 as at 30 September 2019. The sale and leaseback of 10 aircraft in 2019 resulted in a net cash inflow of £121 million (2018: £106 million).

easyJet made corporation tax payments totalling £58 million during the period (2018: £74 million).

The depreciation and amortisation charge of £499 million includes £244 million depreciation arising from adoption of IFRS 16 whereby operating lease and maintenance costs, which would have been recognised under the existing leases accounting standard, are replaced by similar aggregated levels of depreciation and interest expense.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019		2018	Change
	Pre IFRS 9, 15 and 16 adoption £ million	Reported £ million	Reported £ million (restated)	£ million
Goodwill and other intangible assets	561	561	546	15
Property, plant and equipment (excluding RoU assets)	4,732	4,661	4,140	521
Right of use (RoU) assets under IFRS 16	–	502	–	502
Derivative financial instruments	49	63	364	(301)
Equity investments	–	48	–	48
Other assets (excluding cash and money market deposits)	550	542	539	3
Unearned revenue	(977)	(1,069)	(877)	(192)
Trade and other payables	(1,065)	(1,050)	(1,023)	(27)
Other liabilities (excluding debt)	(952)	(947)	(852)	(95)
Capital employed	2,898	3,311	2,837	474
Cash and money market deposits[1]	1,576	1,576	1,373	203
Debt (excluding lease liabilities)	(1,420)	(1,324)	(977)	(347)
Lease liabilities under IFRS 16	–	(578)	–	(578)
Net assets	3,054	2,985	3,233	(248)
Net (debt)/cash	156	(326)	396	(722)

1. Excludes restricted cash

Since 30 September 2018 net assets have decreased by £248 million. This reflects payment of the 2018 ordinary dividend and the unfavourable mark-to-market movement in jet fuel forward contracts, partially offset by retained earnings in the period, and the recognition of the equity investment in The Airline Group required under IFRS 9.

The net book value of property, plant and equipment excluding right of use assets, recognised due to adoption of IFRS 16, has increased by £521 million as a result of the acquisition of 22 aircraft and pre-delivery payments relating to future aircraft purchases, offset by depreciation.

Upon adoption of IFRS 16, all operating leases have been capitalised on the balance sheet with a £497 million opening right of use asset adjustment being recognised, with a corresponding lease liability of £531 million representing easyJet's obligation to make lease payments. Previously recognised finance leases of £73 million were reclassified to right of use assets as at 1 October 2018.

At 30 September 2019, right of use assets amounted to £502 million. Lease liabilities amounted to £578 million which includes additions during the year as a result of aircraft sale and leasebacks, as well as the impact of lease payments and extensions.

Net derivative financial instruments have decreased by £301 million. This movement is largely due to mark-to-market losses on jet fuel contracts and cross currency interest rate swaps, partially offset by mark-to-market gains in US dollar contracts.

The equity investment of £48 million represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited, which has a shareholding of 41.9% in NATS Holdings Limited – the provider of air traffic control services for the UK. This investment has been held at cost by easyJet since 2001. With the adoption of IFRS 9, this asset is now required to be recognised at fair value.

Unearned revenue increased by £192 million. This is due to the increase in capacity and the adoption of IFRS 15 which changes the timing of the recognition of certain fees from the time of booking to being recognised at the time of flying.

Other liabilities include a £47 million post-employment benefit obligation in relation to a Swiss retirement benefit scheme (2018: £29 million). In the current year, easyJet has assessed options to extend the pension scheme insurance it holds. It has been identified as part of this work that, despite the scheme being fully insured, it meets requirements to be accounted for as a defined benefit plan under IAS 19, primarily due to the legal obligation to accrue interest on the pension accounts and the payment of lifetime pension benefits. Actuarial valuations have been performed to calculate the valuation of the scheme assets and liabilities under IAS 19. The scheme was recognised with effect from 1 October 2017 and the impact on the 30 September 2018 statement of financial position was recognition of a net defined benefit obligation with a corresponding reduction in retained earnings of £26 million. Refer to note 1 in the Annual Report and Accounts for further details.

Debt has increased by £347 million in the period, primarily due to the issuance of a €500 million bond in June 2019.

GOING CONCERN

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the Strategic report on pages 2 to 48. Principal risks and uncertainties are described on pages 37 to 47. Note 24 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

At 30 September 2019, the Group held cash and cash equivalents of £1,285 million and money market deposits of £291 million. Total debt including lease liabilities of £1,902 million is free from financial covenants, with £219 million due for repayment in the year to 30 September 2020.

Net current liabilities at 30 September 2019 were £549 million and included unearned revenue (payments made by customers for flights scheduled post year end) of £1,069 million.

The business is exposed to fluctuations in fuel prices and US dollar and euro exchange rates. The Group's policy is to hedge between 65% and 85% of estimated exposures 12 months in advance, and between 45% and 65% of estimated exposures from 13 up to 24 months in advance. Specific decisions may require consideration of a longer term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives. The Group was compliant with this policy at the date of this Annual report and Accounts.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash and deposits for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

VIABILITY STATEMENT

ASSESSMENT OF VIABILITY

The Directors have assessed easyJet's viability over a three-year period. This is based on a three-year strategic plan, which gives greater certainty over the forecasting assumptions used and is also in line with the long term management incentives.

The assessment of the long-term viability of the company includes the following factors:

- The strategic plan – which takes into consideration new initiatives such as easyJet holidays as well as market conditions, future commitments and funding requirements.
- The fleet plan – the plan provides significant levels of flexibility to ramp up or reduce the size of the fleet in response to opportunities or risks.
- The strong investment grade credit ratings from Standard & Poor's and Moody's – this demonstrates the sustainable strength of the balance sheet and gives access to capital markets.
- Brexit planning – with a multi Air Operator Certificate structure already in place easyJet is well prepared for Brexit.
- Risk assessment – see below.

RISK ASSESSMENT

The corporate risk management framework facilitates the identification, analysis, and response to plausible risks, including emerging risks as our business grows and evolves in an increasingly volatile environment. Through cross-functional risk governance groups a robust assessment of the principal risks facing the organisation has been performed (see pages 37 to 47 in the strategic report) along with the controls and mitigations.

Risk theme	Potential impact on viability
Asset efficiency and effectiveness	Unavailability of slots or fleet
Environment and sustainability	Weather pattern disruption Expectations of customers and employees Environmental legislation
Legislative and regulatory landscape	Licence impact Reputational damage
Macroeconomic and geopolitical	Fuel price fluctuations Exchange rate fluctuations Restrictions in Europe following Brexit Supply/demand imbalance
People	Industrial action
Safety, security, and operations	Major safety or security incident
Technology and cyber	Cyber attacks on critical technologies Data breaches

As part of the assessment of viability the potential financial and operational impact of the risks has been considered through severe but plausible scenarios. easyJet maintains a liquidity buffer including cash, insurance and an unutilised revolving credit facility which means easyJet could withstand a grounding of the entire fleet for at least one month at peak times, or at least two months at less busy times.

CONCLUSION

Based on this assessment, the Directors have a reasonable expectation that the company and the Group will be able to continue in operation and meet all liabilities as they fall due up to September 2022. In making this statement, the directors have made the following key assumptions:

- Refinancing risk is minimal due to easyJet having access to a wide variety of funding options including capital markets, bank debt or aircraft financing. It is also assumed that funds will be available for capital projects as required in all plausible market conditions.
- In the event that one or more risks occur, all available actions to mitigate the impact to the Group would be taken on a timely basis. easyJet has appropriate processes in place to identify potential risks and implement mitigating actions, as outlined in the risk section on pages 37 to 47.
- Implausible scenarios, either through multiple risks occurring at the same time or risks which are not able to be mitigated by management actions to the extent expected, do not occur.
- There will not be a prolonged grounding of a substantial portion of the fleet.
- The terms on which the United Kingdom leaves the European Union are such that easyJet will be able to continue to operate over broadly the same network as at present and there will be no material and sustained economic downturn following the United Kingdom's exit from the European Union.

SUMMARY STATISTICS

OPERATING MEASURES

	2019	2018	Increase/ (decrease)
Seats flown (millions)	105.0	95.2	10.3%
Passengers (millions)	96.1	88.5	8.6%
Load factor	91.5%	92.9%	(1.4ppt)
Available seat kilometres (ASK) (millions)	116,056	104,800	10.7%
Revenue passenger kilometres (RPK) (millions)	107,741	98,522	9.4%
Average sector length (kilometres)	1,105	1,101	0.4%
Sectors	605,899	559,857	8.2%
Block hours ('000)	1,184	1,088	8.8%
Number of aircraft owned/leased at end of year	331	315	5.1%
Average number of aircraft owned/leased during year	321.5	295.1	8.9%
Number of aircraft operated at end of year	317	305	3.9%
Average number of aircraft operated during year	297.0	269.0	10.4%
Average operated aircraft utilisation (hours per day)	10.9	11.1	(1.8%)
Number of routes operated at end of year	1,051	979	7.4%
Number of airports served at end of year	159	156	1.9%

FINANCIAL MEASURES

	2019	2018	Increase/ (decrease)
Total return on capital employed (2018 restated)	11.4%	11.7%	(0.3ppt)
Headline return on capital employed (2018 restated)	11.4%	14.6%	(3.2ppt)
Liquidity per 100 seats (£m)	3.6	3.9	(7.7%)
Total profit before tax per seat (£)	4.10	4.68	(12.4%)
Headline profit before tax per seat (£)	4.07	6.07	(32.9%)
Total profit before tax per ASK (pence)	0.37	0.42	(12.8%)
Headline profit before tax per ASK (pence)	0.37	0.55	(33.2%)
Revenue			
Revenue per seat (£)	60.81	61.94	(1.8%)
Revenue per seat at constant currency (£)	60.28	61.94	(2.7%)
Revenue per ASK (pence)	5.50	5.63	(2.2%)
Revenue per ASK at constant currency (pence)	5.45	5.63	(3.1%)
Revenue per passenger (£)	66.47	66.67	(0.3%)
Revenue per passenger at constant currency (£)	65.90	66.67	(1.2%)
Costs			
Per seat measures			
Headline cost per seat (£)	56.74	55.87	1.5%
Non-headline cost per seat (£)	(0.03)	1.39	(102.0%)
Total cost per seat (£)	56.71	57.26	(1.0%)
Headline cost per seat excluding fuel (£)	43.26	43.43	(0.4%)
Headline cost per seat excluding fuel at constant currency (£)	43.11	43.43	(0.8%)
Total cost per seat excluding fuel (£)	43.23	44.82	(3.6%)
Total cost per seat excluding fuel at constant currency (£)	43.15	44.82	(3.7%)
Per ASK measures			
Headline cost per ASK (pence)	5.13	5.08	1.1%
Non-headline cost per ASK (pence)	–	0.13	(100.0%)
Total cost per ASK (pence)	5.13	5.21	(1.4%)
Headline cost per ASK excluding fuel (pence)	3.91	3.95	(0.8%)
Headline cost per ASK excluding fuel at constant currency (pence)	3.90	3.95	(1.2%)
Total cost per ASK excluding fuel (pence)	3.91	4.08	(4.2%)
Total cost per ASK excluding fuel at constant currency (pence)	3.90	4.08	(4.4%)

OUR CORPORATE RISK MANAGEMENT FRAMEWORK

The Board is ultimately responsible for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives, its risk appetite, and maintaining the Group's systems of internal control and risk management systems. The Board has delegated aspects of this to the Audit Committee.

Corporate risk management activities are coordinated by the Risk and Assurance team, which reports to the Chief Financial Officer, as well as having a direct reporting line to the Chair of the Audit Committee.

During the course of this year, the Board approved the adoption of a new corporate risk management framework. The Board believes this new framework enables the organisation to be more effective in the identification, analysis, and response to risk, including emerging risks, in an increasingly volatile environment. There are three dimensions to this framework which are explained further below. Implementation of this framework has commenced and full implementation is expected to be completed in 2020.

METHODOLOGY

An effective corporate risk management framework has a simple, yet effective methodology. This helps encourage engagement at, and across, appropriate levels of the organisation. The methodology at the heart of the new corporate risk management framework is what is commonly known as the 'bow tie' approach.

This encourages a range of stakeholders to consider risk in a structured and consistent way, with the unwanted or unexpected event at the centre. Potential causes and consequences of this event are then identified together with an assessment of the controls and mitigations that may reduce the likelihood or impact of the unwanted or unexpected event.

GOVERNANCE

As part of the new framework, cross functional risk governance groups and risk action groups are being established for each of the Principal Risks & Uncertainties. This is in addition to discussion of key risk topics and events, including emerging or changing risks, at the Airline Management Board (AMB), Audit Committee and plc Board as appropriate.

HIGH IMPACT EVENT PREPAREDNESS AND RESPONSE

Being prepared for unplanned or unwanted events of any scale through recovery activities is critical. Throughout 2019, there have been further enhancements to the incident and crisis management framework to reflect the increasingly uncertain operating environment.

The Board is therefore satisfied that it has carried out a robust assessment of the principal risks facing the organisation, including those that would threaten the business model, future performance, solvency, or liquidity.

OUR RISK PROFILE

The key risks reviewed by the Board fall into seven broad themes listed in alphabetical order:

- **Asset efficiency and effectiveness** – making the best use of capacity/slots and fleet mix in the right airports at the right prices, and driving value through our supply chain
- **Environment and sustainability** – the impacts of climate change on our business and operations, carbon credit programmes, regulation/taxation, and changing consumer and colleague expectations
- **Legislative/regulatory landscape** – being aware of, and compliant with, legislation and regulation affecting our business
- **Macro-economic and geopolitical** – events that can affect our financial performance including supply/demand imbalance, general economic trends, Brexit, as well as impact of fuel cost, foreign exchange rates, and counterparty performance
- **People** – having the right people through talent acquisition, retention, engagement, and succession planning
- **Safety, security, and operations** – the delivery of a safe and secure operation which meets the needs and expectations of our customers
- **Technology and cyber** – the availability, security, compliance and performance of website and critical technologies, and the protection of company and customer data

CHANGES IN THE YEAR

Our principal risks and uncertainties continue to evolve over time. As we evolve our strategy in a dynamic industry against a backdrop of political and economic uncertainty, new risks emerge and we adapt our response activities as our risk exposure changes. The roll out of the new corporate risk framework has been a catalyst for reviewing the presentation of a number of these risks, including the new themes set out above. The following changes in our risk profile have been approved by the Board.

Since 30 September 2018, risks associated with the following three themes have increased:

- Asset efficiency and effectiveness
- Environment and sustainability
- Technology and cyber

These risks, together with our response plans, are monitored regularly through our governance structure. Further detail on the risks, the potential causes and consequences, together with key controls and mitigations are detailed on the following pages.

This year, we have incorporated our 'third-party service providers' risk into a broader 'continuity of services' risk, due to the outsourced nature of our business model and the similarity in management response.

Having reviewed our environment and sustainability risk profile and including emerging risks, we have identified a number of different risks, each with its own characteristics these relate to:

- Carbon trading schemes
- Climate change
- Changes in the legislative/regulatory environment

Further detail is outlined on page 41.

BREXIT

easyJet has continued its preparations for Brexit. The focus has been on ensuring that our network is unaffected by Brexit and that our operations are uninterrupted by any eventual Brexit outcome, including a potential no deal exit. The cross functional Brexit programme continues to oversee Brexit planning, led by the General Counsel. The Board has also had oversight of the preparations and is regularly briefed.

Over the last three years easyJet has put in place a series of measures to protect our flying rights regardless of the eventual Brexit outcome, these include:

- Implementing a new operating model, with easyJet operating as a pan-European airline group with three operating airlines: in Austria, Switzerland and the UK. This will ensure we can continue to maintain our network after Brexit.
- Focusing our investor relations programme on ensuring that we remain majority EU27 owned and controlled and putting in place a contingency plan to ensure that we remain compliant with the requirement that EU airlines are majority owned and controlled by EU nationals.
- Ensuring that our operation is robust to the UK leaving EASA, the European Aviation Safety Agency, including by transferring our EU27 based pilots to Austrian pilot licences and ensuring we have sufficient pilots and cabin crew of EU27 nationality.
- Continuing to engage with European governments, aviation regulators and the European Commission on Brexit issues.

Of particular focus over the last year has been ensuring that easyJet is robust to a no deal Brexit outcome and that flights are able to continue between the EU and the UK. We successfully worked with the EU and UK governments to ensure that there is a legislative framework in place for flights to continue even in the event of a no deal Brexit. Alongside this the EU and UK have put in place the necessary arrangements to govern safety issues.

To further support the robustness of our operation to a no deal outcome we have invested in operational measures to ensure that there is no reliance on EU/UK trading links in case these are disrupted, including putting in place stores for spare parts within the EU27.

A no deal Brexit carries potential financial risks for instance from changes in airport and tax charging structures and any unexpected outcomes. Alongside this there remains uncertainty about the economic effects of a no deal Brexit.

ASSET EFFICIENCY AND EFFECTIVENESS ↑

We maintain our competitive cost advantage by making the best use of capacity/slots and fleet mix in the right airports at the right prices, and driving value through our supply chain.

	Potential causes	Potential consequences	Controls and mitigations
AIRPORT INFRASTRUCTURE Flying to primary airports is an important element of our customer proposition. The airports to which we fly may already be or may become congested. **Links to Our Plan** 1 2 5 B D	• Increased competitor capacity • Environmental restrictions/ pressure restricting airport expansions • Delays in airport infrastructure expansion • Increase in airport charges • Changes in regulation • Ineffective slot management	• Weakened customer proposition • Loss of market share • Inefficient use of crew/aircraft • Significant increase in costs	• Where easyJet is affected by industrial action or other service interruption by a key supplier, resources are deployed to manage this as effectively as possible. See the significant operational disruption risk on page 46 for further details. • Sophisticated processes and systems to ensure slot transactions are made in an efficient and effective manner. • Effective cross-functional governance to ensure optimal business decisions are made. • easyJet places emphasis on the management of airport capacity through a dedicated airport development team who ensure close collaboration on capacity plans. The team helps influence the development of appropriate capacity increases in a cost efficient and timely manner. • Managing aircraft gauge to improve our ability to grow.
CONTINUITY OF SERVICES easyJet is dependent on a mixture of critical IT systems and processes, employees, buildings/ facilities and third-party suppliers. A loss of one or more of the above components could lead to significant disruption to operations and could have an adverse reputational, financial or legal impact. **Links to Our Plan** 2 3 5 A B D E	• Failure of critical IT system • Significant external incident (terrorism, weather, activism) • Failure of third party • Industrial action	• System unavailability for customers and/or staff • Inability to access key buildings/ facilities • Unavailability of critical staff • Reliance on inadequate supplier recovery plans • Operational disruption	• The four key areas of business resilience (IT and processes, people, premises, and suppliers) all form part of easyJet's functional business and airport Business Continuity Plans. • Critical IT systems are identified with ongoing efforts to match the business needs with recovery capabilities. The risk of system unavailability is now mitigated further, thanks to the adoption of the cloud, in addition to easyJet's two data-centres. • Incident Management and Resilience teams are in place and ready to respond to any IT related incident. • Time-critical staff have been identified via Business Impact Assessments and Business Continuity Plans, with regularly tested recovery desks allocated at alternate locations, should the usual place of work be unavailable. An increased provision of laptops and tablets also enables greater mobility and remote ways of working. • Enhanced procurement processes include risk assessments aligned with business objectives. These require relevant third-parties to have their own Business Continuity/Disaster Recovery plans and we are implementing a process to review a sample of these each year. • Maintain close working relationships with key stakeholders including, but not limited to, airport authorities and slot coordinators lobbying where appropriate.

LINKS TO OUR PLAN

1 Network	4 Data	A Safe and responsible	D Always efficient
2 Loyalty	5 Efficiency	B On our customers' side	E Forward thinking
3 People		C *In it together*	

CHANGE IN RISK

↑ Increase
↔ No change
↓ Decrease

ASSET EFFICIENCY AND EFFECTIVENESS CONTINUED ↑

	Potential causes	Potential consequences	Controls and mitigations
NON-DELIVERY OF STRATEGIC INITIATIVES The business continues to undertake a number of initiatives to support its strategy. **Links to Our Plan** 2 3 4 D E	• Resource dedicated to change delivery and oversight • Changes in organisation's priorities (may be driven by internal or external factors) • Scope change/ time available	• Business benefits not realised • Financial underperformance • Inefficient use of resource	• Complex, large-scale programmes have been initiated, prioritised and are managed through the Project Management Office. • A project management framework, which sets out approval processes, governance requirements, and key ongoing processes and controls, is followed by all projects and programmes, and reviews are undertaken to ensure continuous improvement in this approach. • Each strategic initiative has an executive sponsor from the AMB and its own steering group which provides oversight and challenge to the project, monitors progress against programme objectives and ensures that decisions are made at the appropriate level. • Key strategic initiatives are managed by experienced programme managers, complemented by appropriate subject matter specialist resource where appropriate. • A Project Management Office is in place to oversee delivery of projects and programmes, including the allocation of support resource, budget tracking and realisation of benefits. • The AMB meets twice monthly. The executive sponsor provides routine updates and can use this as an escalation channel for any issue resolution. • The Board also receives updates on key strategic initiatives including any risks or issues associated with their delivery. • The Internal Audit function provides independent programme assurance over our most significant initiatives, drawing upon independent subject matter expertise where appropriate.
SINGLE FLEET SUPPLIER easyJet is dependent on Airbus as its sole supplier for aircraft. The Board considers that the efficiencies achieved by operating a single fleet type outweigh the risks associated with easyJet's single fleet strategy. **Links to Our Plan** 3 5 A D	• Delays in the delivery of new aircraft • Technical/ mechanical issues • Fluctuating second hand market	• Schedule reductions/ cancellations • Grounding of all/ part of the fleet • Loss of customer confidence • Financial impact when aircraft leave the fleet	• There are approximately 8,500 A320 family (A319, A320, A321) aircraft operating, with a proven track record for safety and reliability. • Introduction of the A320neo in part mitigates this single fleet supplier risk as the aircraft is equipped with a different engine type. • easyJet continues to work closely with Airbus to ensure full visibility of the delivery schedule for new aircraft. In the event that there are material delays, appropriate mitigation is put in place; for example short-term wet lease arrangements are used to minimise any operational impact. • easyJet operates a rigorous established aircraft maintenance programme. Maintenance schedules are approved by the relevant regulatory body. • easyJet regularly reviews the second hand market and has a number of different options when looking at fleet exit strategies. Sale and leaseback facilitates the exit of aircraft from the fleet by transferring residual value risk, and also provides flexibility in managing the fleet size.

ENVIRONMENT AND SUSTAINABILITY

The impacts of climate change on our business and operations, carbon credit programmes, regulation/taxation, and changing consumer and colleague expectations. easyJet's promise in Our Plan is to be a safe and responsible airline. This is what guides our approach to sustainability, whether that be related to climate change, health and safety, diversity, or employee engagement. More information is in the Sustainability section on page 48.

	Potential causes	Potential consequences	Controls and mitigations
CARBON TRADING SCHEMES Adverse changes to carbon trading schemes, including the existence and/or cost of the scheme. **Links to Our Plan** 2 3 A B D E	• Political change • Uncertainty driven by Brexit • International alignment • External pressure groups	• Closure of existing scheme • Loss of free allocations, leading to significant cost impact • Introduction of new schemes • Inability to hedge in line with fuel policy	• easyJet influences future and existing policy and regulations which affect the airline industry through a number of different channels, including working with relevant industry bodies to assist in this; • easyJet look to optimise fuel usage to reduce emissions and therefore reduce the potential impact of those schemes, for example ensuring optimal routings as well as using climb, descent and landing techniques to improve efficiency; and • easyJet has an appropriate hedging strategy (to the extent possible).
CLIMATE CHANGE Weather patterns including, but not limited to, winds, storms, extreme temperatures, are becoming increasingly difficult to predict. **Links to Our Plan** 2 5 3 A B C D E	• Increased CO_2 emissions	• Adverse customer experience • Injury to customers • Operational disruption (including airspace and runway closures) • Aircraft damage	• easyJet continues to bring Airbus neo aircraft into its fleet which are significantly more fuel efficient than the standard variant; • easyJet aircraft use only one engine when taxiing on the ground; • easyJet operates flights with a high load factor, and is a short-haul operator, which has a lower carbon impact per passenger kilometre than airlines whose operations include a significant amount of long-haul flight; and • Disruption management measures include advanced winter planning, standby crews and aircraft, as well as the continual review of flight plans to ensure the optimal routings. In addition, to reduce the time it takes to resolve aircraft technical faults, easyJet has a contract for two light aircraft and crew to transport engineers and spare parts around its network, with dedicated engineers on standby to travel.
ECO-TAXES Future policy measures and regulation to tackle the impact of aviation on climate change could impact easyJet's business if they impose limitations and cost on how easyJet operates and the services it can provide. **Links to Our Plan** 2 4 A B D E	• Political change • External pressure groups • Customer demand	• Significant increase in cost of existing aviation taxes/levies • Future expansion of taxes/levies • Policies to constrain growth/capacity • Increasing noise curfews • Pressure on margins	• By engaging with key stakeholders, easyJet seeks to reach a common understanding on the drive to impose policy measures and regulation to address the impact of aviation on climate change; • easyJet continues to explain it's environmental performance, and the further action it is taking, to it's customers and other stakeholders. For example, this has included highlighting the introduction of the A320neo and A321neo aircraft and their reduced emissions compared to previous generation aircraft, and work with partners in regards to new technologies to radically reduce the carbon footprint of flying; • easyJet is able to operate flexible routings in the event of constraints being brought in; and • The new generation Airbus A320neo and A321neo aircraft are 50% quieter during takeoff and landing than the equivalent previous generation aircraft.

LEGISLATIVE/REGULATORY LANDSCAPE

The airline industry is heavily regulated and there is a continual need to keep well informed and adapt (as required) to any legislative or regulatory changes across the jurisdictions in which easyJet operates.

	Potential causes	Potential consequences	Controls and mitigations
BRAND LICENSE AND MAJOR SHAREHOLDER • easyJet has two major shareholders (easyGroup Holdings Limited and Polys Holdings Limited) which, as a concert party, control approximately 33% of its ordinary shares. • easyJet does not own its company name or branding, which is licensed from easyGroup Ltd. The licence includes certain minimum service levels that easyJet must meet in order to retain the right to use the name and brand. **Links to Our Plan** 3 A	• Shareholder activism • Actions of easyGroup or other easyGroup licensees	• Eventual loss of the brand licence	• Active shareholder engagement programme; • Regular engagement with easyGroup Holdings Limited alongside other major shareholders; • Relationship agreement with easyGroup and Polys Holdings in line with the controlling shareholder regime set out in the Financial Conduct Authority's Listing Rules; • Representatives from the Board and senior management take collective responsibility for addressing issues arising from any activist approach adopted by the major shareholder. The objective is to address issues when they arise and anticipate and plan for potential future activism; • Quarterly meeting of senior representatives from both sides, attended by the Chief Financial Officer and the Company Secretary and Group General Counsel, to actively manage brand-related issues as they arise; and • easyJet makes contributions to the joint brand protection fund.
LEGAL/ REGULATORY NON-COMPLIANCE Failure to comply with legislation and regulation, such as local consumer laws, new case law or policy changes in relation to customer compensation, environmental or airport regulation, in the jurisdictions in which easyJet operates, could have an adverse reputational and financial impact. **Links to Our Plan** 2 3 4 A B	• New or changes to existing legislation/ regulation • Employee/agent ignorance • Rogue employee/ agent behaviour	• Sustained adverse media coverage • Fines/regulatory sanctions • *Reduction in future revenue* • Operational disruption • Loss of operating licence • Significant spike in costs • Share price movement • Loss of colleague/ customer trust	• Compliance framework including, but not limited to, policies, procedures, and mandatory training programmes; • easyJet has an in-house team of Legal experts to advise on legal issues and developments, and to assist the business in interpreting any formal regulatory requirements. Where appropriate, this expertise is supplemented with specialist external support relevant to a specific discipline or jurisdiction; • Panel of external legal advisers, both in the UK and in key easyJet markets, are briefed to keep easyJet informed of any changes or new legislation and to assist easyJet in developing appropriate responses to such legislation; • easyJet influences future and existing policy and regulations which affect the airline industry through a number of different channels, including working with relevant industry bodies to assist in this; and • easyJet adapts to new legislation and regulation, where possible adapting existing compliance frameworks (for example mandatory training programmes and clear policies and associated guidance).

MACRO-ECONOMIC AND GEOPOLITICAL ↔

The airline industry can be sensitive to macro-economic and geopolitical conditions. These risk events can affect our financial performance including supply/demand imbalance, general economic trends, Brexit (discussed on page 18), as well as impact of fuel cost, foreign exchange rates, and counterparty performance.

	Potential causes	Potential consequences	Controls and mitigations
SUPPLY/DEMAND IMBALANCE easyJet's success in the highly competitive European short-haul aviation market is built on our key competitive advantages: our network, cost base, brand, digital innovation and efficient and robust capital structure. **Links to Our Plan** 1 2 3 4 5 B D	• Increased capacity • Industry consolidation • Increased competition from other airlines and transport providers • Government interventions • Fall in consumer demand (including but not limited to macro-economic conditions and environmental concerns) • Internal growth plans	• Loss of market positions (relative market share) • Pressure on margins • Adverse financial position • Share price movement	• Enhancements to our Commercial organisation to provide even further focus on existing and new initiatives to optimise the revenue position. • Weekly trading meeting to review performance – attended by senior managers, including members of the AMB. • Relentless focus on maintaining easyJet's competitive advantages. • The Network Development Forum, a cross-functional panel of senior managers, including members of the AMB, approves the allocation of assets around the network in the context of expected market conditions. • Competitor and consolidation activity is monitored in detail by the Network team, enabling strategic decision making on key market positions. • Fleet framework arrangements, together with the Group's leasing policy, provide easyJet with significant flexibility in respect of scaling the fleet according to business requirements.
VOLATILITY IN FINANCIAL MARKETS easyJet is exposed to a variety of financial markets, volatility in which could give rise to adverse pressure on the cash flows of the group. **Links to Our Plan** 1 3 5 D	• Market price risk: volatility in jet fuel prices, foreign exchange rates, carbon prices, inflation rates or interest rates • Counter-party risk: default of counter parties used for depositing surplus cash and hedging • Liquidity risk: inability to raise funds when required	• Insufficient cash to meet financial obligations as they fall due and/or the inability to fund the business when needed leading to insolvency • Significant increase in costs	• The Finance Committee (a committee of the plc Board) oversees the Group's treasury and funding policies and activities. See page 94 for further details. • Treasury policy sets out plc Board approved strategies for market price risk management, counter-party credit risk management and liquidity risk management. Monthly reporting on all treasury activity including reporting on compliance with treasury policy. • Maintaining a liquidity buffer supported by cash, a revolving credit facility (provided by a group of relationship banks) and a business interruption insurance policy. • Ability to access diverse sources of funding to support liquidity requirements. • Rolling hedging programmes on jet fuel and foreign exchange market price exposure.

PEOPLE ↔

Having the right people is a key part of Our Plan. In today's environment, we need to create an inclusive and energising environment that attracts the right people and inspires everyone to learn and grow.

	Potential causes	Potential consequences	Controls and mitigations
INDUSTRIAL ACTION easyJet, and the aviation industry in general, has a significant number of employees who are members of trade unions. Each of the European countries in which easyJet operates has localised employment terms and conditions. As such its pilots and crew are members of 22 trade unions across eight countries. There are also an additional 11 consultative bodies including five Works Councils and a European Works Council that operate under EU legislative guidance. **Links to Our Plan** 2 4 A B C	• Adverse employee experience • Changes to terms and conditions • Political unrest	• Sustained adverse media coverage • Operational disruption • Significant spike in costs • Reduction in future revenue • Share price movement • Loss of colleague/ customer trust	• easyJet seeks to maintain positive working relationships with all trade unions and other representative bodies and has a framework in place for consulting and engaging with trade unions and consultative bodies. • In the event of industrial action or expected disruption, easyJet has processes to mitigate the impact to our operations. The Operations department also has specific procedures to deal with such events.
TALENT ACQUISITION AND RETENTION In today's shifting environment, we need to place even more focus on recruiting the right people and building the right talent. **Links to Our Plan** 3 4 C	• Uncompetitive remuneration packages • Lack of career progression • Outdated ways of working	• Sustained inability to deliver key strategic initiatives • Increased costs	• Benchmarking of reward packages. • Quarterly employee listing tool with action plans to address issues raised. • Talent mapping of senior employees to ensure continued investment and development of top talent. • Succession planning of key roles. • Diversity and inclusion strategy. • Strategic programme to enhance ways of working for head office staff.

SAFETY, SECURITY AND OPERATIONS

easyJet's number one priority is the safety and security of its customers, colleagues, and contractors. The delivery of a safe and secure operation which meets the needs and expectations of our customers is critical to our business.

	Potential causes	Potential consequences	Controls and mitigations

SIGNIFICANT SAFETY OR SECURITY EVENT
• easyJet's number one priority is the safety and security of its customers, colleagues, and contractors.
• The Safety Committee (a committee of the Board) provides oversight of the management of easyJet's safety processes and systems. See pages 85-86 for further details.
• The easyJet Safety Board, chaired by the Chief Executive and including the Chief Operating Officer and AOC Accountable Managers, is responsible for directing overall safety and security policy and governance. The Safety Board meets every month to review safety performance and any emerging security issues.
 	
Links to Our Plan
2 4
A
	• Flight safety incident
	• Health and safety incident
	• Major security threat
		• Significant injury/ loss of life
		• Sustained adverse media coverage
		• Reduction in future revenue
		• Fines/regulatory sanctions
		• Operational disruption
		• Significant spike in costs
		• Share price movement
			• Functional Safety Action Groups from across the airline are chaired by the appropriate senior manager and are responsible for the identification, evaluation and control of safety-related risks.
			• The easyJet Safety Board meets monthly to review safety, security and compliance performance across all Air Operator Certificates (AOC) chaired by the CEO, attended by the three AOC accountable managers and periodically by AOC regulators.
			• Safety Review Boards are held locally and are open for the local regulator to attend.
			• A Safety Policy is published that promotes the incident reporting process and supports this safety culture;
			• easyJet operates a Safety Management System using leading software systems to:
			  • report incidents and identify events;
			  • identify hazards and threats and take appropriate risk-mitigating actions;
			  • collect and analyse safety data (enabling potential areas of risk to be projected); and
			  • enable learning from easyJet and industry events/ incidents to be captured and embedded into future risk mitigations.
			• Timely, credible and reliable information upon which to base operational decisions.
			• easyJet has an emergency response process and performs crisis management exercises.
			• Hull (all risks) and liabilities insurance (including spares) is held.
			• Security cleared specialists continually review geopolitical developments across the easyJet network in particular those countries deemed to be higher risk and report back to the Board any areas of concern.
			• easyJet maintains an inspection regime of all our airports to ensure the security elements are being effectively managed.

SAFETY, SECURITY AND OPERATIONS CONTINUED

SIGNIFICANT OPERATIONAL DISRUPTION

- This year there has been a significant reduction in disruption events (three hour delays, cancellations and overnight delays). Events within easyJet's control ('non-extraordinary') have reduced against 2018 by 25%, as a result of the Operational Resilience programme and a range of easyJet interventions, and events outside of easyJet's control (e.g. weather, strikes) have reduced by 34%.
- On Time Performance has remained stable against 2018, despite a significant reduction in cancellations.
- The European Air Traffic Control system experienced fewer total delay minutes than in 2018. easyJet flight planning interventions further reduced the proportion of these delay minutes that impacted easyJet. En-route delay minutes reduced, largely driven by fewer ATC strikes than in 2018. Airport delay minutes worsened. The ATC system still performed worse than 2017.

Links to Our Plan

2 3 5

B D E

Potential causes

- Adverse weather
- Industrial action
- Technology failure
- Supplier failure
- Infrastructure failure
- Airspace/airport restrictions/closure

Potential consequences

- Customer dissatisfaction
- Compensation ad welfare payable to customers
- Inefficient use of crew/aircraft
- Adverse media coverage
- Share price movement

Controls and mitigations

- Key strategic project, Operational Resilience, focusing on:
  - Building appropriate resilience into the flying schedule;
  - Aircraft and crew standby;
  - Operations Control Centre reporting on the day of operations, including customer communication;
  - Airport performance and strategic supply chain;
  - Air traffic control system lobbying and flight planning enhancements; and
  - The use of data across the operation to predict and manage events and aid decision support.
- There is also continued focus on the EU261 claims management process which has been further strengthened during the year by increasing the size of the team handling legal claims.
- New incident and crisis management framework to further enhance the effectiveness of response.
- Liquidity buffer to better manage the impact of downturns in business or temporary curtailment of activities (see the volatility in financial markets risk outlined on page 43).
- Business interruption insurance which provides some cover for very significant shock events such as extreme weather, air traffic management issues and loss of access to key airports. The policy would allow us to claim in the event of a very substantial number of cancellations. This is included within our definition of liquidity.

TECHNOLOGY AND CYBER ↑

The nature of these risks, easyJet's reliability on technology (particularly online devices) and the ever-increasing sophistication of serious organised crime groups, terrorists, nation states and even lone parties means that, despite all the mitigation detailed, easyJet will inevitably retain an element of vulnerability regarding the availability, confidentiality and integrity of its information and data.

	Potential causes	Potential consequences	Controls and mitigations
DATA BREACH A data breach involves the unauthorised access to customer or employee data. Protecting that data and its privacy remains a priority for easyJet. **Links to Our Plan** 2 5 A B D	• Cyber attack • Third party incident • User error • Misconfigured systems	• Sustained adverse media coverage • Fines/regulatory sanctions • Third party liability/ class actions • Reduction in future revenue • Operational disruption • Significant spike in costs • Share price movement • Loss of colleague/ customer trust	• A data and cyber risk governance structure exists to regularly review the data and cyber risk landscape and determine required action to take place in order to manage risk effectively. • Dedicated Information Security team who proactively monitor threats and respond to incidents. • Employee education and awareness programme including a network of champions, online training and awareness campaigns. • Security logging and monitoring. • Vulnerability scanning and penetration testing. • Ongoing General Data Protection Regulation (GDPR) programme to ensure compliance with GDPR regulations in support of the Data Protection Officer (DPO).
FAILURE OF CRITICAL TECHNOLOGY easyJet relies on a number of critical technologies that are key to the delivery of essential business processes. These include, but are not limited to, operational, commercial and financial systems. A critical technology failure includes any technical failure which is sufficient enough to interrupt critical business operations (which may include one or more systems). This includes system unavailability or a failure which results in the loss or corruption of data. **Links to Our Plan** 2 3 A B D E	• Cyber attack • Hardware failure • Aged infrastructure • Data Centre Outage • Third Party Outage • Technological Dependency Failure • IT change	• Sustained adverse media coverage • Reduction in future revenue • Fines/regulatory sanctions • Operational disruption • Significant spike in costs • Share price movement	• Monitoring and alerting of availability of critical technologies and their inter-dependencies. • Security logging and monitoring. • Vulnerability scanning and penetration testing. • Business Interruption Insurance in place. • IT Change Management Process embedded to assess risk of all changes to technology including changes made by third party providers. • Critical technologies are either cloud hosted, hosted across two data centres or at third party provider locations with necessary failover protocols and security perimeters in place. • IT Major Incident Management team is in place to respond rapidly to any unforeseen critical technology incidents including those of a security nature. • IT Supplier Relationship Management process to ensure that third party services and associated risks are regularly reviewed and assessed. • easyJet are progressing the delivery of a hosting and network programme that will further improve the resiliency of core infrastructure and cloud connectivity capabilities.

SUSTAINABILITY AT EASYJET

JOHAN LUNDGREN
Chief Executive Officer

Our Promise is to be a safe and responsible airline. This is what guides our approach to sustainability.

As an airline, we recognise that our most significant impact and sustainability challenge is climate change. This is an issue which we all have to tackle – including us at easyJet.

In the past year we have seen increased debate about climate change and the urgency in which action is needed. It is clear that all companies will need a clear vision and plan to address this.

People have a choice in how they travel and many more people are now thinking about the potential carbon impact of different types of transport. If people choose to fly, we want to be one of the best choices they can make for themselves and for the planet.

We have continued to focus on being as efficient as we can; transitioning our fleet to more modern, fuel efficient aircraft; flying them in ways which avoid noise and flying them full of passengers. All these things help to reduce carbon emissions for each passenger we fly.

This financial year our carbon emissions per passenger kilometre were 77.07 grams, down from 78.46 grams last year. We have reduced this by over one-third since 2000 and our aim is to bring this down further.

But in the long term this will not be enough. Aviation will have to reinvent itself and in our view move to electric and hybrid aircraft powered by renewable energy, along with other carbon reduction technologies. However, these are some years away and we decided at the beginning of the new 2020 financial year to take action on our carbon emissions.

We announced that we would become the world's first major airline to operate net-zero carbon flights across our whole network.

We are doing this by offsetting the carbon emissions from the fuel used for all of our flights through schemes accredited by two of the highest verification standards, Gold Standard and Verified Carbon Standard (VCS).

We recognise that offsetting is only an interim measure, but at the moment we believe it's the best way we have to remove carbon from the atmosphere. At the same time, we will continue to support the development of new technologies to decarbonise aviation for the longer term.

We are focused on working with others across the industry on hybrid and electric aircraft and on the technologies which will be needed to make these happen. This is why we are supporting Wright Electric who are aiming to produce an all-electric plane which could be used for short haul flights and have recently established a partnership with Airbus to jointly research the opportunities and challenges of introducing hybrid and electric aircraft for short haul flying in Europe.

Sustainability for easyJet is of course much wider than climate change and we have commitments on many important issues, such as health and safety, diversity, employee engagement and customer satisfaction. In the pages that follow we have highlighted our progress on all these issues.

To better understand which sustainability issues are most important to our business and our stakeholders, we have this year carried out a materiality assessment. We set out the results in this section.

We have been using the materiality assessment to continue to develop our sustainability strategy, so that it has a clear focus on our carbon emissions. We look forward to sharing more information on this in our 2020 financial year.

SUSTAINABILITY GOVERNANCE

Our management of sustainability, including climate change related issues, is overseen by our sustainability lead, who is a member of the Airline Management Board (Executive Committee) and reports to the Chief Executive.

Our target on carbon emissions per passenger kilometre is the responsibility of our Operations function and will be overseen by the new Chief Operating Officer, who is a member of the Airline Management Board. In the interim, while we have not had a Chief Operating Officer, this has been the responsibility of our Head of Operations.

Climate change related risks are also included in our Risk Management Framework, which is overseen by the PLC Board. More information is p41.

In addition to the existing oversight of the Airline Management Board of sustainability issues, the PLC Board regularly discuss sustainability issues and intends to continue to monitor progress in the coming year.

Specific sustainability issues are also managed and overseen by issue-specific committees and these are detailed in this section.

REPORTING FOR 2019 FINANCIAL YEAR

At easyJet we recognise the need for structured and transparent sustainability reporting. As part of our work to increase and improve our reporting, we have taken some initial, additional actions in this financial year:

- Carried out our first full materiality assessment – this is detailed in this chapter.
- Participated in the CDP climate change programme – for the first time since 2016

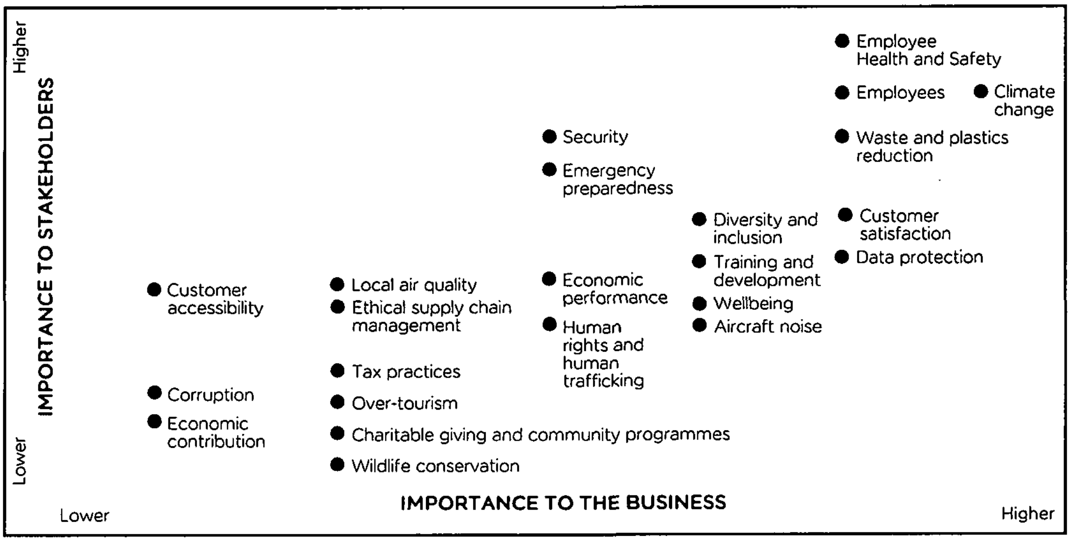
We plan to build on these reporting improvements in future years, to ensure we continue to meet legal reporting requirements but also provide our stakeholders with information that helps show our progress with our material issues.

All references to 'this year' in this chapter refer to the easyJet 2019 financial year (1 October 2018 to 30 September 2019), unless otherwise stated.

SUSTAINABILITY MATERIALITY

Determining materiality is an important aspect of operating sustainably; it involves identifying and prioritising a business's most critical non-financial issues. These issues are the ones that have the greatest impact on the business, our stakeholders and society in general. This matrix is based on our materiality assessment of the most important sustainability issues for easyJet. Some issues which are important to the business as a whole may not be prioritised in this matrix.

MATERIALITY MATRIX



☐ Track ☐ Actively monitor ☐ Prioritise

PRIORITY ISSUES

CLIMATE CHANGE (including carbon emissions, climate change adaptation, fuel efficiency and types)

EMPLOYEES (including decent work and labour relations, employee engagement)

WASTE & PLASTIC REDUCTION

EMPLOYEE HEALTH & SAFETY

OUR MATERIALITY PROCESS

We undertook our first formal materiality assessment from April to June 2019. The assessment was carried out by an independent sustainability firm in consultation with easyJet.

The process was carried out in line with the Global Reporting Initiative approach on materiality and involved:

- A desktop review of internal and external information sources to produce a long list of potential sustainability issues
- In-depth interviews with key stakeholders – who were asked to rank a list of topics and identify those they felt were most important. Interviews were carried out by the consultancy and views were shared with easyJet without attribution. Those interviewed were based across Europe and included:
  - PLC Board members
  - Investors
  - Suppliers
  - Regulators
  - Corporate customers
  - Employee representative groups and trade unions
  - NGOs
- Customer and employee surveys – which sought to identify and rank the most important issues for these groups.

The final result is a materiality matrix that plots stakeholder prioritisation against business impact for each topic. Topics in the top right of the matrix are the most material to easyJet's business. The material topics identified by the assessment were used as a focus for the reporting in this section and are being used as a guide to further develop our approach to sustainability.

EASYJET HOLIDAYS MATERIALITY ASSESSMENT

Sustainability has been a founding principle of the easyJet Holidays business. To inform the development of the easyJet Holidays sustainability strategy, a materiality assessment was carried out in the latter part of the 2019 financial year. The results of this materiality assessment and more information on the business' sustainability strategy will be included in next year's Annual Report.

This sustainability chapter covers issues for the easyJet airline business, as easyJet Holidays was not launched in this financial year.

MORE INFORMATION ON THE EASYJET HOLIDAYS BUSINESS IS AVAILABLE ON P22.

SUSTAINABILITY DASHBOARD

PRINCIPLES	MATERIALITY ISSUES	ACTIVITIES
1. SAFETY	**Prioritise** • Employee Health and Safety **Actively monitoring** • Security • Emergency preparedness	• Safety management and oversight • Employee health and safety • Preventing and addressing disruptive behaviour on flights • Security management • Providing a whistleblowing process • Preparing to respond to emergencies and significant events
2. HONEST AND FAIR WITH OUR CUSTOMERS AND SUPPLIERS	**Actively monitor** • Customer satisfaction • Human rights and human trafficking • Data protection • Economic performance **Track** • Customer accessibility • Corruption • Ethical supply chain management	• Reducing disruption through operational resilience • Supporting customers during disruption • Supporting customers who need special assistance • Protecting customer and employee data • Building positive supplier relationships • Preventing modern slavery and human trafficking • Preventing bribery and corruption

3. A RESPONSIBLE AND RESPONSIVE EMPLOYER	**Prioritise**
	• Employees
	  • Strong work and labour relations
	  • Employee engagement
	Actively monitor
	• Diversity and inclusion
	• Training and development
	• Wellbeing
	• Economic performance
	Track
	• Economic contribution
		• Employing people locally
		• Engaging with our employees
		• Working collaboratively with trade unions
		• Supporting employees' health and wellbeing
		• Encouraging a diverse workforce
		• Offering fair reward
		• Providing learning and development opportunities

4. A GUARDIAN FOR FUTURE GENERATIONS	**Prioritise**
	• Climate change
	  • Carbon emissions
	  • Climate change adaption
	  • Fuel efficiency and types
	• Waste and plastic reduction
	Actively monitor
	• Aircraft noise
	• Local air quality
	Track
	• Over-tourism
	• Wildlife conservation
		• Investing in efficient aircraft
		• Using operational efficiency measures
		• Flying aircraft with the majority of seats occupied by passengers
		• Removing plastic from our inflight food and drink range
		• Managing Nitrogen Oxides (NOx) emissions
		• Reducing the aircraft noise that affects communities around airports

5. A GOOD CITIZEN	**Track** • Charitable giving and community programmes • Tax practices	• Raising funds for our charity partner Unicef • Making donations to charities nominated by employees • Complying with the tax laws in the countries in which we operate

MEASUREMENTS AND OUTCOMES

- The Safety Committee regularly reviews the effectiveness of the safety management processes.
- The Audit Committee oversees our Whistleblowing process. In addition, the new Business Integrity Committee is a management forum on Whistleblowing. It receives summaries of all reported concerns; it monitors any ongoing concerns and ensures that the proposed outcomes of investigations are fair, transparent and robust, with root causes identified and remedial actions agreed.
- Our aircraft are equipped with defibrillators and we are introducing inhalers and auto-injectors for breathlessness and allergic reactions.
- We are removing all food products containing nuts from our inflight retail range.

- Customer satisfaction this year was 74%, broadly flat from 75% last year.
- Customer satisfaction amongst our customers who need special assistance was 82.3% this year. This is higher than the average for all customers for the sixth consecutive year.
- We appointed our first Special Assistance Manager, to lead our work on supporting customers with accessibility needs.
- 85% of supplier invoices were paid on time in the year to 30 September 2019 (2018: 87%).
- We updated our due diligence questionnaire on modern slavery for suppliers this year.
- We have created new training materials for all our cabin and ground crew on how to identify and report possible human trafficking.
- We established a Business Integrity Committee ethics policies and management.

- We employ people on local contracts in eight countries across Europe, complying with national laws.
- We work in partnership with 20 trade unions across eight countries.
- Employee engagement, measured using our Peakon survey, was 7.9 out of 10 this year.
- We are on track to achieve our target that 20% of the new entrant co-pilots we attract should be female by 2020.
- Over 75% of our front-line people managers have received mental health awareness training. We expect all these managers to have been trained by the end of 2019.
- Employee turnover was 5.1% across easyJet this year, down from 6.5% last year.
- Employees held interests in shares with a value of over £215 million, representing 5% of the total share value of the company (based on share price at 30 September 2019).
- *80 apprentices are currently learning with easyJet.*
- We appointed our first Special Assistance Manager, to lead our work on supporting customers with accessibility needs.

- This year carbon emissions were 77.07 grams per passenger kilometre, down from 78.46 grams last year. This is a reduction of over one-third since 2000.
- Our current target is a reduction in carbon emissions per passenger kilometre by 2022 from our 2016 financial year performance. Since 2016, this figure has now reduced by 3.64%.
- Our A320neo and A321neo aircraft, which are 15% more fuel efficient and 50% quieter during takeoff and landing than their equivalent previous generation aircraft, now make up 11% of our overall fleet.
- Over half of all our aircraft are also now fitted with 'Sharklet' wingtips, which can reduce fuel usage and carbon emissions by up to 4%.
- We participated in the CDP Climate Change programme for the first time since 2016.
- We have started to remove plastic items from our inflight retail food and drinks range and now offer a discount for customers who use their own reusable cup.

- We have raised over £14 million for our charity partner Unicef since 2012. This includes over £2 million raised this year.
- We also held onboard fundraising appeals for Prostate Cancer UK and Breast Cancer Now which raised over £438,000.
- This year we awarded over 140 donations to local charities nominated by our employees.

1. SAFETY

WHY IS THIS MATERIAL?

Safety is easyJet's highest priority and the issue was also seen as highly important by our stakeholders. Our customers and employees trust easyJet to keep them safe while travelling or working.

In addition to flight safety, the materiality assessment also highlighted the importance of wider employee health and safety, which was seen as a key part of a safety culture.

MATERIAL ISSUES

EMPLOYEE HEALTH & SAFETY

SECURITY

EMERGENCY PREPAREDNESS

OUR APPROACH

Our Plan includes our promise to be a safe and responsible airline. We have mature safety management processes and procedures, to ensure safe journeys for our customers and a safe working environment for employees and suppliers.

SAFETY MANAGEMENT AND OVERSIGHT

The ultimate responsibility for safety management lies with easyJet's Chief Executive. In addition, the Accountable Managers for easyJet UK, easyJet Switzerland SA and easyJet Europe Airline GmbH are accountable to the relevant regulator for safety and compliance. easyJet's Director of Safety, Security and Compliance has a remit to act independently on safety and security matters without operational or commercial constraints. The Director reports directly to the Chief Executive and has regular access to the Chairman.

The Safety Committee regularly reviews the effectiveness of safety management processes on behalf of the PLC Board. This includes reviewing the ongoing development of our Safety Plan, which details planned improvements to the safety management system. The Committee is made up of independent Non-Executive Directors: there are further details on page 85 to 86.

SAFETY PROCESSES

Our safety processes have risk management at the heart of their approach. There are a number of functional safety action groups responsible for identifying, evaluating and controlling safety-related risks, chaired by the appropriate senior managers. The safety management system uses leading software systems (SafetyNet and RiskNet).

The easyJet fleet is continually updated with new safety features, to supplement our operating procedures and training, as aircraft are replaced. A320neo and A321neo aircraft are fitted with an Autopilot Traffic Collision Avoidance System (APTCAS) and a Runway Overrun Prevention System (ROPS), which alerts pilots to avoid high-energy approaches that may lead to runway overruns.

EMPLOYEE HEALTH AND SAFETY

Health and safety of employees and contractors is a material focus for easyJet. It is about holistic wellbeing and covers mental and physical health, as well as safety in the air and on the ground.

Aeromedical and health and safety risks are managed through an integrated risk management framework, business processes and structures. This is a proactive integrated approach to aeromedical and occupational health management, human factors and occupational safety. This may include the mental fitness of pilots, communicable disease concerns, health and safety and occupational health issues.

We do not tolerate disruptive or abusive behaviour on our flights or towards our crew and ground agents. Crews are trained to avoid any risk to the safety of flights and passengers. We have measures to discourage and prevent disruptive behaviour, and to support our cabin crew to respond when it does occur. Cabin crew may refuse to serve alcohol to customers and customers are not allowed to consume their own alcohol on easyJet flights.

SECURITY

Our security team work to protect customers and employees against security threats, including working with the relevant government and regulatory agencies. The team carries out security risk assessments, tailored for each country and each airport to which we fly. These assessments are also updated to reflect the latest geopolitical developments. Security efforts also include business and personal data – see page 45 for further detail.

CABIN SAFETY

We have a number of measures in place to support the safety of our customers during our flights. All our cabin crew are trained in first aid and how to respond to medical issues which occur onboard. Our aircraft are equipped with defibrillators (used when a person has a cardiac arrest) and our cabin crew are trained to use these items.

We are also currently introducing Salbutamol Inhalers (used to relieve the symptoms of asthma and breathlessness) and auto-injectors for anaphylaxis (an allergic reaction) on our aircraft.

Any customer who has a nut allergy can give notification in advance through our special assistance service, so that the ground crew and cabin crew will be informed. Our cabin crew will make an announcement to ask other customers not to eat any nut products for the duration of the flight. We will also stop the sale of any products containing nut traces on board.

This year we decided to go further and remove our inflight food products which contain nuts. Most items were removed from sale in March 2019 and one final item, a Baklava, will be introduced in a new recipe without nuts before the end of 2019.

WHISTLEBLOWING

All employees of easyJet and our suppliers should feel able to raise concerns about any safety, legal or ethical issues. If they feel unable to report these concerns to a manager, we also provide a whistleblowing process.

The 'Speak Up, Speak Out' service is run independently of easyJet and reports can be made confidentially and anonymously. In addition to the existing phone service, this year – following feedback from trade unions – we added the ability to report concerns online or using a mobile app.

All reports are investigated and followed up as necessary by an easyJet senior manager responsible for business integrity. The Audit Committee oversees the whistleblowing process. In addition, the new Business Integrity Committee is a management forum on whistleblowing. It receives summaries of all reported concerns; it monitors any ongoing concerns and ensures that the proposed outcomes of investigations are fair, transparent and robust, with root causes identified and remedial actions agreed.

EMERGENCY PREPAREDNESS

We prepare for emergencies through our business resilience activity, which aims to: safeguard customer and employee interests; minimise the financial impact of any incidents; and protect the easyJet brand and reputation.

We have a Business Resilience team which works to ensure easyJet has the ability to anticipate and assess, protect and control, plan and prepare, and respond and recover in the context of major disruptive or catastrophic risks, whether they are internal or external, known or unknown.

HIGH IMPACT EVENT PREPAREDNESS AND RESPONSE' IS ALSO ONE OF THREE DIMENSIONS OF OUR RISK MANAGEMENT FRAMEWORK (MORE INFORMATION IS ON P45).

2. HONEST AND FAIR WITH CUSTOMERS AND SUPPLIERS

WHY IS THIS MATERIAL?

Winning customers' loyalty is one of the priorities in Our Plan. We believe that by making it easy, affordable, enjoyable and sustainable for our customers to travel with us, easyJet will be a more successful and resilient business. We also aim to build strong, lasting relationships with all our suppliers and partners, as they are an integral part of easyJet's success.

MATERIAL ISSUES

CUSTOMER SATISFACTION

DATA PROTECTION

ETHICAL SUPPLY CHAIN MANAGEMENT

CORRUPTION

HUMAN RIGHTS AND HUMAN TRAFFICKING

CUSTOMER ACCESSIBILITY

ECONOMIC PERFORMANCE

OUR APPROACH

We want to provide our customers with the warmest welcome in the sky.

An important measure of our relationship with our customers is customer satisfaction. This is based on surveys of customers after they have travelled with easyJet. Overall customer satisfaction score this year was 74%, compared to 75% last year. There is more information on our customer priority on page 15.

This year we established an Operational Resilience programme to reduce the amount of disruption to our flights and the impact this has on our customers. More information on this is on page 4.

We also recognise that we have additional responsibilities to provide support for certain customers, including provision of accessible travel for people with additional needs and customers who do experience disruption.

ACCESSIBLE TRAVEL

This year we appointed a dedicated Accessibility and Assistance Manager, who works with our existing easyJet Special Assistance Advisory Group (ESAAG), and across the Company on accessible travel. There is also a dedicated customer management team for accessibility-related complaints and support during disruption.

The easyJet website Help pages have information on the assistance provided and encourage Customers to give notification of their requirements in advance. We aim to comply with Web Content Accessibility Guidelines (WCAG) 2.1 guidelines.

ESAAG was established in 2012; it includes members from key easyJet markets with experience of special assistance issues. It is chaired by former UK cabinet minister Lord David Blunkett. It gives feedback and guidance that has led to measures such as onboard wheelchairs and more accessible toilets on aircraft.

ESAAG has improved services in key airports and is continuing to look at support for customers with hidden disabilities. Our cabin crew are also trained to recognise hidden disability lanyards and badges. This year, ESAAG has had input into the easyJet response to the UK Government's Aviation 2050 strategy consultation, which considers accessible travel policy.

Customer satisfaction amongst special assistance customers was 82.3%, compared to 74% for all customers. This is the sixth successive year that satisfaction is higher among customers who need special assistance than the average across all customers.

DISRUPTION SUPPORT

When disruption does happen, we also want to support customers. Updates are provided by text message, email and live updates in our app, which includes the reason for the disruption and what customers should do next.

In the case of delays, we will provide support and overnight accommodation as needed. If disruption is due to an airline issue, we make compensation payments in line with EU Regulation 261/2004. Customers can find claim forms online, with payments made by bank transfer. We are also a member of an alternative dispute resolution body approved by the UK Civil Aviation Authority (CAA).

INFORMATION SECURITY

Protecting the information we hold on our customers and employees is a high priority for easyJet. More information on how we manage this is available on page 47.

SUPPLIERS

We believe open, constructive and effective relationships, ensuring that suppliers' rights and responsibilities are clearly set out.

Our supplier relationship management framework provides a toolkit and guidance for managers who lead relationships with key partners.

ETHICAL SUPPLY CHAIN MANAGEMENT

Our Supplier Code of Conduct is based on easyJet's Code of Business Ethics and requires partners to comply with easyJet societal and environmental standards, and to ensure the compliance of any subcontractors. In line with the Modern Slavery Act, it prohibits modern slavery and human trafficking.

MODERN SLAVERY

To help prevent modern slavery, this year we reviewed our modern slavery risk assessment in easyJet and our supply chain. This work was focused on identifying the areas of our business and the third-party suppliers that are higher risk for occurrences of modern slavery. An updated due diligence questionnaire was also introduced this year to strengthen the process.

More information is available in our latest Modern Slavery Act statement at corporate.easyjet.com.

MORE INFORMATION IS AVAILABLE IN OUR LATEST MODERN SLAVERY ACT STATEMENT AT CORPORATE.EASYJET.COM.

HUMAN TRAFFICKING

All airlines and transport providers are at risk that their services could be used by human traffickers. We have created new training materials for all our cabin and ground crew on how to identify and report possible human trafficking. Our security team also work with authorities across our network on prevention activities and investigations.

BUSINESS ETHICS

We have in place ethical and compliance policies, covering topics that include bribery and corruption, gift giving, fraud, human rights and modern slavery. These policies and our commitment to Human Rights statement are available to employees on the easyJet intranet.

All new entrants to easyJet receive mandatory ethics training during the onboarding process. All employees are also required to complete annual online refresher training on ethics, anti-bribery and corruption.

This year a Business Integrity Committee was established as a management forum for ethics policies and management. The committee receives reports of suspected unethical behaviour, identifies Group-wide trends, and monitors follow up. The committee's remit includes disciplinary issues or grievances raised with HR, environmental concerns and suspected fraud.

CHAIR OF THE EASYJET SPECIAL ASSISTANCE ADVISORY GROUP

I have been very pleased in the last year to see the progress made and the willingness to listen and adapt by key staff at easyJet. The advisory group are very clear that this is an ongoing task, not only in key aspects such as updating training and improving technology and communication but also addressing new challenges, including hidden disabilities and the growing elder population, including those with the onset of dementia.

This means that the work of the group is critical in spotting where things require attention, need urgently resolving and the emergence of problems on an ongoing basis, but above all thinking ahead and working on prevention. The decision to appoint a dedicated Accessibility and Assistance Manager is another indication of the seriousness with which easyJet take its responsibilities to all travellers and their wellbeing.

RT HON LORD DAVID BLUNKETT
Chair of the easyJet Special Assistance Advisory Group

3. A RESPONSIBLE AND RESPONSIVE EMPLOYER

WHY IS THIS MATERIAL?

We are a large European employer and rely on our people to provide the warmest welcome to our customers and deliver our business priorities.

Good employee relations, employee engagement, diversity & inclusion and wellbeing were seen as important issues in the materiality assessment amongst stakeholders.

MATERIAL ISSUES

EMPLOYEES

- DECENT WORK
- EMPLOYEE ENGAGEMENT
- LABOUR RELATIONS

ECONOMIC PERFORMANCE

ECONOMIC CONTRIBUTION

WELLBEING

DIVERSITY AND INCLUSION

TRAINING AND DEVELOPMENT

OUR APPROACH

At easyJet we want to attract, retain and develop the right people as they are fundamental to our success. We seek to treat all employees fairly, uphold their rights and reward them competitively.

At 30 September 2019, we employed over 15,000 people in eight countries across Europe.

We employ people on local contracts and comply with the relevant national laws. Our approach is to ensure that working for easyJet is an attractive option for local workers. This also helps to build and maintain our good relationships with local stakeholders.

EMPLOYEE ENGAGEMENT

We maintain regular communications with our employees and encourage them to share feedback. Regular updates are provided to employees on key issues for the business, including our financial performance. This includes a regularly updated intranet, a monthly CEO update, a weekly all-staff newsletter, separate newsletters for pilots and cabin crew, staff events and inviting feedback and discussion on Workplace, our internal collaboration platform.

This year we introduced the employee engagement platform Peakon, which seeks views and feedback on working at easyJet, following a successful trial last year. Last year we also introduced Workplace by Facebook to encourage employees to collaborate and communicate within and between teams. More information on both platforms is in the case study on page 57.

This year our overall employee engagement score was 7.9 out of 10 (average score for 2019 financial year). This is based on asking employees the question 'How likely is it you would recommend easyJet as a place to work?' through our Peakon surveys. This remains closely in line with the Peakon trial data from last year (8.0 out of 10 based on 30% of employees) and demonstrates that engagement with our people remains strong in a challenging operating environment. Our engagement score is above the majority of companies who use Peakon.

EMPLOYEE REPRESENTATIVE DIRECTOR

This year the PLC Board appointed Moya Green DBE as the Employee Representative Director. This role is intended to further bring the voice of easyJet employees, and consideration of how business decisions may affect them, into Board discussions. Further details on this new role are on p79.

EMPLOYEE REPRESENTATIVE GROUPS AND TRADE UNIONS

We continue to invest in and value our relationship with our employee representative groups and trade unions across Europe. We work in partnership with 20 trade unions across eight countries, along with our five national works councils in Europe, our European Works Council and a number of other internal employee consultative groups. Despite increasing union activity in the aviation sector, we believe our willingness to work constructively with trade unions and employee work groups has limited the impact of industrial action on our operations and the resulting disruption for customers.

BUILDING EMPLOYEE ENGAGEMENT

We use two complementary employee engagement platforms, to improve employee communications and strengthen relationships.

PEAKON

Peakon is a survey platform which we use to gather feedback from our employees. More than 7,500 employees have now participated in Peakon surveys.

Results from Peakon have helped us to identify the issues that are most important for employee engagement, so that we can focus resources on the things that matter most to our workforce. Managers – with teams of seven or more – have a dashboard with engagement scores, and can create action plans and reply directly and quickly to team comments.

WORKPLACE

Workplace emphasises conversation and idea sharing, allowing instant interaction between peers and from senior leaders in the business. The Chief Executive and members of the Airline Management Board regularly use the platform to give business updates and engage with employees, including Q&A sessions. Employees have been able to ask the leadership team about subjects such as the onboard retail technology, Brexit and crew iPads.

Crew often use it to pass on feedback, such as how a new initiative is being received by customers. When easyJet was recognised by the Skytrax airline awards, employees said that they wanted easyJet to communicate this to customers. As a result, Skytrax decals were added on to each aircraft.

Workplace shows consistently high engagement rates, with over half of the workforce actively using the platform.

WELLBEING

We are committed to supporting the health and wellbeing of our employees.

An important aspect of this is the wellbeing of our pilots and cabin crew. We carry out analysis of the working environment, ways of working, and the experience of crew during their rostered duties, as well as how operational disruption affects the lives of our crew and other employees.

We introduced an Operational Resilience programme this year (see case study on page 4), which aimed to reduce disruption which affects working days for crew.

People managers have also started to receive mental health awareness training and as at 30 September 2019 over 75% of our front-line people managers, including those who manage cabin crew and pilots, have received this training. We expect to complete the training of all these people managers before the end of 2019.

EMPLOYEE TURNOVER

	2019	2018
Management & Administration	8.6%	10.1%
Pilots	5.7%	4.9%
Cabin Crew	4.2%	6.6%
Total	5.1%	6.5%

GENDER

As part of our work on Diversity & Inclusion, we are continuing to improve the ratio of male to female employees in management and leadership positions. We believe that a good gender mix improves decision making and better reflects our customer base.

As at 30 September 2019:

PLC BOARD

70% (7) / 30% (3)

EXECUTIVE COMMITTEE (AIRLINE MANAGEMENT BOARD)

54% (6) / 46% (5)

ALL EMPLOYEES

54% (8,399) / 46% (7,119)

MALE FEMALE

easyJet supports the Women in Hospitality 2020 group, whose purpose is to increase gender representation at senior levels, sending employees to their masterclasses and return to work programmes.

In September 2019 our Chief Executive, Johan Lundgren, was named Number One Advocate on the list of 50 Advocate Executives by HERoes, which recognises leaders who have supported the achievements of women in business.

DIVERSITY AND INCLUSION STRATEGY

This year we introduced a new Diversity and Inclusion (D&I) strategy focusing on four pillars of activity:

- Firm Foundations: embedding D&I into policies and processes
- Increase the Mix: ensuring the employee mix reflects our customer base
- Training and Development: upskilling leaders to support cultural change and maintain a welcoming employee experience
- Partnerships: sourcing expert input and support to help guide activities

The strategy is the result of an in-depth review across all teams, which established that efforts should focus on learning and development, communication and behaviour.

A Head of Diversity & Inclusion and team have been appointed, who work across all functions to deliver the strategy. The strategy has also been endorsed by the Airline Management Board.

Activity that has already taken place this year includes:

- The introduction of management courses on recognising and valuing difference and how to model inclusive behaviour.
- A development programme for women – this year 40 high-performing middle managers took a residential course, Shine@easyJet, focusing on 'Self' and 'Purpose'.
- The establishment of a Trailblazer community of volunteers from around the business, who support all D&I initiatives and make suggestions on future activity.

Over the next year we intend to:

- Engage employees with a voluntary D&I survey to better understand their needs
- Review the return to work processes after long-term absence (for parental leave and ill health)
- Embed D&I training into all people management training
- Embed the Trailblazer community, who have been recruited as D&I champions, across the business
- Improve our Peakon engagement scores on D&I measures
- Continue to develop our pipeline for female talent
- Review and develop recruitment tools and processes
- Create a D&I charter to use with our suppliers and partners

FEMALE PILOTS

Our work to help address the significant gender imbalance among pilots globally has continued this year. The easyJet Amy Johnson Initiative, which was set up in 2015 and named after a pioneering British female pilot has this year included:

- Over 180 visits by pilots to schools, youth and aeronautical organisations.
- Sponsorship of the Aviation Badge for Brownies, the UK Girlguiding organisation for 7 to 10 year olds.
- Highlighting female easyJet pilots in the media.

We are on track to achieve our target that 20% of the new entrant co-pilots we attract should be female by 2020. The equivalent figure was 5% when we started the initiative in 2015. We will provide a further update on this in 2020.

GENDER PAY

Our gender pay gap is influenced by the gender makeup of our pilot community. Pilots are currently predominantly male; their higher salaries, relative to other employees, significantly increase average male pay levels at easyJet.

Pay rates for cabin crew and pilots are negotiated collectively in each country. This ensures our pilots and cabin crew are paid the same rate of pay per rank regardless of gender.

GENDER PAY GAP IN HOURLY RATE OF PAY FOR UK EMPLOYEES

Median	47.9%
Mean	54.1%

This is the pay gap data published in our 2018 gender pay report, the latest published in March 2019. All data is for UK employees as specified by UK reporting requirements.

Our full gender pay report is available at corporate.easyjet.com.

REWARD

We offer a competitive reward package, focused on cash and variable pay rather than fixed benefits. All easyJet employees, with a minimum amount of service, have the opportunity to become shareholders in easyJet.

As at 30 September 2019 our employees held interests in shares with a value of over £215 million, representing 5% of the total share value of the company.

TRAINING AND DEVELOPMENT

All easyJet employees have access to online learning opportunities, as well as career development planning tools. All employees receive feedback on their performance and support on their development. People managers are also given resources and advice to help them support the development of their teams. This year we launched 'My Journey', a support tool for performance and personal development reviews in the management and administration community.

APPRENTICESHIPS

We have several apprenticeship programmes employing advanced, higher and degree apprentices across various leadership and technical disciplines. The apprenticeships help develop new skills and build employees capabilities to build their full potential. In the next year, we plan to expand our offering of apprenticeships across the company.

EMPLOYEES WITH DISABILITIES

easyJet treats every applicant equally and supports employees who are or become disabled. This includes offering flexibility and making reasonable adjustments to the workplace to ensure they can achieve to their full potential. However, for easyJet's two largest communities, pilots and cabin crew, there are a range of regulatory requirements on health and physical ability with which all applicants and current employees must comply.

4. A GUARDIAN FOR FUTURE GENERATIONS

WHY IS THIS MATERIAL?

One of easyJet's largest impacts is the carbon emissions produced from our flights. In the materiality assessment, all stakeholders believed climate change was a very important issue for easyJet, including carbon emissions, climate change adaptation, fuel efficiency and types.

The assessment also highlighted that stakeholders, particularly our customers and crew, were also interested in other environmental issues, particularly the use of plastic and waste management.

MATERIAL ISSUES

CLIMATE CHANGE
- CARBON EMISSIONS
- CLIMATE CHANGE ADAPTATION
- FUEL EFFICIENCY AND TYPES

LOCAL AIR QUALITY

WASTE AND PLASTICS REDUCTION

AIRCRAFT NOISE

WILDLIFE CONSERVATION

OVER-TOURISM

OUR APPROACH

At easyJet we are aware that our operations can have a range of impacts on the environment.

We work to minimise that potential impact, complying with or exceeding the relevant regulations and continually looking for ways to improve performance and reduce the use of resources.

CARBON OFFSETTING

On 19 November 2019, we announced that we will offset the carbon emissions from the fuel used for all of our flights, to become the first major airline to operate net-zero carbon flights across its whole network. We are doing this through schemes which meet either the Gold Standard or Verified Carbon Standard (VCS) accreditation, which are globally recognised and respected for their standards of offsetting.

As this change took place in our 2020 financial year, it is not covered in detail in this sustainability report. Further information is available on corporate.easyjet.com and we will report on the scheme in our 2020 Annual Report.

CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS

Tackling climate change is an important part of Our Promise to be a safe and responsible airline.

In the short term we are focused on efficiency, including operating modern, fuel-efficient aircraft and flying them with most seats occupied by passengers, in fuel-efficient ways.

To track our progress, we measure and report our carbon dioxide per passenger kilometre, which is the standard measure of airline emissions. We also report on our total annual quantity of carbon dioxide emissions from our aircraft operations.

Carbon dioxide is our most material greenhouse gas and this is where we are focusing. We estimate that our non-carbon dioxide emissions, including Nitrogen Oxide and Methane, are in line with industry averages of around 1%.

In the long term, we are preparing for a move to electric and hybrid aircraft powered by renewable energy. We support Wright Electric in its work to develop an all-electric aircraft for short-haul flights and we are also working with Airbus, Derwent Engineering and Safran on the development of new technologies.

CLIMATE CHANGE-RELATED RISKS ARE ALSO MANAGED AS PART OF OUR RISK MANAGEMENT PROCESS. SEE MORE INFORMATION ON P41.

CARBON EMISSIONS TARGET

As part of our goal to reduce carbon emissions, we have set a public target based on the carbon dioxide emissions produced for each kilometre travelled by our passengers.

Carbon dioxide emissions per passenger kilometre is a useful measure, as it allows potential customers to understand the difference in carbon impact between different airlines flying on the same route. It is the way we express our emissions in a way which relates to our activities as an airline.

The current target is to achieve a 10% reduction in carbon dioxide emissions per passenger kilometre from our flights by 2022, compared to our 2016 figures. This would equate to 72 grams (g) per passenger kilometre in 2022.

In the 2019 financial year our carbon dioxide emissions per passenger kilometre were 77.07g. This is a reduction from 78.46g in 2018.

Since 2000, we have reduced our carbon emissions per passenger kilometre by over one-third. If we meet our target for 2022, we will have reduced our carbon emissions by 38% since 2000.

LOCAL AIR QUALITY

Nitrogen oxides (NOx) emissions during aircraft takeoffs and landing can affect local air quality. Our new Airbus A320neo aircraft, equipped with LEAP-1A engines, produce up to 50% lower NOx emissions than the CAEP/6 standard of the International Civil Aviation Organization.

ANNUAL CARBON DIOXIDE EMISSIONS

easyJet's annual carbon dioxide emissions in the 2019 financial year was 8.2 million tonnes, compared to 7.6 million tonnes in the 2018 financial year. Our methodology for the calculation of emissions is based on fuel burn measurement, which complies with the EU's Emissions Trading System requirements.

The increase in emissions is due to the continued expansion of easyJet's operations. In this financial year passenger numbers increased by 8.6% from the 2018 financial year.

NON-AIRCRAFT EMISSIONS

Our non-aircraft operations, such as energy usage in the small number of buildings we operate, also create carbon dioxide and other greenhouse gas emissions

However, we do not believe these emissions are material when compared to the emissions from our aircraft operations.

As part of our continued improvements to our sustainability reporting, we will be doing further work over the next financial year on carbon emissions from energy usage at our facilities and emissions from our non-aircraft operations. This will include complying with the new UK Streamlined Energy and Carbon Reporting (SERC) framework which will apply from our 2020 financial year.

EFFICIENT AIRCRAFT

We operate a fleet of modern, efficient Airbus A320 family aircraft.

In 2017 we started to operate our first Airbus A320neo (New Engine Option) aircraft, equipped with LEAP-1A engines. Last year we also started operating the larger Airbus A321neo aircraft.

The Airbus neo aircraft (A320 and A321) are 15% more fuel efficient and 50% quieter during takeoff and landing than their equivalent previous generation aircraft (A320ceo and A321ceo – current engine option).

The A321neo aircraft, which have a larger capacity than the A320neo (235 seats compared to 186), also helps to maximise the use of the airport capacity available, particularly at airports across Europe that have constrained capacity.

These new generation aircraft currently make up over 11% of our overall fleet and will make up a larger proportion as we receive more new aircraft. All future aircraft deliveries from easyJet's order book will be new, more efficient A320neo and A321neo aircraft.

Over half (57%) of all our aircraft are also now fitted with 'Sharklet wingtips, which can reduce fuel usage and carbon emissions by up to 4%.

NUMBER OF AIRCRAFT BY TYPE

Aircraft type	Number	Percentage of fleet
A319	125	38%
A320	169	51%
A320neo	31	9%
A321neo	6	2%

EFFICIENT OPERATIONS

Our business model is based on filling most seats on each flight. This also means we make good use of each flight and its associated carbon emissions. This year our 'load factor', which is the percentage of seats used by passengers, was 91.5% (2018: 92.9%).

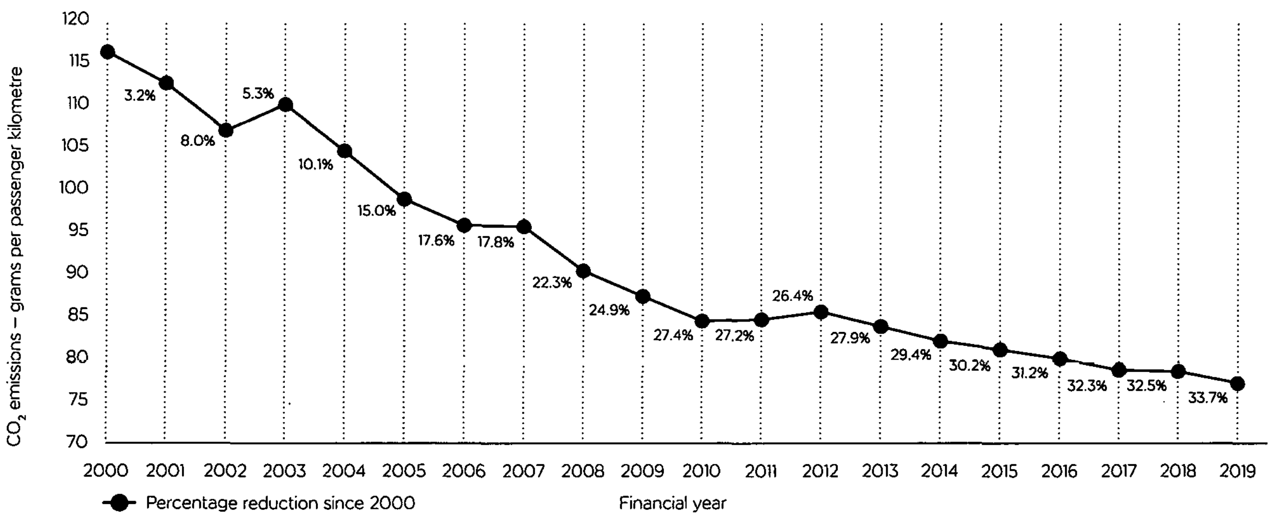
We continue to operate our aircraft as efficiently as possible, within the constraints of the operational environment. This includes:

- The optimisation of flight plans to ensure the most efficient routings and flight levels are selected by use of the latest flight plan and weather information.
- The use of single engine taxi on arrival and departure.
- The optimisation of climb and descent profiles for flights.
- The optimisation of the use of ground power by our aircraft at airports.

Reducing weight on each aircraft also helps to reduce fuel usage. This is why we have been introducing lightweight Recaro passenger seats and our pilots use electronic devices rather than paper documents on the flight deck.

Over the next year we will also introduce electronic tablet devices for our cabin crew. In addition to providing them with more useful information, we estimate that the change will avoid printing 30,000 pieces of paper every day.

EMISSIONS PER PASSENGER KILOMETRE SINCE 2000



CDP CLIMATE CHANGE PROGRAMME

This year we participated in the CDP Climate Change programme for the first time since 2016.

The CDP Climate Change programme (CDP) is an international not-for-profit organisation that provides a global system for companies and cities to measure, share and disclose environmental information.

We have decided to begin participating again as we recognise that CDP is a widely-used measure of environmental management. As part of the participation process this year, we have identified a number of areas where we can make improvements to our environmental management and reporting for future years.

IATA INTERNATIONAL TARGET

In addition to our own action, we are part of industry-wide efforts. This includes the International Air Transport Association (IATA) target for a 1.5% improvement in fuel efficiency each year to 2020, a cap on net emissions from 2020 onwards, and a 50% net reduction in emissions by 2050, compared to 2005 levels.

INTERNATIONAL SCHEMES

All easyJet flights within the European Economic Area, which make up the large majority of all our flights, are covered by the EU Emissions Trading System scheme.

PLASTICS REDUCTION

To help reduce the amount of single use plastics used on our flights, this year we have focused on changes to our inflight food and drink products and service.

We have prioritised our actions using the following principles:

- Reduce the amount of plastic items that are used.
- Replace plastic items with non-plastic alternatives.
- Reduce the amount of plastics used in items.

The initial changes have been to the 'dry store' items which are used to serve food and drink products. This has included:

- Replacing a plastics drinks stirrer with a wooden alternative.
- Introducing a new hot drinks cup which are now made of sustainably-sourced cardboard, except for a plant-based plastic lining, and that is compostable.
- Offering a 50 pence / 50 cent discount on hot drinks for customers who bring their own reusable cup.

These are the first changes made and we are continuing to work with our retail partner, Gate Gourmet, to introduce more ways to reduce the amount of plastic used.

WASTE MANAGEMENT

Our cabin crew collect waste in two bags, separating out recyclable materials.

As waste management was rated highly in our sustainability materiality assessment, we intend to do further work over the next year with our aircraft cleaning, ground handling and airport partners on the management of waste.

AIRCRAFT NOISE

We recognise that our operations can affect those who live near airports or under flight paths. We work with individual airports and air traffic control teams to implement noise mitigation activities that best fit each location. Our pilots also use flying techniques that reduce the impact of aircraft noise, such as continuous descent approaches.

The new generation Airbus A320neo and A321neo aircraft are 50% quieter during takeoff and landing than the equivalent previous generation aircraft.

We have also carried out a retrofit programme to address a particular sound, associated with A320 family aircraft of all airlines, due to the airflow under the wing. This involved fitting aircraft with vortex generators.

SUSTAINABLE TOURISM

The tourists that easyJet, other airlines and travel operators bring to destinations make a very significant contribution to local economies. However tourism also needs to have a sustainable impact on the local environment and community.

Sustainability has been a founding principle of the easyJet holidays business and we will provide further information on the business' sustainability strategy in next year's Annual Report.

WILDLIFE CONSERVATION

Wildlife conservation was rated as a lower level materiality issue for easyJet and we have not carried out any significant work in this area. However we will continue to keep this under review as we continue to develop the sustainability strategies for the airline and easyJet holidays.

EFFICIENT AIRCRAFT

Our A320 neo and A321 neo aircraft are 15% more fuel efficient and 50% quieter during takeoff and landing than their equivalent previous generation aircraft.

5. A GOOD CITIZEN

WHY IS THIS MATERIAL?

We operate across Europe and want to have a strong reputation and relationships in our core markets. This means we need to make a positive contribution to these areas and society in general, as well as minimise our negative impacts.

While charitable giving and community programmes were rated at a lower level by stakeholders in the materiality assessment, we believe it is still right that we support charitable organisations in our network and more widely.

MATERIAL ISSUES

CHARITABLE GIVING AND COMMUNITY PROGRAMMES

TAX PRACTICES

OUR APPROACH

We want to contribute to local communities across our network and society in general. This includes through a range of charitable donations and initiatives in partnership with recognised charity organisations.

CHARITY COMMITTEE

Our Charity Committee makes donations to support charities nominated by easyJet employees. This is to ensure that the causes we support help the communities in which we operate, and have personal meaning to easyJet employees.

Any employee can submit a nomination for an award for a charity of their choice. Nominations are considered anonymously and 12 charities are selected each month for a flight voucher for two people, or a financial donation of £250 / Euro 300.

This year the Committee has made 144 awards of flight vouchers or financial donations.

UNICEF

We have a pan-European charity partnership, Change for Good, with Unicef, the world's leading children's organisation. Our cabin crew make onboard appeals for customers to donate spare change and unwanted foreign coins at certain times each spring, summer and winter. Since 2012 the partnership has raised over £14.0 million. This includes over £2.0 million raised in the 2019 financial year.

Collections during December and January support vaccination programmes as part of the global initiative to eradicate polio, which has been running since 1985. Since it began, the initiative has contributed to polio cases decreasing by 99%, with the disease now found in only two countries: Afghanistan and Pakistan. 2019 marks three years since any cases have been reported in Nigeria, meaning that the whole African region is now on the way to being certified polio free.

To date, the partnership has helped vaccinate 5.3 million mothers and babies against deadly diseases and protect more than 30 million children against polio, as well as helped with the procurement and distribution of 2,600 cold boxes, 6,000 vaccine carriers and 22,280 ice packs, and the installation of 44 solar refrigerators to improve vaccine storage capacity.

Since summer 2018, the one-month spring holiday and three-month summer collection periods support Unicef's Education in Emergencies work, providing education for children in emergency situations all over the world. easyJet funds are distributed to where they are needed most. The money raised so far for Education in Emergencies could provide over 14,500 School's in a Box, with the potential to bring education to one million children in emergencies.

In 2019 we also supported Unicef's UK Soccer Aid campaign by collecting funds on inbound and outbound UK flights throughout June. Employees also took part in fundraising activities such as bake sales, quiz nights and raffles.

This year the partnership won the Third Sector Business Charity Awards prize for best Charity Partnership, Sport, Travel & Leisure.

UNICEF SOCCER AID

In 2019 easyJet was one of the official partners of Unicef Soccer Aid in the UK.

Unicef Soccer Aid's aim is to make sure that more than 80,000 children in Sierra Leone and Zambia can have a childhood full of play. Where poverty and malnutrition unsettle childhoods, Unicef works to support its partners in caring for mums and new babies. Unicef helps provide vaccinations so children can spend their time in the playground. In Zambia Unicef provides preschools in a box for stimulating playtimes.

The Soccer Aid campaign culminated in a TV-broadcast celebrity football match at Chelsea Football Club's Stamford Bridge. During the match half time, easyJet crew representatives presented a cheque on behalf of easyJet's customers to Soccer Aid.

easyJet's support for Soccer Aid in 2019 raised £200,000. These funds were allocated to Unicef's unrestricted fund, so will be sent where the need is greatest and could be used as part of any of Unicef's core funding areas.

PROSTATE CANCER UK AND BREAST CANCER NOW

In addition to our long-running charity partnership with Unicef, we decided to help raise funds for two cancer charities in Autumn 2018. This was in recognition that this is an important cause for many of our employees.

Between October and November 2018, we partnered with Prostate Cancer UK and Breast Cancer Now on a collection campaign on flights with UK-based crew. As the most common cancers in men and women, one man and one woman die from prostate and breast cancer every 45 minutes. The campaign was called Life-Saving Journeys.

The campaign raised over £438,000, which was split equally between Breast Cancer Now and Prostate Cancer UK.

COMMUNITY SUPPORT AROUND OUR HEAD OFFICE

In addition to the charitable activities across our network, we also provide more targeted support in the community around our Head Office in Luton, UK. This includes supporting the Luton Town Football Club Community Trust's school sports programme and as a sponsor of Love Luton, a campaign which promotes the town.

TAX PRACTICES

We are committed to complying with the tax laws of the countries in which we operate. We seek to act with integrity in all tax matters and to working openly with tax authorities.

NON-FINANCIAL INFORMATION STATEMENT

easyJet aims to comply with the Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found in the report.

REPORTING REQUIREMENT	POLICIES	RELEVANT INFORMATION
1. ENVIRONMENTAL MATTERS	• As we are continuing to develop our sustainability strategy, a new Environmental Policy will follow on from this work	• Materiality assessment, p49 • Chief Executive's introduction, p16 • Climate change risks, p60 • Carbon emissions, p60 • Aircraft efficiency, p61 • Plastics reduction, p62 • Waste management, p62 • Aircraft noise, p62

2. EMPLOYEES	• Safety Plan
	• People Handbook, which includes:
	  • Code of Ethics
	  • Parental, paternity, maternity and adoption leave
	• Employee consultation
	• 'Speak up Speak out' policy on whistleblowing
	• New Diversity & Inclusion Strategy endorsed by the Airline Management Board
		• Materiality assessment, p49
		• Chief Executive's introduction, p16
		• Safety, p52
		• Employment approach, p56
		• Employee engagement, p56
		• Employee representative groups and trade unions, p56
		• Wellbeing, p57
		• Employee turnover, p57
		• Reward, p59
		• Diversity and inclusion, p58
		• Employees with disability, p59

3. HUMAN RIGHTS	• Supplier Code of Conduct, including the prohibition of modern slavery and human trafficking • Commitment on Human Rights statement • Modern Slavery Statement	• Suppliers, p55 • Modern Slavery, p55 • Human trafficking, p55 • Business ethics, p55
4. SOCIAL MATTERS	• easyJet and Unicef charity partnership • Charity Committee	• Customers who need special assistance, p54 • Customers affected by disruption, p54 • Charity partnership with UNICEF, p63 • Local charity donations, p64 • Aircraft noise, p62
5. ANTI-CORRUPTION AND ANTI-BRIBERY	• Ethical and compliance policies, covering topics that include bribery and corruption, gift giving and fraud • Mandatory ethics training during the onboarding process • Annual online refresher training on ethics, anti-bribery and corruption • Business Integrity Committee established this year to oversee ethics policies and management • 'Speak up Speak out' policy on whistleblowing • Supplier Code of Conduct	• Suppliers, p55 • Business ethics, p55
6. BUSINESS MODEL		• Business model, p12
7. PRINCIPAL RISKS AND IMPACT OF BUSINESS ACTIVITY		• Safety risks, p45 • People risks, p44 • Compliance and regulatory risks, p42 • Climate change risks, p41
8. NON-FINANCIAL KEY PERFORMANCE INDICATORS		• Carbon emissions per passenger kilometre, p27 • Customer satisfaction, p27 • On-time performance, p27

COMMITTED TO EFFECTIVE CORPORATE GOVERNANCE

JOHN BARTON
Non-Executive Chairman

2019 GOVERNANCE HIGHLIGHTS

BOARD CHANGES

Dr Anastassia Lauterbach and Nick Leeder joined the Board during the year, bringing a depth of knowledge and experience in technology and data, adding to the diversity of skills amongst Board members.

PAGE 81

STAKEHOLDER ENGAGEMENT

The Board continued to focus on understanding the views of its stakeholders. Moya Greene was appointed Employee Representative Director in January 2019, enhancing the employee voice in Board discussions.

PAGE 79

BOARD ACTIVITY IN 2019

The Board has an annual programme of activity which is designed to balance the need to provide effective oversight of the Group's activities and the setting of strategic priorities for the future.

PAGE 78

I am pleased to introduce this report, which describes the activities of your Board during the year, along with our governance arrangements.

The Board has continued to focus on providing effective leadership and oversight of the Group as it seeks to focus on its strategic priorities and create value for our shareholders.

The role and effectiveness of the Board and the culture it promotes are essential to a successfully run company; the way in which we discharge our duties is set out on the following pages. A summary of Board activity during the year can be found on page 78.

CHANGES TO THE BOARD

The Board keeps its balance of skills, knowledge, experience, independence and diversity under regular review. As a result there have been a number of Board changes since the last Annual Report. Appointments have been subject to a formal, rigorous and transparent procedure, led by the Nominations Committee.

We welcomed Dr Anastassia Lauterbach as an Independent Non-Executive Director and member of the Audit Committee, and Nick Leeder as an Independent Non-Executive Director and member of the Safety Committee, on 1 January 2019. With easyJet having an increased focus on digital and the use of data as a source of competitive advantage, we were very pleased to welcome both Anastassia and Nick to the Board. They bring different perspectives on technology and artificial intelligence, with a depth of knowledge across a range of businesses. Both are international in outlook and experience and further strengthen the diverse mix of approach and skills on the Board. More detailed information on Anastassia and Nick's induction can be found on page 82.

Adèle Anderson stepped down from the easyJet Board at the conclusion of the AGM on 7 February 2019. On behalf of the Board, I would like to reiterate my thanks to Adèle for her important contribution to the easyJet Board and specifically in her role as Audit Committee Chair until 1 January 2019.

We also announced that after eight years Charles Gurassa is to step down as Chair of the Remuneration Committee, but remain a member of the Committee, with effect from 21 October 2019. I would like to thank Charles for his wise and effective leadership of the Committee during his tenure. Moya Greene has replaced Charles as Chair with effect from the same date.

CULTURE AND PURPOSE

easyJet has an open and collaborative culture which is underpinned by the values and behaviours which we call 'Our Promise':

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

easyJet's purpose is also clearly defined as part of 'Our Plan' and set out on page 2. As a Board, our purpose, values and behaviours are always top of mind. We aim to lead by example by ensuring that the values are integrated into decision making and that the policies and procedures we put in place maintain the open and collaborative culture we have at easyJet. This includes the Safety Committee monitoring the nature and frequency of safety incidents to determine whether there are any counter-cultural trends; the Board reviewing whistleblowing cases to understand the matters being reported; and the Nominations Committee reviewing company-wide progress on culture, diversity and inclusion initiatives.

UNDERSTANDING OUR STAKEHOLDERS

The Board continues to take account of the impact of its decisions on all of our stakeholders, who include customers, suppliers, shareholders, regulators and governments, including as set out in section 172 of the Companies Act 2006. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them.

Last year we reported that we had begun to consider ways in which a stronger and more meaningful engagement could take place between the Board and the workforce. I am pleased to report that Moya Greene took up the position of Employee Representative Director with effect from 1 January 2019 to better reflect the employee voice in the boardroom. Further details on Moya's activities are set out on page 79.

The Board's visit to Austria also allowed us to engage with stakeholders including Austrocontrol and local airport management. More information can be found on page 77.

During the year the Board received presentations from relevant parts of the business focusing on the customer, shareholders and regulators. Further details of all our stakeholders and how we have engaged with them are set out on page 15.

SUSTAINABILITY

As clearly articulated by Johan Lundgren on page 48, sustainability has been a key focus of the Board this year and will continue to be over the coming year. It is important to the Board that we operate a safe and responsible business and sustainability plays an important part in this.

BREXIT

The Board continued to closely oversee the implementation of easyJet's planning for Brexit. This has involved regular management updates on both the design and implementation of easyJet's response to Brexit negotiations, and the likely impact on the European airline industry. We are confident that easyJet's operating model and network are unaffected by Brexit and that flying rights between the EU and the UK will be maintained.

This year the Board's annual visit to our European operations took place in Vienna, which provided an opportunity to see at first hand the operation of the easyJet Europe airline, established in 2017 as part of the Company's Brexit preparations.

DIVERSITY

We take the issue of diversity in the boardroom and throughout the business very seriously and are mindful of important recent developments in this area.

We remain focused on maintaining an inclusive and diverse culture. We believe this improves effectiveness, encourages constructive debate, delivers strong performance and enhances the success of the business. The Board has a Diversity and Inclusion Policy that sets our objectives in this area. You can read more about this, and our overall approach to diversity and inclusion in our other senior leadership positions and across easyJet, on page 88.

BOARD EVALUATION

Following the externally facilitated Board evaluation conducted last year, our Nominations Committee oversaw an internally facilitated review of the composition, diversity and effectiveness of the Board this year. A full report on the activities of the Nominations Committee and the outcomes of the evaluation can be found on pages 87 to 88.

UK CORPORATE GOVERNANCE CODE

I am pleased to report that we were in full compliance with the requirements of the 2016 UK Corporate Governance Code (the '2016 Code') during the year.

We welcomed the publication by the FRC of the revised UK Corporate Governance Code in July 2018 (the '2018 Code') and its focus on the themes of corporate and Board culture, stakeholder engagement and sustainability, which are critical factors for us as we partner with our stakeholders to build a successful and enduring business. While the 2018 Code will not apply until our financial year beginning on 1 October 2019, we have chosen to adopt some of its elements early and further details are included in this report.

The following pages set out details of the composition of our Board, its corporate governance arrangements, processes and activities during the year, and reports from each of the Board's Committees.

JOHN BARTON
Non-Executive Chairman

CONTENTS OF THE CORPORATE GOVERNANCE REPORT

AN EXPERIENCED AND BALANCED BOARD

N

F
N
R

JOHN BARTON (75)
Non-Executive Chairman

Nationality: British
Appointed: May 2013

Key areas of expertise:
Finance, Governance

Skills & experience
John has significant board experience having previously served as Chairman of Next plc, Catlin Group Limited, Cable and Wireless Worldwide plc, Brit Holdings plc and Wellington Underwriting plc. He was previously Senior Independent Director of WH Smith plc, Hammerson plc and SSP Group plc. He was also the Chief Executive of insurance broker JIB Group plc. After JIB's merger with Lloyd Thompson, he became Chairman of the combined Group, Jardine Lloyd Thompson Group plc, until 2001. John is a qualified Chartered Accountant and has an MBA from Strathclyde University.

Current external appointments
Senior Independent Director of Luceco plc and member of its Audit, Remuneration and Nomination Committees. Non-Executive Director of Matheson & Co Ltd.

CHARLES GURASSA (63)
Non-Executive Deputy Chairman and Senior Independent Director

Nationality: British
Appointed: June 2011

Key areas of expertise:
Aviation, Travel and Tourism and Telecommunication

Skills & experience
Charles has extensive experience in the travel, tourism and leisure industries including having served as Chief Executive of Thomson Travel Group plc, Executive Chairman of TUI Northern Europe Limited and Director of Passenger and Cargo at British Airways plc. Charles retired in June 2003 to pursue a portfolio career. He was previously Non-Executive Chairman of Genesis Housing Association, LOVEFiLM International Ltd, Phones4U Ltd, Virgin Mobile plc, Alamo/National Rent a Car and 7Days Ltd, a Non-Executive Director at Whitbread plc and Senior Independent Director at Merlin Entertainments plc. Charles has a bachelor's degree in Economics and an MBA from the International Management Centre at Buckingham.

Current external appointments
Non-Executive Chairman of Channel 4 and member of its Remuneration, Ethics and Audit Committees. Chairman of Great Rail Journeys and Member of the Board of Trustees at English Heritage and the Migration Museum.

JOHAN LUNDGREN (53)
Chief Executive Officer

Nationality: Swedish
Appointed: December 2017

Key areas of expertise:
Travel and Tourism

Skills & experience
Johan has more than 30 years' experience working in the travel industry, starting his career as a tour guide and occupying various roles in travel marketing and sales. Prior to joining easyJet in December 2017 as Chief Executive, Johan was the Group Deputy Chief Executive Officer and Chief Executive Officer of Mainstream Tourism at TUI AG. Prior to this Johan was the Managing Director for the Northern Region at TUI Travel plc from 2007 until 2011. From 2003 until 2007, he was the Managing Director and Chief Executive Officer of TUI Nordic. Johan led MyTravel's businesses out of Canada and Sweden between 1999 and 2003, prior to which he was Managing Director of Always Tour Operations from 1996.

Current external appointments
None.

BOARD COMMITTEES

- ◯ Committee Chair
- (A) Audit Committee
- (F) Finance Committee
- (N) Nominations Committee
- (R) Remuneration Committee
- (S) Safety Committee

ANDREW FINDLAY (50)
Chief Financial Officer

Nationality: British

Appointed: October 2015

Key areas of expertise:
Finance

Skills & experience
Andrew was previously Chief Financial Officer at Halfords Group plc from February 2011 to October 2015. Prior to this, Andrew was Director of Finance, Tax and Treasury at Marks and Spencer Group plc. He has also held senior finance roles at the London Stock Exchange and at Cable and Wireless, in the UK and the US. Andrew qualified as a Chartered Accountant with Coopers and Lybrand.

Current external appointments
Non-Executive Director of Rightmove plc, Chair of its Audit Committee and member of its Nomination Committee.

DR ANDREAS BIERWIRTH (48)
(S) (F)

Independent Non-Executive Director

Nationality: German

Appointed: July 2014

Key areas of expertise:
Aviation, European Perspective

Skills & experience
Andreas previously served as a Director and Chief Commercial Officer at Austrian Airlines AG. Andreas also served as Vice President of Marketing at Deutsche Lufthansa AG (Frankfurt) and Chairman of the Supervisory Board at T-Mobile Polska SA. Prior to this, Andreas was firstly Deputy Managing Director and later Managing Director at Germanwings.

Current external appointments
Chief Executive Officer of Magenta Telekom (formerly T-Mobile Austria). Chairman of the Supervisory Board of Do&Co AG and Member of the Supervisory Board of Telekom Deutschland GmbH, Casinos Austria AG, Avcon Jet AG, FK Austria Wien AG. He is also a Director of Federation of Austrian Industry and the German Chamber of Commerce in Austria.

MOYA GREENE DBE (65)
(R) (S) (N)

Independent Non-Executive Director & Employee Representative Director

Nationality: British and Canadian

Appointed: July 2017

Key areas of expertise:
Logistics and Transport

Skills & experience
Moya has wide-ranging strategic and leadership experience gained in both the private and public sectors. Moya served as Chief Executive of Royal Mail Group for eight years. Prior to joining Royal Mail, Moya was Chief Executive Officer of Canada Post. She also has a strong public sector background, developed over a 17-year period when she assumed progressively more senior roles in seven different Ministries of the Canadian Federal Public Service. She has previously served as a Non-Executive Director of Rio Tinto plc as well as Great-West Life co and Tim Hortons Inc, both publicly quoted in Canada.

Current external appointments
Member of the Board of Trustees of the Tate Gallery.

Ⓐ

DR ANASTASSIA LAUTERBACH (47)
Independent Non-Executive Director

Nationality: German
Appointed: January 2019

Key areas of expertise:
Information Technology, Cyber

Skills & experience
Anastassia brings expertise in innovative technologies, including cyber security and artificial intelligence. She served as the Senior Vice President of Global Business Operations Europe at Qualcomm Incorporated, a world leader in 3G, 4G and next-generation wireless technologies. She also held several roles at Deutsche Telekom AG, including Senior Vice President, Business Development and Investments, Acting Chief Products and Innovation Officer, and Senior Vice President, Planning & Development and served as a member of the Executive Operating Board. Prior to this, she served as Executive Vice President, Group Strategy at T-Mobile International AG and, prior to T-Mobile, she served in various operational and strategic roles at Daimler Chrysler Financial Services, McKinsey & Company and Munich Reinsurance Company.

Current external appointments
Director at Dun & Bradstreet, Member of the Supervisory Board at Wirecard AG and Censhare AG. Chief Executive Officer and founder of Lauterbach Consulting & Venturing GmbH.

Ⓢ

NICK LEEDER (50)
Independent Non-Executive Director

Nationality: Australian
Appointed: January 2019

Key areas of expertise:
Information Technology

Skills & experience
Nick has substantial leadership experience with deep expertise of print to digital business transformation within the media sector. Nick has spent the last eight years leading Google's businesses in Australia, New Zealand and France before moving to Ireland. Prior to Google, Nick was at News Corporation, firstly as Chief Operating Officer of News Digital Media and latterly as Deputy Chief Executive of national broadsheet newspaper, 'The Australian'. Before that he was Chief Operating Officer of newspaper group, Fairfax Digital. He has a degree in pure mathematics from University of Sydney and an MBA from Insead.

Current external appointments
Vice President at Google Ireland, EMEA Headquarters.

Ⓕ Ⓡ Ⓝ Ⓐ

ANDY MARTIN (59)
Independent Non-Executive Director

Nationality: British
Appointed: September 2011

Key areas of expertise:
Finance

Skills & experience
Andy was, until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been their Group Finance Director from 2004 to 2012. Before joining Compass Group plc, Andy was Group Finance Director at First Choice Holidays plc (now TUI Group) and prior to that held a number of senior finance roles at Forte plc and Granada Group plc (now ITV plc). Andy trained as a Chartered Accountant at Peat Marwick before moving to Arthur Andersen where he became a partner.

Current external appointments
Non-Executive Director of Intertek Group plc and Chairman of its Audit Committee. Non-Executive Director of the John Lewis Partnership and Chairman of its Audit & Risk Committee. Non-Executive Chairman of Hays Group plc and Chairman of its Nomination Committee.

A
R
S

JULIE SOUTHERN (59)
Independent Non-Executive Director

Nationality:
British

Appointed:
August 2018

Key areas of expertise:
Finance, Aviation

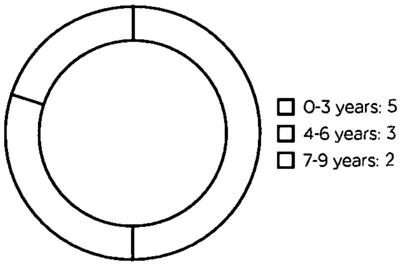
Skills & experience
Julie has significant board experience and has held a number of commercially oriented finance and related roles during her career. She was Chief Commercial Officer of Virgin Atlantic Limited between 2010 and 2013, responsible for the commercial strategy of Virgin Atlantic Airways and Virgin Holidays. Prior to this, Julie was Chief Financial Officer of Virgin Atlantic Limited for 10 years. In addition, Julie was previously Group Finance Director at Porsche Cars Great Britain and Finance and Operations Director at WH Smith – HJ Chapman & Co. Ltd. She was previously the Non-Executive Director of Stagecoach Group plc, Cineworld plc and DFS Furniture plc. Julie holds a BA (Hons) in Economics from the University of Cambridge and is a qualified Chartered Accountant.

Current external appointments
Non-Executive Director and Chair of the Audit Committees of Rentokil Initial plc and NXP Semi-Conductors N.V.. Non-Executive Director, Chair of the Audit Committee and member of the Remuneration Committee at Ocado plc.

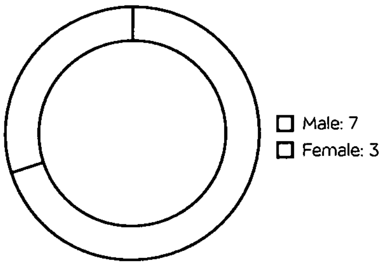
DIVERSITY IN THE BOARD

easyJet recognises the benefits of having diversity across the Board to ensure effective engagement with key stakeholders and effective delivery of the business strategy.

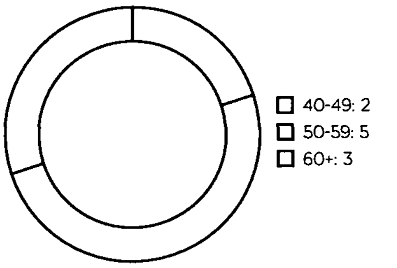
TENURE



GENDER



AGE



CHANGES TO THE BOARD DURING THE YEAR AND UP TO 18 NOVEMBER 2019:

- Dr Anastassia Lauterbach and Nick Leeder were appointed to the Board on 1 January 2019.
- Adèle Anderson stepped down from the Board on 7 February 2019.

AN EXPERIENCED AND FOCUSED MANAGEMENT TEAM

ELLA BENNETT
Group People Director

Nationality: British
Appointed: May 2018

Key areas of expertise:
People, Reward and Digital Transformation

Skills & experience
Ella is a skilled Group HR Director with strong experience in the UK and internationally in lean and digital transformation, large-scale change as well as talent development and reward. Ella joined easyJet from Sainsbury's Argos, where she led the integration of their non-food business to create a multi-product, multi-channel business with fast delivery networks. Ella was also Group HR Director at Home Retail Group, leading the people aspects of Argos' digital transformation. Prior to this she was a member of the executive management team at Fujitsu. She earned her BA (Hons) in English Literature from the University of Bristol and her Master's Degree from the University of London.

MAAIKE DE BIE
Group General Counsel and Company Secretary

Nationality: Dutch
Appointed: June 2019

Key areas of expertise:
Legal, Compliance and Regulatory

Skills & experience
Maaike is an experienced international lawyer with over 25 years' practical experience in a variety of sectors. Maaike joined easyJet in June 2019 from Royal Mail plc where she was Group General Counsel accountable for all legal, compliance, claims management, security and information governance matters. Prior to Royal Mail, Maaike was a Legal Director and part of the governance body of EY LLP. Maaike also spent six years with General Electric, five years as General Counsel for one of its capital companies in EMEA and then promoted into the HQ office of GE Capital in Europe to lead the improvement of enterprise risk management & corporate governance across EMEA. She has also held senior international legal positions at the European Bank for Reconstruction and Development, LLP in London and White & Case LLP in New York.

LIS BLAIR
Chief Marketing Officer

Nationality: British
Appointed: May 2018

Key areas of expertise:
Customer Insight, Digital and Marketing

Skills & experience
Lis joined the AMB as Chief Marketing Officer in May 2018 after six years heading up Customer Relationship Management (CRM) and insight for the airline. Prior to joining easyJet, Lis spent five years as a marketing consultant across multiple sectors, leading brands and marketing agencies including Audi, Barclaycard, Belu and Rapier London. Her marketing career began with 10 years at Barclays, incorporating leadership roles in all areas of marketing, including digital, CRM, insight, brand and advertising. She graduated from Cambridge with an MA in Natural Sciences.

CHANGES TO THE AMB DURING THE YEAR AND UP TO 18 NOVEMBER 2019:

- Chris Browne stepped down as the Chief Operating Officer. David Morgan has been acting Head of Operations on an interim basis since 7 March 2019.
- Luca Zuccoli stepped down as Chief Data Officer. Sam Kini was appointed Chief Data and Information Officer from 1 August 2019.
- Maaike de Bie was appointed General Counsel and Company Secretary with effect from 3 June 2019. Daud Khan acted as interim General Counsel and Company Secretary until Maaike's appointment.

ROBERT CAREY
Chief Commercial Officer

Nationality: French
Appointed: September 2017

Key areas of expertise:
Aviation and Strategy

Skills & experience
Robert joined from McKinsey & Company where he was a partner and leader in the Airline practice. Over the last 11 years, Robert has assisted airline clients around the world on a range of strategy, revenue, commercial and operational issues. Prior to McKinsey, Robert worked for Delta Air Lines and America West Airlines in a variety of roles across revenue and operations functions.

THOMAS HAAGENSEN
Group Markets Director

Nationality: Danish
Appointed: May 2018

Key areas of expertise:
Commercial and Operations Management

Skills & experience
With over 21 years' experience in operations management in a variety of roles across Europe, Thomas has served as easyJet's Country Director for the Germany, Austria and Switzerland region since 2011, developing the market entry strategy for Germany and the business traveller segment in Northern Europe. Most recently, Thomas was appointed Managing Director of our Austrian AOC, easyJet Europe GmbH, which forms a key part of our Brexit plans, and managed the transition of over 100 aircraft to easyJet Europe. Thomas holds a degree in business administration with a focus on management and marketing from University of Lausanne.

FLIC HOWARD-ALLEN
Chief Communications Officer

Nationality: British / Irish
Appointed: August 2018

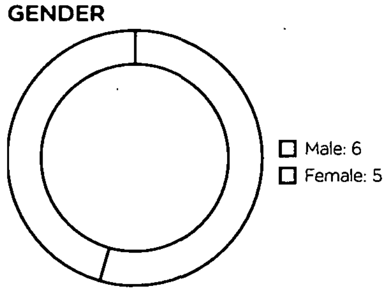
Key areas of expertise:
Corporate Communications, Sustainability

Skills & experience
Flic has over 20 years' experience in corporate, consumer, internal, government relations and crisis communications. Flic joined easyJet from Associated British Foods, the owner of Primark, Twinings and many other major brands, where she headed up external affairs. Flic was previously Director of Communications and Corporate Responsibility at Marks and Spencer Group plc where she led the creation of 'Plan A', its Corporate Responsibility and Sustainability approach. Flic was also a Director at public relations consultancy Hill + Knowlton for a number of years. She holds a BA (Hons) degree in English Literature from the University of Leeds.

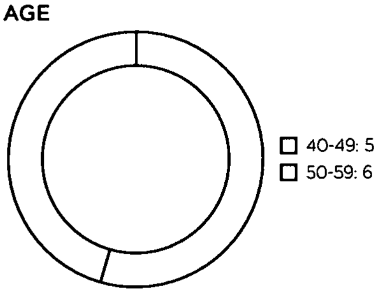
DIVERSITY IN THE AIRLINE MANAGEMENT BOARD

easyJet recognises the benefits of having diversity across the executive leadership team to inspire innovation and increased performance.

GENDER



AGE



SAM KINI
Chief Data and Information Officer

Nationality: British
Appointed: August 2019

Key areas of expertise:
Data and Information Technology

Skills & experience
Sam joined easyJet as Chief Data and Information Officer in August 2019 from Telenet, the largest provider of cable broadband services in Belgium, where she had been Chief Information Officer for three years. She was responsible for data, IT, digital, systems and services across the combined Telenet group. Before that, Sam held a number of positions at Virgin Media, including Director of Development, Delivery, Technology and Transformation. Sam brings with her significant experience of leading data, IT, transformation and change in complex organisations.

DAVID MORGAN
Interim Head of Operations

Nationality: British
Appointed: March 2019

Key areas of expertise:
Flight Operations

Skills & experience
David Morgan joined easyJet in September 2016 as the airline's Chief Pilot. In December 2017 he took up the position of Director of Flight Operations, taking responsibility the safe and efficient operation of the airline's flights across Europe. In March 2019 David took up the interim role of Head of Operations, reporting directly to the CEO. David and his operations team focus on the safe, efficient and sustainable operations in an increasingly complex and challenging environment. Prior to joining the airline David was Chief Flight Operations Officer at Wizz Air. His long career in aviation has taken him around the world including Australia and the Middle East. He is a graduate of the Royal Military Academy Sandhurst.

GARRY WILSON
Chief Executive, easyJet Holidays

Nationality: British
Appointed: November 2018

Key areas of expertise:
Travel, Business Transformation and Global Markets

Skills & experience
Garry is a highly experienced commercial leader working across international organisations, and has over 21 years' experience in the holiday and travel sector. He joined the business from TUI Group where he most recently held the role of Managing Director for Group Product and Purchasing, leading commercial strategies across a number of markets and heading a global team across 20 countries. Prior to this, Garry worked in a number of senior commercial roles at TUI Group. He also held the position of Director of Europe, Middle East and Africa for American travel group Orbitz Worldwide (now Expedia Inc.). Garry has worked extensively with overseas governments, PwC and the Travel Foundation to create sustainable tourism policies to promote major economic growth and positive social change whilst minimising negative environmental impact. He holds a BCom (Hons) degree in Business Management and Languages from the University of Edinburgh.

JOHAN LUNDGREN
Chief Executive

SEE BOARD OF DIRECTORS' PROFILES ON PAGE 68.

ANDREW FINDLAY
Chief Financial Officer

SEE BOARD OF DIRECTORS' PROFILES ON PAGE 69.

GOVERNANCE FRAMEWORK

SHAREHOLDERS

CHAIRMAN

Responsible for the leadership of the easyJet plc Board (the 'Board') and for ensuring that it operates effectively through productive debate and challenge.

THE BOARD

The Board is responsible for providing leadership to the airline. It does this by setting strategic priorities and overseeing their delivery in a way that is aligned with easyJet's culture and enables sustainable long-term growth, whilst maintaining a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders. There are certain matters which are reserved for the Board's decision.

BOARD COMMITTEES

The terms of reference of each Committee are documented and agreed by the Board. The Committees' terms of reference are reviewed annually and are available in the Governance section of easyJet's corporate website at corporate.easyjet.com. The key responsibilities of each Committee are set out below.

SAFETY COMMITTEE

To examine specific safety issues as requested by the Board or any member of the Committee.

To receive, examine and monitor reports on actions taken by departments.

To review and monitor the implementation of easyJet's annual safety plan.

COMMITTEE REPORT ON PAGES 85 TO 86

NOMINATIONS COMMITTEE

To keep under review the composition, structure and size of, and succession to, the Board and its Committees.

To provide succession planning for senior executives and the Board, leading the process for all Board appointments.

To evaluate the balance of skills, knowledge, experience and diversity on the Board.

COMMITTEE REPORT ON PAGES 87 TO 88

AUDIT COMMITTEE

To monitor the integrity of the Group's accounts, and the adequacy and effectiveness of the systems of internal control (including whistleblowing procedures).

To monitor the effectiveness and independence of the internal and external auditors.

COMMITTEE REPORT ON PAGES 89 TO 93

FINANCE COMMITTEE

To review and monitor the Group's treasury policies, treasury operations and funding activities, along with the associated risks.

COMMITTEE REPORT ON PAGES 94 TO 95

REMUNERATION COMMITTEE

To set remuneration for all Executive Directors, the Chairman and the AMB, including pension rights and any compensation payments.

To oversee remuneration and workforce policies and practices and take these into account when setting the policy for Directors' remuneration.

COMMITTEE REPORT ON PAGES 96 TO 115

CHIEF EXECUTIVE

Responsible for the day-to-day running of the Group's business and performance, and the development and implementation of strategy.

AIRLINE MANAGEMENT BOARD ('AMB')

Led by the Chief Executive, the AMB members are collectively responsible for driving the performance of the airline against strategic KPIs and managing the allocation of central funds and capital.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

As a listed company easyJet follows the principles set out in the 2016 UK Corporate Governance Code (the '2016 Code'), the full text of which is available at www.frc.org.uk, and is required to disclose whether it has complied with the provisions of the 2016 Code during the financial year. The Board is pleased to confirm that the Company complied with the 2016 Code throughout the year and further details are set out in this section of the Annual Report (together with the Directors' remuneration report on pages 96 to 115 and the Directors' report on pages 116 to 119).

2018 UK GOVERNANCE CODE

The Board welcomed the introduction of the 2018 UK Corporate Governance Code (the '2018 Code') and its focus on the themes of corporate and Board culture, stakeholder engagement and sustainability. While it will only formally apply to the Company from the financial year beginning 1 October 2019, the Board has considered the requirements of the 2018 Code during the year and taken the opportunity to adopt certain elements early. The main changes that have been made are set out below.

- Moya Greene has been appointed the Employee Representative Director from 1 January 2019, further details of which are set out on page 79.
- The terms of reference for the Remuneration Committee have been updated to ensure that pay for senior management is formally set by the Committee.
- Succession and development plans for the Board, AMB and ELT have been discussed on a regular basis and enhanced.
- To ensure that stakeholder voices (which includes customers, suppliers, shareholders, regulators and governments) are understood by the Board, presentations on key stakeholder groups have been given during the year and opportunities identified to build relationships where appropriate.

Further details of the Company's compliance with the 2018 Code will be provided in next year's Annual Report.

LEADERSHIP

Role of the Board
The Board is responsible for providing effective leadership to the Company by setting the strategic priorities of the Group and overseeing management's execution of the strategy in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of prudent and effective controls. It is responsible for ensuring that it has the right mix of skills, knowledge, experience and diversity to perform its role effectively.

The Board is collectively responsible for promoting the long-term success of the Group for the benefit of its members as a whole, through the creation of sustainable shareholder value. In exercising this responsibility, the Board takes into account the needs of all relevant stakeholders – including customers, suppliers, shareholders, regulators and governments – and the effect of the activities of the Company on the environment.

The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making.

The Board has a formal schedule of matters reserved for its decision and specific matters delegated to certain Board Committees. The matters reserved to the Board and the Terms of Reference of the Board Committees are available in the Governance section of easyJet's corporate website at corporate.easyjet.com. Day-to-day management responsibility rests with the Airline Management Board ('AMB'), the members of which are listed on pages 72 to 74.

Division of responsibilities
The roles of Chairman and Chief Executive are separate, set out in writing, clearly defined, and approved by the Board. They are available on easyJet's corporate website at corporate.easyjet.com.

The Chairman
The Chairman, John Barton, is responsible for leadership of the Board and ensuring effectiveness in all aspects of its role. He is responsible for setting the Board's agenda and ensuring adequate time is available for discussion of all agenda items, including strategic issues. He is responsible for encouraging and facilitating active engagement by and between all Directors, drawing on their skills, knowledge and experience.

Senior Independent Director
Charles Gurassa is the Senior Independent Non-Executive Director and Deputy Chairman. He acts as a sounding board for the Chairman and acts as an intermediary for the other Directors when necessary. He is also available to address shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive or other Executive Directors. He is responsible for evaluating the performance of the Chairman in consultation with the other Non-Executive Directors.

Non-Executive Directors
The Non-Executive Directors provide an external perspective, sound judgement and objectivity to the Board's deliberations and decision making. With their diverse range of skills and expertise, they support and constructively challenge the Executive Directors and monitor and scrutinise the Group's performance against agreed goals and objectives. The Non-Executive Directors are also responsible for determining appropriate levels of executive remuneration, appointing and removing Executive Directors and succession planning. The Non-Executive Directors together with the Chairman meet regularly without any Executive Directors being present.

Chief Executive Officer
Johan Lundgren has specific responsibility for recommending the Group's strategy to the Board and for delivering the strategy once approved. In undertaking such responsibilities, the CEO takes advice from, and is provided with support by, his senior management team and all Board colleagues. Together with the Chief Financial Officer, the CEO monitors the Group's operating and financial results and directs the day-to-day business of the Group. The CEO is also responsible for recruitment, leadership and development of the Group's executive management team below Board level.

Company Secretary
Maaike de Bie as Company Secretary supports and works closely with the Chairman, the Chief Executive Officer and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees. She supports the accurate, timely and clear information flow to and from the Board and the Board Committees, and between Directors and senior management. In addition, she supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations. She also advises the Board on corporate governance matters and Board procedures, and is responsible for administering the Company's Share Dealing Code and the Annual General Meeting.

Board activity in 2019

The Board meets regularly, with 11 scheduled meetings having been held during the year including the strategy days. Each Board meeting follows a carefully tailored agenda agreed in advance by the Chairman, CEO and Company Secretary. A typical meeting will comprise reports on current trading and financial performance from the CEO and CFO, legal and governance updates, Safety and Investor Relations updates and deep dives into areas of particular strategic importance.

In addition, to allow for opportunities for the Board to engage with senior management to discuss key elements of the business, a number of Board dinners were held during the year.

A summary of the key activities covered during the year is set out on page 78. Details of the Board's stakeholder engagement activities are also set out in this section, with information on the visit to Austria included below and further details of Moya Greene's appointment as Employee Representative Director set out on page 79.

STAKEHOLDER ENGAGEMENT IN ACTION BOARD VISIT, AUSTRIA

An understanding of, and connection with, easyJet's business is fundamental for our Non-Executive Directors to enable them to maximise their contribution to Board discussions and understand our stakeholders. With this in mind, the Board visits one of our European operations at least once a year. These visits provide our Non-Executive Directors with a valuable opportunity to engage with local management and crew and gain insight into how the culture and values of the business are translated into day-to-day operations.

In June 2019, all of the Board members visited our operations in Vienna, Austria. This is also home to the 'easyJet Europe' airline, which was established in 2017 as part of the Company's Brexit preparations to allow easyJet to continue to operate flights both across Europe and domestically within European countries after the UK has left the EU.

The Board toured the Vienna facilities and local management provided an overview of the local operating model, the establishment of the new airline, and various activities across the business including safety, training, ground and flight operations, security and compliance. The Board were also able to see how easyJet's values and culture are brought to life on the ground in Austria.

The Board had the opportunity to hear first-hand from external stakeholders by receiving a presentation from Austrocontrol, the air navigation services provider that controls Austrian airspace, and hosting a dinner with local management, the Managing Directors of Austrocontrol and the Managing Director of Vienna Airport.

The Board found the visit informative and welcomed the opportunity to meet and discuss the progress of the business with local management and better understand the views of local external stakeholders.

"OUR VISIT TO VIENNA ALLOWED US TO MEET WITH KEY STAKEHOLDERS AND SEE THE EASYJET CULTURE IN ACTION"

BOARD ACTIVITY IN 2019

STRATEGY, OPERATIONS AND FINANCE

KEY ACTIVITIES

- Monitored and received regular updates on Brexit and the legislative landscape, including the potential impact of Brexit on both easyJet and the aviation sector as a whole
- Discussed developments around sustainability in the airline industry and the development of a sustainability strategy
- Received updates on recent developments in the competitive landscape
- Approved the Group's five-year plan and strategic initiatives
- Reviewed and approved the strategy and corporate structure for easyJet Holidays and received updates on the launch plans
- Received regular status updates on the Operational Resilience programme
- Received a presentation from management on customers and marketing
- Received presentations from the Chief Executive Officer and Chief Financial Officer and senior management on strategic initiatives and trading performance
- Approved the annual budget, business plan and KPIs
- Reviewed and approved the Group's full year 2018 and half year 2019 results (including the final 2018 dividend), as well as its quarterly results.
- Approved the Group's 2018 Annual Report (including a fair, balanced and understandable assessment) and 2019 AGM Notice
- Reviewed the Group's debt, capital and funding arrangements and approved the issuance of a €500 million Eurobond under the EMTN programme
- Considered fleet and engineering requirements and approved various key operational and fleet agreements

THE STRATEGIC AND FINANCIAL REVIEW EXPLAINS THIS IN MORE DETAIL ON PAGES 16 TO 34

LEADERSHIP AND PEOPLE

KEY ACTIVITIES

- Continued to focus on the composition, balance and effectiveness of the Board, approved the appointment of Dr Anastassia Lauterbach and Nick Leeder on the recommendation of the Nominations Committee
- Approved the appointment of Moya Greene as Employee Representative Director from 1 January 2019 and received an update on her activities since appointment
- Reviewed the key operational roles and identified gaps in experience needed to deliver the Group's strategy
- Reviewed the Group's culture, vision and values
- Reviewed and approved the proposals for the Chairman's and Non-Executive Directors' fees
- Held separate Non-Executive Director sessions with the Chairman after every Board meeting to discuss leadership and other Board matters

YOU CAN READ MORE ABOUT THIS ON PAGES 87 TO 88

SAFETY

KEY ACTIVITIES

- Received and discussed safety performance reports and updates at each main Board meeting, presented by the Director of Safety, Security and Compliance
- Undertook deep dives on manual flight planning, aircraft data security, and Regulatory Management Framework in relation to flight operations
- Received updates from the Chair of the Safety Committee on its activities

SAFETY IS OUR NUMBER ONE PRIORITY: READ MORE ABOUT HOW WE ARE ENSURING THIS ON PAGES 85 TO 86

INTERNAL CONTROL AND RISK MANAGEMENT

KEY ACTIVITIES

- Reviewed the Group's Risk Management Framework and principal risks and uncertainties
- Reviewed and confirmed the Group's Viability Statement and going concern status
- Reviewed and validated the effectiveness of the Group's systems of internal controls and risk management
- Reviewed updates on the information and cyber security control environment

OUR RISK MANAGEMENT FRAMEWORK AND PRINCIPAL RISKS ARE SET OUT ON PAGES 37 TO 47

GOVERNANCE AND LEGAL

KEY ACTIVITIES

- Received and reviewed regular briefings on corporate governance developments and legal and regulatory issues
- Approved the Group's Modern Slavery Statement for publication
- Received reports on engagement with institutional shareholders, investors and other stakeholders throughout the year
- Reviewed progress against the 2018 Board evaluation action plan
- Conducted an internally facilitated Board evaluation covering the Board's effectiveness, processes and ways of working with the outcome discussed by the full Board
- Reviewed the terms of reference for the Board Committees and the matters reserved to the Board
- Reviewed and approved changes to the delegated authority policy
- Received regular reports from the Chairs of the Safety, Nominations, Audit, Finance and Remuneration Committees

TO SEE HOW WE COMPLY WITH THE UK CORPORATE GOVERNANCE CODE PLEASE TURN TO PAGE 76

STAKEHOLDER ENGAGEMENT IN ACTION
ENHANCING THE EMPLOYEE VOICE IN THE BOARDROOM

> "UNDERSTANDING THE VIEWS OF EMPLOYEES AND BRINGING THEM INTO THE BOARDROOM HAS NEVER BEEN MORE IMPORTANT"

At easyJet we have a dedicated and hardworking workforce of over 15,000, including pilots and crew, and having the right people is one of the Company's strategic priorities. The Board has always considered employees when making strategic decisions, but understanding their views and bringing them into the boardroom has never been more important. This was also recognised by the 2018 Code, which recommends that Boards have a specific method for engaging with the workforce. During the year the Board addressed this by appointing me as the Employee Representative Director from 1 January 2019.

In this role I chair an Employee Liaison Committee and engage with the two main employee engagement bodies that are already well established at easyJet, the European Works Council ('EWC') and Management & Administration Consultative Group ('MACG'). The intention is that I meet with both groups regularly and report any concerns that arise to the relevant service head or corporate function, if necessary.

Since my appointment I have met with each of the EWC and MACG to introduce myself and seek their feedback on a wide range of matters. When the Board conducted its visit to Vienna I took the opportunity to meet separately with a group of Austrian employees to explain my Employee Representative Director role and understand their questions and concerns.

In addition to meeting the EWC and MACG, I have access to easyJet's employee feedback and listening platform, Peakon, and the 'Workplace' internal communications platform, which allows me to understand what matters are of importance to our colleagues.

It is important to note that our employees continue to be able to raise any concerns confidentially, should they wish to do so, using easyJet's whistleblowing arrangements.

I report to the Board at least twice a year on my activities, and bring the employee voice into conversations in the boardroom whenever possible. This can be as simple as ensuring that the potential impact on the workforce is part of the conversation when the Board discusses strategic matters, which is something I have sought to do during the year.

While the role remains relatively new, I am looking forward to engaging further with employees during the coming year and exploring ways to bring their views back to our discussions at the Board.

I am grateful to all those I have met with so far for their openness and insights.

MOYA GREENE DBE

ATTENDANCE AT MEETINGS

The Directors' attendance at the Board and Committee meetings held during the year are shown in the table below. The core activities of the Board and its Committees are covered in scheduled meetings held during the year. Additional ad hoc meetings are also held to consider and decide matters outside scheduled meetings. Non-Executive Directors are encouraged to communicate directly with each other and senior management between Board meetings.

If a Director is unable to attend a meeting because of exceptional circumstances, they still receive the papers in advance of the meeting and have the opportunity to discuss with the relevant Chair or the Company Secretary any matters on the agenda which they wish to raise. Feedback is provided to the Director on the decisions taken at the meeting.

All Directors holding office at the time attended the Annual General Meeting held on 7 February 2019.

For further information regarding when Board members joined or stepped down from Committees during and after the 2019 financial year, please refer to the 'Committee' changes' sections in the relevant Committee reports (pages 85 to 115).

	Board	Audit	Finance	Nominations	Remuneration	Safety
No of meetings	11	4	5	5	4	4
Executive Directors						
Johan Lundgren	11/11	–	–	–	–	–
Andrew Findlay	11/11	–	–	–	–	–
Non-Executive Directors						
John Barton	11/11	–	–	5/5	–	–
Charles Gurassa[1]	11/11	1/1	5/5	5/5	4/4	–
Adèle Anderson[2]	3/4	1/1	–	–	2/2	2/2
Dr Andreas Bierwirth	11/11	–	5/5	–	–	4/4
Moya Greene DBE	10/11	–	–	5/5	4/4	4/4
Dr Anastassia Lauterbach[3]	9/9	3/3	–	–	–	–
Nick Leeder[3]	8/9	–	–	–	–	3/3
Andy Martin	11/11	4/4	5/5	5/5	4/4	–
Julie Southern	11/11	4/4	–	–	2/2	3/3

Notes:
1. Charles Gurassa stood down as a temporary member of the Audit Committee with effect from 1 January 2019.
2. Adèle Anderson stepped down from the Board with effect from the conclusion of the AGM on 7 February 2019.
3. Dr Anastassia Lauterbach and Nick Leeder joined the Board on 1 January 2019.

Directors are encouraged to attend all Board and Committee meetings but in certain circumstances meetings are called at short notice and due to prior business commitments and time differences Directors may be unable to attend. In these circumstances Directors receive relevant papers and are updated on developments by either the Chairman or Group CEO.

EFFECTIVENESS

COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board currently comprises 10 Directors, two Executive Directors and eight Non-Executive Directors. Over half of our Board (excluding the Chairman) comprises independent Non-Executive Directors and the composition of all Board Committees complies with the 2016 Code. Additionally, the Chairman was considered independent on his appointment. More information about the Board members is available on pages 68 to 71.

The independence of the Non-Executive Directors is considered by the Board and reviewed on an annual basis, as part of the Board effectiveness review. The Board considers factors such as length of tenure and relationships or circumstances that are likely to affect, or appear to affect, the Directors' judgement in determining whether they remain independent. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes.

Following this year's review, the Board concluded that all of the Non-Executive Directors continue to remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement. The Board also reviews its Committee membership annually to ensure that undue reliance is not placed on individuals.

APPOINTMENTS TO THE BOARD

The Board has processes in place to appoint Non-Executive Directors who can apply their wider business skills, knowledge and experience to the oversight of the Group, and provide input and challenge in the boardroom to assist in the development and execution of the Board's strategy. Similarly, Executive Director appointments are made to ensure the effective formulation and implementation of the Group's strategy.

The Nominations Committee, on behalf of the Board, reviews the skills of Board members at least annually, identifying any areas of skills, experience and knowledge that we can further strengthen. All director appointments are made by the Board and are subject to a formal, rigorous, and transparent process.

During the year, Dr Anastassia Lauterbach and Nick Leeder were appointed as Non-Executive Directors. Both Anastassia and Nick possess in-depth knowledge of IT and digital business and have an international outlook which brings a fresh perspective to the Board. The Board plans to continue to execute against its succession plans and it is anticipated that there will be further changes to the Board in the coming year.

All Board appointments are subject to continued satisfactory performance following the Board's annual effectiveness review. The Nominations Committee leads the process for Board appointments and makes recommendations to the Board. The activities of the Nominations Committee and a description of the Board's policy on diversity and inclusion are on page 88.

TIME COMMITMENT

Following the Board evaluation process, detailed further below, the Board has considered the individual directors attendance, their contribution, and their external appointments and is satisfied that each of the Directors is able to allocate sufficient time to the Group to discharge his or her responsibilities effectively.

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or upon request. The standard terms and conditions of the appointment of Non-Executive Directors are also available in the Governance section of easyJet's corporate website at corporate.easyjet.com.

Executive Directors and the AMB are permitted to take up non-executive positions on the board of a listed company so long as this is not deemed to interfere with the business of the Group. Andrew Findlay has acted as Non-Executive Director at Rightmove plc since June 2017, with his time commitment for this role being eight days per year. Executive Directors' appointments to such positions are subject to the approval of the Board which considers, amongst other things, the time commitment required.

DEVELOPMENT

On joining the Board, new members receive a tailored induction organised by the Company Secretary which covers, amongst other things, the business of the Group, their legal and regulatory responsibilities as Directors, briefings and presentations from relevant executives and opportunities to visit and experience easyJet's business operations. For details of the Board induction programme provided for Dr Anastassia Lauterbach and Nick Leeder during the year, please see page 82.

To update the Directors' skills, knowledge and familiarity with the Group and its stakeholders, visits to bases are organised for the Board periodically, to assist Directors' understanding of the operational issues that the business faces. Details of the Board visit to Austria in 2019 are set out on page 77.

In order to facilitate greater awareness and understanding of the Group's business and the environment in which it operates, regular briefing papers are provided to Board members to update them on relevant developments in law, regulation and best practice, usually two to four times per year. Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development as part of the annual Board evaluation process. Training opportunities are provided through internal meetings, workshops, presentations and briefings by internal advisers and business heads, as well as external advisers.

NON-EXECUTIVE DIRECTOR INDUCTION PROGRAMME 2019

Dr Anastassia Lauterbach and Nick Leeder, appointed Non-Executive Directors on 1 January 2019, followed a tailored induction programme covering a range of key areas of the business, a flavour of which is given below.

SAFETY

- Attended a half-day session hosted by the Director of Safety which included briefings on the regulatory framework, compliance monitoring, health and human rights performance and safety operations and security.
- Met with the Chair of the Safety Committee to discuss the role of the Committee and key safety policies and procedures.

GOVERNANCE AND REMUNERATION

- Attended a briefing session with the Group People Director and Head of Reward to discuss our approach to reward, our remuneration policy and succession planning.
- Met with the Chair of the Remuneration Committee to understand the remuneration framework.
- Met with Group General Counsel and Company Secretary to understand the Board and Committee procedures, brand licence, shareholder issues and Brexit planning.

FINANCE AND AUDIT

- Attended face-to-face briefing sessions on key risks, costs and revenue, balance sheet and financial metrics with the Chief Financial Officer, Head of Risk and Assurance, and the Finance Director.
- Met with the Chair of the Audit Committee to understand the role of the Committee.

BOARD AND SENIOR MANAGEMENT

- Met separately with the Chairman and Senior Independent Director to understand the role of the Board and the individual contribution required.
- Met separately with the Chief Executive Officer and other key members of the Airline Management Board including the Chief Commercial Officer, Chief Operating Officer, Chief Marketing Officer and Chief Data Officer.
- Received a Board induction pack to assist with building an understanding of the nature of the Group, its business, markets and people, and to provide an understanding of the Group's main relationships. The pack also included information to help facilitate a thorough understanding of the role of Director and the framework within which the Board operates.

BUSINESS AND FUNCTIONS

- Met with the Head of Airport and Central Procurement, to understand the relationship with airports and status of our largest bases.
- Met with the Head of Investor Relations to understand relationships with major shareholders and the market environment.
- Met with one of the Company's brokers to understand easyJet from a market and broker's perspective.
- Received a briefing from McKinsey which focused on key issues facing easyJet, and the dynamics of the low-cost airline market.

INFORMATION AND SUPPORT

All members of the Board are supplied with appropriate, clear and accurate information in a timely manner covering matters which are to be considered at forthcoming Board or Committee meetings.

Should Directors judge it necessary to seek independent legal advice about the performance of their duties with the Group, they are entitled to do so at the Group's expense. Directors also have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with.

The appointment and removal of the Company Secretary is a matter requiring Board approval.

RE-ELECTION

The Company's Articles of Association require the Directors to submit themselves for re-election by shareholders at least once every three years. The 2016 Code requires that all directors of FTSE 350 companies should be subject to annual election by shareholders. In accordance with the Code, all continuing Executive and Non-Executive Directors will stand for re-election at the Company's 2020 Annual General Meeting.

BOARD COMMITTEES

Certain governance responsibilities have been delegated by the Board to Board Committees, to ensure that there is independent oversight of internal control and risk management and to assist the Board with carrying out its responsibilities. The Board Committees comprise Independent Non-Executive Directors and, in some cases, the Chairman. Each individual Committee's Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issue that requires Board attention.

The terms of reference for the Committees, approved by the Board, are available on our corporate website at corporate.easyjet.com.

For a summary of the roles of each Committee see the framework on page 75.

2018 BOARD AND COMMITTEE EXTERNAL EVALUATION: ACTION AND PROGRESS

As reported in the 2018 Annual Report, for the 2018 Board evaluation the Board engaged Dr Sabine Dembkowski of Better Boards Limited who conducted an independent external evaluation of the performance of the Board, its Committees and the Chairman. The overall outcome was an understanding of the levers that individual Directors can personally pull to increase their impact in the boardroom in order to make the Board more effective and a collective action plan that allows the Board to focus on the right and most crucial issues.

AREAS OF FOCUS IDENTIFIED	ACTIONS TAKEN
Succession planning – continued focus on succession planning at Board, AMB and executive leadership team level	The Nominations Committee reviewed both the Board's and the Group's leadership and succession plans. During 2019, the Nominations Committee continued the process for the identification and recruitment of additional independent Non-Executive Directors, which culminated in the appointment of Dr Anastassia Lauterbach and Nick Leeder. It is anticipated that further changes will be made to the Board in the coming year as the Board executes against its succession plan. A comprehensive review of our talent and succession coverage across all business functions and at executive and senior leadership level has been underway since 2018. This continued over the course of 2019 and the Nominations Committee discussed detailed succession and development plans for the AMB and executive leadership team (ELT).
Agenda planning and focus – enhancements to be made to agenda planning working practices to improve the effectiveness and organisation of Board meetings	The Board agenda setting process has continued to evolve. The annual Board calendar was shared with Directors during the year and efforts have been made to improve the balance of time spent on commercial matters and more strategic discussion, including industry consolidation, the competitive environment and the impact of Brexit on the business.
Stakeholder views – integration of a broader set of stakeholders' interests within Board decision making processes	The Board appointed Moya Greene as the Employee Representative Director from 1 January 2019 to further bring the employee voice into the boardroom. Presentations relating to key stakeholder groups are also now incorporated on the agenda, for example the Board received a presentation on the Customer Voice during the year. Opportunities for engaging with stakeholders are identified wherever possible, for example the Austrian visit as set out on page 77.

2019 BOARD AND COMMITTEE INTERNAL EVALUATION: OUTCOMES

Having undertaken an external evaluation in 2018, an internal evaluation was undertaken during 2019. The review extended to all aspects of Board and Committee performance including composition and dynamics, the Chairman's leadership, agenda and focus, time management, strategic oversight, overview of risk, succession planning and priorities for change.

The review was conducted via an online questionnaire, which sought Directors' feedback on the above areas and the extent to which actions taken from the previous evaluation had been well implemented. The results of the questionnaire were collated by the Company Secretary and anonymised before being discussed with the Chairman and the Board.

The results of this year's evaluation were positive overall, with the culture of openness and transparency in the boardroom highlighted as a particular strength. The key areas identified for increased focus and development during the 2020 financial year are set out below, which build on those raised in the previous evaluation. Progress against these areas will be reviewed as part of the 2020 evaluation and reported on next year.

AREAS OF FOCUS IDENTIFIED	ACTIONS TO BE TAKEN
Continued focus on succession planning – continue the positive progress made on succession planning at Board, AMB and ELT level, and share this with the full Board at least annually	As highlighted above, good progress has been made on succession plans for the Board, AMB and ELT following the Nominations Committee's attention during the year. The Nominations Committee will continue to focus on this area to ensure it is strengthened further and kept updated. Communicating the succession plans beyond the Nominations Committee to the full Board was highlighted as an area that could be improved. All Non-Executive Directors will be notified when succession planning is on the agenda for discussion at the Nominations Committee so that they can choose to attend if they wish, and a formal update on succession planning will be provided to the full Board at least annually.
Stakeholder views – continue to enhance the integration of stakeholders' interests within Board decision making processes	The Board is mindful of the requirement to provide information on how it has had regard to the matters set out in section 172 of the Companies Act 2006, which it will do more fully in next year's Annual Report. While there was significant stakeholder engagement during the year and progress had been made, the Board will look to enhance further the integration of stakeholders' interests within Board decision making processes.
Board papers – improve the consistency and articulation of the Board 'ask' in papers	The Company Secretariat team will arrange for training to be given to paper preparers and improve the 'briefing' process to ensure that papers more succinctly address the key points and are consistent.

REVIEW OF THE CHAIRMAN'S PERFORMANCE

Charles Gurassa, as Senior Independent Director, led a review of the Chairman's performance and held a private meeting of the Non-Executive Directors without the Chairman being present to discuss this. It was concluded that John Barton's performance and contribution remain strong and that he demonstrates effective leadership. The Executive Directors and the Non-Executive Directors also reviewed, and were satisfied with the Chairman's time commitment to the Board and the business.

ACCOUNTABILITY

FINANCIAL AND BUSINESS REPORTING

The Strategic Report on pages 2 to 65 explains the Group's business model and the strategy for delivering the objectives of the Group.

A Statement on Directors' Responsibilities on the Annual Report and Accounts being fair, balanced and understandable can be found on page 120 and a statement on the Group as a going concern and the Viability Statement are set out on pages 34 and 35.

RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

The Board has overall responsibility for easyJet's risk management and systems of internal control. The Board has carried out a robust assessment of the principal risks facing the Group and how those risks affect the prospects of the Group. Please refer to pages 37 to 47 for further information on the risk management process and the Group's principal risks and uncertainties and page 35 for their impact on the longer-term viability and prospects of the Group.

Ongoing risk management and assurance is provided through the various monitoring reviews and reporting mechanisms that are embedded in the business operations. The results of these reviews are reported to the Audit Committee and the Board, which consider whether these high-level risks are being effectively controlled.

Regular operational (including safety), commercial, financial and IT functional meetings are held to review performance and to consider key risks and issues (please refer to page 85 for details of the Safety Committee).

The executive management meets regularly to consider significant risks, the status of risk mitigations and overall business performance; this ensures key issues are escalated through the management team and, as appropriate, ultimately to the Board. The Directors review the effectiveness of internal controls, including operating, financial and compliance controls.

The Audit Committee undertakes an annual review of the appropriateness of the risk management processes to ensure that they are sufficiently robust to meet the needs of the Group (please refer to pages 89 to 93 for details of the Audit Committee's responsibilities).

INTERNAL CONTROL

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. By their nature, they can only provide reasonable, not absolute, assurance against material misstatement or loss. The overall responsibility for easyJet's systems of internal control and for reviewing their effectiveness rests with the Board. The Board has conducted an annual review of the effectiveness of the systems of internal control during the year under the auspices of the Audit Committee. Further information on the Group's internal control systems is set out on page 92.

INTERNAL AUDIT

Details of the Internal Audit function are provided within this report on page 92.

AUDIT COMMITTEE AND AUDITORS

For further information on the Group's compliance with the Code and provisions relating to the Audit Committee and auditors, please refer to the Audit Committee report on pages 89 to 93.

REMUNERATION

The responsibility for determining remuneration arrangements for the Chairman and Executive Directors has been delegated to the Remuneration Committee. For further information on the Group's compliance with the Code provisions relating to remuneration, please refer to the Directors' remuneration report on pages 96 to 115 for the level and components of remuneration; and page 107 (the Remuneration Committee report) for procedures relating to remuneration.

SHAREHOLDER ENGAGEMENT

The Group actively engages with investors and seeks their feedback. The Chairman and Deputy Chairman met with shareholders during the year to help maintain a balanced understanding of their issues and concerns. They also attended a senior investor dinner in January and met with a number of the Group's top institutional investors. The Chairman has updated the Board on the opinions of investors. The views of shareholders and market perceptions are also communicated to the Board via presentations by the Head of Investor Relations at least every quarter.

easyJet has an Investor Relations function which runs an active programme of engagement with actual and potential investors based around the financial reporting calendar. This year the programme has included one-to-one meetings with institutional investors, roadshows and conferences. easyJet has particularly targeted and engaged with European investors during the year as part of an enhanced programme related to potential future ownership changes. There is also regular communication with institutional investors on key business issues.

During the year, the Chairman, Deputy Chairman and Chief Executive met with representatives of easyGroup Holdings Limited, the Company's largest shareholder, to discuss relevant matters. The Chief Financial Officer and Company Secretary and Group General Counsel have also met separately with representatives of easyGroup Limited (an affiliate of easyGroup Holdings Limited) to discuss matters relating to the management and protection of the 'easyJet' and 'easy' brands.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) gives all shareholders the opportunity to communicate directly with the Board and encourages their participation. Shareholders are given the opportunity to raise issues formally at the AGM or informally with Directors after the meeting. All Directors attend the AGM and the Chairs of the Committees are available to answer questions.

All the resolutions at the 2019 AGM were voted by way of a poll. The 2020 AGM will be held on Thursday, 6 February 2020. A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes on the resolutions proposed, will be issued separately and will also be published on easyJet's corporate website at corporate.easyjet.com/investors.

BOARD COMMITTEES

SAFETY COMMITTEE REPORT

"SAFETY IS FUNDAMENTAL TO EVERYTHING WE DO AT EASYJET. THE COMMITTEE'S ROLE IS TO OVERSEE THE EFFECTIVENESS OF THE SAFETY FRAMEWORK"

I am pleased to present the Safety Committee (the 'Committee') report covering the work of the Committee during the 2019 financial year.

Safety is fundamental to everything we do at easyJet, and part of 'Our Promise' is to be safe and responsible. The Committee's key role is to oversee the quality and effectiveness of easyJet's safety strategies, standards, policies and initiatives, together with risk exposures, targets and performance, in order to ensure that safety receives the highest level of Board attention.

We do this through receiving regular reports on notable incidents and the actions arising from them, reviewing and receiving updates on the progress of the annual safety plan and reviewing the resourcing and operation of the Safety, Security and Compliance team.

The Committee has had an active year. Notable incidents included the drone incident at London Gatwick in December 2018, where easyJet's response, and that of the whole aviation industry, has received significant focus from the Committee. We also undertook an in-depth review of aircraft cyber security, crew health and wellbeing, and the compliance framework relating to compliance with global safety regulations. The Committee also discussed the strong safety culture at easyJet, and we look forward to exploring how this can be maintained and improved in the future.

DR ANDREAS BIERWIRTH
Chair of the Safety Committee

MEMBERSHIP, MEETINGS & ATTENDANCE

- Dr Andreas Bierwirth (Chair)
- Adèle Anderson (until 7 February 2019)
- Moya Greene DBE
- Nick Leeder (from 1 January 2019)
- Julie Southern

All members listed above are independent Non-Executive Directors. Member biographies can be found on pages 68 to 71.

During the year Nick Leeder was appointed to the Board and a member of the Committee on 1 January 2019. Adèle Anderson stepped down as a Committee member and Non-Executive Director at the AGM on 7 February 2019. The Company Secretary acts as Secretary to the Committee.

The Committee met four times during the year. The Director of Safety, Security and Compliance has attended all Safety Committee meetings during the year. Other key invitees include the Chief Executive Officer, the Chief Operating Officer, the interim Head of Operations and the Head of Safety. Nominated persons for Flight Operations, Engineering and other functions have attended as relevant.

Meeting attendance can be found in the table on page 80. The Committee's terms of reference can be found on the Company's website at corporate.easyjet.com.

KEY ACTIVITIES DURING THE YEAR

The Safety Committee continues to ensure that safety receives the highest level of Board attention. The Director of Safety, Security and Compliance reports to the Chief Executive Officer and also has the right of direct access to Dr Andreas Bierwirth as Committee Chair and to the Board Chairman, which reinforces the independence of safety oversight. As Committee Chair, Andreas reports to the Board with his own assessment of safety management within the airline throughout the year.

The Committee continued to monitor the progress of the annual safety plan, including reviewing the safety performance indicators for the financial year. Standing items at each meeting included progress against the 2019 safety plan, employee health and wellbeing, notable incidents and actions, and a report on compliance from the Head of Safety.

The Committee also conducted deep dives into the Group's business areas, crew health and wellbeing, aircraft cyber security and the scope and design of the Regulatory Management Framework (the 'RMF'). The RMF is designed to achieve compliance with aviation, safety, security, occupational safety and occupational health regulations across the three Air Operation Certificates (AOCs), integrating separate regulatory environments into a single framework which enables synergies and improves compliance overall. The RMF also establishes and maintains a process for monitoring, measurement, analysis and performance evaluation.

The Committee received regular reports from the Director of Safety, Security and Compliance to ensure the safety team had adequate resources and appropriate information to perform its function effectively and in accordance with the relevant professional standards.

The easyJet Safety Board (ESB), which reports to the Airline Management Board, supported the role of the Committee in ensuring the safety risks and issues are identified and prioritised and action plans are in place to mitigate any risks.

Areas of focus	
OCCUPATIONAL HEALTH AND WELLBEING	Received an update on health and wellbeing in support of the right people priority in Our Plan. Discussed fatigue risk management and the focus on mental health and physical wellbeing amongst employees
FLIGHT DATA MONITORING	Reviewed the core function of the Flight Data Monitoring (FDM) team, FDM safety performance indicators and the reports received as part of FDM Assurance programme
SECURITY	Received an overview of the cyber security arrangements in relation to aircraft, and discussed easyJet's response to the drone incident at London Gatwick in December 2018
OPERATIONS	Received an update on the contractual relationships implemented between the three different AOCs, the decision-making framework and discussed the development of the RMF to ensure safety and security compliance across AOCs
COMPLIANCE MONITORING	Reviewed the Compliance strategy and audit plan, which covered the approach to compliance monitoring and the methods of developing and agreeing the compliance monitoring programme

LOOKING FORWARD

Over the next year, the Committee will continue to monitor and review the structure, content and operation of the Group's safety, security and compliance activities. More generally, we will continue to provide support to management on embedding the strong safety culture to ensure high standards of safety continue to be delivered across the Group.

NOMINATIONS COMMITTEE REPORT

"

THE COMMITTEE MONITORS AND MAINTAINS AN APPROPRIATE BALANCE OF SKILLS, EXPERIENCE, INDEPENDENCE AND DIVERSITY ON THE BOARD

"

I am pleased to present the Nominations Committee (the 'Committee') report covering the work of the Committee during the 2019 financial year.

The main purpose of the Committee is to monitor and maintain an appropriate balance of skills, experience, independence and diversity on the Board whilst regularly reviewing its structure, size and composition. It is also responsible for ensuring there is a formal, rigorous and transparent process for the appointment of new Directors to the Board.

During the year the Committee oversaw the appointment process which resulted in the appointment of Dr Anastassia Lauterbach and Nick Leeder to the Board with effect from 1 January 2019. The Committee continues to review membership and composition of the Board and it is anticipated that there will be further changes in the coming year as it continues to execute against its succession plans.

With the Board's succession plans underway, the Committee has also focused on succession planning for the Airline Management Board and Executive Leadership Team during the year. This included receiving presentations from the Chief Executive Officer and Group People Director on candidates identified and any associated development plans.

Implementation of the annual Board evaluation process to assess the performance of individual Directors and the effectiveness of the Board and its Committees is also one of the key responsibilities of the Committee. The Committee led an internal evaluation process during the year which built on the comprehensive external evaluation conducted by Better Boards last year. I am pleased to report that the Board was deemed to operate effectively, and the outcome of the evaluation and areas of focus are set out further on page 83.

JOHN BARTON
Chair of the Nominations Committee

MEMBERSHIP, MEETINGS & ATTENDANCE

- John Barton (Chair)
- Moya Greene DBE
- Charles Gurassa
- Andy Martin

The Committee consists of the independent Non-Executive Directors listed above. The Chairman of the Board acts as Chairman of the Committee with members of the executive management invited to attend meetings. During the year, there were no changes to the membership of the Committee. The Company Secretary acts as Secretary to the Committee.

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 68 to 71.

The Committee met five times in the year. Meeting attendance can be found in the table on page 80. The Committee's terms of reference can be found on the Company's website at corporate.easyjet.com.

KEY ACTIVITIES DURING THE YEAR

NON-EXECUTIVE DIRECTOR APPOINTMENTS

The Committee had previously identified the need for a number of non-executive appointments as part of its succession plans, and during the year it oversaw the process which led to the recommendation that Dr Anastassia Lauterbach and Nick Leeder be appointed as additional Non-Executive Directors.

Having identified the desired skills and experience sought in the new Directors, the Committee engaged Russell Reynolds, after a selection process, to act as easyJet's search consultants for the roles. The Committee considered a list of potential candidates provided by Russell Reynolds, and took into account the balance of skills, knowledge, independence, diversity and experience of the Board together with an assessment of the time commitment expected.

Following an interview process, a shortlist of candidates was discussed by the Committee and Nick and Anastassia's appointments were recommended to the Board. They bring an interest in technology and depth of knowledge across a range of businesses. Their experience and international outlook further strengthen the diverse mix of skills and experience on the Board.

The Committee oversaw the induction programmes for Anastassia and Nick, further details of which are set out on page 82.

BOARD COMMITTEE MEMBERSHIP

To ensure that the Board Committees retain the correct balance of skills and experience, the Committee monitors overall composition and membership. As a result of the changes to the Board during the year, a number of changes to the membership of Board Committees were recommended and approved by the Board:

- Adèle Anderson stepped down as the Chair of the Audit Committee and Julie Southern was appointed in her place with effect from 1 January 2019.
- Dr. Anastassia Lauterbach was appointed a member of the Audit Committee on appointment to the Board.
- Nick Leeder was appointed a member of the Safety Committee on appointment to the Board.
- After eight years as Chair of the Remuneration Committee, Charles Gurassa decided to step down but remain a member of the Remuneration Committee. Moya Greene replaced Charles as Chair with effect from 21 October 2019.

EMPLOYEE REPRESENTATIVE DIRECTOR

During the year the Committee recommended to the Board that Moya Greene be appointed to the newly created role of Employee Representative Director with effect from 1 January 2019. Further details of the role and Moya's activities are set out on page 79.

SUCCESSION PLANNING

The Board continues to be satisfied that plans are in place for orderly succession for appointments to the Board so that the right balance of appropriate skills and experience is represented, building on the work previously undertaken. During the year, the Committee reviewed the balance of skill and experience and independence of the Board members to ensure appropriate succession plans were in place. The Committee also received a report from the Group People Director on succession plans and leadership development plans for the members of the AMB and ELT, satisfying themselves that significant progress had been made and that further initiatives in this area were planned.

RE-ELECTION OF DIRECTORS

The effectiveness and commitment of each of the Non-Executive Directors is reviewed annually as part of the Board evaluation. The Committee has satisfied itself as to the individual skills, relevant experience, contributions and time commitment of all the Non-Executive Directors, taking into account their other offices and interests held.

The Board is recommending the re-election to office of all the other Directors at this year's AGM. Details of the service agreements for the Executive Directors and letters of appointment for the Non-Executive Directors, and their availability for inspection, are set out in the Directors' remuneration report on page 114.

DIVERSITY AND INCLUSION

The Committee and Board are committed to ensuring that together the Directors possess the correct diversity of skills, experience, knowledge and perspectives to support the long-term success of the Company. In this regard, the role of diversity in promoting balanced and considered decision-making which aligns with the Group's purpose, values and strategy is fully recognised. All Board appointments are made on an objective and shared understanding of merit, in line with required competencies relevant to the Company as identified by the Committee, and consistent with the Company's Board Inclusion and Diversity Policy, which further requires processes to be employed such that a diverse pool of candidates can be identified and considered. This Policy was reviewed during the period to ensure that it remains appropriate and reflects recognised societal and stakeholder expectations.

Following the annual review of the Board, the Committee discussed the makeup of the Board and agreed annual objectives on diversity for proposal to the Board, taking into account the recommendations set out in the Hampton-Alexander Review (which recommends that at least 33% of Board and executive committee members should be female), the McGregor-Smith Review and the Parker Review (which recommends at least one director of colour by 2021). At the year end, the Board had a 30% female representation, close to the 33% recommended by the Hampton-Alexander Review. The AMB has 45% female representation. Further details on Diversity can be found on pages 57 to 59.

The Nominations Committee also oversees the development of a diverse pipeline for future succession to Board and senior management appointments, including the gender balance of senior management and its direct reports. Where there is a known requirement to improve the diversity at a certain level or in a certain function in the organisation, the recruiting team will ask to see a higher proportion of candidates fitting the diversity criteria. However, the final selection will always be on merit.

easyJet's People team monitors the Group's diversity on at least an annual basis and highlights any areas of concern to the AMB. The sustainability section of the Annual Report on pages 57 to 59 reports in further detail on the approach being taken to diversity and inclusion, and the implementation of the policy across the Group.

BOARD EVALUATION

During the year an evaluation of the Board, its Committees and the Chairman was undertaken in line with the Committee's terms of reference. The evaluation process was internally facilitated by the Company Secretary, details of which can be found on page 83.

ADVISERS

During the year, Russell Reynolds were engaged to identify candidates for additional Non-Executive Director roles. Russell Reynolds do not have any other connection with the Group.

AUDIT COMMITTEE REPORT

"

THE COMMITTEE CONTINUED TO PLAY A KEY ROLE IN ASSISTING THE BOARD IN FULFILLING ITS OVERSIGHT RESPONSIBILITY

"

I am pleased to present my first Audit Committee (the 'Committee') report covering the work of the Committee during the 2019 financial year, having taken over as Chair on 1 January 2019. I would like to thank Adèle Anderson for her previous Chairmanship of the Committee and supporting a smooth transition.

During the year the Committee continued to play a key role in assisting the Board in fulfilling its oversight responsibility. Its activities included reviewing and monitoring the integrity of financial information, the Group's system of internal controls and risk management, the internal and external audit process and the process for compliance with laws, regulations and ethical codes of practice.

We have considered the processes underpinning the production and approval of this year's Annual Report to enable the Board to confirm that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee also assessed the viability of the Group over a three-year period.

There were four meetings during the year and after each Committee meeting I provided an update to the Board on the key issues discussed during our meetings. I have also met separately with the external audit partner and key management on a number of occasions during the year.

This report sets out details of the role of the Committee and how it has discharged its duties and responsibilities during the year.

JULIE SOUTHERN
Chair of the Audit Committee

MEMBERSHIP, MEETINGS & ATTENDANCE

- Julie Southern (Chair)
- Adèle Anderson (Chair until 1 January 2019, member until 7 February 2019)
- Charles Gurassa (until 1 January 2019)
- Dr Anastassia Lauterbach (from 1 January 2019)
- Andy Martin

The Committee consists of independent Non-Executive Directors and is chaired by Julie Southern. The Board has confirmed that it is satisfied that Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience including the travel sector in which the Company operates. The Board also confirmed that both Andy Martin and Julie Southern have recent and relevant financial experience.

Adèle Anderson stepped down as Chair of the Committee on 1 January 2019 and Julie Southern was appointed Chair from the same date. Dr Anastassia Lauterbach was appointed to the Committee on her appointment to the Board on 1 January 2019. Charles Gurassa stepped down as a temporary member of the Committee on 1 January 2019. The Company Secretary acts as Secretary to the Committee.

The Committee met four times during the year with members of senior management required to attend as and when required. The Committee also met with the internal and external auditor and Head of Risk and Assurance separately after each meeting. In addition, the Committee Chair holds regular private sessions with the Chief Financial Officer, Group Finance Director, the Head of Risk and Assurance and the external audit team to ensure that open and informal lines of communication exist should they wish to raise any concerns outside formal meetings.

Meeting attendance can be found in the table on page 80.

ROLE OF THE COMMITTEE

The responsibilities of the Committee are set out in its terms of reference, and include, but are not limited to:

FINANCIAL REPORTING	• monitor the integrity of the financial statements of the Company and the Group, preliminary results and announcements • review the appropriateness and consistency of significant accounting policies • review and report to the Board on significant financial issues and judgements
INTERNAL CONTROL AND RISK MANAGEMENT	• carry out a robust assessment of the Company's emerging and principal risks on an annual basis • review the effectiveness of the Company's risk management system annually and the assurance reports from management on the internal control and risk management system
COMPLIANCE, WHISTLEBLOWING AND FRAUD	• review the adequacy and security of the Company's arrangements for the employees to raise concerns about possible wrongdoing in financial reporting or other matters
INTERNAL AND EXTERNAL AUDIT	• review and approve the role and mandate of Internal Audit, monitor and review the effectiveness of its work and carry out a periodic assessment of the effectiveness of the Internal Audit function • consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Company's external auditor • oversee the relationship with the external auditor

The Committee's terms of reference are approved annually and are available on the Company's website at corporate.easyjet.com.

KEY ACTIVITIES DURING THE YEAR

The main areas of Committee activity during the 2019 financial year included the planning, monitoring, reviewing and approval of the following:

FINANCIAL REPORTING

- The integrity of the 2018 full year and 2019 half year financial statements relating to the financial performance and governance of the Group
- The material areas in which significant judgements were applied based on reports from both the Group's management and the external auditor. Further information is provided in the significant judgements section on page 92
- The information, underlying assumptions and stress-test analysis presented in support of the Viability Statement and going concern status
- The consistency and appropriateness of the financial control and reporting environment
- The impact of new accounting standards IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases)
- The availability of distributable reserves to fund the dividend policy and make dividend payments
- The fair, balanced and understandable assessment of the Annual Report and Accounts for the 2018 financial year and the 2019 half year statement
- The five-year plan for the business.

INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT

- The adequacy and effectiveness of the Group's ongoing risk management systems and control processes, through an evaluation of: the risk and assurance plans; Internal Audit review reports; risk assessments; information and cyber security threats; and business continuity and control themes
- The Group's risk environment, including its significant and emerging risks register
- The Group's fraud detection, bribery prevention and whistleblowing measures
- The updated delegated authority policy
- Regular updates and assurance in relation to IT strategy, including external assurance in relation to the progress of our commercial IT platform development
- The financial controls relating to jet fuel supplier contracts.

INTERNAL AUDIT EFFECTIVENESS AND REVIEW OF ACTIVITIES

- An assessment of the effectiveness and independence of the Internal Audit function, including consideration of:
  - key Internal Audit reports
  - stakeholder feedback on the quality of Internal Audit activity
  - Internal Audit's compliance with prevailing professional standards
  - the implementation of Internal Audit recommendations.

RELATIONSHIP WITH EXTERNAL AUDITOR

- Reviewed the scope of, and findings from, the external audit plan undertaken by PricewaterhouseCoopers LLP ('PwC') as the external auditor
- The effectiveness of the external audit process
- The assessment of the performance, continued objectivity and independence of PwC
- The level of fees paid to PwC for permitted non-audit services
- The reappointment of PwC as external auditor

COMPLIANCE, WHISTLEBLOWING AND FRAUD

- Whistleblower reports, reports on anti-bribery and corruption procedures, reports on procedures for fraud and loss prevention and reports on credit card fraud, together with monitoring and investigations

OTHER SPECIFIC ITEMS CONSIDERED AS PART OF MAIN ACTIVITIES

- The Group's exposure to fraud within the business and associated mitigating controls and action
- Regular updates including key milestones in regard to the payroll accuracy project
- The Group's tax strategy
- The Committee's effectiveness and terms of reference
- Compliance with the Code and the Group's regulatory and legislative requirements

FAIR, BALANCED AND UNDERSTANDABLE

The Committee assessed and recommended to the Board that, taken as a whole, the 2019 Annual Report and Accounts (which the Board subsequently approved) are fair, balanced and understandable and provide the necessary information for shareholders to assess the Group and Company's position and performance, business model and strategy.

The Committee is satisfied that, taken as a whole, the Annual Report and Accounts are fair, balanced and understandable. In reaching this conclusion, the Committee considered the overall review and confirmation process around the Annual Report and Accounts, including:

- the input of subject matter experts, the AMB and other senior management and, where applicable, the Board and its Committees;
- the processes and controls which underpin the overall review and confirmation process, including the preparation, control process, verification of content, and consistency of information being carried out by an internal financial controls specialist (independent of the Finance function);
- Internal Audit providing assurance over the audit trail for material data points relating to the non-financial statement aspects of the Annual Report and Accounts, and external audit providing assurance over the financial statements; and
- a full-day session to review the Annual Report and Accounts held by senior management and other subject matter experts to focus solely on the reporting being fair, balanced and understandable.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Accounts. It also received a specific paper from management to assist in its challenge and testing of a fair, balanced and understandable assessment. This paper contained an agreed list of key positive and negative narratives for the business in the 2019 financial year and asked the Committee to confirm whether it feels each narrative was given due prominence in the report and treated in a fair, balanced and understandable manner.

In carrying out the above processes, key considerations included ensuring that there was consistency between the financial statements and the narrative provided in the front half of the Annual Report, and that there was an appropriate balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and balanced manner including linkage between key messages throughout the document.

FINANCIAL AND BUSINESS REPORTING

Through its activities, the Committee focuses on maintaining the integrity and quality of our financial reporting, considering the significant accounting judgements made by management and the findings of the external auditor. The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management which provided details of significant financial reporting judgements. The Committee also reviewed the reports by the external auditor on the half year and full year 2019 results, which highlighted any issues with respect to the work undertaken on the audit.

The Committee's process included the comprehensive review of financial issues through the challenge of management, consideration of the findings of the external auditor and comparison with other organisations. The number of such issues currently considered significant is limited, reflective of easyJet's relatively simple business model and group structure which are unencumbered by legacy issues. The significant issues considered in relation to the financial statements are detailed below.

REPORTING CONTROLS

Management is responsible for maintaining adequate internal control over the financial reporting of the group. A summary of the group's financial results and commentary on performance measures is provided to the Board each month. Controls are in place over the preparation of financial data including; balance sheet reconciliations, review meetings on key balances, commentary on variances to forecast and prior periods. On a monthly basis, senior management, including the Group Financial Controller and CFO review the management reporting packs.

The Annual Report and Accounts is produced by the Group Financial Control team based on submissions from individual teams across the business including Investor Relations, Finance, Corporate Affairs, HR, Company Secretary and Risk & Assurance. The report contributors are required to maintain supporting evidence for their submissions and ensure they are reviewed. The figures are then independently validated by the Group Financial Control team and the Risk and Assurance team perform sample tests of disclosures back to supporting evidence.

The Annual Report and Accounts is reviewed by the AMB, Board of Directors and Audit Committee for accuracy and to ensure a fair, balanced and understandable view is presented. Senior members of the finance team including the CFO and Group Financial Controller meet with the Audit Committee to present key events and discuss areas of judgement or estimates as outlined below. In depth presentations on significant areas are provided throughout the year as appropriate.

The finance team have regular proactive conversations with the external auditors on topics which are of audit relevance. The external auditors perform audit procedures and challenge of the Annual Report and Accounts and present their findings to the Audit Committee.

SIGNIFICANT JUDGEMENTS

CARRYING VALUE OF INTANGIBLE ASSETS

The Committee considered whether the carrying value of goodwill and landing rights held by easyJet, including those acquired as part of the Air Berlin transaction, should be impaired. The judgement in relation to impairment largely relates to the assumptions underlying the calculation of the value in use of the business being tested for impairment; primarily whether the forecasted cash flows are achievable and the overall macroeconomic assumptions which underlie the valuation process. The Committee addressed these matters using reports received from management outlining the basis for assumptions used. The forecasted cash flows used in the calculation were presented to the Board.

KEY JUDGEMENTAL ACCRUALS AND PROVISIONS

The Committee reviewed the level and calculations of key accruals and provisions which are judgemental in nature, specifically customer claims in respect of flight delays and cancellations.

AIRCRAFT MAINTENANCE PROVISIONS

The Committee reviewed the maintenance provision at the year end. A number of judgements are used in the calculation of the provision, primarily pricing, utilisation of aircraft and timing of maintenance checks. The Committee addressed these matters using reports received from management which underpin the basis of assumptions used. The Committee also discussed with the external auditors their review of the assumptions underlying the estimates used.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Committee considered the accounting policy under new accounting standards IFRS 15 Revenue from contracts with customers, IFRS 16 Leases and IFRS 9 Financial Instruments, including the judgements, assumptions and estimates made by management and the financial impact these had both upon adoption on 1 October 2018 and in the first year of adoption. The Committee also considered the disclosure requirements of the new standards.

PENSION ACCOUNTING

The Committee considered the financial and demographic assumptions used in the calculation of the Swiss net defined benefit obligation. Advice was sought from expert independent actuaries by the management team as part of the process. The Committee also considered the disclosure for the restatement of prior periods to reflect the pension scheme obligations.

TREASURY OPERATIONS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

The Committee considered the approach taken to determine the fair value of derivative financial instruments under IFRS 13 Fair Value Measurement. The Committee also considered the approach taken to the revised accounting and disclosure requirements following the introduction of IFRS 9 Financial Instruments.

RISK AND ASSURANCE

The Audit Committee is responsible for overseeing the work of the Internal Audit function. It reviews and approves the scope of the Internal Audit annual plan and assesses the quality of Internal Audit reports, along with management's actions relating to findings and the closure of recommended actions. The Audit Committee also considers stakeholder feedback on the quality of Internal Audit's work.

During 2019, a carefully targeted internal audit plan was agreed and undertaken across easyJet's operations, systems and support functions with subsequent reports, including management responses, recommended action plans and follow-up reviews being considered by the Audit Committee at each of its four meetings held during the year.

In order to safeguard the independence of the Internal Audit function, the Head of Risk and Assurance (who heads up the Internal Audit function) is given the opportunity to meet privately with the Audit Committee without any other members of management being present.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board as a whole, including the Audit Committee members, considers the nature and extent of easyJet's risk management framework and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work undertaken by management, the Committee itself and the Board on the assessment of the Group's principal risks, including their impact on the prospects of the Group. As a result, it is considered that the Board has fulfilled its obligations under the Code in relation to risk management and internal controls. Further details on the Group's principal risks and uncertainties and their impact on the prospects of the Group are set out on pages 37 to 47.

easyJet's system of internal controls, along with its design and operating effectiveness, which includes the Group's financial reporting process, is subject to review by the Audit Committee, through reports received from management, along with those from both internal and external auditors. Any control deficiencies identified are followed up, with action plans tracked by the AMB and the Committee.

ANTI-BRIBERY AND WHISTLEBLOWING

The Code includes a provision requiring the Audit Committee to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The Group is committed to the highest standards of quality, honesty, openness and accountability. The Group and all operating companies have whistleblowing policies in place. Employees are encouraged to raise genuine concerns under the policy and any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the Audit Committee, along with a comprehensive full year report. The Board supports the objectives of the Bribery Act 2010 and procedures have been established to ensure that compliance is achieved. These set out what is expected from our colleagues and stakeholders to ensure that they protect themselves as well as the Group's reputation and assets. Training has been provided to the Board, senior management and all employees and is refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying immediate dismissal.

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP ('PwC'), as the external auditor, is engaged to conduct a statutory audit and express an opinion on the financial statements. Its audit includes the review and review of the systems of internal financial control and data which are used to produce the information contained in the financial statements. PwC was reappointed as auditor of the Group at the 2019 Annual General Meeting following a tender process undertaken in 2015.

The current external audit engagement partner is Andrew Kemp, Senior Statutory Auditor, who has held this role since 2016. The external audit plan and the £0.4 million fee proposal for the financial year under review (2018: £0.4 million) was prepared by PwC in consultation with management and presented to the Committee for consideration and approval.

EXTERNAL AUDITOR EFFECTIVENESS

Senior management monitors the external auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision on whether to recommend reappointment on an annual basis.

The Audit Committee also assesses the effectiveness, independence and objectivity of the external auditor by, amongst other things:

- considering all key external auditor plans and reports; in particular those summarising audit work performed on significant risks and critical judgements identified, and detailed audit testing thereon;
- having regular engagement with the external auditor during Committee meetings and ad hoc meetings (when required), including meetings without any member of management being present;
- the Committee Chair having discussions with the Senior Statutory Auditor ahead of each Committee meeting; and
- following the end of the financial year, each Committee member completing an auditor effectiveness review questionnaire.

The Committee this year asked PwC to reiterate the steps taken to ensure the quality of its listed audits. PwC confirmed that the audit partner and audit team are not the subject of any PwC, Institute, FRC or other regulatory investigation.

The Committee was satisfied that the external audit had provided appropriate focus to those areas identified as the key risk areas to be considered by the Audit Committee. It had also continued to address the areas of significant accounting estimates. On this basis, and considering the views of senior management, the Committee concurred that the external audit had been effective.

EXTERNAL AUDITOR INDEPENDENCE AND NON-AUDIT FEES

To preserve objectivity and independence, the external auditor does not provide consulting services unless this is in compliance with the Group's non-audit services policy which reflects the EU audit reform regulations and the FRC's Revised Ethical Standard 2016. This policy is available in the governance section of easyJet's corporate website at corporate.easyjet.com.

In the 2019 financial year, PwC undertook only audit related non-audit services for the Company as set out in note 3 to the financial statements.

EXTERNAL AUDIT TENDERING

PwC were first appointed to audit the Annual Report and Accounts for the year ended 30 September 2006, and have therefore served a 14-year term. Under EU audit reform legislation, companies are required to have a mandatory tender of auditors after 10 years, or 20 years if there is a compulsory re-tender at 10 years. During the 2015 financial year, the Committee led a tender process for external audit services, following which the Audit Committee agreed to recommend that the Board reappoint PwC as, on balance, they performed best against the Committee's pre-agreed selection and assessment criteria. Having undertaken such a process, the Company confirms that it has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

LOOKING FORWARD

The Committee will continue to consider the financial reporting of the Group and review the Group's accounting policies and annual statements. In particular, any major accounting issues of a subjective nature will be discussed by the Committee.

The Committee will also continue to review internal and external audit activity and the effectiveness of the risk management process.

EXTERNAL AUDIT TENDERING TIMELINE

2006	2015	2020	2024/2025	2026
PwC appointed	Full competitive tender, PwC reappointed	Mandatory appointment of new external audit lead partner after five years to sign off on the 2021 financial year	Competitive tender to take place unless required earlier	PwC cannot be reappointed in 2026 and a competitive tender will take place (if not already effected prior to this date)

FINANCE COMMITTEE REPORT

> "THE COMMITTEE'S KEY ROLE IS TO REVIEW AND MONITOR THE GROUP'S TREASURY POLICIES, TREASURY OPERATIONS AND FUNDING ACTIVITIES ALONG WITH ASSOCIATED RISKS"

I am pleased to present the Finance Committee (the 'Committee') report covering the work of the Committee during the 2019 financial year.

The Committee's key role is to review and monitor the Group's treasury policies, treasury operations and funding activities along with associated risks. It is responsible for regulating the treasury activities of the Company and controlling the associated risks, determining and approving material inter-company distributions and changes to share warehousing policies and loan facility arrangements. The Committee is also responsible for providing approvals in relation to hedging, International Swaps and Derivatives Association (ISDA) arrangements, letters of credit, guarantees in line with the delegated authority and the treasury policy.

This report sets out how it has discharged its duties and responsibilities during the year, including reviewing compliance with treasury policies and approving the issuance of a €500 million bond under the EMTN programme.

ANDY MARTIN
Chair of the Finance Committee

MEMBERSHIP, MEETINGS AND ATTENDANCE

- Andy Martin (Chair)
- Andreas Bierwirth
- Charles Gurassa

The Committee consists of independent Non-Executive Directors and is chaired by Andy Martin with members of the executive management invited to attend meetings. There were no changes to the membership of the Committee during the year. The Company Secretary acts as Secretary to the Committee.

Member biographies setting out their skills and experience can be found on pages 68 to 71.

The Committee met five times during the year. Meeting attendance can be found in the table on page 80. The Committee's terms of reference can be found on the Company's website at corporate.easyjet.com.

KEY ACTIVITIES DURING THE YEAR

The Committee continued to monitor treasury activities to ensure the Company continued to be appropriately funded and the overall treasury objective and the specific objectives of each treasury activity were consistent with both the financial and corporate business objective.

The Committee monitors activities by receiving regular reports from the Treasury function setting out details of cash and deposits, hedging positions for fuel, foreign exchange and carbon, debt maturity, interest rate analysis and monitoring credit ratings, amongst other matters.

The Committee also considered aircraft financing, monitoring the number of aircraft in the fleet that are owned or leased and approving sale and leasebacks where appropriate to manage residual value risk and maintain flexibility.

The Committee continued to provide effective oversight of the Group's treasury and funding policies, ensuring that treasury activities undertaken do not subject the Group to undesired levels of risk, and that these activities are appropriately aligned with the Group's strategy and financial performance. During the year the Committee reviewed compliance with the Group's policies and approved changes in relation to counterparty credit risk and IFRS 16 risk management.

The Committee also approved the creation of a new risk policy to reduce income statement volatility introduced from the recognition of an IFRS 16 lease liability.

The Committee approved the annual update to the Euro Medium Term Note (EMTN) programme, and approved a €500 million bond issuance under the programme during the year which completed in June 2019. On completion of the bond issuance, the £250 million revolving credit facility was cancelled.

Areas of focus	
JET FUEL HEDGING	Reviewed and approved the Company's jet fuel hedging policy and forecasts
CARBON HEDGING	Reviewed and discussed carbon hedging and the impact of the EU Emissions Trading System on the Company to address the issues potentially faced as a result of Brexit
EMTN PROGRAMME	Reviewed and approved the annual update to the EMTN programme and approved a €500 million bond issuance under the programme
FINANCIAL REGULATION UPDATE	Received an update on the financial regulatory developments of relevance to the Company

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

MOYA GREENE DBE
Chair of the Remuneration Committee (from October 2019)

CHARLES GURASSA
Chair of the Remuneration Committee (until October 2019)

On behalf of the Board, we are pleased to present the Directors' remuneration report for the year ended 30 September 2019 (the 'Report'). The Report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid relating to the year ended 30 September 2019, and explains how it will be implemented for the 2020 financial year.

PERFORMANCE AND REWARD OUTCOMES IN THE 2019 FINANCIAL YEAR

Overall the Company performed well given the challenging circumstances. The difficult early trading conditions and ongoing market uncertainty meant that our profit performance ended behind our initial expectations at the outset of the year. Passenger numbers and total revenue both increased, while we achieved an overall reduction in cost per seat (excluding fuel) and made good progress on our operational resilience and strategic initiatives. Incentive plan performance against our targets for both the bonus plan and LTIP are summarised in the 'Remuneration at a glance' section on page 98 to 99 and described below.

BONUS

Annual bonus payments are based 70% on financial performance and 30% on strategic goals including a minority element based on personal objectives.

Operational performance over the year remained resilient with cost per seat, On-Time Performance and Customer Satisfaction measures all performing between the threshold and target levels set by the Committee. However, despite a strong recovery in the second half of the year, profit before tax for the full year fell below the threshold level set. The Committee also assessed the Executive Directors' performance against their individual objectives and was pleased with their strong personal performance and leadership during the year. Based on all the above, a bonus of 16% and 17% of the maximum was payable to the CEO and CFO respectively for 2019. The Committee was satisfied that this outcome was appropriate with no further discretionary adjustments considered necessary. One-third of the bonuses earned is subject to compulsory deferral into shares for three years (see page 109 to 110 for full details).

LTIP

Awards were made to the Chief Financial Officer and other members of senior management under the LTIP in December 2016 with vesting based on three-year performance to 30 September 2019. The ROCE target (70% of the award) was met in full, while TSR performance (30% of the award) was below the threshold level. The Committee considered this outcome and determined that it was a fair reflection of the long-term performance of the Company as a whole in the context of the challenging business environment and the targets set by the Committee at the time of the award. 70% of the award will therefore vest in December 2019 (see page 111 for full details).

IMPLEMENTATION OF THE REMUNERATION POLICY IN THE 2020 FINANCIAL YEAR

We will take the following approach to implementation of the remuneration policy for the year ending 30 September 2020.

SALARY

Executives' base salaries are reviewed annually, and any changes are normally made in line with the average increase for the wider workforce. The Committee has therefore awarded a 2.8% increase to the CEO, which is slightly below the 3% increase typically awarded to our wider workforce in the UK.

As noted on page 108 Andrew Findlay will increase his accountabilities by taking on the corporate strategy function in addition to fleet planning. This will allow easyJet to navigate the increasingly complex trading climate and long-term strategic choices ahead to maximise long-term shareholder value and achieve our sustainability ambitions. As per the remuneration policy, the Committee considered this a material increase in responsibilities which merited an increase beyond the level granted to the wider workforce. The Committee agreed, therefore, a change in Andrew Findlay's salary from £510,000 to £550,000 effective 1 January 2020 (an increase of 7.8%). The Committee is satisfied that this is appropriate and in keeping with easyJet's remuneration principles, noting Andrew's continued exceptional performance.

BONUS

The Committee has reviewed the bonus measures and targets, taking account of our strategic goals and our KPIs set out on page 110. The majority of the bonus will continue to be based on financial measures (comprising 70% of the maximum) and 30% on strategic goals for the CEO and CFO. In particular, the Committee has decided to incorporate our commitment to the progression of our environmental sustainability agenda within the bonus structure of the entire Airline Management Board alongside other strategic KPIs around our customers, employees and launch of our Holidays business. More details on the specific weightings for each metric are set out on page 108. One-third of any bonus earned will continue to be subject to compulsory deferral into shares for three years.

LTIP

In line with the approach adopted in 2018, LTIP awards will be granted to Executive Directors in December 2019 with a combination of EPS, ROCE and TSR performance measures. The Committee has determined that these measures remain aligned with the strategic plan described on page 19 and the targets set have taken into consideration the challenging trading environment and market consensus. The targets will be disclosed at the point of grant and again in the 2020 Annual Report.

REVIEW OF THE REMUNERATION POLICY DURING 2020

The Directors' Remuneration Policy was last approved by shareholders at our 2018 AGM, and as such a new policy will need to be approved in 2021. The Committee will therefore be carrying out a full review of the policy during 2020, taking account of our evolving strategic and stakeholder needs as well as market practice and best practice governance developments since our last review. The Committee is especially mindful of the need for our remuneration policies to reflect the unique nature of our business and the sector-specific challenges we face. As part of this process, the Committee will engage fully with easyJet's major shareholders and other stakeholders, to ensure that we are able to listen to their views.

As we announced earlier this year, Charles Gurassa stepped down as Chair of the Remuneration Committee at the end of the year, and as of October 2019, has been succeeded by Moya Greene. Moya will lead the Committee through the upcoming review of the Directors' Remuneration Policy. We thank shareholders for their engagement and support throughout Charles's tenure. We hope that you will find this report informative and, as always, the Committee welcomes any comments you may have.

Moya Greene DBE O.C.

MOYA GREENE DBE
Chair of the Remuneration Committee (from October 2019)

18 November 2019

Charles Gurassa

CHARLES GURASSA
Chair of the Remuneration Committee (until October 2019)

18 November 2019

WHAT IS IN THIS REPORT?

This Report sets out easyJet's remuneration policy for Executive and Non-Executive Directors, describes the implementation of that policy and discloses the amounts earned relating to the year ended 30 September 2019. The Report complies with the provisions of the Companies Act 2006 and supporting regulations. The Report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK Listing Authority Listing Rules.

The Directors' remuneration policy (set out on pages 100 to 106) was approved by shareholders in a binding vote at the AGM in February 2018 and became effective on that date. The Annual Statement by the Chairman of the Remuneration Committee (set out on pages 96 to 97) and the Annual Report on Remuneration (set out on pages 107 to 115) will together be subject to an advisory vote at the forthcoming AGM.

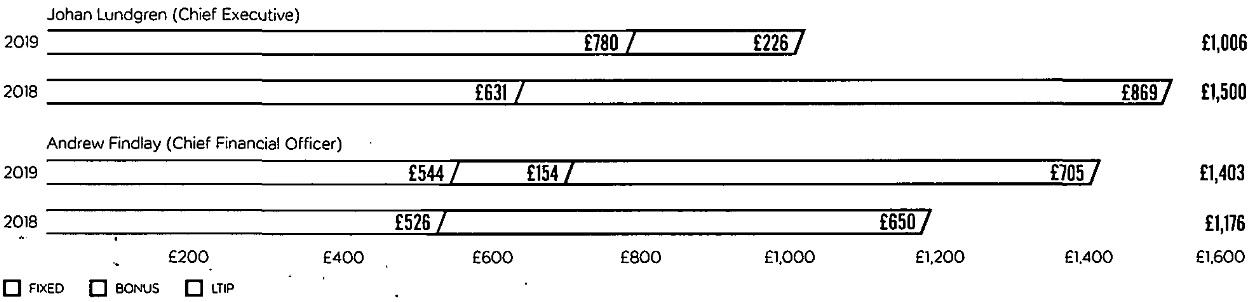
REMUNERATION AT A GLANCE

REWARD PRINCIPLES

The Remuneration Committee's primary objective is to design a remuneration framework which promotes the long-term success of the Group. For some time we have been guided by the following reward principles:

Principle	Application in remuneration framework
Simple & cost-effective	To establish a simple and cost-effective reward package in line with our low-cost and efficient business model. For example, our Executive Directors do not receive the level of benefits that can be found in the majority of listed companies and instead are aligned with those in the wider employee population.
Aligned with business strategy	To support the achievement of our business strategy of growth and returns, performance is assessed against a range of financial, operational, and longer-term targets. This ensures that value is delivered to shareholders and that Executive Directors are rewarded for the successful and sustained delivery of the key strategic objectives of the Group.
Pay for performance	Total remuneration closely reflects performance and is therefore more heavily weighted towards variable pay than fixed pay. This ensures that there is a clear link between the value created for shareholders and the amount paid to our Executive Directors.

SINGLE TOTAL FIGURE OF REMUNERATION (£'000)

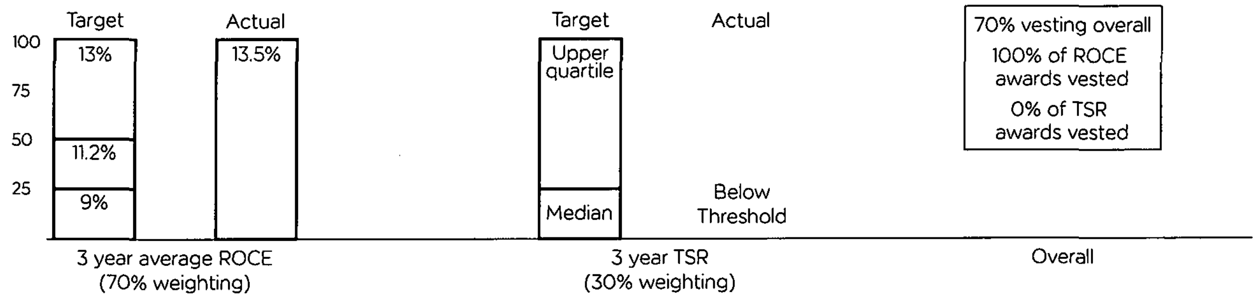


CEO & CFO ANNUAL BONUS - FY2019 PERFORMANCE

Annual bonus – performance for the 2019 financial year

Metrics	Weighting		Threshold	On-Target	Maximum	Achieved (% of max)	% of Maximum bonus achieved
Headline profit before tax at budgeted constant currency (£m)	60%	£455	£479	£532	£612	0%	0%
On-time performance	10%	74.6%	72.9%	74.9%	76.9%	44%	4.4%
Customer satisfaction	10%	73.9%	73.8%	76.3%	78.8%	12%	1.2%
Headline cost per seat at budgeted constant currency	10%	£42.94	£43.03	£42.59	£42.16	17%	1.7%
Department / individual	10%	(CEO) 85%				85%	8.5%
		(CFO) 100%	0%	50%	100%	100%	10%
Total	100%	(CEO) 15.8%				CEO	15.8%
		(CFO) 17.3%				CFO	17.3%

LTIP – Performance for the three years to 30 September 2019



EXECUTIVE DIRECTOR REMUNERATION POLICY – AT A GLANCE

Element	Policy	Implementation of Policy for the 2020 financial year
Base salary	Increase normally up to the average workforce level (though may be increased at higher rates in certain circumstances, for example where salary is set below market on recruitment and is being transitioned to a competitive level in a series of planned stages).	Johan Lundgren's salary will increase by 2.8% effective 1 January 2020, to £740,000. This just below the increase awarded to the wider UK workforce. Andrew Findlay's salary will increase by 7.8%, reflecting his additional responsibility for Strategy as well as performance and experience in the role. His base salary effective 1 January 2020 will therefore be £550,000.
Benefits and pension	Modest pension and benefit provision, at similar levels as the wider UK workforce.	Pension of 6.15% of salary (being the cash alternative to a 7% employer contribution less UK employers' national insurance contributions); plus modest benefits.
Annual bonus	Maximum opportunity is 200% of salary (Chief Executive) and 175% of salary (Chief Financial Officer). One-third of bonus is deferred into shares for three years. Majority based on financial measures. Withholding and recovery provisions apply.	Maximum will remain at 200% of salary for the Chief Executive and at 175% of salary for the Chief Financial Officer. Similar to last year, performance metrics and weightings remain split between 70% financial and 30% strategic goals. See pages 109 to 110 for more information on the breakdown of each measure. Full details of performance against each metric will be provided in the 2020 Annual Report.

Annual bonus performance weighting

Element	Policy	Implementation of Policy for the 2020 financial year
Long-term incentive plan	Normal maximum awards of 250% of salary (Chief Executive) and 200% of salary (Chief Financial Officer). Up to 300% of salary in exceptional circumstances. Three-year performance period plus two-year post-vesting holding period. Based on financial and relative TSR targets. Withholding and recovery provisions apply.	Award to the Chief Executive of 250% of salary and award to the Chief Financial Officer of 200% of salary. The performance targets for the 2020 awards will be disclosed in full at the date of grant and in the Annual Report.
Share ownership guidelines	200% of salary (Chief Executive) and 175% of salary (Chief Financial Officer). Requirement to retain 50% of post-tax LTIP vesting and 100% of post-tax deferred bonus shares until guideline is met (and maintained).	200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer: in line with policy.

DIRECTORS' REMUNERATION POLICY

This part of the Directors' remuneration report sets out easyJet's Directors' remuneration policy. This policy was approved by shareholders in a binding vote at the AGM on 8 February 2018, and became effective on that date. The Committee's current intention is that the current policy will operate for the three-year period to the AGM in 2021.

A copy of the Directors' remuneration policy can be found online, within the Annual Report and Accounts, at http://corporate.easyjet.com/.

ROLE OF OUR REMUNERATION COMMITTEE

The Remuneration Committee has responsibility for determining remuneration for the Executive Directors and the Chairman of the Board. The Committee also reviews the remuneration of the Group's most senior executives in consultation with the Chief Executive. The Committee takes into account the need to recruit and retain executives and ensure that they are properly motivated to perform in the long-term interests of the Company and its shareholders, while paying no more than is necessary.

CONSIDERATIONS WHEN DETERMINING THE REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to promote the long-term success of the business through the operation of competitive pay arrangements which are structured so as to be in the best interests of shareholders. When setting the policy for Executive Directors' remuneration, the Committee takes into account total remuneration levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Our overall policy, having given due regard to the factors noted, is to weight remuneration towards variable pay. This is typically achieved through setting base pay at a competitive level, offering very modest pension and benefits, and giving the potential to earn above-market variable pay subject to the achievement of demanding performance targets linked to the Group's strategic objectives.

In setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Group. Salary increases will ordinarily be (in percentage of salary terms) no higher than those of the wider workforce. The Committee does not formally consult directly with employees on executive pay but does receive periodic updates from the Group People Director.

The Committee also considers developments in institutional investors' best practice expectations and the views expressed by shareholders during any dialogue.

CONSIDERING THE VIEWS OF SHAREHOLDERS WHEN DETERMINING THE REMUNERATION POLICY

easyJet remains committed to shareholder dialogue and takes an active interest in voting outcomes. We consult extensively with our major shareholders when setting our remuneration policy or when considering any significant changes to our remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors' remuneration report each year following the AGM. This, plus any additional feedback received from time to time, is then considered as part of the Committee's annual review of remuneration policy and its implementation.

SUMMARY OF THE REMUNERATION STRUCTURE

The table below sets out the main components of easyJet's remuneration policy:

Element, purpose and link to strategy	Operation (including maximum levels where applicable)	Framework used to assess performance and provisions for the recovery of sums paid
Salary To provide the core reward for the role. Sufficient level to recruit and retain individuals of the necessary calibre to execute the Company's business strategy.	Base salaries are normally reviewed annually, with changes typically effective from 1 January. Salaries are typically set after considering salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and an individual's experience. Our overall policy, having given due regard to the factors noted, is normally to target salaries at a broadly market competitive level. Salaries may be adjusted and any increase will ordinarily be no higher than those of the wider workforce (in percentage of salary terms). Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility or experience, progression in the role, or a significant increase in the scale of the role or the size, value or complexity of the Group.	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy. No recovery provisions apply to salary.
Benefits In line with the Company's policy to keep remuneration simple and consistent.	Executive Directors receive benefits provisions at similar levels as the wider UK workforce. Benefits will typically include, for example, modest death in service cover. The cost to the Company of providing these benefits may vary from year to year depending on the level of the associated premium. Executive Directors typically receive no other conventional executive company benefits, but will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Other benefits such as relocation allowances (and other incidental associated expenses) may be offered if considered appropriate and reasonable by the Committee. Executive Directors can pay for voluntary benefits, where Company purchasing power may provide an advantage to employees. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees. Should it be appropriate to recruit a Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment as opposed to providing the benefits detailed above). Necessary expenses incurred undertaking Company business are reimbursed so that Executive Directors are not worse off on a net of tax basis as a result of fulfilling Company duties.	Not applicable. No recovery provisions apply to benefits.
Pension To provide employees with long-term savings via pension provisions in line with the Company's strategy to keep *remuneration simple and* consistent.	Defined contribution plan with the same monthly employer contributions as those offered to eligible employees in the wider UK workforce (i.e. up to 7% of base salary); or a cash alternative to the equivalent value less employer's National Insurance contribution costs. easyJet operates a pension salary sacrifice arrangement whereby individuals can exchange part of their salary for Company-paid pension contributions. Where individuals exchange salary this reduces employer National Insurance contributions. easyJet credits half of this reduction (currently 6.9% of the salary exchanged) to the individual's pension plan.	Not applicable. No recovery provisions apply to employer pension contributions.

SUMMARY OF THE REMUNERATION STRUCTURE CONTINUED

Element, purpose and link to strategy	Operation (including maximum levels where applicable)	Framework used to assess performance and provisions for the recovery of sums paid
Share ownership To ensure alignment between the interests of Executive Directors and shareholders.	The Chief Executive and the Chief Financial Officer are expected to build and maintain a holding equivalent to 200% and 175% of salary respectively over a period of five years from appointment. Executive Directors are expected to retain 50% of the post-tax shares vesting under the LTIP and 100% of the post-tax deferred bonus shares until the guideline is met and keep it maintained thereafter.	Not applicable.
Annual bonus To incentivise and recognise execution of the business strategy on an annual basis. Rewards the achievement of annual financial and operational goals. Compulsory deferral provides alignment with shareholders.	Maximum opportunity of 200% of salary for Chief Executive and 175% of salary for other Executive Directors. One-third of the pre-tax bonus earned is subject to compulsory deferral into shares (or equivalent), typically for a period of three years, and is normally subject to continued employment. The remainder of the bonus is paid in cash. Dividend equivalent payments may be made on the deferred bonus at the time of vesting, and may assume the reinvestment of dividends. All bonus payments are at the discretion of the Committee, as shown following this table.	Bonuses are based on stretching financial, operational, and personal or departmental performance measures, as set and assessed by the Committee in its discretion, with performance normally measured over a one-year period. Financial measures (e.g. headline profit before tax) will represent the majority of the bonus, with other measures representing the balance. A graduated scale of targets is set for each measure, with 10% of each element being payable for achieving the relevant threshold hurdle. Safety underpins all of the operational activities of the Group and the bonus plan includes a provision that enables the Remuneration Committee to scale back the bonus earned (including to zero) in the event that there is a safety event which it considers warrants the use of such discretion. The annual bonus plan includes provisions which enable the Committee (in respect of both the cash and the deferred elements of bonuses) to recover or withhold value in the event of certain defined circumstances.
LTIP Performance Share Award To incentivise and recognise execution of the business strategy over the longer term. Rewards strong financial performance and sustained increase in shareholder value.	Each year LTIP awards may be granted subject to the achievement of performance targets. Awards normally vest over a three-year period. The maximum opportunity contained within the plan rules for Performance Share Awards is 250% of salary (with awards up to 300% of salary eligible to be made in exceptional circumstances, such as recruitment). The normal maximum face value of annual awards will be 250% of salary for the Chief Executive and 200% of salary for other Executive Directors. Dividend equivalent awards may be made on LTIP awards that vest, and may assume the reinvestment of dividends. A holding period applies to share awards granted in the financial year ended 30 September 2015 and beyond. The holding period will require the Executive Directors to retain the after-tax value of shares for 24 months from the vesting date.	LTIP awards currently vest based on performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee in its discretion. Financial targets currently determine vesting in relation to at least 50% of awards. The selection of measures and weightings may be varied for future award cycles as appropriate to reflect the strategic priorities of the business at that time. Performance is normally measured over a three-year period. A maximum of 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance. The LTIP includes provisions which enable the Committee to recover or withhold value in the event of certain defined circumstances.

DISCRETION RETAINED BY THE COMMITTEE IN OPERATING THE INCENTIVE PLANS

The Committee will operate the annual bonus plan and LTIP according to their respective rules (or relevant documents) and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include, but are not limited to, the following in relation to the LTIP and annual bonus deferred in shares:

- the participants,
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- the payment vehicle of the award/payment;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting, and targets for the LTIP from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of grant of a payment;
- the determination of the bonus payment;
- dealing with a change of control;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

In relation to both the Group's LTIP and the annual bonus plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur which cause it to determine that the conditions are no longer appropriate (e.g. material acquisition and/or divestment of a Group business), and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would be explained in the Annual Report on Remuneration and may be the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Group's Save As You Earn and Share Incentive Plans will be as permitted under HMRC rules and the Listing Rules.

Details of share awards granted to existing Executive Directors are set out on page 111. These remain eligible to vest based on their original award terms.

PERFORMANCE METRICS AND TARGET SETTING

The choice of the performance metrics applicable to the annual bonus plan reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of a blend of key financial, operational and personal targets. These targets are intended to ensure that Executive Directors are incentivised to deliver across a scorecard of objectives for which they are accountable. Financial measures (e.g. headline profit before tax) will be used for the majority of the bonus and will be selected in order to provide a clear indication of how successful the Group has been in managing operations effectively overall (e.g. in maximising profit per seat whilst maintaining a high load factor). The remainder of the bonus will be based on key operational (e.g. customer satisfaction) and personal or departmental measures set annually.

Since safety is of central importance to the business, the award of any bonus is subject to an underpin that enables the Remuneration Committee to reduce the bonus earned (including to zero) in the event that there is a safety event that it considers warrants the use of such discretion.

LTIP awards are earned for delivering performance against an appropriate balance of key long-term financial (e.g. headline ROCE and headline EPS) and relative TSR targets. These seek to assess the underlying financial performance of the business while maintaining clear alignment between shareholders and Executive Directors. Targets are set based on a sliding scale that takes account of relevant commercial factors.

Only modest awards are available for delivering threshold performance levels, with maximum awards requiring substantial outperformance of challenging plans.

The Committee has retained some flexibility on the specific measures which can be used for the annual bonus plan and the LTIP to ensure that they will be fully aligned with the strategic imperatives prevailing at the time they are set.

No performance targets are set for Save As You Earn awards since these are purposefully designed to encourage employees across the Group to purchase shares in the Company. A measure of Group performance is used in determining awards under the Share Incentive Plan.

HISTORICAL AWARDS

All historical awards that were granted under any current or previous share schemes operated by the Company, and which remain outstanding, remain eligible to vest on the basis of their original award terms.

DIFFERENCES IN PAY POLICY FOR EXECUTIVE DIRECTORS COMPARED TO OTHER EASYJET EMPLOYEES

The remuneration policy for the Executive Directors is more heavily weighted towards variable and share-based pay than for other employees, to make a greater part of their pay conditional on the successful delivery of business strategy.

This aims to create a clear link between the value created for shareholders and the remuneration received by the Executive Directors. However, in line with the Group's policy to keep remuneration simple and performance-based, the benefit and pension arrangements for the current Executive Directors are on the same terms as those offered to eligible employees in the wider workforce. All employees have the opportunity to participate in a number of broad-based share plans.

ILLUSTRATION OF HOW MUCH THE EXECUTIVE DIRECTORS COULD EARN UNDER THE REMUNERATION POLICY

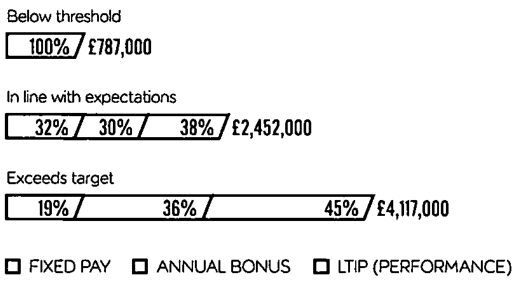
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Chief Executive and Chief Financial Officer could earn through easyJet's remuneration policy under different performance scenarios in the 2020 financial year. The following assumptions have been made:

- Minimum (performance below threshold) – fixed pay only, with no vesting under any of easyJet's incentive plans
- In line with expectations – fixed pay plus a bonus at the mid-point of the range (giving 50% of the maximum opportunity) and vesting of 50% of the maximum under the LTIP
- Maximum (performance meets or exceeds maximum) – fixed pay plus maximum bonus and maximum vesting under the LTIP

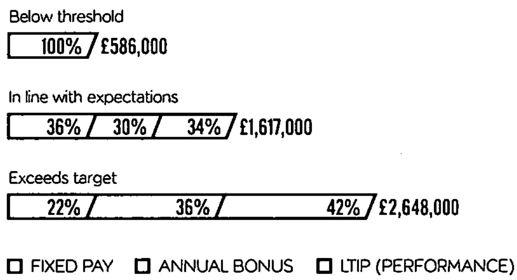
Fixed pay comprises:

- Salaries – salary effective as at 1 January 2020;
- Benefits – amount received in the 2019 financial year;
- Pension – employer contributions or cash-equivalent payments received in the 2019 financial year; and
- Matching Shares under the all-employee share incentive plan.

CHIEF EXECUTIVE (JOHAN LUNDGREN)[1]



CHIEF FINANCIAL OFFICER (ANDREW FINDLAY)[2]



1. Were easyJet's share price to increase by 50%, Johan Lundgren's total remuneration would increase to £5,042,000 under an 'exceeds target' scenario – driven by the increased value of the LTIP awards
2. Were easyJet's share price to increase by 50%, Andrew Findlay's total remuneration would increase to £3,198,000 under an 'exceeds target' scenario – driven by the increased value of the LTIP awards

The scenarios do not include any dividend assumptions. It should be noted that since the analysis above shows what could be earned by the Executive Directors based on the remuneration policy described above (ignoring the potential impact of share price growth), these numbers will differ to values included in the table on page 109 detailing actual earnings by Executive Directors.

EXECUTIVE DIRECTORS' TERMS OF EMPLOYMENT

The Group's policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months' notice from either party.

The Executive Directors' service contracts are available for inspection by shareholders at the Company's registered office.

APPROACH TO LEAVERS

If notice is served by either party, the Executive Director can continue to receive basic salary, benefits and pension for the duration of their notice period, during which time the business may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

A payment in lieu of notice may be made and, in this event, the Committee's normal policy is to make the payment in up to 12 monthly instalments which may be reduced if alternative employment is taken up during this period.

Bonus payments may be made on a pro-rata basis, but only for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice. Any bonus paid would be subject to the normal bonus targets, tested at the end of the financial year.

In relation to a termination of employment, the Committee may make any statutory entitlements or payments to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any outplacement costs if deemed necessary.

The rules of the Company's share plans set out what happens to awards if a participant ceases to be an employee or Director of easyJet before the end of the vesting period. Generally, any outstanding share awards will lapse on such cessation, except in certain circumstances.

If an Executive Director ceases to be an employee or Director of easyJet as a result of death, injury, retirement, the sale of the business or company that employs the individual, or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the relevant plan's rules. Under the deferred bonus, the shares for a good leaver will normally vest in full on the normal vesting date (or on cessation of employment in the case of death) and if the award is in the form of an option, there is a 12 month window in which the award can be exercised. Awards structured as options which have vested prior to cessation can be exercised within 12 months of cessation of office or employment.

Under the LTIP, a good leaver's unvested awards will vest (either on the normal vesting date or the relevant date of cessation, as determined by the Committee) subject to achievement of any relevant performance conditions, with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee has the discretion to dis-apply time pro-rating if it considers it appropriate to do so. A good leaver may exercise their vested awards structured as options for a period of 12 months following the individual's cessation of office or employment, whereas unvested awards may be exercised within 12 months of vesting.

In determining whether an Executive Director should be treated as a good leaver, and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure.

In the event of a takeover or winding-up of easyJet plc (which is not part of an internal reorganisation of the easyJet Group, in circumstances where equivalent replacement awards are not granted) all awards will vest subject to, in the case of LTIP awards, the achievement of any relevant performance conditions with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee has discretion to disapply time pro-rating if it considers it appropriate to do so. In the event of a takeover, the Committee may determine, with the agreement of the acquiring company, that awards will be exchanged for equivalent awards in another company.

POLICY ON EXTERNAL APPOINTMENTS

Executive Directors are permitted to accept appropriate outside Non-Executive Director appointments so long as the overall commitment is compatible with their duties as Executive Directors and is not thought to interfere with the business of the Group. Any fees received in respect of these appointments are retained directly by the relevant Executive Director.

APPROACH TO DETERMINING REMUNERATION ON RECRUITMENT

Base salary levels will be set in accordance with easyJet's remuneration policy, taking into account the experience and calibre of the individual. Where it is considered appropriate to offer a lower salary initially, a series of increases to achieve the desired salary positioning may be given over the following few years to reflect progression in the role, subject to individual performance. Benefits will normally be provided in line with those offered to other employees. The Committee may provide an allowance and/or reimbursement of any reasonable expenses in relation to the relocation of an Executive Director. easyJet may also offer a cash amount on recruitment, payment of which may be staggered, to reflect the value of benefits a new recruit may have received from a former employer.

Should it be appropriate to recruit a Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed above, i.e. at an aggregate maximum of up to 450% of salary (200% annual bonus and 250% Performance Shares under the LTIP), taking into account annual and long-term variable pay. This limit does not include the value of any buy-out arrangements. Any incentive offered above this limit would be contingent on the Company receiving shareholder approval for an amendment to its approved policy. Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that they joined. LTIP awards can be made shortly following an appointment (assuming the Company is not in a closed period).

The above policy applies to both an internal promotion to the Board or an external hire.

In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using easyJet's share plans to the extent possible, although awards may also be granted outside these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be paid according to its terms of grant (adjusted as relevant to take into account the Board appointment).

On the appointment of a new Chairman or Non-Executive Director, fees will be set taking into account the experience and calibre of the individual. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

The Board evaluation and succession planning processes in place are designed to ensure there is the correct balance of skills, experience and knowledge on the Board. The activities of the Nominations Committee overseeing these matters are disclosed in the Nominations Committee report on pages 87 to 88.

NON-EXECUTIVE DIRECTOR FEES

The Non-Executive Directors receive an annual fee (normally paid in monthly instalments). The fee for the Non-Executive Chairman is set by the Remuneration Committee and the fees for the other Non-Executive Directors are approved by the Board, on the recommendation of the Chairman and Chief Executive.

TERMS OF APPOINTMENT OF THE NON-EXECUTIVE DIRECTORS

The terms of appointment of the Chairman and the other Non-Executive Directors are recorded in letters of appointment. The required notice from the Company is three months. The Non-Executive Directors are not entitled to any compensation on loss of office.

The Non-Executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office.

Element	Purpose and link to strategy	Operation (including maximum levels where applicable)
Fees	To attract and retain a high calibre Chairman, Deputy Chairman and Non-Executive Directors by offering market-competitive fee levels	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with supplementary fees payable for additional Board Committee responsibilities. The Chairman and Non-Executive Directors do not participate in any of the Group's incentive arrangements. Fee levels are reviewed on a regular basis, and may be increased, taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Flexibility is retained to exceed current fee levels if it is necessary to do so in order to appoint a new Chairman or Non-Executive Director of an appropriate calibre. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload. Necessary expenses incurred undertaking Group business will be reimbursed so that the Chairman and Non-Executive Directors are not worse off, on a net of tax basis, as a result of fulfilling Company duties. No other benefits or remuneration are provided to the Chairman or Non-Executive Directors.

ANNUAL REPORT ON REMUNERATION

ROLE OF THE REMUNERATION COMMITTEE

The key role of the Committee is to make recommendations to the Board on executive remuneration packages and to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance. The Committee's terms of reference can be found on the Company's website at corporate.easyjet.com.

MEMBERSHIP, MEETINGS AND ATTENDANCE

- Moya Greene (Chair from 21 October 2019)
- Adèle Anderson (until 7 February 2019)
- Charles Gurassa
- Andy Martin
- Julie Southern

The Committee consists of independent Non-Executive Directors and was chaired by Charles Gurassa during the year. Charles Gurassa stepped down as Chair of the Committee with effect from 21 October 2019 but remains a member of the Committee. Moya Greene took up the role of Chair with effect from the same date. There were no other changes to the membership of the Committee during the year. The Company Secretary acts as Secretary of the Committee. Other key invitees include the Chief Executive Officer, the Group People Director, Head of Reward and external advisers as relevant.

Member biographies setting out their skills and experience can be found on pages 68 to 71. The Committee met four times during the year. Meeting attendance can be found in the table on page 80.

KEY RESPONSIBILITIES

- To set the remuneration policy for all Executive Directors and the Company's Chairman
- To set the remuneration packages for the AMB and monitor the principles and structure of remuneration for other senior management
- To oversee remuneration and workforce policies and practices, and take these into account when setting the policy for Director and AMB remuneration
- To approve the design of, and determine targets for, all employee share schemes operated by the Company
- To oversee any major changes in employee benefit structures throughout the Company or Group
- To review and monitor the Group's compliance with relevant gender pay reporting requirements

KEY ACTIVITIES DURING THE YEAR

- Assessed the level of performance in respect of the bonus for the 2019 financial year, and LTIP awards set in December 2016 and vesting in December 2019, to determine appropriate payouts
- Determined the bonus and LTIP targets for the 2020 financial year after considering and debating alternative targets, investor expectations and internal business plans
- Reviewed and approved the remuneration packages for new AMB members
- Reviewed the total packages and service contracts of the AMB and senior management
- Considered the results and implications of gender pay gap reporting, and reviewed and commented on recommendations to further enhance the Company's performance
- Reviewed and approved the payment of the all-employee Performance Share Award in respect of the 2019 financial year

The Board and the Committee are committed to ensuring that easyJet's remuneration framework is designed to support the strategy, providing balance between motivating and challenging senior management whilst also driving the long-term success of the Group for its shareholders.

The Committee carefully considered and approved packages for new members appointed to the AMB during the year. Remuneration arrangements have been designed to promote the long-term success of the Company.

APPLICATION OF THE REMUNERATION POLICY FOR THE 2020 FINANCIAL YEAR

There will be no material changes to the remuneration policy or its implementation for the 2020 financial year. easyJet's remuneration policy has received consistently high levels of investor support in recent years. Over the coming year and in advance of the next policy vote in 2021, the Committee will consider the continued appropriateness of the current policy. The Committee considers that it remains aligned with the best practice expectations of institutional investors.

BASE SALARY

As noted on page 97 Andrew Findlay will increase his responsibilities by taking on the corporate strategy function in addition to fleet planning. The Committee, therefore, agreed an increase in Andrew's current salary from £510,000 to £550,000. The current and proposed salaries of the Executive Directors are:

	1 January 2020 salary	1 January 2019 salary	Change vs 1 January 2019
Johan Lundgren	£740,000	£720,120	2.8%
Andrew Findlay	£550,000	£510,000	7.8%

For comparison, the typical rate of salary increase to be awarded to our wider UK workforce will be 3%.

ANNUAL BONUS IN RESPECT OF PERFORMANCE IN THE 2020 FINANCIAL YEAR

The maximum bonus opportunity remains at 200% of salary for the Chief Executive and at 175% for the Chief Financial Officer. The measures have been selected to reflect a range of financial and operational goals that support the key strategic objectives of the Group.

The performance measures and weightings will be as follows:

	As a percentage of maximum bonus opportunity	
Measure	CEO	CFO
Headline profit before tax at budgeted constant currency	60%	60%
Headline cost per seat ex fuel at budgeted constant currency	10%	10%
Total financial measures	70%	70%
Customer	10%	10%
Employees	5%	4%
Environment	5%	4%
Other strategic goals	10%	12%
Total strategic measures	30%	30%

The proposed target levels for the 2020 financial year have been set to be challenging relative to the business plan and the current economic environment.

The Committee is comfortable that the bonus targets for both Executive Directors are appropriately demanding in light of their respective bonus opportunities.

The targets themselves, as they relate to the 2020 financial year, are commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report unless they remain commercially sensitive at that time. The safety of our customers and people underpins all of the operational activities of the Group and the bonus plan includes a provision that enables the Remuneration Committee to scale back (including to zero) the bonus awarded in the event that a safety event has occurred, which it considers warrants the use of such discretion. One-third of the pre-tax bonus earned will be deferred into shares for a period of three years and will be subject to continued employment.

Bonus payments may now be withheld or recovered if, within a period of three years from the date of payment, there is: a case of serious personal misconduct; a misstatement of accounts; an error in calculation of results; an instance of corporate failure; or material damage to the Company's reputation as a result of a safety event.

LTIP AWARDS IN RELATION TO THE 2020 FINANCIAL YEAR

We intend to make awards to the Chief Executive of 250% of salary and to the Chief Financial Officer of 200% of salary in respect of the 2020 financial year.

Awards made for the 2020 financial year will be subject to a combination of headline ROCE, headline EPS and TSR performance measures, reflecting a balance between growth and returns, and aligning with the Group's strategic priorities over the medium term described on page 19.

Finalised targets will be disclosed at the date of grant and in the next Annual Report.

A post-vesting holding period requiring the Executive Directors to retain the post-tax value of any shares for two years from the vesting date will continue to apply to the 2020 and future awards.

LTIP payments may be withheld or recovered if, within a period of three years from the date of vesting, there is: a case of serious personal misconduct; a misstatement of accounts; an error in calculation of results; an instance of corporate failure; or material damage to the Company's reputation as a result of a safety event.

NON-EXECUTIVE DIRECTOR FEES

The fees for the Chairman and Non-Executive Directors from 1 January 2020 will be:

Chairman	£314,568
Basic fee for other Non-Executive Directors	£62,914
Fees for Deputy Chairman and Senior Independent Director role[1]	£25,000
Chair of the Audit, Safety and Remuneration Committees[1]	£15,000
Chair of the Finance Committee[1]	£10,000
Chair of the Employee Engagement Committee[1]	£10,000

1. Supplementary fees

Fees payable to the Non-Executive Directors are reviewed annually. Accordingly, a basic fee increase of 2.8% will apply from 1 January 2020, which is slightly below the typical increase for the wider UK workforce.

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2019

The table below sets out the amounts earned by the Directors (£'000) (audited)

	2019						2018					
£'000	Fees and Salary	Benefits[6]	Bonus[7]	LTIP[8]	Pension[9]	Total	Fees and Salary	Benefits[6]	Bonus[7]	LTIP	Pension[9]	Total
Executive												
Johan Lundgren	717	19	226	–	44	1,006	594	–	869	–	37	1,500
Carolyn McCall DBE[1]	–	–	–	–	–	–	118	–	–	–	7	125
Andrew Findlay	508	5	154	705	31	1,403	491	5	650	–	30	1,176
Non-Executive												
John Barton	305	–	–	–	–	305	300	–	–	–	–	300
Charles Gurassa	101	–	–	–	–	101	100	–	–	–	–	100
Adèle Anderson[2]	25	–	–	–	–	25	75	–	–	–	–	75
Dr Andreas Bierwirth	76	–	–	–	–	76	75	–	–	–	–	75
Keith Hamill OBE[2]	–	–	–	–	–	–	15	–	–	–	–	15
Andy Martin	71	–	–	–	–	71	70	–	–	–	–	70
Julie Southern[3]	72	–	–	–	–	72	10	–	–	–	–	10
Moya Greene DBE	68	–	–	–	–	68	60	–	–	–	–	60
Dr Anastassia Lauterbach[4]	46	–	–	–	–	46	–	–	–	–	–	–
Nicholas Leeder[5]	46	–	–	–	–	46	–	–	–	–	–	–
Total	2,035	24	380	705	75	3,219	1,908	5	1,519	–	74	3,506

1. Left the Board on 30 November 2017 but continued to be actively employed by easyJet until 31 December 2017, in order to assist with the transition to the new Chief Executive. Carolyn McCall received salary of £58,833 and pension contributions of £3,618 between 1 December and 31 December 2017
2. *Adèle Anderson left the Board on 7 February 2019 and Keith Hamill left the board on 31 December 2017*
3. Appointed to the Board on 1 August 2018
4. Appointed to the Board on 1 January 2019
5. Appointed to the Board on 1 January 2019
6. Benefits relate to the cost to the Company of personal accident and life assurance cover and the value of shares during the year under the Company's Share Incentive Plan, as well as reimbursements made to the Chief Executive for business-related travel expenses in respect of domestic car travel to the value of £16,000
7. One-third of the bonus will be compulsorily deferred into shares for three years and subject to forfeiture
8. Andrew Findlay was granted LTIP awards in December 2016, vesting in December 2019 subject to Group performance measured to 30 September 2019. This award was subject to a ROCE performance measure (70% of the award), which was met in full, and a TSR performance condition, which was not met. Accordingly, 70% of the award will vest in December 2019. For the purpose of this table, this award has been valued using the three-month average share price to 30 September 2019 of £10.01, and will be restated in next year's report once the share price on the date of vesting is known. This compares to a share price of £10.43 at grant
9. Johan Lundgren, Carolyn McCall and Andrew Findlay all received a cash alternative to pension contributions equivalent to 7% less UK employer's NICs, resulting in a gross cash allowance of 6.15% of basic salary

ANNUAL BONUS OUTTURN FOR PERFORMANCE IN THE 2019 FINANCIAL YEAR (AUDITED)

A sliding scale of financial and operational bonus targets was set at the start of the 2019 financial year. 10% of each element is payable for achieving the threshold target, increasing to 50% for on-target performance and 100% for achieving maximum performance. Achievements between these points are calculated on a straight-line basis.

Measure	CEO & CFO	Threshold	On-Target	Maximum	Actual	Payout
Headline profit before tax[1]	60%	£479m	£532m	£612m	£455m	0%
Customer satisfaction targets[2]	10%	73.8%	76.3%	78.8%	73.9%	12%
On-time performance[3]	10%	72.9%	74.9%	76.9%	74.6%	44%
Headline cost per seat (ex. fuel)[1]	10%	£43.02	£42.59	£42.16	£42.94	17%
Personal and departmental objectives[4]	10%	n/a	n/a	n/a	Note 4	Note 4

1. At budgeted constant currency
2. Customer satisfaction measures the percentage of our passengers that are 'Quite satisfied', 'Very satisfied' or 'Completely satisfied' at last contact
3. On-time performance measures the percentage of arrivals within 15 minutes of scheduled time, subject to flying 99.5% of programme (excluding cancellations made 14 days in advance which do not attract EU compensation and those which affect the whole airline sector e.g. terrorist disruption, or major airport incidents)
4. Personal performance targets described over the page

The personal performance element of the bonus was subject to the achievement of a set of individual performance targets agreed by the Committee, as follows:

JOHAN LUNDGREN

Objective	Weighting	Commitments	Achievements
Strategic Initiatives	30%	Progress on launch of new Holidays, Loyalty, Data and Business initiatives	All four strategic initiatives are on track to launch within the agreed timeframes and milestones agreed by the Committee
Creative and energising environment	30%	Embedding a creative and energising environment that attracts the right people and inspires everyone to learn and grow	Employee engagement survey participation rates and overall scores were all maintained above the agreed levels
Cost control	25%	Progress on Operational Resilience Programme and Disruption Costs	Overall disruption costs were materially reduced versus FY18 as a direct outcome of the Operational Resilience programme
Tegel acquisition	15%	Progress on successful integration of the new Tegel operation into the wider network	Progress against Tegel integration targets were behind plan
Overall		The Committee agreed that 85% of the maximum was achieved.	

ANDREW FINDLAY

Objective	Weighting	Commitments	Achievements
Cost & Balance Sheet Management	25%	Cost and Balance Sheet initiatives delivered or on track as per plan without impacting speed of plan delivery	Multiple initiatives were all delivered as planned without impacting the speed of delivery of the long-term strategic plan
IT and Data Leadership	25%	Successfully lead IT and Data teams on an interim basis ensuring smooth transition to the new Chief Data and Information Officer	IT and Data team restructure and strategic initiatives were completed as planned along with smooth transition to the new Chief Data and Information Officer over FY19
Strategic Initiatives	25%	Progress on launch of new Holidays, Loyalty, Data and Business initiatives	All four strategic initiatives are on track to launch within the agreed time frames and milestones defined by the Committee
Creative and energising environment	25%	Creating an inclusive and energising environment that attracts the right people and inspires everyone to learn and grow	Employee engagement survey participation rates and overall scores were all maintained above the agreed levels
Overall		The Committee agreed that 100% of the maximum was achieved	

Accordingly, bonuses of 15.8% and 17.3% of the maximum were payable, resulting in bonus pay outs of £226,442 and £153,773 for Johan Lundgren and Andrew Findlay, respectively. One-third of the bonus is compulsorily deferred into shares for three years and subject to continued employment. The Committee is satisfied with the overall payments in light of the level of performance achieved.

LTIP (AUDITED)

The awards vesting in respect of the performance year to 30 September 2019 were subject to a combination of performance conditions based on three-year average headline ROCE (based on a 7x operating lease expense adjustment) and relative TSR compared to FTSE 51-150 companies measured over the prior three financial years. The percentage which could be earned was determined using the following vesting schedule:

	Below threshold (0% vesting)	Threshold (25% vesting)	On Target (50% vesting)	Maximum (100% vesting)	Actual	Vesting (% of element)
ROCE awards (70% of total)	< 9.0%	9.0%	11.2%	13.0% or above	13.5%	100%
TSR awards (30% of total)	< Median	Median	n/a	Upper quartile	< Median	0%

Three-year average headline ROCE performance exceeded the maximum target, while our TSR performance was below median. As previously disclosed, the Committee took the decision in 2017 to exclude the impact of the Air Berlin transaction from the 2015 and 2016 LTIP cycles. As a result, 70% of the award became eligible to vest. The Committee considered this outcome and determined that it was a fair reflection of the performance of the Company as a whole in the context of the challenging business environment. 70% of Andrew Findlay's award (62,080 shares) will therefore vest in December 2019, together with a dividend equivalent award of 8,275 shares.

PAYMENTS FOR LOSS OF OFFICE AND PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments for loss of office or any other payments have been made to any former Directors during the year.

EXECUTIVE DIRECTORS' SHARE AWARDS OUTSTANDING AT THE FINANCIAL YEAR END (AUDITED)

Details of share options and share awards outstanding at the financial year end are shown in the following tables:

JOHAN LUNDGREN

Scheme	No. of shares/ options at 30 September 2018[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	No. of shares/ options at 30 September 2019[1]	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	134,350	–	–	–	134,350	19 Dec 2017[4]	–	–	19 Dec 2020	19 Dec 2027
A	–	167,003	–	–	167,003	19 Dec 2018[6]	–	–	19 Dec 2021	19 Dec 2028
B	–	26,871	–	–	26,871	19 Dec 2018	–	–	19 Dec 2021	19 Dec 2028
C	–	283	–	–	283	5 Apr 2019	–	–	5 Apr 2022	n/a
E	–	1,571	–	–	1,571	14 Jun 2019	–	–	1 Aug 2022	1 Feb 2023

ANDREW FINDLAY

Scheme	No. of shares/ options at 30 September 2018[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	No. of shares/ options at 30 September 2019[1]	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	49,620	–	(49,620)	–	–	17 Dec 2015[2]	–	–	17 Dec 2018	17 Dec 2025
A	88,686	–	–	–	88,686	19 Dec 2016[3]	–	–	19 Dec 2019	19 Dec 2026
A	72,621	–	–	–	72,621	19 Dec 2017[4]	–	–	19 Dec 2020	17 Dec 2027
A	14,585	–	–	–	14,585	4 Jun 2018[5]	–	–	4 Jun 2021	4 Jun 2028
A	–	94,619	–	–	94,619	19 Dec 2018[6]	–	–	19 Dec 2021	19 Dec 2028
B	4,985	–	–	–	4,985	19 Dec 2016	–	–	19 Dec 2019	19 Dec 2026
B	12,789	–	–	–	12,789	19 Dec 2017	–	–	19 Dec 2020	19 Dec 2027
B	–	20,086	–	–	20,086	19 Dec 2018	–	–	19 Dec 2021	19 Dec 2028
C	182	–	–	–	182	5 Apr 2018	–	–	5 Apr 2021	n/a
C	–	283	–	–	283	5 Apr 2019	–	–	5 Apr 2022	n/a
D	324	138	–	–	462	–	–	Note 7	–	n/a
E	1,051	–	(1,051)	–	–	10 Jun 2016	11.98	–	1 Aug 2019	1 Feb 2020
E	557	–	–	–	557	15 Jun 2017	9.69	–	1 Aug 2020	1 Feb 2021

The closing share price of the Company's ordinary shares at 30 September 2019 was £11.50 and the closing price range during the year ended 30 September 2019 was £8.55 to £13.48.

KEY:

A Long Term Incentive Plan – Performance Shares
B Deferred Share Bonus Plan
C Share Incentive Plan – Performance (Free) Shares
D Share Incentive Plan – Matching Shares
E Save As You Earn Awards (SAYE)

Note 1: Number of share awards granted
The number of shares is calculated according to the scheme rules of individual plans based on the middle-market closing share price of the day prior to grant. As is usual market practice, the option price for SAYE awards is determined by the Committee in advance of the award by reference to the share price following announcement of the half year results.

Note 2: LTIP awards granted in December 2015
70% of vesting was based on three-year average ROCE performance (based on a 7x operating lease expense adjustment) for the three financial years ending 30 September 2018, and 30% of vesting was based on relative TSR performance compared to companies ranked FTSE 31-130. ROCE for the 2018 financial year has been calculated excluding the impact of the Air Berlin acquisition. The following targets applied for these awards:

Vesting in December 2018	Vesting in December 2018	Threshold (25% vesting)	Target	Maximum (100% vesting)	Actual	Vesting (% of element)
ROCE awards (70% of total award)	< 15.0%	15.0%	18.0%	20.0%	13.8%	0%
TSR awards (30% of total award)	< Median	Median	n/a	Upper quartile	< Median	0%

Three-year average ROCE (including lease adjustments) was 13.8%, and the Company did not meet the threshold TSR performance target. These awards therefore lapsed in full in December 2018.

Note 3: LTIP awards made in December 2016
Details of this award are set out on page 111.

The face value of the award granted to Andrew Findlay was £924,995 (200% of salary). Three-year average ROCE (based on a 7x operating lease expense adjustment) was 13.5%, and the Company did not meet the threshold TSR performance target, such that 70% of the award will vest in December 2019. On vesting, 8,275 dividend equivalent shares will be granted, reflecting the value of dividends which would have been earned had Andrew Findlay held shares over the vesting period.

Note 4: LTIP awards made in December 2017
40% of vesting is based on three-year average headline ROCE (including lease adjustment) performance for the three financial years ending 30 September 2020, 40% is based on aggregate headline EPS over the three financial years ending 30 September 2020, and 20% is based on relative TSR performance compared to companies ranked FTSE 51-150. In addition, the TSR awards will not vest unless there has been positive TSR over the performance period. The following targets apply for these awards:

Vesting in December 2020	Below threshold (0% vesting)	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
ROCE awards (40% of total award)	< 9.0%	9.0%	11.2%	13.0%
EPS awards (40% of total award)	< 278p	278p	310p	335p
TSR awards (20% of total award)	< Median	Median	n/a	Upper quartile

The face value of the awards granted was £1,850,000 (250% of salary) to Johan Lundgren and £1,000,000 (200% of salary) to Andrew Findlay.

Note 5: LTIP awards made in June 2018
As disclosed in the 2018 Annual Report, in June 2018 Andrew Findlay received an additional award of £249,914 (50% of salary).

Note 6: LTIP awards made in December 2018
40% of vesting is based on three-year average headline ROCE (using the new IFRS 16 lease accounting standard) performance for the three financial years ending 30 September 2021, 40% is based on aggregate headline EPS over the three financial years ending 30 September 2021, and 20% is based on relative TSR performance compared to companies ranked FTSE 51-150. In addition, the TSR awards will not vest unless there has been positive TSR over the performance period. The following targets apply for these awards:

Vesting in December 2021	Below threshold (0% vesting)	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
ROCE awards (40% of total award)	< 12.5%	< 12.5%	14.5%	16.5%
EPS awards (40% of total award)	< 383p	< 383p	414p	446p
TSR awards (20% of total award)	< Median	< Median	n/a	Upper quartile

Note that ROCE targets, which were previously disclosed in the prior year's report, have been increased by 1.5pp to reflect the adoption of IFRS 15 and IFRS 16. EPS and TSR targets remain unchanged. The face value of the awards granted was £1,800,300 (250% of salary) to Johan Lundgren and £1,020,000 (200% of salary) to Andrew Findlay. The value of the awards was determined based on the closing share price on the day prior to the date of grant of £10.78.

Note 7: Buy As You Earn
Participants buy Partnership Shares monthly under the Share Incentive Plan. The Company provides one Matching Share for each Partnership Share purchased, up to the first £1,500 per year. These Matching Shares are first available for vesting three years after purchase.

SHAREHOLDING GUIDELINES IN THE 2019 FINANCIAL YEAR (AUDITED)

The shareholding guidelines will continue to operate on the same basis as last year, i.e. the Chief Executive and Chief Financial Officer are expected to build up a shareholding of 200% and 175% of salary, respectively, over the first five years from appointment to the Board. Until the guideline is met, Executive Directors are required to retain 50% of net vested shares from the LTIP and 100% of net vested deferred bonus shares. Similarly, the Non-Executive Directors, including the Chairman of the Board, are required to build up a shareholding of 100% of annual fees over a period of five years from appointment.

DIRECTORS' CURRENT SHAREHOLDINGS AND INTERESTS IN SHARES (AUDITED)

The following table provides details on current Directors' interests in shares at 30 September 2019.

			Interests in share schemes[7]					
	Unconditionally owned shares[2]	Shareholding guidelines achieved[3]	Deferred bonus[4]	SAYE	LTIP[5]	SIP[6]	Total
John Barton	45,000	100%	–	–	–	–	–
Charles Gurassa	18,198	100%	–	–	–	–	–
Johan Lundgren	40,000	46%	26,871	1,571	301,353	283	330,078
Andrew Findlay	30,468	66%	37,860	557	270,511	1,011	309,939
Dr Andreas Bierwirth	5,251	100%	–	–	–	–	–
Dr Anastassia Lauterbach[1]	–	0%	–	–	–	–	–
Nicholas Leeder[1]	–	0%	–	–	–	–	–
Andy Martin	7,000	100%	–	–	–	–	–
Moya Greene DBE	7,407	100%	–	–	–	–	–
Julie Southern	776	13%	–	–	–	–	–

1. Appointed to the Board on 1 January 2019
2. Includes SIP Partnership Shares, vested SIP Performance (Free) Shares, vested SIP Matching Shares and any shares owned by connected persons
3. Based on unconditionally owned shares and post-tax value of share interests under the deferred bonus plan as per the Committee's policy on shareholding guidelines. Once the guideline has been met, the number of shares counting towards the guideline is fixed, regardless of any change in share price, with the Director only needing to invest in additional shares to the value of any increase in salary or fees awarded during the year in order to maintain satisfaction of the guideline
4. Includes 26,871 and 20,086 awards granted in the year to Johan Lundgren and Andrew Findlay, respectively
5. LTIP shares are granted in the form of nil-cost options subject to performance. Includes 167,003 and 94,619 LTIP awards granted in the year to Johan Lundgren and to Andrew Findlay, respectively
6. Consists of unvested SIP Performance (Free) Shares and unvested SIP Matching Shares
7. Of these schemes, the LTIP is subject to performance conditions and continued service. All other schemes are subject to continued service only

As at 18 November 2019, the unconditionally owned shares of Andrew Findlay had increased by 25 shares since 30 September 2019 to 30,493 shares.

Changes in share ownership levels throughout the year may be found on our corporate website corporate.easyjet.com/.

Executive Directors are deemed to be interested in the unvested shares held by the easyJet Share Incentive Plan and the easyJet plc Employee Benefit Trust. At 30 September 2019, ordinary shares held in the Trusts were as follows:

	Number of ordinary shares
easyJet Share Incentive Plan Trust	2,230,577
easyJet plc Employee Benefit Trust	85,537
Total	2,316,114

POSITION AGAINST DILUTION LIMITS

easyJet complies with the Investment Association's Principles of Remuneration with regard to dilution limits. These principles require that commitments under all of the Company's share incentive schemes must not exceed 10% of the issued share capital in any rolling 10-year period. Share awards under all current share incentive schemes (LTIP, Save As You Earn and Share Incentive Plan) will be satisfied with share purchases on the market and the Company's current position against its dilution limit is within the maximum 10% limit.

EMPLOYEE SHARE PLAN PARTICIPATION

A key component of easyJet's reward philosophy is to provide share ownership opportunities throughout the Group by making annual awards of performance-related shares to all eligible employees. In addition, easyJet operates a voluntary discounted share purchase arrangement for all employees via a Save As You Earn scheme and a Buy As You Earn arrangement with matching shares in the UK under the tax-approved Share Incentive Plan.

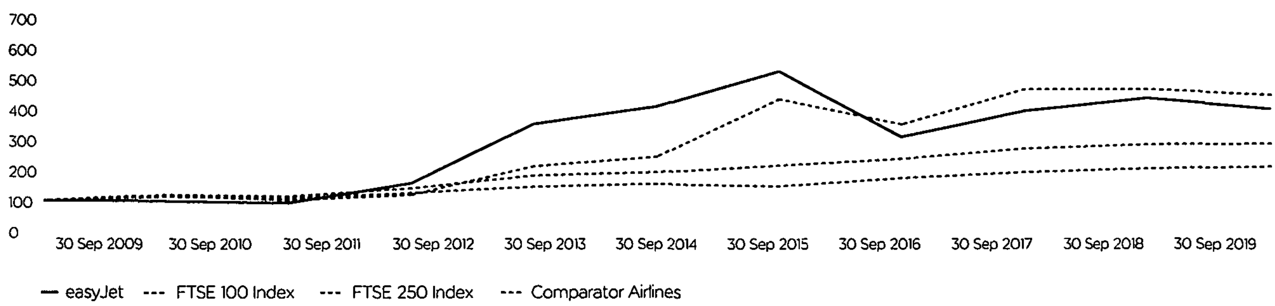
DETAILS OF DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the service contracts and letters of appointment in place as at 30 September 2019 for Directors are as follows:

	Date of appointment	Date of current service contract	Unexpired term at 30 September 2019
John Barton	1 May 2013	3 May 2016	Letters of appointment for the Non-Executive Directors do not contain fixed term periods; however, they are appointed in the expectation that they will serve for a maximum of nine years, subject to satisfactory performance and re-election at AGMs.
Charles Gurassa	27 June 2011	19 June 2017	
Johan Lundgren	1 December 2017	10 November 2017	
Andrew Findlay	2 October 2015	10 April 2015	
Dr Andreas Bierwirth	22 July 2014	19 July 2017	
Moya Greene DBE	19 July 2017	18 July 2017	
Dr Anastassia Lauterbach	1 January 2019	14 December 2018	
Nicholas Leeder	1 January 2019	14 December 2018	
Andy Martin	1 September 2011	19 July 2017	
Julie Southern	1 August 2018	7 June 2018	

REVIEW OF PAST PERFORMANCE

The chart below sets out the TSR performance of the Company relative to the FTSE 250, FTSE 100 and a group of European airlines[1] since 2009. The FTSE 100 and FTSE 250 were chosen as easyJet has been a member of both indices during the period.



This graph shows the value, by 30 September 2019, of £100 invested in easyJet on 30 September 2009, compared with the value of £100 invested in the FTSE 100 and FTSE 250 Indices or a comparator group of airlines on the same date.

The other points plotted are the values at intervening financial year ends. Overseas companies have been tracked in their local currency, i.e. ignoring exchange rate movements since 30 September 2009.

1. British Airways, Lufthansa, Ryanair, Air France-KLM and Iberia have all been included in the comparative European airlines group. British Airways and Iberia have been tracked forward from 2011 onwards as IAG

SINGLE TOTAL FIGURE OF REMUNERATION

The table below shows the total remuneration figure for the Chief Executive over the same 10-year period. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years.

The annual bonus and LTIP vesting percentages show the payout for each year as a percentage of the maximum.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single total figure of remuneration (£'000)	2,741	1,552	3,694	7,777	9,209[4]	6,241[3]	1,453[2]	757	1,625[1]	1,006
Annual Bonus (%)	0%	63%	96%	87%	76%	66%	13%	0%	73%	16%
LTIP vesting (%)	n/a	n/a	92%	100%	100%	100%	32%	0%	n/a	n/a

1. Includes remuneration for the current Chief Executive, Johan Lundgren, of £1,500,000, and £125,000 paid to his predecessor, Carolyn McCall DBE (who was not eligible for a bonus payment in 2018)
2. Includes 48,509 LTIP shares (inclusive of dividend equivalents) at the vesting date share price of £10.43, a decrease of 30% on the share price at grant of £14.99
3. Includes 266,899 LTIP shares vesting for the period, share price is £17.15 (the actual share price at vesting) an increase of 133% on the share price at grant of £7.37
4. Includes 445,575 LTIP shares vesting for the period, share price was £16.71 (the actual share price at vesting) an increase of 325% on the share price at grant of £3.93

CHANGE IN CHIEF EXECUTIVE PAY FOR THE YEAR IN COMPARISON TO THAT FOR EASYJET EMPLOYEES

The table below shows the year-on-year percentage change in salary, benefits and annual bonus earned between the year ended 30 September 2019 and the year ended 30 September 2018 for the Chief Executive, compared to the average earnings of all other easyJet UK employees.

	Salary	Benefits[3]	Annual bonus[4]
Chief Executive[1]	0.6%	n/a	(74)%
Average pay based on all easyJet's UK employees[2]	3.0%	0%	(81)%

1. Chief Executive figures present actual FY2019 earnings compared against annualised figures for FY2018 (his start date was 1 December 2017).
2. UK employees are presented as the comparator as their salaries and benefits represent the most appropriate comparison. Note that UK employees comprise over 50% of total employees.
3. Chief Executive benefits include an award under the all-employee Performance share plan in April 2019 and reimbursements for business-related travel expenses in respect of domestic car travel. Prior year benefits solely comprised health benefits not of material cost to the Company. UK employee benefits remained unchanged versus the prior year.
4. The reduction in bonus outcome, both for the Chief Executive and for UK employees, principally resulted from easyJet's missing its profit target in 2019. In 2018, easyJet exceeded its profit stretch target such that both UK pilots and cabin crew received the maximum bonus outcome.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the total pay for all of easyJet's employees compared to other key financial indicators.

	Year ended 30 September 2019	Year ended 30 September 2018	Change %
Employee costs (£m)	944	847	11%
Ordinary dividend (£m)	174	233	(25)%
Average monthly number of employees	14,751	13,104	13%
Revenue (£m)	6,385	5,898	8%
Headline profit before tax (£m)	427	578	(26)%

1. Additional information on the number of employees, total revenue and profit has been provided for context. The majority of easyJet's employees (around 90%) perform flight and ground operations, with the rest performing administrative and managerial roles.

EXTERNAL APPOINTMENTS

Andrew Findlay received fees of £67,500 in the year to 30 September 2019 for his role as Non-Executive Director of Rightmove plc.

STATEMENT OF SHAREHOLDERS' VOTING AT AGM

The table below provides details of shareholder voting in respect of the Directors' Remuneration Policy (approved in February 2018), and the Annual Report on Remuneration (in February 2019).

	Policy (February 2018 AGM)		Annual Report on Remuneration (February 2019 AGM)	
Votes cast in favour	299,660,093	99.06%	173,273,056	98.09%
Votes cast against	2,831,491	0.94%	3,366,581	1.91%
Total votes cast in favour or against	302,491,584	100%	176,639,637	100%
Votes withheld	40,212		413,182	

ADVISERS TO THE REMUNERATION COMMITTEE

The Remuneration Committee is advised by the Executive Compensation practice of Aon plc. Aon was appointed by the Committee in 2004 following a tender process. Aon advises the Committee on developments in executive pay and on the operation of easyJet's incentive plans. Other than to the Committee, advice is also provided to easyJet in relation to, for example, legal implementation and the fees of the Non-Executive Directors. Aon also provides pension and flexible benefits administration services to the Company. Total fees (excluding VAT) paid to Aon in respect of services to the Committee during the 2019 financial year were £63,000, charged on a time and materials basis. Aon is a signatory to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that code. The Committee has reviewed the operating processes in place at Aon and is satisfied that the advice it receives is independent and objective.

DIRECTORS' REPORT

The Directors present their Annual Report and Accounts together with the audited consolidated financial statements for the year ended 30 September 2019. This Directors' report and the strategic report, which includes the trends and factors likely to affect the future development, performance and position of the business and a description of the principal risks and uncertainties of the Group (which can found on pages 2 to 65 and is incorporated by reference), collectively comprise the management report as required under the Disclosure and Transparency Rules ('DTRs').

RESULTS & DIVIDEND

The total profit for the financial year after taxation amounts to £349 million (last year £358 million).

The Company's dividend policy is to pay shareholders 50% of headline profit after tax, reflecting the Board's confidence in the long-term prospects of the business. The Directors are recommending an ordinary dividend of 43.9 pence per share, amounting to £174 million.

The ordinary dividend is subject to shareholder approval at the Company's Annual General Meeting (AGM) to be held on 6 February 2020 and will be payable on 20 March 2020 to the shareholders on the register at the close of business on 28 February 2020.

BOARD

BOARD OF DIRECTORS AND THEIR INTERESTS

Details of the Directors who held office at the end of the year and their biographical details are set out on pages 68 to 71. Changes to the Board in the year are set out on page 71. The Directors' interest in the ordinary shares and options of the Company are disclosed within the Directors' Remuneration Report on pages 111 and 113.

APPOINTMENT AND RETIREMENT OF DIRECTORS

The Directors may from time to time appoint one or more Directors. Any such Director shall hold office only until the next AGM and shall then be eligible for appointment by the Company's shareholders. It is the current intention that at the Company's 2020 AGM all continuing Executive and Non-Executive Directors will retire and offer themselves for reappointment in compliance with the 2018 Code.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of easyJet, unless that conflict is first authorised by the Board. The Company has in place procedures for managing conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law. Should a Director become aware that he or she has an interest, directly or indirectly, in an existing or proposed transaction with easyJet, he or she should notify the Board in line with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest.

DIRECTORS' INDEMNITIES

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. A deed was executed in 2007 indemnifying each of the Directors of the Company and/or its subsidiaries as a supplement to the Directors' and officers' insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2019 financial year and remain in force for all current and past Directors of the Company.

SHARES

SHARE CAPITAL AND RIGHTS ATTACHING TO SHARES

The Company's issued ordinary share capital as at 30 September 2019 comprised a single class of ordinary share. Further details of the Company's share capital during the year are disclosed in note 20 of the consolidated financial statement on page 159.

All of the issued ordinary shares are fully paid and rank equally in all respects. The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them, including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

DIRECTORS' POWERS IN RELATION TO ISSUING OR BUYING BACK SHARES

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority).

At the 2019 AGM, the Directors were given the following authority:

- to allot shares up to a nominal amount of £10,838,107, representing 10% of the Company's then issued share capital;
- authority to allot shares, without first offering them to existing shareholders in proportion to their holdings, up to a maximum nominal value of £5,419,053, representing 5% of the Company's then issued share capital; and
- purchase in the market a maximum of 39,720,813 shares, representing up to 10% of the Company's share capital.

No shares were allotted or bought back under these authorities during the year ended 30 September 2019 and up to the date of this report. These standard authorities will expire on 31 March 2020 or at the conclusion of the 2020 AGM, whichever is earlier. The Directors will seek to renew the authorities at the AGM in 2020.

VOTING RIGHTS AND RESTRICTIONS ON TRANSFER OF SHARES

None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the Company's Share Dealing Code, whereby the Directors and designated employees require approval to deal in the Company's shares;
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- where a proposed transferee of the Company's shares has failed to provide to the Directors a declaration of nationality (together with such evidence as the Directors may require) as required by the Company's Articles of Association; and
- the powers given to the Directors by the Company's Articles of Association to limit the ownership of the Company's shares by non-UK nationals or, following a decision of the Directors, by non-EU nationals, and powers to enforce this limitation, including the right to force a sale of any affected shares.

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such a restriction (for example under the Articles of Association where an Affected Shares Notice has been served, amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to the Company). The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

VARIATION OF RIGHTS

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the shareholders.

EMPLOYEE SHARE SCHEMES – RIGHTS OF CONTROL

The trustees of the easyJet UK Share Incentive Plan, which is used to acquire and hold shares in the Company for participants in the UK Share Incentive Plan, do not seek to exercise voting rights on shares held other than on direction of the underlying beneficiaries. The trustees take no action in respect of ordinary shares for which they have received no direction to vote, or in respect of ordinary shares which are unallocated.

The trustee of the easyJet plc Employee Benefit Trust (the 'Trust'), which is used to acquire and hold shares in the Company for the benefit of employees, including in connection with the easyJet Long Term Incentive Plan, the International Share Incentive Plan and Save As You Earn plans, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the trustee adopts a policy of not voting in respect of such shares.

Both the trustees of the easyJet UK Share Incentive Plan and the easyJet plc Employee Benefit Trust have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.

ADDITIONAL INFORMATION

SUBSTANTIAL INTERESTS

In accordance with DTR 5, as at 30 September 2019 the Company had been notified of the following disclosable interests in its issued ordinary shares:

	Number of shares as notified to the Company	% of issued share capital as at 30 September 2019
The Haji-Ioannou family concert party shareholding, consisting of easyGroup Holdings Limited (holding vehicle for Sir Stelios Haji-Ioannou and Clelia Haji-Ioannou) and Polys Haji-Ioannou (through his holding vehicle Polys Holdings Limited)	133,977,772	33.73%
Invesco Limited	39,717,251	9.99%
Blackrock, Inc.	20,475,122	5.15%

Between 30 September 2019 and 18 November 2019, the Company was notified that Blackrock's holding had changed to below 5% of voting rights. There were no other interests in shares notified between 30 September 2019 and 18 November 2019.

ANNUAL GENERAL MEETING

The venue and timing of the Company's 2020 AGM will be detailed in the notice convening the AGM at the relevant time.

ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The Company's articles were last amended at the 2018 AGM to ensure the Company was able to remain EU-owned and controlled at all times after the UK has left the EU as required under the EU law.

BRANCHES

The Group, through various subsidiaries, has established branches in France, Germany, Italy, Netherlands, Portugal and Spain, in which the business operates.

FINANCIAL INSTRUMENTS

Details of the Group's use of financial instruments, together with information on our financial risk management objectives and policies, hedging policies and our exposure to financial risks can be found in notes 24 and 27 to the consolidated financial statements.

GOING CONCERN AND VIABILITY STATEMENT

The Company's going concern and viability statements are detailed on pages 34 and 35 of the Strategic Report.

INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors have taken all reasonable steps to ensure any audit-related information has been brought to the attention of the Group's auditor. The Directors are not aware of any relevant information which has not been disclosed to the auditor.
A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Group will be put to shareholders at the forthcoming AGM.

POLITICAL DONATIONS AND EXPENDITURE

easyJet works constructively with all levels of government across its network, regardless of political affiliation. easyJet believes in the rights of individuals to engage in the democratic process; however it is easyJet's policy not to make political donations. There were no political donations made or political expenditure incurred during the 2019 financial year.

RELATIONSHIP AGREEMENT WITH CONTROLLING SHAREHOLDERS

Any person who exercises or controls on their own, or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a company are known as 'controlling shareholders'. The Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

- transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, on 14 November 2014, the Company entered into such an agreement with Sir Stelios Haji-Ioannou (easyJet's founder) and easyGroup Holdings Limited, an entity in which Sir Stelios holds a beneficial interest and which holds shares in the Company on behalf of Sir Stelios (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, Sir Stelios and easyGroup Holdings Limited have agreed to procure the compliance of Polys and Clelia Haji-Ioannou with the independence obligations contained in the Relationship Agreement. Sir Stelios, easyGroup, Polys and Clelia Haji-Ioannou together comprise controlling shareholders of the Company who have a combined total holding of approximately 33% of the Company's voting rights.

The Board confirms that, since the entry into the Relationship Agreement on 14 November 2014 until 18 November 2019, being the latest practicable date prior to the publication of this Annual Report and Accounts:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by Sir Stelios, easyGroup, and Clelia and Polys Haji-Ioannou and their associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement has been complied with by Sir Stelios and easyGroup Holdings Limited.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

The Company also licences the easyJet brand from easyGroup Limited. Further details are set out in note 28 to the financial statements.

The following significant agreements which were in force at 18 November 2019 take effect, alter or terminate on a change of control of the Company.

EMTN Programme and Eurobond issue
On 7 January 2016, the Group established a Euro Medium Term Note Programme (the 'EMTN Programme') which provides the Group with a standardised documentation platform to allow for senior unsecured debt issuance in the Eurobond markets. The maximum potential issuance under the EMTN Programme is £3 billion. The EMTN Programme was subsequently updated on 4 June 2019 with the issue of further Eurobonds.

Under the EMTN Programme, the following notes (the 'Notes') have been issued by the Company:

- February 2016: Eurobonds consisting of €500 million guaranteed Notes paying 1.75% interest and maturing in February 2023;
- October 2016: Eurobonds consisting of €500 million guaranteed Notes paying 1.125% interest and maturing in October 2023; and
- June 2019: Eurobonds consisting of €500 million guaranteed Notes paying 0.875% interest and maturing in June 2025.

Pursuant to the final terms attaching to the Notes, the Company will be required to make an offer to redeem or purchase its Notes at its principal amount plus interest up to the date of redemption or repurchase if there is a change of control of the Company which results in a downgrade of the credit rating of the notes to a non-investment grade rating or withdrawal of the rating by both Moody's and Standard & Poor's.

Revolving credit facility
The Group was party to a revolving credit facility (RCF) which contained change of control provisions. A new RCF was reviewed and approved by the Finance Committee in July 2018. The new RCF amounted to £250 million, supported equally by five banks, and was for a period of two years ending in July 2020. Following the issuance of Medium Term Notes, the RCF of £250 million was discontinued.

Other agreements

The Company does not have other agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control on takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

The Annual Report and Accounts have been drawn up and presented in accordance with UK company law and the liabilities of the Directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

easyJet plc is incorporated as a public limited company and is registered in England under number 3959649. easyJet plc's registered office is Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF.

The Strategic Report (comprising pages 2 to 65) and Directors' report (comprising pages 116 to 119) were approved by the Board and signed on its behalf by the Company Secretary.

By order of the Board

MAAIKE DE BIE
Company Secretary

London, 18 November 2019

DISCLOSURES REQUIRED UNDER LISTING RULE 9.8.4

The information to be included in the 2019 Annual Report and Accounts under LR 9.8.4, where applicable, can be located as set out below.

Information	Page
Amount of interest capitalised and tax relief	n/a
Publication of unaudited financial information	n/a
Details of long-term incentive schemes	96-115
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issue for cash	n/a
Non pre-emptive issue for cash to major unlisted subsidiary undertaking	n/a
Parent participation in a placing by a listed subsidiary	n/a
Contracts of significance	118
Provision of services by controlling shareholder	n/a
Shareholder waiver of dividends	117
Shareholder waiver of future dividends	117
Agreements with controlling shareholder	118

Other information that is relevant to this report, and which is incorporated by reference, can be located as follows:

Information	Page
Membership of Board during 2019 financial year	68-71
Directors' service contracts	114
Financial instruments and financial risk management	Note 27
Carbon and greenhouse gas emissions	60-61
Corporate governance report	66
Future developments of the business of the Group	16-25
Employee equality, diversity and inclusion	57-59
Employee engagement	56-57

DIRECTORS' RESPONSIBILITIES AND STATEMENTS

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group and Company accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company. This enables them to ensure that the accounts and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of, amongst other things, the financial and corporate governance information provided on the easyJet website (corporate.easyjet.com). Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 68 and 71, confirm that, to the best of their knowledge:

- the Group and Company accounts, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the strategic report, included in the Annual Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved, confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Annual Report on pages 1 to 120 was approved by the Board of Directors and authorised for issue on 18 November 2019 and signed on its behalf by:

JOHAN LUNDGREN
Chief Executive

ANDREW FINDLAY
Chief Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, easyJet plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Consolidated and Company statements of financial position as at 30 September 2019; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated and Company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

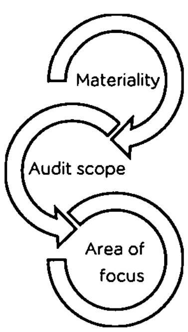
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Corporate Governance report on page 93, we have provided no non-audit services to the Group or the Company in the period from 1 October 2018 to 30 September 2019.

OUR AUDIT APPROACH

Overview



MATERIALITY

- Overall Group materiality: £21.5m based on 5% of profit before tax (2018: £28.8m based on 5% of headline profit before tax).
- *Overall Company materiality:* £21.3m (2018: £26.2m), based on 1% of total assets.

AUDIT SCOPE

- We performed audit procedures over six reporting components in the Group, including all individually significant components.
- Separate audit procedures were carried out over the Company and in relation to consolidation adjustments.
- This provided coverage of 100% external revenue and profit before tax.

KEY AUDIT MATTERS

- Aircraft maintenance provision (Group).
- Fair value of derivative instruments (Group and Company).
- EU 261 provision (Group).
- Goodwill and landing rights impairment assessment (Group).
- Accounting for the liabilities associated with the Swiss pension scheme (Group).
- Accounting for the adoption of new accounting standards (IFRS 9, 15 and 16) (Group and Company).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to easyJet's Air Travel Organiser's Licence being revoked, breaches of the current EU Emissions Trading System requirements or other environmental regulations, UK and overseas tax legislation not being adhered to and non-compliance with employment regulations in the UK and other jurisdictions in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records or as part of the consolidation process, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditor so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal team, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence from the FRC;
- Challenging assumptions and judgements made by management in it's significant accounting estimates that involved making assumptions and considering future events

that are inherently uncertain. We focused on the valuation of the maintenance provision, impairment of goodwill and landing rights, the valuation of pension scheme liabilities and the valuation of the EU 261 provisions (see related key audit matters below);

- Consideration of recent correspondence with the Group's legal advisors to ensure that it aligned with the conclusions drawn on obligations recognised in respect of uncertain legal matters;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and crediting the income statement; and
- Testing all material consolidation adjustments to ensure these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
AIRCRAFT MAINTENANCE PROVISION (GROUP)	
The Group operates aircraft which are owned or held under finance or operating lease arrangements and incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and contractual obligations relating to the condition of the aircraft when it is returned to the lessor. Maintenance provisions of £526 million (2018: £392m) for aircraft maintenance costs in respect of aircraft leased under operating leases were recorded in the financial statements at 30 September 2019. At each balance sheet date, the calculation of the maintenance provision includes a number of variable factors and assumptions including: likely utilisation of the aircraft; the expected cost of the heavy maintenance check at the time it is expected to occur; the condition of the aircraft; and the lifespan of life-limited parts. We focused on this area because of an inherent level of management judgement required in calculating the amount of provision needed as a result of the complex and subjective elements around these variable factors and assumptions. Refer to the Accounting policies, judgements and estimates note (note 1c.ii) and note 18, on page 156, for management's disclosures of the relevant judgements and estimates involved in assessing this provision valuation. Refer to Audit Committee report on page 89.	We evaluated the maintenance provision model and tested the calculations therein. This included assessing the process by which the variable factors within the provision are estimated, evaluating the reasonableness of the assumptions, testing the input data and re-performing calculations. In particular, we challenged the key assumptions using the Group's internal data, such as business plans and maintenance contract terms and pricing. We also performed sensitivity analysis around the key drivers of the model. We found no material exceptions from these assessments and comparisons. Having ascertained the magnitude of movements in those key assumptions, that either individually or collectively would be required for the provision to be misstated, we considered the likelihood of such movements arising and any impact on the overall level of aircraft maintenance provisions recorded in the financial statements. Our assessment as to likelihood and magnitude did not identify any material exceptions.
FAIR VALUE OF DERIVATIVE INSTRUMENTS (GROUP AND COMPANY)	
The Group and Company hold significant net funds, comprising cash and money market deposits and borrowings through bank loans and lease obligations. Given the nature of the business, the Group and Company also make use of derivative financial instruments. Forward contracts are used to hedge transaction currency risk (comprising fuel, leasing and maintenance US dollar payments), jet fuel price risk, and Euro and Swiss Franc revenue receipts. At 30 September 2019, cash and money market deposits amounted to £1,580 million (2018: £1,384 million), borrowings were £1,324 million (2018: £977 million), derivative financial assets amounted to £273 million (2018: £395 million) and derivative financial liabilities were £210 million (2018: £31 million). We focus on these balances because of their materiality to the financial position of the Group and Company, the volume of transactions passing through the respective accounts and the number of counterparties involved. Refer to the Accounting policies, judgements and estimates note (note 1c.ii) and note 24, on pages 163 - 166, for management's disclosures of the relevant judgements and estimates involved in assessing the valuation of derivatives instruments. Refer to Audit Committee report on page 89.	We evaluated and assessed the processes, procedures and controls in respect of treasury and other management functions which directly impact the relevant account balances and transactions. We tested management's year end account reconciliation process. The results of this work allowed us to focus on substantiating the year end positions recorded in the financial statements. We did not identify any material exceptions. We independently obtained third-party confirmations from counterparties of the year end positions. . We assessed the appropriateness of hedge accounting for the derivative financial instruments and tested, using independent data feeds, the fair values being ascribed to those instruments at the year end. These procedures did not identify any material exceptions. We also assessed the appropriateness of the disclosures in the financial statements in respect of both non-derivative and derivative financial instruments. Based on our work, we considered the disclosures to be appropriate.

Key audit matter	How our audit addressed the key audit matter
EU 261 PROVISION (GROUP)	
The Group records a provision for EU 261 compensation payable in respect of flight delays and cancellations. At 30 September 2019 this provision was £30 million (2018: £39 million). We focused on this area because there is an inherent level of complexity in management's estimate of this provision owing to its uncertain nature. Refer to the Accounting policies, judgements and estimates note (note 1c.ii) and note 18, on page 156, for management's disclosures of the relevant judgements and estimates involved in assessing this provision valuation. Refer to Audit Committee report on page 89.	We have understood the processes, procedures and controls in place in respect of the EU 261 provision balance and assessed key account reconciliation processes. We tested and challenged the reasonableness of the key assumptions underlying the EU 261 provisions which included: • passenger claim history; • levels of passenger claims; • flight disruptions; • levels of no-show passengers; and • time periods over which the assessment is made. We tested the input data of the EU 261 provisions, reperformed the underlying calculations and performed sensitivity analysis over the key drivers of the valuation of the provision. We found no material exceptions from these procedures. Having ascertained the magnitude of movements in those key assumptions, that either individually or collectively would be required for the provision to be materially misstated, we considered the likelihood of such movements arising and any impact on the overall level of judgemental provisions recorded in the financial statements. Our assessment as to the likelihood and magnitude did not identify any material exceptions.
GOODWILL AND LANDING RIGHTS IMPAIRMENT ASSESSMENT (GROUP)	
Goodwill arises from acquisitions in previous years and has an indefinite expected useful life. Landing rights (which are intangible assets) are considered by management to have an indefinite useful life as they will remain available for use for the foreseeable future. Goodwill and landing rights are tested for impairment at least annually at the cash-generating unit ('CGU') level. The Group has one CGU, being its route network, to which all goodwill and landing rights relate. At 30 September 2019, the aggregate value of goodwill and landing rights amounted to £497 million (2018: £494 million). We focused on this assessment as the impairment test involves a number of subjective judgements and estimates by management, many of which are forward-looking. These estimates include key assumptions surrounding the strategic five year plan, fuel prices, exchange rates, long-term economic growth rates and discount rates. Refer to the Accounting policies, judgements and estimates note (note 1c.ii) and note 9, on pages 151 - 152, for management's disclosures of the relevant judgements and estimates involved in assessing goodwill and landing rights for impairment. Refer to Audit Committee report on page 89.	We obtained management's annual impairment assessment and ensured the calculations were mathematically accurate and the methodology used was in line with the requirements of IAS 36 'Impairment of Assets'. Where our interpretation of IAS 36 differed from that of management, we have adjusted for this in our independent analysis to reflect the impact of any such differences on management's base case model. We evaluated and challenged the future cash flow forecasts of the CGU, and the process by which they were drawn up, and tested the underlying value in use calculations. In doing this, we compared the forecast to the latest Board-approved plans, and compared prior year budget to actual data in order to assess the quality of the forecasting process. We also challenged the key assumptions for fuel prices, exchange rates and long-term growth rates in the forecasts by comparing them to economic and industry forecasts and, for the discount rate, by assessing the cost of capital for the Group and comparable organisations. We found no material exceptions from our work. We performed our own independent sensitivity analysis around the key assumptions by replacing key assumptions with alternative scenarios to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill and landing rights to be impaired. We found no material exceptions from this analysis.

Key audit matter	How our audit addressed the key audit matter
ACCOUNTING FOR THE LIABILITIES ASSOCIATED WITH THE SWISS PENSION SCHEME (GROUP)	
A pension liability of £47 million has been recognised on the balance sheet as at 30 September 2019 due to the obligations which arise due to minimum required rates of return under Swiss law. The comparative period has also been restated in order to present the liability on consistent basis. An obligation of £29 million is therefore now recognised as at 30 September 2018. As a result of the quantum of this liability and the level of judgement involved in calculating the opening and closing liability, there is an increased risk of material misstatement. Whilst management utilises the service of third party actuarial advisors to determine the key assumptions, there is a risk that the discount rate, rate of inflation and mortality assumptions used in the calculation are inappropriate. Refer to the Accounting policies, judgements and estimates note (note 1c.ii) and note 19, on pages 156 -158, for management's disclosures of the relevant judgements and estimates involved in assessing the valuation of the pension obligation. Refer to Audit Committee report on page 89.	We obtained the IAS 19 actuarial valuations as at 30 September 2019, 30 September 2018 and 1 October 2017 prepared by management's experts and agreed the projected unit methodology used in all three valuations to be appropriate. In respect of each valuation we used our actuarial experts from PwC Switzerland to assess the appropriateness of the significant assumptions used in determining the pension liabilities including the discount rate, RPI and CPI inflation assumptions and mortality assumptions. Specifically, we ensured these fell within an acceptable range on benchmarking these against our accepted actuarial assumptions and noted no outliers. We also ensured that the valuation methodology used at each relevant date was consistent. For each period impacted by the prior period adjustment, we have tested the correction to retained earnings to ensure that it has been calculated appropriately. We assessed the appropriateness and adequacy of the disclosures in respect of the pension liability in note 19 of the financial statements and agree these to be satisfactory and aligned to the requirements of IAS 19. Based on the procedures we have performed we have concluded that the accounting for the Swiss pension scheme is appropriate
ACCOUNTING FOR THE ADOPTION OF NEW ACCOUNTING STANDARDS (IFRS 9, 15 AND 16) (GROUP AND COMPANY)	
easyJet has implemented IFRS 9 and 15 in accordance with the required adoption date, and has chosen to early adopt IFRS 16. The impact on the financial statements of the adoption of all three new standards is significant. Refer to the Accounting policies, judgements and estimates note (note 1b) for management's disclosures of the relevant judgments and estimates involved in determining the impact of the adoption of these three standards as well as for details of the relevant changes to the accounting policies applied for the year ended 30 September 2019 and going forward. This note can be found on pages 137 - 144. Refer to Audit Committee report on page 89.	We obtained management's narrative impact assessment in respect of each new accounting standard and their proposed accounting policies. We assessed the appropriateness of these initial assessments to ensure the proposed treatments were in line with the requirements of standards. This included a consideration of any exemptions or practical expedients to be exercised. Appropriate amendments to the methodology and accounting policies to be applied were made by management where required. Following the completion of the initial assessment we obtained management's calculations for determining the quantum impact of the adoption of these standards. We tested the mathematical accuracy of the schedules obtained and tested the accuracy of a sample of the input data used to ensure this was appropriate. We obtained the fair value assessment for equity investments to be recognised under IFRS 9 which were prepared by management's experts. We utilised our internal valuations team to assess the reasonableness of this valuation. We also tested the appropriateness of the significant assumptions used in determining the impact. For IFRS 15 this included the assessment of what proportion of the compensation costs incurred should be offset against revenue. For IFRS 16 these included the discount rates and assessment of lease extension options to be used in calculating the value of the lease liabilities. We assessed the appropriateness and adequacy of the disclosures in respect of the adoption in note 1b of the financial statements and concluded that these were aligned to the requirements of IFRS 9, 15 and 16 respectively. Based on the audit procedures performed we concluded that the impact of adoption of new accounting standards has been appropriate and the relevant judgements and estimates have been disclosed in the financial statements.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates through the Company and its twelve subsidiary undertakings of which six were actively trading through the year. The remaining subsidiaries are either holding companies, dormant or have been newly established during the year and not yet started to actively trade. The accounting for these components is largely centralised in the UK.

We determined the most effective approach to scoping was to perform full scope procedures over five components registered in the UK and Austria, together with performing procedures over all material financial statement line items for easyJet Switzerland SA. Under our direction and supervision some financial statement line items identified in our scope were audited by a component team from PwC Switzerland.

We determined the appropriate level of our involvement in the underlying work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to the component auditor and had regular communications with them throughout the audit cycle. Additional audit procedures were performed in relation to consolidation adjustments. The testing approach ensured that appropriate audit evidence had been obtained over all financial statement line items in order to support our opinion on the Consolidated financial statements as a whole. Based on the detailed audit work performed across the Group, we have gained coverage of 100% of both external consolidated revenue and profit before tax.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	**Company Financial Statements**
Overall materiality	£21.5m (2018: £28.8m).	£21.3m (2018: £26.2m).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate given that profitability is the primary measure used by the shareholders in assessing the underlying performance of the Group. In the previous year a benchmark set at 5% of headline profit before tax was used to determine overall materiality. This was due to the significance of the non-headline items which arose during the previous financial year.	We have applied this benchmark of total assets, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate given that the Company does not generate revenues of its own.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,650,000 and £21,330,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report misstatements identified during our audit above £1,075,000 (Group audit) (2018: £1,400,000) and £1,065,000 (Company audit) (2018: £1,300,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	**Outcome**
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 37 - 47 and 66 - 120) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 37 - 47 and 66 - 120) with respect to the Company's Corporate Governance Code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR (CA06)

We have nothing to report arising from our responsibility to report if a Corporate Governance Statement has not been prepared by the Company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 35 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 120, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 89 - 93 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' responsibilities set out on page 120, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www frc org uk/auditorsresponsibilities This description forms part of our auditors' report

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- certain disclosures of directors' remuneration specified by law are not made, or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 22 February 2006 to audit the financial statements for the year ended 30 September 2006 and subsequent financial periods The period of total uninterrupted engagement is 14 years, covering the years ended 30 September 2006 to 30 September 2019

Andrew Kemp

ANDREW KEMP
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

18 November 2019

CONSOLIDATED INCOME STATEMENT

	Notes	30 September 2019 Headline £ million	30 September 2019 Non-headline £ million	30 September 2019 Total £ million	30 September 2018 Headline £ million	30 September 2018 Non-headline £ million	30 September 2018 Total £ million
Passenger revenue		5,009	–	5,009	4,688	–	4,688
Ancillary revenue		1,376	–	1,376	1,210	–	1,210
Total revenue	26	6,385	–	6,385	5,898	–	5,898
Fuel		(1,416)	–	(1,416)	(1,184)	–	(1,184)
Airports and ground handling		(1,845)	–	(1,845)	(1,649)	–	(1,649)
Crew		(859)	–	(859)	(754)	(7)	(761)
Navigation		(409)	–	(409)	(400)	–	(400)
Maintenance		(302)	–	(302)	(313)	(22)	(335)
Selling and marketing		(157)	–	(157)	(143)	–	(143)
Other costs		(456)	–	(456)	(507)	(93)	(600)
Other income		29	–	29	13	–	13
EBITDAR		970	–	970	961	(122)	839
Aircraft dry leasing		(5)	–	(5)	(152)	(10)	(162)
Depreciation	10	(484)	–	(484)	(199)	–	(199)
Amortisation of intangible assets	9	(15)	–	(15)	(15)	–	(15)
Operating profit		466	–	466	595	(132)	463
Interest receivable and other financing income		21	3	24	12	–	12
Interest payable and other financing charges		(60)	–	(60)	(29)	(1)	(30)
Net finance (charges)/income	2	(39)	3	(36)	(17)	(1)	(18)
Profit before tax	3	427	3	430	578	(133)	445
Tax (charge)/credit	6	(78)	(3)	(81)	(112)	25	(87)
Profit for the year		349	–	349	466	(108)	358
Earnings per share, pence							
Basic	7			88 6			90 9
Diluted	7			87 8			90 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 September 2019 £ million	Year ended 30 September 2018 (restated) £ million
Profit for the year	349	358
Other comprehensive income/(expense)		
Items that may be reclassified to the income statement:		
Cash flow hedges		
Fair value (losses)/gains in the year	(214)	531
Gains transferred to income statement	(165)	(191)
Gains/(losses) transferred to property, plant and equipment	14	(19)
Related tax credit/(charge)	69	(60)
Cost of hedging	4	–
Items that will not be reclassified to the income statement:		
Remeasurement of post-employment benefit obligations	(17)	(2)
Related deferred tax credit	3	–
Fair value movement on equity investment	(6)	–
	(312)	259
Total comprehensive income for the year	37	617

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

Gains on cash flow hedges reclassified from other comprehensive income to the income statement lines are as follows:

	2019 £ million	2018 £ million
Revenue	(10)	32
Fuel	(150)	(206)
Maintenance	(5)	(2)
Aircraft dry leasing	–	(3)
Other costs	–	(12)
	(165)	(191)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2019 £ million	30 September 2018 (restated) £ million
Non-current assets			
Goodwill	9	365	365
Other intangible assets	9	196	181
Property, plant and equipment	10	5,163	4,140
Derivative financial instruments	24	126	175
Equity investment	24	48	–
Restricted cash	13	4	11
Other non-current assets	11	142	122
		6,044	4,994
Current assets			
Trade and other receivables	12	372	406
Derivative financial instruments	24	147	220
Current tax assets	6	24	–
Money market deposits	13	291	348
Cash and cash equivalents	13	1,285	1,025
		2,119	1,999
Current liabilities			
Trade and other payables	14	(1,050)	(1,023)
Unearned revenue		(1,069)	(877)
Borrowings	15	–	(9)
Lease liabilities	16	(219)	–
Derivative financial instruments	24	(138)	(24)
Current tax payable		–	(9)
Provisions for liabilities and charges	18	(192)	(118)
		(2,668)	(2,060)
Net current liabilities		(549)	(61)
Non-current liabilities			
Borrowings	15	(1,324)	(968)
Lease liabilities	16	(359)	–
Derivative financial instruments	24	(72)	(7)
Non-current deferred income	17	(6)	(18)
Post-employment benefit obligation	19	(47)	(29)
Provisions for liabilities and charges	18	(397)	(335)
Deferred tax	6	(305)	(343)
		(2,510)	(1,700)
Net assets		2,985	3,233
Shareholders' equity			
Share capital	20	108	108
Share premium		659	659
Hedging reserve		(4)	299
Cost of hedging reserve		8	–
Translation reserve		(1)	1
Retained earnings		2,215	2,166
		2,985	3,233

The accounts on pages 128 to 173 were approved by the Board of Directors and authorised for issue on 18 November 2019 and signed on behalf of the Board.

JOHAN LUNDGREN
Director

ANDREW FINDLAY
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Translation reserve £ million	Retained earnings (restated) £ million	Total (restated) £ million
At 30 September 2018	108	659	299	–	1	2,166	3,233
Recognition on adoption of IFRS 9	–	–	(5)	4	–	55	54
Recognition on adoption of IFRS 15	–	–	–	–	–	(70)	(70)
Recognition on adoption of IFRS 16	–	–	(2)	–	–	(34)	(36)
At 1 October 2018	108	659	292	4	1	2,117	3,181
Profit for the period	–	–	–	–	–	349	349
Other comprehensive income	–	–	(296)	4	–	(20)	(312)
Total comprehensive income	–	–	(296)	4	–	329	37
Dividends paid (note 8)	–	–	–	–	–	(233)	(233)
Share incentive schemes							
Value of employee services	–	–	–	–	–	18	18
Purchase of own shares	–	–	–	–	–	(16)	(16)
Currency translation differences	–	–	–	–	(2)	–	(2)
At 30 September 2019	108	659	(4)	8	(1)	2,215	2,985

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Translation reserve £ million	Retained earnings (restated) £ million	Total (restated) £ million
At 30 September 2017	108	659	38	–	1	1,996	2,802
Swiss pension scheme recognition	–	–	–	–	–	(24)	(24)
At 1 October 2017	108	659	38	–	–	1,972	2,778
Total comprehensive income	–	–	261	–	–	356	617
Dividends paid (note 8)	–	–	–	–	–	(162)	(162)
Share incentive schemes							
Value of employee services	–	–	–	–	–	17	17
Purchase of own shares	–	–	–	–	–	(17)	(17)
At 30 September 2018	108	659	299	–	1	2,166	3,233

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the year end. Within the hedging reserve, £1 million relates to a deferred tax liability and £39 million gain to trades where hedge accounting has been discontinued. As the hedged item is still expected to occur this amount has been deferred until the underlying cash flow impacts the income statement.

Further details of the adjustment made to the opening retained earnings as at 1 October 2018 due to the adjustment arising on the adoption of IFRS 9, 15 and 16 can be found in note 1. Details of the prior period restatement in relation to defined benefit pensions can also be found in note 1.

CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	Year ended 30 September 2019 £ million	Year ended 30 September 2018 £ million
Cash flows from operating activities			
Cash generated from operations	22	1,098	1,215
Ordinary dividends paid	8	(233)	(162)
Interest and other financing charges paid		(58)	(29)
Interest and other financing income received		12	11
Tax paid		(58)	(74)
Net cash generated from operating activities		761	961
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(954)	(931)
Purchase of intangible assets	9	(30)	(81)
Net decrease in money market deposits	23	52	269
Net proceeds from sale and leaseback of aircraft		121	106
Net cash used by investing activities		(811)	(637)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		(16)	(17)
Proceeds from Eurobond issue	23	443	–
Repayment of capital element of finance leases arising under IAS 17		–	(6)
Repayment of capital element of leases arising under IFRS 16	23	(174)	–
Net decrease/(increase) in restricted cash		7	(4)
Net cash generated from financing activities		260	(27)
Effect of exchange rate changes		50	17
Net increase in cash and cash equivalents		260	314
Cash and cash equivalents at beginning of year		1,025	711
Cash and cash equivalents at end of year	13	1,285	1,025

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

STATEMENT OF COMPLIANCE

easyJet plc (the 'Company') and its subsidiaries ('easyJet' or the 'Group' as applicable) is a low-cost airline carrier operating principally in Europe. The Company is a public limited company whose shares are listed on the London Stock Exchange under the ticker symbol EZJ and is incorporated and domiciled in the United Kingdom. The address of its registered office is Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF.

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account IFRS Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

BASIS OF PREPARATION

The accounts are prepared based on the historical cost convention except for certain financial assets and liabilities including derivative financial instruments that are measured at fair value.

This is the first set of the Group's financial statements where IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' have been applied. Changes to significant accounting policies are described in note 1b.

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the strategic report on pages 2 to 65. Principal risks and uncertainties are described on pages 37 to 47. Note 27 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

The accounts have been prepared on a going concern basis. Details on going concern are provided on page 34.

The use of critical accounting estimates and management judgement is required in applying the accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are highlighted on pages 145 to 146.

Income statement presentation

From 1 October 2018, easyJet has presented other income as a separate line on the face of the consolidated income statement. Other income includes items such as insurance receipts, compensation and dividends received. It is believed this presentation enhances the disclosure and understanding of these balances, which have increased in magnitude from previous years. The prior year comparatives have been reclassified from other costs and other financing income lines to be consistent with the change in presentation but have not been restated.

Prior period adjustment

The Swiss retirement benefit scheme operates as a defined contribution scheme under Swiss law. In the current year, easyJet has assessed options to extend the pension scheme insurance it holds. It has been identified as part of this work that, despite the scheme being fully insured, it meets requirements to be accounted for as a defined benefit plan under IAS 19 'Employee benefits', primarily due to the legal obligation to accrue interest on the pension accounts and the payment of lifetime pension benefits. An actuarial valuation has been performed to calculate the valuation of the scheme assets and liabilities under IAS 19. Plan assets are measured at fair value and plan liabilities reflect the future benefits of past and current service, discounted to present values. The service cost and interest on the net defined benefit liability are recognised in the income statement and actuarial movements are recognised in other comprehensive income. The impact on the 30 September 2018 statement of financial position was recognition of a net defined benefit obligation of £31 million, and a £5 million deferred tax asset. Retained earnings have reduced by £26 million accordingly. There was also a £2 million reclassification of a pension prepayment from Trade and other receivables into the net defined benefit obligation. There was no material impact on the income statement, other comprehensive income or EPS for the year ended 30 September 2018.

The scheme was recognised with effect from 1 October 2017. The impact on the 1 October 2017 balance sheet is as follows:

	As reported	Adjustment	Restated
Non current assets	4,237	–	4,237
Trade and other receivables	275	(2)	273
Current assets	1,734	(2)	1,732
Current liabilities	(1,670)	–	(1,670)
Deferred tax liability	(249)	5	(244)
Post-employment benefit obligation	–	(27)	(27)
Non-current liabilities	(1,499)	(22)	(1,521)
Net assets	2,802	(24)	2,778
Retained earnings	1,996	(24)	1,972
Equity	2,802	(24)	2,778

1A. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied are summarised below. Unless otherwise stated they have been applied consistently to both years presented. The explanations of these policies focus on areas where judgement is applied or which are particularly significant in the financial statements.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of easyJet plc and its subsidiaries for the years ended 30 September 2018 and 2019. A full list of subsidiaries can be found in the Notes to the Company accounts on page 176.

A subsidiary is an entity controlled by easyJet plc. Control is achieved when easyJet is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power, directly or indirectly, over the investee.

Intragroup balances, transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated accounts.

FOREIGN CURRENCIES

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyJet are presented in Sterling, rounded to the nearest £million, which is the Company's functional currency and the Group's presentation currency. Certain subsidiaries have operations that are primarily influenced by a currency other than Sterling. Exchange differences arising on the translation of these foreign operations are taken to shareholders' equity until all or part of the interest is sold, when the relevant portion of the accumulated exchange gains or losses is recognised in the income statement. Profits and losses of foreign operations are translated into Sterling at average rates of exchange during the year, since this approximates the rates on the dates of the transactions.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling using the rate of exchange ruling at the end of a reporting period and (except where the asset or liability is designated as a cash flow hedge) the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into Sterling at foreign exchange rates ruling at the dates the transactions were effected.

BUSINESS COMBINATIONS

Business combinations in prior years were accounted for by applying the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities were recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over easyJet's interest in the net fair value of the identifiable assets acquired and the liabilities assumed.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over easyJet's interest in the net fair value of the identifiable assets acquired and the liabilities assumed. Goodwill is now stated at cost less any accumulated impairment losses. It has an indefinite expected useful life and is tested for impairment at least annually or where there is any indication of impairment.

Landing rights are stated at cost less any accumulated impairment losses. They are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are observed, and are tested for impairment at least annually or where there is any indication of impairment.

Other intangible assets are stated at cost less accumulated amortisation, which is calculated to write off their cost, less estimated residual value, on a straight-line basis over their expected useful lives. Expected useful lives and residual values are reviewed annually.

	Expected useful life
Computer software	3–7 years

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is 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 lives. Expected useful lives and residual values are reviewed annually.

	Expected useful life
Aircraft[1]	23 years
Aircraft spares	14 years
Aircraft – prepaid maintenance	7-10 years
Leasehold improvements	5-10 years or the length of lease if shorter
Freehold Land	Not depreciated
Fixtures, fittings and equipment	3 years or length of lease of property where equipment is used if shorter
Computer hardware	3-5 years

1. Aircraft held as right of use assets are depreciated over the lease term, see leases section

Residual values, where applicable, are reviewed annually against prevailing market rates at the end of the reporting period for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For aircraft, easyJet is dependent on Airbus as its sole supplier. This gives rise to a valuation risk which crystallises when aircraft exit the fleet, where easyJet is reliant on the future demand for second-hand aircraft.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance and is depreciated over a period ranging from seven to ten years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul of aircraft and engines, are capitalised and depreciated over the length of the period benefiting from these enhancements. All other maintenance costs for owned aircraft are charged to the income statement as incurred.

Pre-delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost. These amounts are not depreciated. Interest attributed to pre-delivery and option payments made in respect of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned.

Gains and losses on disposals (other than aircraft sale and leaseback transactions) are determined by comparing the net proceeds with the carrying amount and are recognised in the income statement.

Freehold land is recorded at cost and not depreciated as it is considered to have an indefinite useful life. It is tested for impairment at least annually or where there is any indication of impairment.

OTHER NON-CURRENT ASSETS

Payments for aircraft and engine maintenance, as stipulated in the respective lease agreements, have historically been made to some lessors as security for the performance of future heavy maintenance works. The payments are recorded within current and non-current assets (as applicable) as receivables from the lessors until the respective maintenance event occurs and the reimbursement with the lessor is finalised. Any payment that is not expected to be reimbursed by the lessor is recognised immediately within operating expenses in the statement of comprehensive income.

IMPAIRMENT OF NON-CURRENT ASSETS

An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's or cash generating unit's fair value less cost to sell and its value in use. Impairment losses recognised on goodwill are not reversed. Impairment losses recognised on assets other than goodwill are only reversed where changes in the estimates used result in an increase in recoverable amount.

FINANCIAL GUARANTEES

If a claim on a financial guarantee given to a third party becomes probable, the obligation is recognised at fair value. For subsequent measurement, the carrying amount is the higher of initial measurement and best estimate of the expenditure required to settle the obligation at the reporting date.

TAX

Tax expense in the income statement consists of current and deferred tax. Tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income or shareholders' equity, in which case it is recognised in other comprehensive income or shareholders' equity. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred tax is provided in full on temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit; and
- deferred tax arising on investments in subsidiaries is not recognised where easyJet is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets represent amounts recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forwards. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which they can be deducted.

Deferred tax liabilities represent the amount of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

PROVISIONS FOR CUSTOMER CLAIMS

Provisions are recognised when a present legal or constructive obligation arises as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Amounts provided for represent the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account all related risks and uncertainties.

Provision is made for passenger compensation claims when the Group has an obligation to recompense customers under Flight Compensation Regulation 261/2004. Provisions are measured based on known eligible events, passengers impacted and historical claim rates.

1A. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

EMPLOYEE BENEFITS

easyJet contributes to defined contribution pension schemes for the benefit of employees (see below for the Swiss scheme treatment). The assets of the schemes are held separately from those of easyJet in independently administered funds. easyJet's contributions are charged to the income statement in the year in which they are incurred. easyJet has no further payment obligations once the contributions have been paid for defined contribution schemes.

The expected cost of compensated annual leave and other employee benefits is recognised at the time that the related employees' services are provided.

Switzerland pension scheme
easyJet contributes to an independently administered post-employment fund for employees in Switzerland. The final benefit is contribution-based with certain minimum guarantees required by Swiss law. Due to these minimum guarantees, the Swiss pension plan meets IAS 19 Employee Benefits' requirements to be treated as a defined benefit plan for the purposes of these consolidated financial statements.

The easyJet portion of the current service costs and the net interest cost are charged to the consolidated income statement in the year in which they relate. Actuarial gains and losses are recognised in the consolidated statement of comprehensive income and the consolidated statement of financial position reflects the net surplus or deficit at the balance sheet date.

The actuarial assumptions used to calculate the defined benefit obligation are based on the requirements set out in IAS 19. They are set by management, based on advice from independent actuaries. The defined benefit obligation is calculated using the projected unit credit method. Cost of managing the plan assets are deducted as incurred in determining the return on plan assets and the present value of projected future general administration expenses that are a direct consequence of past service are included as part of the retirement benefit obligation.

SHARE CAPITAL AND DIVIDEND DISTRIBUTION

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company or employee benefit trust purchases the Company's equity shares, the consideration paid and any directly attributable incremental costs are deducted from retained earnings until the shares are cancelled or re-issued. Proceeds from re-issue are shown as a credit to retained earnings.

easyJet settles share awards under the Long Term Incentive Plan, the Save As You Earn scheme, Restricted Share Plan and Share Incentive Plans by purchasing its own shares on the market through employee benefit trusts. The cost of such purchases is deducted from retained earnings in the period that the transaction occurs.

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

SHARE-BASED PAYMENTS

easyJet has a number of equity-settled share incentive schemes. The fair value of share options granted under the Save As You Earn scheme is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of grants under the Long Term Incentive Plan is measured at the date of grant using the Black-Scholes model for awards based on ROCE performance targets, and the Stochastic model (also known as the Monte Carlo model) for awards based on TSR performance targets. The fair value of all other awards is the share price at the date of grant.

The fair value of the estimated number of options and awards that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees' services are rendered, with a corresponding increase in shareholders' equity. Where non-market performance criteria (such as ROCE) attached to the share options and awards are not met, any cumulative expense previously recognised is reversed. For awards with market-related performance criteria (such as TSR), an expense is recognised irrespective of whether the market condition is satisfied.

The social security obligations payable in connection with grant of the share options are an integral part of the grant itself and the charge is treated as a cash-settled transaction.

SEGMENTAL DISCLOSURES

easyJet has one operating segment, being its route network, based on management information provided to the Airline Management Board, which is easyJet's chief operating decision maker. Resource allocation decisions are made for the benefit of the route network as a whole, rather than for individual routes within the network. Performance of the network is assessed based on the consolidated income statement before tax for the year.

Revenue is allocated to geographic segments on the following bases:

- revenue earned from passengers is allocated according to the location of the first departure airport on each booking; and
- commission revenue earned from partners is allocated according to the domicile of each partner.

1B. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 16 'Leases' and IFRS 9 'Financial Instruments' from 1 October 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

easyJet has adopted IFRS 15 on 1 October 2018 applying the cumulative catch-up ('modified') transition method. The comparative information has not been restated, and the retrospective cumulative impact of IFRS 15 has been recognised within the opening balance of retained earnings as at 1 October 2018.

The standard provides a single model for measuring and recognising revenue arising from contracts with customers. It supersedes all existing revenue requirements in IFRS. Under IFRS 15, revenue is recognised when customers obtain control of goods or services and so are able to direct the use, and obtain the benefits, of those goods or services.

easyJet identified two principal areas which were impacted on adoption of IFRS 15:

- Revenue recognition from certain revenue streams, principally administration and change fees, will be recognised on the date of flight rather than the date of booking. This change results in a higher proportion of annual revenues being recognised in the second half of the financial year.
- Some of the compensation payments made to customers (in respect of flight delays), previously recorded wholly within expenses, are now offset against revenues recognised, with the excess compensation continuing to be recorded within expenses. This presentational change will have no impact on the overall profit for the year.

easyJet continues to report one operating segment, being its route network. The IFRS 15 criteria for revenue disaggregation has been reviewed and it has been determined that no additional disaggregation is appropriate.

Unearned revenue is a contract liability as defined by IFRS 15. In the current year £87 million has been recognised in revenue which was recorded in unearned revenue at the beginning of the year.

ACCOUNTING POLICY FOR REVENUE

easyJet categorises total revenue earned on the face of the income statement between passenger and ancillary revenue. Passenger revenue arises from the sale of flight seats and administration fees and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, as well as revenue arising from commissions earned from services sold on behalf of partners and inflight sales. It is measured as the price paid by the customer for the service booked. Ancillary revenue is recognised when the performance obligation is complete, which is generally when the related flight takes place, with the following exceptions:

- cancellation fees which are recognised when the cancellation is processed; and
- in the case of commission earned from travel insurance, revenue is recognised at the time of booking as easyJet acts solely as appointed representative of the insurance company.

Unearned revenue from flights not yet flown is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete.

Some of the compensation payments made to customers (in respect of flight delays) are offset against revenues recognised up to the amount of the flight, with the excess compensation being recorded within expenses.

IFRS 16 LEASES

IFRS 16 has been early adopted, bringing the timing of adoption in line with IFRS 9 and 15. The standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed.

easyJet has applied the cumulative catch-up ('modified') transition method. The comparative information has not been restated, and the retrospective cumulative impact of IFRS 16 has been recognised within the opening balance of retained earnings as at 1 October 2018. The financial statement impact of IFRS 16 is shown within this note. Refer also to note 10 property plant and equipment and note 16 leases.

On initial adoption, easyJet has elected to use the following practical expedients proposed by the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics, for example aircraft with similar lease term;
- the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- the exclusion of initial direct costs from the measurement of the right of use asset; and
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value continue to be expensed to the income statement on a straight-line basis over the lease term.

Judgements made in applying IFRS 16 include assessing the lease term, identifying the discount rate to be used and assessing maintenance obligations. Further details are given below.

1B. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CAPITALISATION OF LEASE CONTRACTS

Under IFRS 16, easyJet has capitalised the right of use of all aircraft and properties previously held under operating leases. At the date of adoption 84 aircraft and six properties were capitalised. The lease term corresponds to the duration of the contracts signed except in cases where the Group is reasonably certain that it will exercise contractual extension or termination options.

easyJet has recognised a right of use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. Operating lease expenses have been replaced by a depreciation expense on right of use assets recognised and an interest expense as the interest rate implicit in easyJet's lease liabilities unwinds. When the interest rate implicit in the lease is not readily determined, easyJet's incremental borrowing rate has been used.

Finance leases previously capitalised under IAS 17 'Leases' have been reclassified to the right of use asset category under IFRS 16.

ACCOUNTING FOR THE MAINTENANCE OF LEASED AIRCRAFT

easyJet has contractual obligations to maintain aircraft held under leases. Previously, provisions were created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. These costs were discounted to present value with the corresponding income statement charge recognised within maintenance costs and the unwinding of the discount recognised within interest costs.

As at 1 October 2018 and going forward under IFRS 16, contractual maintenance obligations which are not dependent on the use of the aircraft are recognised in full on commencement of the lease. They have been capitalised as part of the right of use asset at the inception of the lease and will be depreciated over the lease term. Contractual maintenance obligations which are dependent on the use of the aircraft will continue to be provided for over the term of the lease based on the estimated future costs, discounted to present value. However they will be capitalised to the right of use asset rather than recognised within maintenance costs in the income statement. This asset will be depreciated immediately as the obligation has arisen as a result of flying hours/cycles already undertaken.

Where an aircraft is sold and leased back, other than when first delivered to easyJet, a maintenance catch-up liability resulting from past flying activity arises at the point the lease agreement is signed and a corresponding maintenance provision catch-up charge was previously recognised immediately in the income statement. Under IFRS 16 this maintenance provision catch-up has been capitalised as part of the right of use asset at the inception of the lease and depreciated over the lease term.

These changes will result in a decrease in maintenance costs and an increase in depreciation expense.

ACCOUNTING POLICY FOR LEASES

Finance leases and operating leases for the comparative period ended 30 September 2018, were recognised and measured in accordance with IAS 17 Leases. The accounting policies set out below are those applied to the current period, in accordance with IFRS 16.

When a contractual arrangement contains a lease easyJet recognises a lease liability and a corresponding right of use asset at the commencement of the lease.

At the commencement date the lease liability is measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate where the interest rate in the lease is not readily determined. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease term is determined from the commencement date of the lease and covers the non-cancellable term. If easyJet has an extension option, which it considers it reasonably certain to exercise, then the lease term will be considered to extend beyond that non-cancellable period. If easyJet has a termination option, which it considers it reasonably certain to exercise, then the lease term will be considered to be until the date of the termination option.

At the commencement date the right of use asset is measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, the right of use asset is measured in accordance with the accounting policy for property, plant and equipment. Adjustment is also made to the right of use to reflect any remeasurement of the corresponding lease liability.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight line over the lease term.

easyJet enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the aircraft's fair value, any gain or loss arising on disposal is recognised in the income statement, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the aircraft's fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

IFRS 9 FINANCIAL INSTRUMENTS

easyJet has adopted IFRS 9 on 1 October 2018 applying the standard prospectively. The standard removes the multiple classification and measurement models for financial assets required by IAS 39 'Financial Instruments: Recognition and Measurement' and instead introduces a model that has three classification categories: amortised cost; fair value through profit or loss and fair value through other comprehensive income. Classification of a debt asset instrument is driven by its cash flow characteristics and the business model in which the asset is held. Equity investments can now be measured at fair value through either the income statement or through other comprehensive income.

Accounting for financial liabilities and for derecognising financial instruments under IFRS 9 is materially consistent with that required by IAS 39. IFRS 9 adds new requirements to address the impairment of financial assets and hedge accounting, which have had an immaterial impact. Existing hedging activities have not materially changed on adoption of the standard. Some changes have been recognised in the classification and measurement of financial instruments, though these changes do not materially impact the financial statements due to the stable nature of the Group's investments. Similarly, easyJet does not have a material impact from the changes to hedge accounting or impairment due to upfront payments from customers and the high credit quality of counterparties with which easyJet transacts. A summary of the changes to the classification and measurement of financial instruments under IFRS 9 is included in note 24.

ACCOUNTING POLICY FOR FINANCIAL INSTRUMENTS

Financial instruments for the comparative period ended 30 September 2018, were recognised and measured in accordance with IAS 39. The accounting policies set out below are those applied to the current period, in accordance with IFRS 9.

Financial instruments are recognised when easyJet becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial assets are also impaired (written-off) when the Group has no reasonable expectation of recovering the financial asset.

With the exception of trade receivables that do not contain a significant financing component, financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, directly attributable transactions costs. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Where market values are not available, the fair value of financial instruments is calculated by discounting expected cash flows at prevailing interest rates and by applying period end exchange rates.

The equity investment in The Airline Group Limited is measured at fair value. Movements in fair value are assessed at each reporting period and recorded in other comprehensive income. The fair value is measured with reference to income and market valuation techniques in line with IFRS 13 'Fair Value Measurement' requirements. See note 24 for further details.

Financial assets measured at amortised cost

Financial assets are classified and measured according to easyJet's business model for managing a specified group of financial assets, and the nature of the contractual cash flows arising from that group of financial assets.

Subsequent to initial recognition, this classification of financial asset is measured at amortised cost using the effective interest rate method.

Financial assets are measured at amortised cost when both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Financial assets measured at amortised cost include refundable lease deposits and other refundable lease contributions, restricted cash, trade and other receivables, money market deposits and cash and cash equivalents (excluding money market funds).

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction.

Cash and cash equivalents comprise cash held in bank accounts with no access restrictions, bank term deposits and tri-party repos all being repayable on demand or maturing within three months of inception.

Money market deposits comprise of term deposits and tri-party repos maturing greater than three months from inception.

1B. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets measured at fair value through profit or loss
Subsequent to initial recognition, this classification of financial asset is measured at fair value through profit or loss.

Financial assets are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss comprise of money market funds.

Financial assets measured at fair value through other comprehensive income
On initial recognition, equity investments, excluding interests in associates, are irrevocably designated as measured at fair value through other comprehensive income. Subsequently they are measured at fair value with changes recognised in other comprehensive income with no recycling of these gains and losses to the income statement.

Impairment of financial assets measured at amortised cost
At each reporting date easyJet recognises a loss allowance for expected credit losses on financial assets measured at amortised cost.

In establishing the appropriate amount of loss allowance to be recognised, easyJet applies either the general approach or the simplified approach, depending on the nature of the underlying group of financial assets.

General approach – impairment assessment
The general approach is applied to the impairment assessment of refundable lease deposits and other refundable lease contributions, restricted cash, money market deposits and cash and cash equivalents.

Under the general approach easyJet recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.

Simplified approach – impairment assessment
The simplified approach is applied to the impairment assessment of trade and other receivables.

Under the simplified approach easyJet always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses.

Non-derivative financial liabilities
Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost, and include trade and other payables and borrowings. Interest expense on borrowings is recognised using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting period date.

Financial liabilities measured at amortised cost
Subsequent to initial recognition, this classification of financial liability is measured at amortised cost using the effective interest rate method.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings.

Derivative financial instruments and hedging activities
Derivative financial instruments are measured at fair value through profit or loss with the exception of derivative financial instruments that are designated as a hedging instrument in a cash flow for hedge relationship.

easyJet uses foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, Euros, Swiss francs and South African rand. These transactions primarily affect revenue, fuel, fixed costs, and the carrying value of owned aircraft. easyJet also uses cross-currency interest rate swaps to hedge currency and interest rate risk on certain borrowings, and jet fuel forward contracts to hedge fuel price risks. Hedge accounting is applied to those derivative financial instruments that are designated as cash flow hedges or fair value hedges.

Fair value hedges
Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk. Any differences between the hedge item and hedge instrument fair valuation is recoded as hedge ineffectiveness as a non-headline item within the income statement.

Fair value changes in the derivative instrument attributable to currency basis are not designated as part of the hedged instrument. Such fair value changes are recognised through other comprehensive income, and are recycled to the income statement on a rational basis, according to the nature of the underlying hedged item.

Cash flow hedges
Gains and losses arising from changes in the fair value of foreign exchange forward, jet fuel forward swaps and cross currency interest rate swap contracts designated as a cash flow hedge are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. Fair value changes in the derivative instrument attributable to currency basis are not designated as part of the hedged instrument. Such fair value changes are recognised through other comprehensive income, and are recycled to the income statement on a rational basis, according to the nature of the underlying hedged item. All other changes in fair value are recognised immediately in the income statement.

When the hedged forecast transaction relates to an item of property, plant and equipment, the relevant accumulated gains and losses are transferred from the hedging reserve and included in the initial carrying amount of that purchased asset. Otherwise they are recognised in the income statement in the same period in which the hedged transaction affects the income statement and against the same line item.

In the event that a hedged forecast transaction is no longer expected to occur, any related gains and losses are immediately transferred from the hedging reserve and recognised in the income statement.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item continues to be expected to occur, the related gains and losses remain deferred in the hedging reserve until the transaction takes place.

Hedge Relationship

The Group determines that the criteria for each hedge accounting relationship are met due to:

- All relationships demonstrate a strong economic correlation;
- The effects of credit do not dominate the change in value of the associated hedged risk; and
- All Group hedge relationships have a hedge ratio of one to one, aligning to the Group's risk management strategy.

IMPACT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 OCTOBER 2018

The following table summarises the impacts of adopting IFRS 9, 15 and 16 on the Group's consolidated statement of financial position as at 1 October 2018.

As at 1 October 2018 £ millions	As reported 30 September 2018 (restated)	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact	Adjusted opening balance sheet
Non-current assets					
Goodwill	365	–	–	–	365
Other intangible assets	181	–	–	–	181
Property, plant and equipment	4,140	–	–	497	4,637
Derivative financial instruments	175	–	–	–	175
Equity investments	–	54	–	–	54
Restricted cash	11	–	–	–	11
Other non-current assets	122	–	–	–	122
	4,994	54	–	497	5,545
Current assets					
Trade and other receivables	406	–	–	(8)	398
Derivative financial instruments	220	–	–	–	220
Money market deposits	348	–	–	–	348
Cash and cash equivalents	1,025	–	–	–	1,025
	1,999	–	–	(8)	1,991
Current liabilities					
Trade and other payables	(1,023)	–	–	9	(1,014)
Unearned revenue	(877)	–	(87)	–	(964)
Borrowings	(9)	–	–	9	–
Lease liabilities	–	–	–	(152)	(152)
Derivative financial instruments	(24)	–	–	–	(24)
Current tax payable	(9)	–	–	–	(9)
Provisions for liabilities and charges	(118)	–	–	(2)	(120)
	(2,060)	–	(87)	(136)	(2,283)
Net current liabilities	(61)	–	(87)	(144)	(292)
Non-current liabilities					
Borrowings	(968)	–	–	89	(879)
Lease liabilities	–	–	–	(477)	(477)
Derivative financial instruments	(7)	–	–	–	(7)
Non-current deferred income	(18)	–	–	12	(6)
Post-employment benefit obligations	(29)	–	–	–	(29)
Provisions for liabilities and charges	(335)	–	–	(18)	(353)
Deferred tax	(343)	–	17	5	(321)
	(1,700)	–	17	(389)	(2,072)
Net assets	3,233	54	(70)	(36)	3,181
Shareholders' equity					
Share capital	108	–	–	–	108
Share premium	659	–	–	–	659
Hedging reserve	299	(5)	–	(2)	292
Cost of hedging reserve	–	4	–	–	4
Translation reserve	1	–	–	–	1
Retained earnings	2,166	55	(70)	(34)	2,117
	3,233	54	(70)	(36)	3,181

1B. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The following tables summarise the impacts of adopting IFRS 9, 15 and 16 on the Group's consolidated income statement for the year ended 30 September 2019, its consolidated statement of financial position as at 30 September 2019, and its consolidated statement of cash flows for the year ended 30 September 2019. There has been an immaterial impact of IFRS 9 adoption on the income statement and cash flow statement.

IMPACT ON THE CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2019 £ millions	As reported	IFRS 15 impact	IFRS 16 impact	Amounts without adoption of IFRS 15 & 16
Passenger revenue	5,009	21	–	5,030
Ancillary revenue	1,376	2	–	1,378
Total revenue	6,385	23	–	6,408
Fuel	(1,416)	–	–	(1,416)
Airports and ground handling	(1,845)	–	(3)	(1,848)
Crew	(859)	–	–	(859)
Navigation	(409)	–	–	(409)
Maintenance	(302)	–	(85)	(387)
Selling and marketing	(157)	–	–	(157)
Other costs	(456)	(18)	(3)	(477)
Other income	29	–	–	29
EBITDAR	970	5	(91)	884
Aircraft dry leasing	(5)	–	(182)	(187)
Depreciation	(484)	–	244	(240)
Amortisation of intangible assets	(15)	–	–	(15)
Operating profit	466	5	(29)	442
Interest receivable and other financing income	24	–	14	38
Interest payable and other financing charges	(60)	–	22	(38)
Net finance charges	(36)	–	36	–
Profit before tax	430	5	7	442
Taxation	(81)	–	–	(81)
Profit for the period	349	5	7	361
Earnings per share, pence				
Basic	88.6			91.6

Interest receivable and other financing income includes a £16 million hedging benefit as a result of management action

IMPACT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 £ millions	As reported	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact	Amounts without adoption of IFRS 9, 15 & 16
Non-current assets					
Goodwill	365	–	–	–	365
Other intangible assets	196	–	–	–	196
Property, plant and equipment	5,163	–	–	(431)	4,732
Derivative financial instruments	126	–	–	–	126
Equity investments	48	(48)	–	–	–
Restricted cash	4	–	–	–	4
Other non-current assets	142	–	–	–	142
	6,044	(48)	–	(431)	5,565
Current assets					
Trade and other receivables	372	–	–	8	380
Derivative financial instruments	147	–	–	(14)	133
Current tax assets	24	–	–	–	24
Money market deposits	291	–	–	–	291
Cash and cash equivalents	1,285	–	–	–	1,285
	2,119	–	–	(6)	2,113
Current liabilities					
Trade and other payables	(1,050)	–	–	(15)	(1,065)
Unearned revenue	(1,069)	–	92	–	(977)
Borrowings	–	–	–	(43)	(43)
Lease liabilities	(219)	–	–	219	–
Derivative financial instruments	(138)	–	–	–	(138)
Current tax payable	–	–	(17)	–	(17)
Provisions for liabilities and charges	(192)	–	–	2	(190)
	(2,668)	–	75	163	(2,430)
Net current liabilities	(549)	–	75	157	(317)
Non-current liabilities					
Borrowings	(1,324)	–	–	(53)	(1,377)
Lease liabilities	(359)	–	–	359	–
Derivative financial instruments	(72)	–	–	–	(72)
Non-current deferred income	(6)	–	–	–	(6)
Post-employment benefit obligations	(47)	–	–	–	(47)
Provisions for liabilities and charges	(397)	–	–	15	(382)
Deferred tax	(305)	–	–	(5)	(310)
	(2,510)	–	–	316	(2,194)
Net assets	2,985	(48)	75	42	3,054
Shareholders' equity					
Share capital	108	–	–	–	108
Share premium	659	–	–	–	659
Hedging reserve	(4)	9	–	2	7
Cost of hedging reserve	8	(8)	–	–	–
Translation reserve	(1)	–	–	–	(1)
Retained earnings	2,215	(49)	75	40	2,281
	2,985	(48)	75	42	3,054

1B. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2019 £ millions	As reported	IFRS 15 impact	IFRS 16 impact	Amounts without adoption of IFRS 15 & 16
Cash flows from operating activities				
Operating profit for the period	466	5	(29)	442
Adjustments for non cash items:				
Depreciation	484	–	(244)	240
Commercial IT platform	(2)	–	–	(2)
Gain on sale and leaseback	(2)	–	–	(2)
Amortisation of intangible assets	15	–	–	15
Share-based payments charge	19	–	–	19
Changes in working capital and other items of an operating nature				
Decrease in trade and other receivables	37	–	–	37
Decrease in trade and other payables	43	–	–	43
Increase in unearned revenue	105	(5)	–	100
Increase/(decrease) in provisions	(3)	–	85	82
Increase in other non-current assets	(20)	–	–	(20)
Decrease in derivative financial instruments	(32)	–	–	(32)
Decrease in non-current deferred income	(12)	–	–	(12)
Cash generated from operating activities	1,098	–	(188)	910
Ordinary dividends paid	(233)	–	–	(233)
Interest and other financing charges paid	(58)	–	21	(37)
Interest and other financing income received	12	–	–	12
Net tax paid	(58)	–	–	(58)
Net cash generated from operating activities	761	–	(167)	594
Cash flows from investing activities				
Purchase of property, plant and equipment	(954)	–	–	(954)
Purchase of intangible assets	(30)	–	–	(30)
Net decrease in money market deposits	52	–	–	52
Net proceeds from sale and leaseback of aircraft	121	–	–	121
Net cash used by investing activities	(811)	–	–	(811)
Purchase of own shares for employee share schemes	(16)	–	–	(16)
Proceeds from Eurobond issue	443	–	–	443
Repayment of capital element of finance leases arising under IAS 17	–	–	(7)	(7)
Repayment of capital element of leases arising under IFRS 16	(174)	–	174	–
Net decrease in restricted cash	7	–	–	7
Net cash used by financing activities	260	–	167	427
Effect of exchange rate changes	50	–	–	50
Net increase in cash and cash equivalents	260	–	–	260
Cash and cash equivalents at beginning of period	1,025	–	–	1,025
Cash and cash equivalents at end of period	1,285	–	–	1,285

1C.CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1C.(I) CRITICAL ACCOUNTING JUDGEMENTS

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

CLASSIFICATION OF INCOME OR EXPENSES BETWEEN HEADLINE AND NON-HEADLINE ITEMS (NOTE 5)

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

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

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

CONSOLIDATION OF EASYJET SWITZERLAND

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

EU CARBON EMISSIONS TAX SCHEME

The EU emissions trading system (ETS) mandates that greenhouse gas producing businesses, such as airlines, offset their carbon footprint by obtaining, and subsequently surrendering carbon allowances ('allowances') by submitting them to the relevant regulator. Airlines can obtain allowances by receiving free allowances from the EU as allocated by the UK government and purchasing allowances from the market.

In December 2018 the EU issued a regulation which stated that aviation operators may not use allowances issued by Member States who have triggered article 50 and notified of their intention to leave the EU. This was implemented to protect the integrity of the carbon allowances market and avoid an inundation of UK free allowances into the market if the EU law did not apply to the UK at the ETS submission date, but free allowances had been allocated. The free allowances allocated to our Austrian and Swiss operations were not impacted and have been received.

As at 30 September 2019 easyJet have recognised a UK ETS liability of £60 million and a UK free allowance asset of £25 million as the EU confirmed the suspension would be lifted automatically in the event of a withdrawal agreement coming into force.

Brexit has now been further delayed. The submission date for ETS allowances relating to 2019 calendar year is 31 December 2019, with settlement on 30 April 2020. Three scenarios are possible as at the due date of submission; firstly the UK could have left the EU with a withdrawal agreement in place. In this case the transition period becomes applicable, meaning the UK will remain subject to the EU ETS scheme for calendar 2019 and 2020 years, and therefore the free allowances automatically become available. Secondly, the UK could have left without a deal, in which case EU law no longer applies and no ETS liability or free allowances apply, as confirmed by the UK Government. In this scenario, de-recognition of the liability and asset relating to ETS may occur. Thirdly, Brexit could be further delayed. In this case easyJet expect to be required to submit allowances to cover the total 2019 ETS liability and receive the related free allowances. Due to the ongoing uncertainty, easyJet have retained the liability and related asset as at 30 September 2019 which is consistent with historic treatment and reflects the conditions as at 30 September 2019.

1C.(II) CRITICAL ACCOUNTING ESTIMATES

The following critical accounting estimates involve a higher degree of judgement or complexity, or are areas where assumptions are significant to the financial statements. The critical accounting estimates concerned are not major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

AIRCRAFT MAINTENANCE PROVISIONS - £526 MILLION (NOTE 18)

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

On recognition of a right of use asset under IFRS 16 a provision is made in the income statement for maintenance not dependent on use of the aircraft, plus maintenance relating to previous use, based on hours or cycles flown, to provide for the cost of these obligations. Contractual obligations which are dependent on the ongoing use of the aircraft will be provided over the term of the lease based on the estimated future costs, discounted to present value. This will be capitalised to the right of use asset rather than recognised in maintenance in the income statement. This asset will be depreciated immediately as the obligation has arisen as a result of flying hours already undertaken. The most critical estimates required are considered to be the utilisation of the aircraft, the expected costs of the heavy maintenance checks at the time which they are expected to occur, the condition of the aircraft, the lifespan of life-limited parts and the rate used to discount the provision.

1C.(II) CRITICAL ACCOUNTING ESTIMATES CONTINUED

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

PROVISIONS FOR CUSTOMER CLAIMS – £50 MILLION (NOTE 18)

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

GOODWILL AND LANDING RIGHTS – £497 MILLION (NOTE 9)

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

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

DEFINED BENEFIT PENSION ASSUMPTIONS – £47 MILLION (NOTE 19)

The Swiss pension scheme meets the requirements under IAS 19 to be recognised as a defined benefit pension scheme and the net pension obligation is recognised on the balance sheet. The measurement of scheme assets and obligations are calculated by an independent actuary in line with IAS 19. The financial and demographic assumptions used in the calculation are determined by management following consultation with the independent actuary with consideration of external market movements and inputs. The calculation is most sensitive to movements in the discount rate applied to the future obligation and a sensitivity analysis is included in note 19.

DERIVATIVE FINANCIAL INSTRUMENTS – £273 MILLION ASSET, £210 MILLION LIABILITY (NOTE 24)

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates. Financial risk management aims to limit these market risks with selected derivative hedging instruments being used for this purpose. The Group hold a number of derivatives and financial instruments including foreign currency forward exchange contracts, jet fuel forward contracts and cross-currency interest rate swap contracts. easyJet's policy is not to speculatively trade derivatives but to use the instruments to hedge anticipated exposure. Given the inherently complex nature of this area the Finance Committee (a committee of the Board) oversees the Group's treasury activities.

1D. NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT APPLIED

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. NET FINANCE CHARGES

	2019 £ million	2018 £ million
Interest receivable and other financing income		
Interest income	(22)	(12)
Net defined benefit interest cost	–	–
Net exchange gains on monetary assets and liabilities[1]	(2)	–
	(24)	(12)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	23	18
Interest payable on finance lease obligations under IAS 17	–	4
Interest payable on lease liabilities under IFRS 16	26	–
Other interest payable	11	8
	60	30
Net finance charges	36	18

1. Included within net exchange gains on monetary assets and liabilities is an £24 million gain relating to the fair value gain on derivatives designated as fair value through profit or loss. See Note 24 for details.

3. PROFIT BEFORE TAX

The following have been included in arriving at profit before tax:

	2019 £ million	2018 £ million
Depreciation of property, plant and equipment		
Owned assets	236	195
Assets held under finance leases arising under IAS 17	–	4
Right of use assets under IFRS 16	248	–
(Gain)/loss on disposal of intangibles, property, plant and equipment	–	4
(Gain)/loss on sale and leaseback	(2)	11
Operating lease rentals arising under IAS 17		
Aircraft	–	154
Other assets	–	7
Lease rentals on short-term and low value leases arising under IFRS 16		
Dry leased aircraft and other low value rentals	11	–
Wet leased aircraft rentals[1]	22	56

1. These are short-term leases where the treatment remains the same under IAS 17 and IFRS 16

In the comparative period ended 30 September 2018 aircraft operating lease rentals of £154 million included only the operating dry lease rental charges recognised in the period, as well as the impact of hedging the USD exposure on these lease rentals.

Wet leased aircraft rentals of £22 million (2018: £56 million) were recognised within other costs. Wet leases are fundamentally different to regular, long-term lease commitments as they are short-term in nature (with terms of less than one year) and they relate to the provision of aircraft, crew, maintenance and insurance ('ACMI').

AUDITORS' REMUNERATION

During the year easyJet incurred fees payable for the audit of the Group and individual accounts from easyJet's auditors and their associates (including foreign partners) totalling £0.4 million (2018: £0.4 million). In addition, easyJet incurred fees in respect of audit related non-audit services totalling £123,500 (2018: audit related fees of £122,600) from its auditors. This includes the fee in respect of the half year review performed.

4. EMPLOYEES

The average monthly number of people employed by easyJet was:

	2019 Number	2018 Number
Flight and ground operations	13,839	12,391
Sales, marketing and administration	912	713
	14,751	13,104

Employee costs for easyJet were:

	2019 £ million	2018 £ million
Wages and salaries	743	669
Social security costs	95	86
Pension costs	87	75
Share-based payments	19	17
	944	847

Key management compensation was:

	2019 £ million	2018 £ million
Short-term employee benefits	6	9
Share-based payments	3	2
Termination payments	–	2
	9	13

The Directors of easyJet plc and the other members of the Airline Management Board are easyJet's key management as they have collective authority and responsibility for planning, directing and controlling the business.

Share-based payment charges arising during the prior year in respect of grants to key management personnel were offset by credits recognised on certain forfeitures arising from bad leavers and from downward revisions to some LTIP forecast vesting percentages.

Emoluments paid or payable to the Directors of easyJet plc was:

	2019 £ million	2018 £ million
Remuneration	3	4
	3	4

Details of Directors' remuneration are disclosed in the Directors' remuneration report on pages 96 to 115.

5. NON-HEADLINE ITEMS

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

	Year ended 30 September 2019 £ million	Year ended 30 September 2018 £ million
Commercial IT platform (credit)/charge	(2)	65
Tegel Integration	–	40
Sale and leaseback (gain)/charge	(2)	19
Brexit-related costs	4	7
Organisational review	–	1
Recognised in operating profit	–	132
Fair value adjustment	(1)	1
Balance sheet foreign exchange gain	(2)	–
Total non-headline charge/(credit) before tax	(3)	133
Tax on non-headline items	3	(25)
Total non-headline charge/(credit) after tax	–	108

COMMERCIAL IT PLATFORM CREDIT

At the end of 2018, a one-off charge of £65 million was recognised in relation to our IT commercial platform. This charge included a £60 million write down of costs previously capitalised, along with an additional £5 million accrual for close down costs.

During 2019, only £3 million of the close down accrual was utilised, mainly due to staff being redeployed and anticipated compromise agreements not being required. Therefore the remaining £2 million has been released back to the income statement.

TEGEL INTEGRATION

There were no further one-off integration costs in relation to the operations in Tegel classified as non-headline in 2019. In 2018, the main drivers of the £40 million integration expenses were from engineering costs, dry leasing and transaction costs.

SALE AND LEASEBACK (GAIN)/CHARGE

During the year, easyJet completed the sale and leaseback of 10 A319 aircraft (2018: 10). The net income statement impact of the 10 sale and leasebacks was a £2 million gain (2018: £19 million loss).

In 2018 (before the adoption of IFRS 16), the charge was split between a loss on disposal of £11 million and a maintenance provision catch-up of £8 million. Under IFRS 16, the maintenance provision catch-up is now capitalised within the right of use asset rather than being recognised as part of the gain or loss on disposal. As the 2019 aircraft were sold at mid-life, there was no maintenance provision catch-up required.

BREXIT-RELATED COSTS

Following the UK's referendum vote to leave the EU easyJet has established a multi AOC structure, helping to secure flying rights for the portion of our network that remains wholly within and between EU states, excluding the UK.

In 2019 easyJet incurred further expenses of £4 million (2018: £7 million), with the primary drivers being re-registering aircraft and pilot licences, as well as legal costs.

ORGANISATIONAL REVIEW

There were no further organisational review costs classified as non-headline during 2019 as the project ceased in 2018.

FAIR VALUE ADJUSTMENT

This relates to hedge accounting ineffectiveness for items held in fair value and cash flow hedge relationships.

This arises as the value of hedged items are adjusted for changes in fair value attributable to the hedged risks, which are not perfectly offset by the fair value change on the hedging instruments due to factors such as in counterparty credit risk, cash flow timing or amount changes.

Hedge ineffectiveness causes temporary volatility to the income statement; over the life of the contract it nets out to zero and has no cash flow impact. Therefore, it is presented as a 'non-headline' item.

BALANCE SHEET FOREIGN EXCHANGE (GAIN)/LOSS

This relates to foreign exchange gains or losses arising from the re-translation of monetary assets and liabilities held in the statement of financial position.

The (gain)/loss from balance sheet revaluations fluctuates each month, being driven by exchange rate movements which are unrelated to the trend in the underlying performance of our ongoing business, so are excluded from headline costs.

6. TAX CHARGE

Tax on profit on ordinary activities:

	2019 £ million	2018 £ million
Current tax		
United Kingdom corporation tax	16	57
Foreign tax	9	7
Adjustments in respect of prior years	–	(16)
Total current tax charge	25	48
Deferred tax		
Temporary differences relating to property, plant and equipment	49	39
Other temporary differences	7	(20)
Adjustments in respect of prior years	–	20
Total deferred tax charge	56	39
Total tax charge	81	87
Effective tax rate	18.9%	19.7%

RECONCILIATION OF THE TOTAL TAX CHARGE

The tax for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK as set out below:

	2019 £ million	2018 £ million
Profit before tax	430	445
Tax charge at 19.0% (2018: 19.5%)	82	85
Income not chargeable for tax purposes	(1)	(1)
Expenses not deductible for tax purposes	1	1
Share-based payments	3	2
Adjustments in respect of prior years – current tax	–	(16)
Adjustments in respect of prior years – deferred tax	–	20
Difference in applicable rates for current and deferred tax	(6)	(5)
Attributable to rates other than standard UK rate	1	1
Early adoption of accounting standards not impacting taxation	1	–
	81	87

Current tax recoverable at 30 September 2019 amounted to £24 million (2018: current tax payable £9 million). This related to £29 million of tax recoverable in the UK (2018: tax payable £12 million) and £5 million (2018: £3 million) of tax payable in other European jurisdictions.

During the year ended 30 September 2019, net cash tax paid amounted to £58 million (2018: £74 million).

TAX ON ITEMS RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME OR SHAREHOLDERS' EQUITY

	2019 £ million	2018 £ million
Charge to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	69	(60)
Deferred tax on post-employment benefit	3	–

6. TAX CHARGE CONTINUED

DEFERRED TAX

The net deferred tax liability in the statement of financial position is as follows:

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/(losses) £ million	Share-based payments £ million	Post-employment benefit obligation £ million	Total £ million
As at 30 September 2018	259	14	83	(8)	(5)	343
Adjustments arising on adoption of IFRS 15 and 16	–	(22)	–	–	–	(22)
At 1 October 2018	259	(8)	83	(8)	(5)	321
Charged to income statement	49	7	–	–	–	56
Charged to other comprehensive income	–	–	(69)	–	(3)	(72)
At 30 September 2019	308	(1)	14	(8)	(8)	305

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/(losses) £ million	Share-based payments £ million	Post-employment benefit obligation £ million	Total £ million
At 1 October 2017	199	33	23	(6)	(5)	244
Charged to income statement	60	(19)	–	(2)	–	39
Credited to other comprehensive income	–	–	60	–	–	60
At 30 September 2018	259	14	83	(8)	(5)	343

It is estimated that deferred tax assets of approximately £6 million (2018: deferred tax assets of £6 million) will reverse during the next financial year.

It is estimated that deferred tax liabilities of approximately £3 million (2018: deferred tax liabilities of £5 million) will reverse during the next financial year.

7. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the total profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee benefit trusts.

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares.

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

Earnings per share is based on:

	2019 £ million	2018 £ million
Headline profit for the year	349	466
Total profit for the year	349	358

	2019 million	2018 million
Weighted average number of ordinary shares used to calculate basic earnings per share	393	394
Weighted average number of dilutive potential shares	4	3
Weighted average number of ordinary shares used to calculate diluted earnings per share	397	397

Earnings per share	2019 pence	2018 pence
Basic	88.6	90.9
Diluted	87.8	90.2

Headline earnings per share	2019 pence	2018 pence
Basic	88.7	118.3
Diluted	87.8	117.4

8. DIVIDENDS

An ordinary dividend in respect of the year ended 30 September 2019 of 43.9 pence per share, or £174 million, based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 58.6 pence per share, or £233 million, in respect of the year ended 30 September 2018 was paid in the year ending 30 September 2019. An ordinary dividend of 40.9 pence per share, or £162 million, in respect of the year ended 30 September 2017 was paid in the year ended 30 September 2018.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

		Other intangible assets		
	Goodwill £ million	Landing Rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2018	365	129	86	215
Additions	–	3	27	30
Disposals	–	–	(13)	(13)
At 30 September 2019	365	132	100	232
Amortisation				
At 1 October 2018	–	–	34	34
Charge for the year	–	–	15	15
Disposals	–	–	(13)	(13)
At 30 September 2019	–	–	36	36
Net book value				
At 30 September 2019	365	132	64	196
At 1 October 2018	365	129	52	181

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2017	365	94	115	209
Additions	–	35	46	81
Disposals	–	–	(75)	(75)
At 30 September 2018	365	129	86	215
Amortisation				
At 1 October 2017	–	–	30	30
Charge for the year	–	–	15	15
Disposals	–	–	(11)	(11)
At 30 September 2018	–	–	34	34
Net book value				
At 30 September 2018	365	129	52	181
At 1 October 2017	365	94	85	179

easyJet has one cash generating unit, being its route network. The recoverable amount of goodwill and other assets with indefinite expected useful lives has been determined based on value in use calculations of the route network.

Pre-tax cash flow projections have been derived from the strategic plan presented to the Board for the period up to 2024, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	7.2%
Fuel price (US dollars per metric tonne)	650
Long-term economic growth rate	2.0%
Exchange rates:	
US dollar	1.30
Euro	1.13
Swiss franc	1.30

9. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

Both fuel price and exchange rates are volatile in nature, and the assumptions used represent management's view of reasonable average rates. Operating margins are sensitive to significant changes in these rates.

Cash flow projections beyond the forecast period have been extrapolated using an estimated average of long-term economic growth rates for the principal countries in which easyJet operates. The impairment model is sensitive to a sustained significant adverse movement in foreign currency exchange rates.

No reasonably possible combination of changes to the key assumptions above, including spot rates as at 30 September 2019 for fuel and foreign exchange, would result in the carrying value of the cash-generating unit exceeding its recoverable amount.

10. PROPERTY, PLANT AND EQUIPMENT

	Owned assets			Assets held as finance leases under IAS 17	Right of use assets held under leasing arrangements under IFRS 16		Total
	Aircraft and spares £ million	Land and buildings £million	Other £ million	Aircraft and spares £ million	Aircraft and spares £ million	Other £ million	Total £ million
Cost							
At 30 September 2018	4,964	–	67	103	–	–	5,134
Recognised on adoption of IFRS 16	–	–	–	(103)	1,125	32	1,054
At 1 October 2018	4,964	–	67	–	1,125	32	6,188
Additions	905	34	15	–	125	2	1,081
Aircraft sold and leased back	(149)	–	–	–	48	–	(101)
Disposals	–	–	(6)	–	–	–	(6)
At 30 September 2019	5,720	34	76	–	1,298	34	7,162
Depreciation							
At 30 September 2018	946	–	18	30	–	–	994
Recognised on adoption of IFRS 16	–	–	–	(30)	575	12	527
At 1 October 2018	946	–	18	–	575	12	1,551
Charge for the year	232	–	5	–	243	4	484
Aircraft sold and leased back	(31)	–	–	–	–	–	(31)
Disposals	–	–	(5)	–	–	–	(5)
At 30 September 2019	1,147	–	18	–	818	16	1,999
Net book value							
At 30 September 2019	4,573	34	58	–	480	18	5,163
At 1 October 2018	4,018	–	49	–	550	20	4,637
At 30 September 2018	4,018	–	49	73	–	–	4,140

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

Information presented for the comparative period ended 30 September 2018, is presented in accordance with IAS 17. Information presented for the current period ended 30 September 2019, is presented in accordance with IFRS 16.

The net book value of aircraft includes £286 million (2018: 283 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £71 million (2018: £73 million) which were classified as finance leases in 2018 are now included within the right of use asset created on adoption of IFRS 16 as at 1 October 2018. Right of use assets with a net book value of £497 million were recognised as at that date which were previously treated as operating leases.

easyJet is contractually committed to the acquisition of 110 (2018: 115) Airbus A320 family aircraft, with a total list price* of US$13.0 billion (2018: US$13.2 billion) before escalations and discounts for delivery in financial years 2020 (22 aircraft), in 2021 (26 aircraft), in 2022 (27 aircraft) and in 2023 (35 aircraft).

The 'Other' categories comprise of leasehold improvements, computer hardware, leasehold property and fixtures, fittings and equipment.

During the 2019 financial year we purchased land in Luton, UK with the intention to build a new head office.

* Airbus no longer publishes list prices. The estimated list price is based on the last available list price published in January 2018 and escalated by Airbus' standard escalation from January 2018 to January 2019 of 3.7%.

11. OTHER NON-CURRENT ASSETS

	2019 £ million	2018 £ million
Lessor maintenance contributions	107	88
Deferred consideration and deposits held by aircraft lessors	25	25
Recoverable supplemental rent (pledged as collateral)	9	7
Other	1	2
	142	122

Lessor maintenance contribution assets arise to compensate easyJet for the delivery of a mid-life aircraft, where a lessor has agreed to make a contribution to easyJet's maintenance costs to reflect the cycles already flown by the aircraft at the point it is delivered to easyJet. Depending on the contract terms, payment will be made either at the maintenance event date or at the lease return date.

12. TRADE AND OTHER RECEIVABLES

	2019 £ million	2018 £ million
Trade receivables	80	112
Less provision for loss allowance	(1)	(1)
	79	111
Prepayments and accrued income	247	215
Recoverable supplemental rent (pledged as collateral)	1	24
Other receivables	45	56
	372	406

With respect to trade receivables that are neither impaired nor past due, there are no indications at the reporting date that the payment obligations will not be met. Amounts due from trade receivables are short-term in nature and largely comprise credit card receivables due from highly rated financial institutions and, accordingly, the possibility of significant default is considered to be unlikely.

13. CASH AND MONEY MARKET DEPOSITS

	2019 £ million	2018 £ million
Cash and cash equivalents (original maturity less than three months)	1,285	1,025
Money market deposits (original maturity more than three months)	291	348
Non-current restricted cash	4	11
	1,580	1,384

Interest rates on money market deposits and restricted cash are repriced within 365 days based on prevailing market rates of interest. Carrying value is not significantly different from fair value.

Restricted cash comprises:	2019 £ million	2018 £ million
Aircraft operating lease deposits	–	7
Amount held in escrow accounts for legal cases	4	4
	4	11

14. TRADE AND OTHER PAYABLES

	2019 £ million	2018 £ million
Trade payables	339	329
Accruals	598	574
Leased aircraft – surplus on sale and leaseback	–	7
Taxes and social security	27	26
Other payables	86	87
	1,050	1,023

15. BORROWINGS AND LEASE LIABILITIES

	Current £ million	Non-current £ million	Total £ million
At 30 September 2019			
Eurobond	–	1,324	1,324
Lease liabilities arising under IFRS 16	219	359	578
	219	1,683	1,902

	Current £ million	Non-current £ million	Total £ million
At 30 September 2018			
Eurobond	–	879	879
Finance lease liabilities arising under IAS 17	9	89	98
	9	968	977

Information presented for the comparative period ended 30 September 2018, is presented in accordance with IAS 17 Leases. Information presented for the current period ended 30 September 2019, is presented in accordance with IFRS 16 Leases.

Finance lease obligations relate to aircraft and bear interest partly at fixed rates and partly at variable rates linked to USD LIBOR.

The maturity profile of borrowings is set out in note 27.

On 7 January 2016, the UK Listing Authority approved a prospectus relating to the establishment of a £3,000 million Euro Medium Term Note Programme of easyJet plc. The prospectus under this programme has subsequently been updated with the latest version being issues on 5 February 2019. Under this programme, on 9 February 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750%. On 18 October 2016 easyJet plc issued additional notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.125%. On 11 June 2019 easyJet plc issued additional notes amounting to €500 million for a six-year term with a fixed annual coupon rate of 0.875%.

The €500 million Eurobond issued on 9 February 2016 was designated as the hedged item in an effective fair value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling floating rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2019 was £378 million. See note 27 for additional details.

The €500 million Eurobond issued on 18 October 2016 was designated as the hedged item in an effective cash flow value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2019 was £446 million. See note 27 for additional details.

The €500 million Eurobond issued on 11 June 2019 was designated as the hedged item in an effective cash flow value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2019 was £448 million. See note 27 for additional details.

On 10 February 2015 easyJet signed a $500 million revolving credit facility with a minimum five-year term. The facility is due to mature in February 2022.

On 1 August 2018 easyJet signed a £250 million revolving credit facility with a two-year term. This facility was cancelled in June 2019 following the bond issue in the same month.

16. LEASES

Information presented in this note is in respect of the current period ended 30 September 2019 and is presented in accordance with IFRS 16. Information in respect of the comparative period ended 30 September 2018 is presented in accordance with IAS 17.

easyJet holds aircraft under leasing arrangements that are recognised as right of use assets and lease liabilities, with remaining lease terms ranging up to eight years. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in note 1.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 10 to these financial statements. Information in respect of the carrying value and interest arising on lease liabilities is set out in note 24 and note 2 respectively. A maturity analysis of lease liabilities is set out below.

easyJet also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the period in relation to these leases is disclosed in note 3.

The weighted average incremental borrowing rate applied to the lease liabilities in the statement of financial position at the initial adoption on 1 October 2018 was 4.38%.

Amounts recognised in the statement of cash flows	30 September 2019 £ million
Repayment of capital element of leases	(174)

Reconciliation to prior year operating lease commitment	As at 1 October 2018 £ million
Operating lease commitments as disclosed at 30 September 2018	601
Reconciling items:	
Effect of discounting (at incremental borrowing rate as at 1 October 2018)	(84)
Adjustment for options reasonably certain to be exercised	14
Finance lease liabilities recognised as at 30 September 2018 under IAS 17	98
Lease liabilities as at 1 October 2018	629

Lease liabilities	30 September 2019 £ million
Maturity analysis – contractual undiscounted cash flows	
Less than one year	(230)
One to five years	(343)
More than five years	(64)
	(637)

Lease liabilities included in the statement of financial position	30 September 2019 £ million
Current	(219)
Non-current	(359)
Total	(578)

Amounts recognised in income statement	30 September 2019 £ million
Interest on lease liabilities adopted under IFRS 16	26
Expenses relating to short-term and low value leases (excluding wet leases)	11
Expenses relating to short-term wet leases	22
	59

17. NON-CURRENT DEFERRED INCOME

The balance for the comparative period ending 30 September 2018 principally comprised the non-current surplus of sale proceeds over fair value of aircraft that have been sold and leased back under operating leases. Following the adoption of IFRS 16, the surplus should be recognised as additional financing provided by the lessor and has therefore been reclassified to lease liabilities within the opening balances.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Maintenance provision £ million	Provisions for customer claims £ million	Other provisions £ million	Total provision £ million
At 30 September 2018	392	61	–	453
Recognised on adoption of IFRS 16	20	–	–	20
At 1 October 2018	412	61	–	473
Exchange adjustments	23	–	–	23
Charged to income statement	90	141	13	244
Unwinding of discount	19	–	–	19
Utilised	(18)	(152)	–	(170)
At 30 September 2019	526	50	13	589

Provisions for customer claims comprise amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Other provisions include amounts in respect of potential liabilities for employee-related matters.

	2019 £ million	2018 £ million
Current	192	118
Non-current	397	335
	589	453

Maintenance provisions are expected to be utilised within ten years. Provisions for customer claims and other provisions are expected to be utilised within one year.

19. PENSIONS

Due to the minimum guarantees in place under Swiss law, the Swiss pension plan meets IAS 19 requirements to be treated as a defined benefit plan under IAS 19 despite the scheme having many attributes akin to a defined contribution scheme. The Swiss Federal Council requires that a guaranteed minimum interest rate must be achieved (currently 1%), plus a guaranteed minimum conversion rate to be applied to accumulated pension on retirement (currently 6.8%). These guarantees mean that the scheme is accounted for as a defined benefit scheme under IAS 19. The scheme remains open to new employees.

The easyJet portion of the current service costs and the net interest cost are charged to the consolidated income statement in the year in which they relate. Net interest is determined by multiplying the net defined benefit liability by the discount rate at the start of the annual reporting period, adjusted for any contributions and benefit payments in the period. Actuarial gains and losses are recognised in the consolidated statement of comprehensive income and the consolidated balance reflects the net surplus or deficit at the balance sheet date.

The defined benefit obligation is calculated using the projected unit credit method. This reflects service rendered by employees to the dates of valuation and incorporates actuarial assumptions including discount rates used in determining the present value of benefits, projected rates of remuneration growth and mortality rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields of high-quality corporate bonds. Management base the discount rate on the bond yield on the Swiss bond market over 15 to 20 years, reflecting the currency in which the benefits will be paid, and maturity terms approximating to the terms of the related pension obligation.

The key financial assumptions used to calculate the Swiss scheme liabilities under IAS 19 as at 30 September were:

	2019	2018
Discount rate	0.05%	1.10%
Salary increase	1.00%	1.00%
Demographic assumptions	BVG 2015 GT	BVG 2015 GT

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions including mortality assumptions used for the liability calculation are based on the most recent BVG 2015 tables. These tables are based on the experience during the period 2010 to 2014 on 15 of the largest autonomous Swiss pension plans and are considered to be the best estimate available to management.

SENSITIVITIES

The scheme asset values are sensitive to market conditions. The scheme liabilities are sensitive to actuarial assumptions used to determine the scheme obligations. Changes in these assumptions could have a material impact on the consolidated statement of financial position. The main assumptions are the discount rate, the rate of salary increase and the life expectancy rate. The following table provides an estimate of the potential impact on the pension scheme of changing these assumptions:

		Increase/(decrease) in defined benefit obligation	
		2019	2018
Discount rate	+0.5%	(7.6%)	(7.0%)
	-0.5%	8.8%	8.0%
Salary increase	+0.5%	1.2%	0.7%
	-0.5%	(1.1%)	(0.6%)
Life expectancy	+1 year	0.6%	0.4%
	-1 year	(0.7%)	(0.4%)

easyJet has an affiliation contract with Swiss Life Collective BVG Foundation. The assets of all affiliated companies are pooled which diversifies the associated risk and the scheme assets represent the share in this Collection Foundation. The Collective controls the asset management, is exposed to the risk and guarantees the savings capitals under the contract in place. The Board of Trustees with the elected employees' and employers' representatives decide the investment strategy. The current agreement is "fully insured" by Swiss Life, which means that all underfunding, investment and longevity risks are transferred from easyJet to Swiss Life over the term of the policy i.e. over the term of the policy when members retire, all payments are the liability of the pension scheme.

The amounts recognised in the consolidated income statement are as follows:

	2019 £ million	2018 £ million
Current service costs – defined benefit	7	7
Interest cost on net defined benefit obligation	1	1
Interest income on defined benefit asset	(1)	(1)
Administration cost	–	–
Net defined benefit cost recognised in income statement	7	7

Amounts recognised in other comprehensive income:

	2019 £ million	2018 £ million
Actuarial loss/(gain)	18	2
(Return) on plan assets	(1)	–
Recognised in the statement of other comprehensive income	17	2

Movement in net deficit in the year:

	£ million	£ million
Net deficit of the plan at 1 October	29	27
Net defined benefit cost recognised in income statement	7	7
Net defined benefit cost/(gain)recognised in OCI	17	2
Company contributions	(7)	(7)
Foreign exchange	1	–
Statement of financial position net deficit at 30 September	47	29

The net deficit recognised in the statement of financial position includes a prepayment for cash paid over to Swiss Life in advance and not yet utilised in the pension scheme.

Expected employer cash contribution from the company in 2020 financial year is expected to be CHF 8 million.

19. PENSIONS CONTINUED

Changes in the present value of the defined benefit obligation are as follows:

	2019 £ million	2018 £ million
Present value of obligation at 1 October	118	106
Current service cost	7	7
Administration costs	–	–
Member contributions	4	3
Interest costs on defined benefit obligation	1	1
Contributions paid by plan participants	2	6
Benefit payments from scheme assets	(6)	(7)
Actuarial (gain)/loss arising from financial adjustments	16	2
Actuarial (gain)/loss arising from experience adjustments	2	–
Foreign exchange	3	–
Present value of obligation at 30 September	147	118

Changes in the fair value of the scheme assets are as follows:

	2019 £ million	2018 £ million
Fair value of the scheme asset as at 1 October	89	79
Interest income on the defined benefit plan assets	1	1
Contributions paid by company	7	7
Contributions paid by employees	4	3
Contributions paid by plan participants	2	6
Benefits paid from plan assets	(6)	(7)
Return on plan assets	1	–
Foreign exchange	2	–
Fair value of the scheme asset as at 30 September	100	89

	2019	2018
Number of active participants	1,067	950
Average age of active insured members in years	38	38
Average time remaining before active employees reach final age in years	10	10
Average active life expectancy in years	55	55
Average years of service in years	8	8

The weighted average duration of the defined benefit obligation of the Swiss pension scheme is 16 years (2018: 15 years).

MATURITY PROFILE OF DEFINED BENEFIT OBLIGATION

Expected benefit payments during financial year ending 30 September 2019 plus:

	£m
1 year	7
2 years	6
3 years	8
4 years	8
5 years	7
6 up to 10 years	38

20. SHARE CAPITAL

	Number 2019 million	Number 2018 million	Nominal value 2019 £ million	Nominal value 2018 £ million
Authorised				
At 30 September 2019 and 30 September 2018				
Ordinary shares of 27 2/7 pence each	458	458	125	125
Allotted, called up and fully paid				
At 30 September 2019 and 30 September 2018	397	397	108	108

There was no new share capital issued in the year.

easyJet's employee benefit trusts hold the following shares. The cost of these has been deducted from retained earnings:

	2019	2018
Number of shares (million)	2	2
Cost (£ million)	30	26
Market value at year end (£ million)	27	23

21. SHARE INCENTIVE SCHEMES

easyJet operates the following share incentive schemes, all of which are equity settled. The change in the number of awards outstanding and weighted average exercise prices during the year, and the number exercisable at each year end were as follows:

Grant date	1 October 2018	Granted	Forfeited million	Exercised million	30 September 2019 million
Long Term Incentive Plan					
17 December 2013	0.1	–	–	–	0.1
19 December 2014	0.1	–	–	–	0.1
18 December 2015	0.3	–	(0.3)	–	–
19 December 2016	0.6	–	(0.2)	–	0.4
19 December 2017	0.8	–	(0.2)	–	0.6
19 December 2018	–	1.4	(0.1)	–	1.3
Restricted Share Plan					
19 December 2016	0.1	–	–	–	0.1
Save As You Earn scheme					
1 July 2015	0.2	–	(0.1)	–	0.1
1 July 2016	0.6	–	(0.1)	–	0.5
1 July 2017	2.2	–	(0.7)	–	1.5
1 July 2018	0.9	–	(0.5)	–	0.4
1 July 2019	–	4.5	(0.1)	–	4.4
Share Incentive Plans	3.8	1.9	(0.2)	(0.4)	5.1
	9.7	7.8	(2.5)	(0.4)	14.6

Weighted average exercise prices are as follows:

	1 October 2018	Granted	Forfeited	Exercised	30 September 2019
Save As You Earn scheme	11.20	8.02	11.38	–	9.09

The exercise price of all awards save those disclosed in the above table is £nil.

The number of awards exercisable at each year end and their weighted average exercise price is as follows:

	Price £ 2019	Price £ 2018	Number million 2019	Number million 2018
Long Term Incentive Plan	–	–	0.2	0.2
Restricted Share Plan	–	–	0.1	–
Save As You Earn scheme	11.98	13.23	0.6	0.2
			0.9	0.4

The weighted average remaining contractual life for each class of share award at 30 September 2019 is as follows:

	Years
Long Term Incentive Plan	8.3
Restricted Share Plan	7.2
Save As You Earn scheme	2.6

21. SHARE INCENTIVE SCHEMES CONTINUED

LONG TERM INCENTIVE PLAN

The plan is open, by invitation, to Executive Directors and Senior Management, and provides for annual awards of Performance Shares worth up to 250% of salary each year. The vesting of these shares is dependent on return on capital employed (ROCE), earnings per share (EPS) and total shareholder return (TSR) targets compared to FTSE-ranked companies at the start of the performance period. All awards have a three-year vesting period. 2019 awards are assessed on performance conditions measured over the three financial years ended 30 September 2021.

RESTRICTED SHARE PLAN

Granted in December 2016, the plan is open by invitation, to certain senior managers. The vesting of these shares is dependent on remaining in employment for a period of two years.

SAVE AS YOU EARN SCHEME

The scheme is open to all employees on the UK payroll. Participants may elect to save up to £500 per month under a three year savings contract. An option is granted by the Company to buy shares at a discount of 20% from market price at the time of the grant. At the end of the savings period, the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may participate in the scheme under similar terms and conditions, albeit without the same tax benefits.

SHARE INCENTIVE PLAN

The plan is open to all employees on the UK payroll. Participants may invest up to £1,800 of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired, easyJet purchases a matching share up to a maximum value of £1,500 per annum. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends on shares purchased, and to vote at shareholder meetings.

Subject to Company performance, easyJet also issues free shares to UK employees under an approved share incentive plan of up to £3,000 per annum in value. There is a similar unapproved free shares scheme for international employees.

The fair value of grants under the Save As You Earn scheme are calculated by applying the Binomial Lattice option pricing model. The fair value of grants under the TSR based Long Term Incentive Plan is estimated under the Stochastic model (also known as the Monte Carlo model). The fair value of grants under all other schemes is the share price on the date of grant. The following assumptions are used:

Grant date	Share price £	Exercisel price £	Expected volatility %	Option life years	Risk-free interest rate %	Fair value £
Long Term Incentive Plan						
18 December 2012 – ROCE	7.37	–	–	–	–	6.92
18 December 2012 – TSR	7.37	–	33%	3.0	0.44%	5.16
17 December 2013 – ROCE	14.99	–	–	–	–	14.99
17 December 2013 – TSR	14.99	–	31%	3.0	0.76%	9.83
19 December 2014 – ROCE	16.52	–	–	–	–	16.52
19 December 2014 – TSR	16.52	–	29%	3.0	0.78%	11.65
18 December 2015 – ROCE	17.13	–	–	–	–	17.13
18 December 2015 – TSR	17.13	–	29%	3.0	0.81%	9.69
19 December 2016 – ROCE	10.43	–	–	–	–	10.43
19 December 2016 – TSR	10.43	–	35%	3.0	1.40%	5.21
19 December 2017 – ROCE	13.77	–	–	–	–	13.77
19 December 2017 – EPS	13.77	–	–	–	–	13.77
19 December 2017 – TSR	13.77	–	34%	3.0	1.15%	6.89
19 December 2018 – ROCE	10.78	–	–	–	–	10.78
19 December 2018 – EPS	10.78	–	–	–	–	10.78
19 December 2018 – TSR	10.78	–	47%	3.0	1.27%	5.39
Restricted Share Plan						
19 December 2016	10.43	–	–	–	–	10.43
Save As You Earn scheme						
1 July 2014	16.62	13.30	33%	3.5	1.64%	5.03
1 July 2015	16.54	13.23	31%	3.5	0.95%	4.42
1 July 2016	14.98	11.98	35%	3.5	0.20%	4.28
1 July 2017	12.11	9.69	31%	3.5	0.42%	2.84
1 July 2018	17.43	13.94	30%	3.5	0.88%	4.41
1 July 2019	10.03	8.02	33%	3.5	0.67%	2.70

Share price for LTIPs is the closing share price from the last working day prior to the date of grant.

Exercise price for the Save As You Earn scheme is set at a 20% discount from the share price at grant date.

Expected volatility is based on historical volatility over a period comparable to the expected life of each type of option.

Levels of early exercises and forfeitures are estimated using historical averages.

The weighted average fair value of matching shares granted under the Share Incentive Plan during the year was £10.97 (2018: £15.44).

For grants under the Save As You Earn scheme, the dividend yield assumption is calculated based on the actual yield at the date of grant. For the options granted in 2019, the dividend yield assumption was 4.5% (2018: 3.2%; 2017: 4.2%; 2016: 3.5%; 2015: 2.75%; 2014: 2%).

The total share-based payment expense recognised for the year was £19 million (2018: £17 million).

22. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2019 £ million	2018 £ million
Operating profit	466	463
Adjustments for non-cash items:		
Depreciation	484	199
Loss on disposal on intangibles	–	4
Commercial IT platform (credit)/charge	(2)	60
(Gain)/loss on sale and leaseback	(2)	11
Amortisation of intangible assets	15	15
Share-based payments	19	17
Changes in working capital and other items of an operating nature:		
Decrease/(increase) in trade and other receivables	37	(130)
Increase in trade and other payables	43	303
Increase in unearned revenue	105	150
(Decrease)/increase in provisions	(3)	121
Increase in other non-current assets	(20)	(48)
(Decrease)/increase in derivative financial instruments	(32)	57
Decrease in non-current deferred income	(12)	(7)
Cash generated from operations	1,098	1,215

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	1 October 2018 £ million	IFRS 16 implementation £ million	Fair value and foreign exchange £ million	Loan issue costs capitalised and lease changes[1] £ million	Net cash flow £ million	30 September 2019 £ million
Cash and cash equivalents	1,025	–	50	–	210	1,285
Money market deposits	348	–	(5)	–	(52)	291
	1,373	–	45	–	158	1,576
Eurobond	(879)	–	(8)	6	(443)	(1,324)
Finance lease obligations under IAS 17	(98)	98	–	–	–	–
Lease liabilities arising under IFRS 16	–	(629)	(43)	(80)	174	(578)
	(977)	(531)	(51)	(74)	(269)	(1,902)
Net cash/(debt)	396	(531)	(6)	(74)	(111)	(326)

1. Lease changes includes new sale and leasebacks and lease extensions during the year

24. FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

Under IAS 39 'Financial Instruments: Recognition and Measurement' easyJet previously classified and measured its financial instruments as follows:

- Derivative financial instruments: classified and measured at fair value through profit or loss;
- All other financial assets: classified as loans and receivables and measured at amortised cost; and
- All other financial liabilities: classified as other liabilities and measured at amortised cost.

Under IFRS 9 easyJet's basis for classifying and measuring derivative financial instruments and other financial liabilities has remained unchanged.

In accordance with IFRS 9 easyJet has performed an assessment on its non-derivative financial assets to ascertain the appropriate accounting treatment. Under this assessment all such financial assets, with the exception of money market funds and other equity instruments, have been assessed as being held under the 'hold to collect' business model, and the related cash flows have been assessed as representing 'solely payments of principal and interest' ('SPPI'). On this basis, this group of financial assets have continued to be classified and measured at amortised cost on adoption of IFRS 9. Whilst there has been no change in the measurement classification of these instruments, a measurement difference has arisen on adoption of IFRS 9, primarily due to the enhanced impairment requirements of IFRS 9 versus IAS 39.

Under IFRS 9 money market funds have been classified and measured at fair value through profit or loss. easyJet's assessment of the instruments concluded that whilst these are also 'hold to collect' financial assets, they fail the SPPI test due to the fact the underlying short-term debt investments within the funds can be sold at the funds discretion. On adoption of IFRS 9, money market funds have therefore been reclassified out of the amortised cost classification and into the fair value through profit or loss classification. However, due to the short-term, highly liquid nature of these instruments, their previous carrying values, under IAS 39, is considered to be materially the same as their fair value. As such, no measurement difference has arisen on adoption of IFRS 9.

Other equity investments are non-derivative financial assets of unlisted investments, excluding interests in associates. On initial recognition, these equity investments have been designated as measured at fair value through other comprehensive income. These equity investments did not previously require recognition under IAS 39.

A summary of the changes to the classification and measurement bases of non-derivative financial assets under IFRS 9 is set out below:

	IAS 39 carrying amount at 30 September 2018 £ million	Re-classifications £ million	Remeasurements £ million	IFRS 9 carrying amount at 1 October 2018 £ million	Effect on retained earnings at 1 October 2018 £ million
Amortised cost:					
Other non-current assets	122	–	–	122	–
Trade and other receivables	406	–	–	406	–
Restricted cash	11	–	–	11	–
Money market deposits	348	–	–	348	–
Cash and cash equivalents	1,025	(665)	–	360	–
Fair value:					
Cash and cash equivalents	–	665	–	665	–
Equity investments	–	–	54	54	54

The effect of adoption of IFRS 9 on the statement of financial position in the current period to 30 September 2019 is set out in note 1.

24. FINANCIAL INSTRUMENTS CONTINUED

CARRYING VALUE AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and liabilities, together with the carrying value at each reporting date, are as follows:

	Amortised cost		Held at fair value					
At 30 September 2019	Financial assets £ million	Financial liabilities £ million	Fair value hedges £ million	Cash flow hedges £ million	Other financial instruments £ million	Other[1] £ million	Carrying value £ million	Fair value £ million
Other non-current assets	141	–	–	–	–	1	142	142
Trade and other receivables	209	–	–	–	–	163	372	372
Trade and other payables	–	(919)	–	–	–	(131)	(1,050)	(1,050)
Derivative financial instruments	–	–	73	(30)	20	–	63	63
Restricted cash	4	–	–	–	–	–	4	4
Money market deposits	291	–	–	–	–	–	291	291
Cash and cash equivalents	872	–	–	–	413	–	1,285	1,285
Eurobonds[3]	–	(1,324)	–	–	–	–	(1,324)	(1368)
Lease liabilities	–	(578)	–	–	–	–	(578)	(580)
Equity investments[2]	–	–	–	–	48	–	48	48

	Amortised cost		Held at fair value					
At 30 September 2018	Financial assets £ million	Financial liabilities £ million	Fair value hedges £ million	Cash flow hedges £ million	Other financial instruments £ million	Other[1] £ million	Carrying value £ million	Fair value £ million
Other non-current assets	120	–	–	–	–	2	122	122
Trade and other receivables	240	–	–	–	–	166	406	406
Trade and other payables	–	(894)	–	–	–	(129)	(1,023)	(1,023)
Derivative financial instruments	–	–	64	300	–	–	364	364
Restricted cash	11	–	–	–	–	–	11	11
Money market deposits	348	–	–	–	–	–	348	348
Cash and cash equivalents	1,025	–	–	–	–	–	1,025	1,025
Eurobonds[3]	–	(879)	–	–	–	–	(879)	(908)
Finance lease obligations	–	(98)	–	–	–	–	(98)	(100)

Information presented for the comparative period ended 30 September 2018, is presented in accordance with IAS 39 and IFRS 7 Financial Instruments. Disclosures, as applicable to IAS 39. Information presented for the current period ended 30 September 2019, is presented in accordance with IFRS 9 and IFRS 7, as modified by IFRS 9.

1. Amounts disclosed in the 'Other' column are items that do not meet the definition of a financial instrument. They are disclosed to facilitate reconciliation of the carrying values of financial instruments to line items presented in the statement of financial position.
2. The equity investment of £48 million represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited. Valuation movements are designated as being fair valued through other comprehensive income due to the nature of the investment being held for strategic purposes. A dividend of £3 million (2018: £3 million) was received during the year.
3. For further information see Capital, Financing and Interest risk management section in note 27.

FAIR VALUE CALCULATION METHODOLOGY

Where available the fair values of derivatives and financial instruments have been determined by reference to observable market prices where the instruments are traded. Where market prices are not available, the fair value has been estimated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates (excluding the Airline Group Limited equity investment).

The fair values of the three Eurobonds are classified as level 1 of the IFRS 13 Fair Value Measurement hierarchy (valuations taken as the closing market trade price for each respective Eurobond as at 30 September 2019). Apart from the equity investment, the remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2.

The equity investment is classified as level 3 due to the use of forecast cash flows which are discounted to present value. Though there are other level 2 inputs to the valuation, the discounted cash flow is a significant input which is not based on observable market data. The fair value is assessed at each reporting date based on the discounted cash flows and two other valuations calculated using a market approach and level 2 inputs. If the level 3 forecast cash flows were 10% higher or lower the fair value would not increase/decrease by a significant amount.

The equity investment was recognised on adoption of IFRS 9 at 1 October 2018 at £54 million based on an external valuation. Using the same methodology management performed the calculation as at 30 September 2019 resulting in a fair value reduction of £6 million which was recognised in other comprehensive income.

The fair value measurement hierarchy levels have been defined as follows;

- Level 1, fair value of financial instruments based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, fair value of financial instruments in an active market (for example, over the counter derivatives) which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.
- Level 3, fair value of financial instruments that are not based on observable market data (i.e. unobservable inputs).

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

At 30 September 2019	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	2,740	43	108	–	(2)	149
Euro	2,338	4	15	(11)	(3)	5
Swiss franc	492	1	–	(9)	(5)	(13)
South African Rand	134	–	2	–	–	2
Jet fuel	3	–	7	(118)	(55)	(166)
Cross-currency interest rate swaps	888	–	–	–	(7)	(7)
Designated as fair value hedges						
Cross-currency interest rate swaps	379	73	–	–	–	73
Designated as fair value through profit or loss						
US dollar	345	5	15	–	–	20
		126	147	(138)	(72)	63

At 30 September 2018	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	2,627	25	22	(11)	(1)	35
Euro	2,020	1	9	(12)	(2)	(4)
Swiss franc	429	–	5	(1)	(4)	–
South African Rand	237	2	1	–	–	3
Jet fuel	3	83	183	–	–	266
Cross-currency interest rate swaps	445	–	–	–	–	–
Designated as fair value hedges						
Cross-currency interest rate swaps	379	64	–	–	–	64
		175	220	(24)	(7)	364

24. FINANCIAL INSTRUMENTS CONTINUED

For foreign currency forward exchange contracts and exchange swap contracts, quantity represents the gross nominal value of currency contracts held, disclosed in the contract currency. The cross-currency interest rate swap contracts are presented at the sterling notional. For jet fuel forward contracts quantity represents contracted metric tonnes.

The majority of hedged foreign exchange and jet fuel transactions are expected to occur on various dates within the next 24 months. Accumulated gains and losses resulting from these transactions are deferred in the hedging reserve. They will be recognised in the income statement in the periods that the hedged transactions impact the income statement. Where the gain or loss is included in the initial amount recognised following the purchase of an aircraft, recognition in the income statement is over a period of up to 23 years in the form of depreciation of the purchased asset.

Amounts related to USD foreign exchange derivatives held at fair value through profit or loss (e.g. not held in a hedge accounting relationship) form part of the Group's balance sheet retranslation risk management strategy. Fair valuation movements on these derivatives are recognised in the income statement and offset foreign exchange movements on the corresponding notional amount of balance sheet liabilities held in USD. These trades are all expected to occur on various dates within the next 24 months.

The Group maintains cross-currency interest rate swap contracts on fixed rate debt issuance as part of the approach to currency and interest rate risk management. The cross-currency interest rate swap contracts are designated and qualify as either fair value or cash flow hedges to minimise volatility in the income statement.

The following derivative financial instruments are subject to offsetting, enforceable master netting agreements:

At 30 September 2019	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	273	(143)	130
Liabilities	(210)	143	(67)
	63	–	63

At 30 September 2018	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	395	(31)	364
Liabilities	(31)	31	–
	364	–	364

All financial assets and liabilities are presented gross on the face of the statement of financial position as the conditions for netting off, as specified in IAS32 'Financial Instruments: Presentation' are not met.

25. GUARANTEES AND CONTINGENT LIABILITIES

The Group has given a formal undertaking to Hotelopia Holidays S.L.U, the Civil Aviation Authority (CAA) and the Trustees of the Air Travel Trust that it will guarantee easyJet bookings made on its behalf by Hotelopia. In the event the CAA publishes a notice of failure in respect of Hotelopia, the Group will honour all easyJet related bookings or enter into alternative arrangements for the bookings to be fulfilled or compensated.

easyJet is involved in a number of disputes and litigation which arose in the normal course of business. The likely outcome of these disputes and litigation cannot be predicted, and in complex cases reliable estimates of any potential obligation may not be possible.

Having reviewed the information currently available, management considers that the ultimate resolution of these disputes and litigation is unlikely to have a material adverse effect on easyJet's results, cash flows or financial position.

As at 30 September 2019 easyJet had no agreements with third parties for which fees were contingent upon the completion of acquisition activities (2018: nil).

At 30 September 2019 easyJet had outstanding letters of credit and performance bonds totalling £34 million (2018: £33 million), of which £7 million (2018: £12 million) expire within one year. The fair value of these instruments at each year end was negligible.

No amount is recognised on the statement of financial position in respect of any of these financial instruments as it is not probable that there will be an outflow of resources.

26. GEOGRAPHICAL REVENUE ANALYSIS

	2019 £ million	2018 £ million
United Kingdom	2,546	2,577
Southern Europe	2,169	1,837
Northern Europe	1,558	1,395
Other	112	89
	6,385	5,898

Southern Europe comprises countries lying wholly or mainly south of the border between Italy and Switzerland, plus France.

easyJet's non-current assets principally comprise its fleet of 232 owned (2018: 220) and 99 leased aircraft (2018: 95), giving a total fleet of 331 at 30 September 2019 (2018: 315). 28 aircraft (2018: 26) are registered in Switzerland, 136 (2018: 113) are registered in Austria and the remaining 167 (2018: 176) are registered in the United Kingdom.

27. FINANCIAL RISK AND CAPITAL MANAGEMENT

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates. Financial risk management aims to limit these market risks with selected derivative hedging instruments being used for this purpose. easyJet's policy is not to speculatively trade derivatives but use the instruments to hedge anticipated exposure and gain cash flow certainty. As such, easyJet is not exposed to market risk by using derivatives as any gains and losses arising are offset by the outcome of the underlying exposure being hedged. In addition to market risks, easyJet is exposed to credit and liquidity risk.

The Board is responsible for setting financial risk and capital management policies and objectives which are implemented by the treasury function on a day to day basis. The policy outlines the approach to risk management and also states the instruments and time periods which the treasury function is authorised to use in managing financial risks. The policy is regularly reviewed to ensure best practice. No significant changes were made during the current year with the exception of an update to take account of the financial risk arising from FX translations of lease liabilities (predominantly in USD) following the adoption of IFRS 16.

CAPITAL EMPLOYED

Capital employed comprises shareholders' equity, borrowings (including amounts related to IFRS 16 lease liability), cash and money market deposits (excluding restricted cash).

Consequently, the capital employed at the end of the current and prior year and the return earned during those years were as follows:

	2019			2018 (restated)		
	Headline £ million	Non-headline £ million	Total £ million	Headline £ million	Non-headline £ million	Total £ million
Shareholders' equity	2,985	–	2,985	3,233	–	3,233
Borrowings	1,324	–	1,324	977	–	977
Lease liabilities	578	–	578	–	–	–
Cash and money market deposits (excluding restricted cash)	(1,576)	–	(1,576)	(1,373)	–	(1,373)
Reported capital employed	3,311	–	3,311	2,837	–	2,837
Operating lease adjustment	–	–	–	1,134	–	1,134
Capital employed	3,311	–	3,311	3,971	–	3,971
Reported operating profit	466	–	466	594	(132)	462
Implied interest in operating lease costs	–	–	–	51	3	54
Adjusted operating profit	466	–	466	645	(129)	516
Tax rate			19%			19%
Adjusted operating profit after tax	377	–	377	522	(104)	418
Return on capital employed	11.4%		11.4%	14.6%		11.7%

Return on capital employed is calculated by dividing the adjusted operating profit after tax by the average of the opening and closing capital employed.

2018 is calculated using an operating lease adjustment applied under IAS 17 before the adoption of IFRS 16.

27. FINANCIAL RISK AND CAPITAL MANAGEMENT CONTINED

LIQUIDITY RISK MANAGEMENT

The objective of easyJet's liquidity risk management is to ensure sufficient cash is available to meet future liabilities as they fall due and ensure access to cost effective funding in various markets.

easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events as well as having access to a revolving credit facility of $500 million. The $500 million revolving credit facility was agreed on 10 February 2015 and was undrawn at 30 September 2019.

On 1 December 2017 easyJet also entered into a bespoke Business Interruption Insurance product that pays out up to £150 million in the event of specific liquidity stress scenarios (with standard insurance exclusions).

easyJet has a target minimum liquidity requirement to cover peak unearned revenue with a minimum of £2.6 million per 100 seats in the fleet. In assessing this liquidity metric, both revolving credit facilities and Business Interruption Insurance need to be taken into consideration. Total cash (excluding restricted cash) and money market deposits at 30 September 2019 was £1,576 million (2018: £1,373 million). Surplus funds are invested in high quality short-term liquid instruments, mainly money market funds, bank deposits and tri-party repos.

The maturity profile of financial liabilities based on undiscounted cash flows and contractual maturities is as follows:

At 30 September 2019	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	17	17	929	447
Trade and other payables	919	–	–	–
Lease liabilities	230	195	148	64
FX and jet derivative contracts – receipts	(3,344)	(1,577)	(82)	–
FX and jet derivative contracts – payments	3,292	1,523	80	–
Cross-currency swap contracts – receipts	(17)	(17)	(929)	(447)
Cross-currency swap contracts – payments	32	32	898	453

At 30 September 2018	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	26	32	558	450
Trade and other payables	894	–	–	–
FX and jet derivative contracts – receipts	(3,184)	(1,282)	(68)	–
FX and jet derivative contracts – payments	3,161	1,228	65	–
Cross-currency swap contracts – receipts	(13)	(13)	(484)	(450)
Cross-currency swap contracts – payments	22	22	439	450

The maturity profile has been calculated based on spot rates for the US dollar, Euro, Swiss franc, South African rand and jet fuel at close of business on 30 September each year.

CREDIT RISK MANAGEMENT

easyJet is exposed to credit risk arising from cash and money market deposits, derivative financial instruments and trade and other receivables. Credit risk management aims to reduce the risk of default by setting limits on credit exposure to counterparties based on their respective credit ratings. Credit ratings also determine the maximum period of investment when placing funds on deposit. The maximum exposure to credit risk at the reporting date is equal to the carrying value of its financial assets, excluding tri-party repo, which are securitised by high quality, investment grade financial assets.

Counterparties for cash investments and derivatives contracts are required to have a long-term credit rating of A- or better at contract inception from either Moody's, Standard & Poor's or Fitch rating agencies (except where there is a specific regulatory, contractual requirement or a bank guarantee from an A- rated entity). Exposures to these counterparties are regularly reviewed and, if the long-term credit rating falls below A- management will make a decision on remedial action to be taken.

The credit rating of counterparties that easyJet holds financial assets with are as follows:

At 30 September 2019	A- and above £ million	Below A- £ million	Other £ million	Total £ million
Financial Assets				
Trade receivables	–	–	372	372
Other non-current assets	–	–	142	142
Derivative financial instruments	130	–	–	130
Restricted cash	4	–	–	4
Money market deposits	291	–	–	291
Cash and cash equivalents	1,282	3	–	1,285
Total	1,707	3	514	2,224

At 30 September 2018	A- and above £ million	Below A- £ million	Other £ million	Total £ million
Financial Assets				
Trade receivables	–	–	406	406
Other non-current assets	–	–	122	122
Derivative financial instruments	364	–	–	364
Restricted cash	11	–	–	11
Money market deposits	348	–	–	348
Cash and cash equivalents	1,022	3	–	1,025
Total	1,745	3	528	2,276

At the end of each reporting date easyJet recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, easyJet applies either the general approach or the simplified approach, depending on the nature of the underlying group of financial assets.

The general approach is applied to the impairment assessment of refundable lease deposits and other refundable lease contributions, restricted cash, money market deposits and cash and cash equivalents.

Under the general approach easyJet recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.

At 30 September 2019 this was considered immaterial. This is due to easyJet's strict policy of investing only with counterparties who hold a high, investment grade credit standing (except in specific circumstances) as detailed in the tables above.

The simplified approach is applied to the impairment assessment of trade and other receivables.

Under the simplified approach easyJet always recognises a loss allowance for a financial asset at an amount equal to the lifetime expected credit losses using the historic loss methodology to calculating an impairment provision.

At 30 September 2019 this was considered immaterial. The exposure to individual customer's credit risk is reduced as no individual customer accounts for a substantial proportion of the total revenue and most payments are collected in advance of the service being provided.

FOREIGN CURRENCY RISK MANAGEMENT

The majority of easyJet's exposure to currency arises from fluctuations in the US dollar, Euro and Swiss franc exchange rates which can significantly impact easyJet's financial results and cash flows. The aim of the foreign currency risk management is to reduce the impact of these exchange rate fluctuations.

Significant currency exposures in the income statement are managed through the use of currency forward contracts entered into a cash flow hedge relationships, in line with the board approved policy. The policy states that easyJet hedges between 65% - 85% of the next 12 months forecast surplus operating cash flows on a rolling basis, and 45% - 65% of the following 12 months forecast surplus operating cash flows on a rolling basis.

Significant currency exposures relating to the acquisition cost or sale proceeds of aircraft are also managed through the use of currency forward contracts and FX swap contracts where up to 90% of the next 18 months forecast requirement is hedged. In addition, easyJet has substantial borrowings and other monetary liabilities denominated in US dollars and Euros, which are largely offset by holding US dollar and Euro cash and money market deposits.

27. FINANCIAL RISK AND CAPITAL MANAGEMENT CONTINUED

Significant currency exposures relating to foreign currency denominated debt issuances are managed through the use of cross-currency interest rate swap contracts, where deemed appropriate. These hedges are designated as either fair value hedges or cash flow hedges.

During the year easyJet entered into FX forward contracts for the purposes of managing the foreign exchange risk created as a result of the adoption of the IFRS 16: As part of the new standard the Group has recognised £578 million in lease liabilities, the majority of which are denominated in USD. Lease liability amounts are classified as monetary financial instruments, with retranslation amounts resulting from movements in foreign exchange rates in the period (into the functional currency of GBP) going through the income statement. FX forward contracts classified as fair value through profit or loss (e.g. not designated in a hedge relationship) are used as part of the Group's risk management strategy to reduce this foreign exchange risk in the income statement.

Management may take action to hedge other currency exposures as deemed appropriate.

The volume of transactions in a hedge relationship that occurred during the financial year to manage the foreign currency risk were as follows:

- USD – £1,614 million
- EURO – £1,434 million
- CHF – £269 million
- ZAR – £103 million

The gains and losses that arose from these hedge transactions during the year were as follows:

- USD – £57 million gain
- EURO – £9 million loss
- CHF – £4 million gain
- ZAR – £2 million gain

CAPITAL, FINANCING AND INTEREST RATE RISK MANAGEMENT

The objective of capital management is to ensure that easyJet is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders.

On 30 September 2019, easyJet held long-term corporate credit ratings from both Standard & Poor's (BBB+) and Moody's (Baa1).

easyJet plc established a £3,000 million Euro Medium Term Note programme on 7 January 2016, with any debt issuances under this scheme being guaranteed by easyJet Airline Company Limited. Subsequently easyJet plc has issued three bonds under this programme.

In February 2016, easyJet plc issued a €500 million bond guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling floating rate exposure. All three swaps pay floating interest (three-month LIBOR plus a margin) quarterly, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a fair value hedge of the interest rate and currency risks on the €500 million Eurobond. The swaps are measured at fair value through profit or loss with any gains or losses being taken immediately to the income statement (except where related to timing differences related to cross-currency basis amortisation). The carrying value of the Eurobond is adjusted for changes in fair value attributable to the risks being hedged. This net carrying value differs to the swap's fair value depending on movements in the Group's credit risk and cross-currency basis. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2019 was £378 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

The lifetime fair value adjustment to the bond hedging instrument on the statement of financial position was £(72) million. During the year fair value adjustments totalled £(10) million which were offset by materially equal and opposite movements on the hedging instruments. Movements related to the hedging of foreign exchange in the year were £2 million with the remaining fair value movements relating to the hedging of interest risk.

In October 2016 easyJet plc issued a €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.125%. Shortly after the issuance of the €500 million bond the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps were executed on 8 November 2016 with settlement and notional exchange occurring on 14 November 2016. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond. The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2019 was £446 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

In June 2019 easyJet plc issued a €500 million bond guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 0.875%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond. The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2019 was £448 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

The weighted average interest GBP interest rate hedged for the three bonds was 2.55% with a weighted average GBP/EUR foreign exchange hedge rate of 1.19.

Interest rate cash flow risk arises on floating rate borrowings and cash investments.

Interest rate risk management policy aims to provide certainty in a proportion of financing while retaining the opportunity to benefit from interest rate reductions. Borrowings are issued at either fixed or floating interest rates repricing every three to six months. A significant proportion of the US dollar liabilities are matched with US dollar cash assets by value. Aircraft leases are a mix of fixed and floating rates. Of the 99 aircraft leases in place at 30 September 2019 (2018: 95), 83% were based on fixed interest rates and 17% were based on floating interest rates (2018: 82% fixed, 18% floating).

COMMODITY PRICE RISK MANAGEMENT

The Group is exposed to commodity risk in the form of jet fuel and Carbon EU Emissions Trading System (ETS) price risk.

The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in the income statement in the short-term. In order to manage the risk exposure, forward contracts are used in line with the Board approved policy to hedge between 65% and 85% of estimated exposures up to 12 months in advance, and to hedge between 45% and 65% of estimated exposures from 13 up to 24 months in advance. Jet fuel derivatives are entered into a cash flow hedge relationship against the future forecasted jet fuel usage. Specific decisions may require consideration of a longer term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives.

The Group has a regulatory requirement to surrender ETS carbon allowances on an annual basis to the relevant environmental agencies, relative to the amount of carbon emissions in the period. easyJet is required to purchase ETS allowances on the open market to fulfil this requirement and is exposed to price movements that can introduce volatility to the income statement. To mitigate this exposure, forward contracts are used in line with board approved policy to hedge up to 95% of anticipated exposure up to 24 months out. These contracts are not classified as a financial instruments as they fall within the own use provision under IFRS 9.

The volume of hedge transactions that occurred during the financial year to manage the jet commodity price risk was 3 million metric tonnes. This resulted in a £97 million gain in the income statement.

MARKET RISK SENSITIVITY ANALYSIS

Financial assets and liabilities affected by market risk include borrowings, lease liabilities, deposits, trade and other receivables, trade and other payables and derivative financial instruments. The following analysis illustrates the sensitivity of changes in relevant foreign exchange rates, interest rates and fuel prices. It should be noted that the analysis reflects the impact on profit or loss after tax for the year and other comprehensive income on financial instruments in a cash flow hedge relationship held at the reporting date. The sensitivities are calculated based on all other variables remaining constant. The analysis is considered representative of easyJet's exposure over the next 12-month period.

The sensitivity analysis is based on easyJet's financial assets and liabilities and financial instruments held as at 30 September 2019.

The currency exchange rate analysis assumes a +/-10% change in both US dollar and Euro exchange rates.

The interest rate analysis assumes a 1% increase in interest rates over the next 12 months.

The fuel price analysis assumes a 10% increase in fuel price over the next 12 month.

	Currency rates					
At 30 September 2019	US dollar +10%[1] £ million	US dollar -10%[2] £ million	Euro +10%[1] £ million	Euro -10%[2] £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain/(loss)	87	(71)	5	(4)	11	–
Impact on other comprehensive income: increase/(decrease)	180	(147)	4	(3)	–	136

	Currency rates					
At 30 September 2018	US dollar +10%[1] £ million	US dollar -10%[2] £ million	Euro +10%[1] £ million	Euro -10%[2] £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain/(loss)	33	(27)	7	(6)	8	–
Impact on other comprehensive income: increase/(decrease)	191	(156)	20	(16)	–	134

1. GBP weakened.
2. GBP strengthened.

The market risk sensitivity analysis has been calculated on spot rates for the US dollar, Euro and jet fuel at close of business on 30 September each year.

27. FINANCIAL RISK AND CAPITAL MANAGEMENT CONTINUED

APPLICATION OF HEDGE ACCOUNTING

On adoption of IFRS 9 easyJet has elected to separate changes in the value of cross-currency interest rate swaps arising as a result of foreign currency basis spread, when designating the swap as a hedging instrument. Changes in value relating to foreign currency basis spread no longer form part of the designated hedging instrument, and are instead recognised through other comprehensive income, held in a separate cost of hedging reserve, and are subsequently amortised on a rational basis. This has resulted in a reclassification of £4 million between the hedging reserve and the cost of hedging reserve on 1 October 2018.

IMPACT ON THE FINANCIAL STATEMENTS DURING THE PERIOD ENDED 30 SEPTEMBER 2019

The effect of adoption of IFRS 9 on the statement of financial position in the current period to 30 September 2019 is set out in note 1.

Details of major hedging arrangement at the reporting date are set out below broken down by the notional maturity of hedge instruments and average rates in local currency.

Hedge instrument (notional in millions)	Within one year	Greater than one year
Jet fuel hedged notional	2	1
Average hedge rate	655	640
USD foreign exchange hedged notional	1,529	1,211
Average hedge rate	1.36	1.30
EUR foreign exchange hedged notional	1,865	473
Average hedge rate	1.12	1.10
CHF foreign exchange hedged notional	296	196
Average hedge rate	1.27	1.23
ZAR foreign exchange hedged notional	108	26
Average hedge rate	28.25	29.54

HEDGE EFFECTIVENESS

Hedge effectiveness testing on all relationships is performed at each reporting date. Whilst the critical terms matching of the Group's hedge relationships means that any ineffectiveness should be minimal it can be driven by factors such as material changes in credit risk, changes in the timings or amounts of the hedged items. During the year fair value movements of £214 million held in a cash flow hedge relationship was materially the same as movements in hedge instrument hypotheticals.

Hedge ineffectiveness of £1 million was recognised through the income statement in the period relating to cross-currency interest rate swaps and timing differences on foreign exchange forward hedges. This was recognised within interest payable and other finance charges, as a non-headline item.

28. RELATED PARTY TRANSACTIONS

The Company licenses the easyJet brand from easyGroup Limited ('easyGroup'), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial controlling interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, approximately 33% of the issued share capital of easyJet plc as at 30 September 2019.

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

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

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

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

	2019 £ million	2018 £ million
Annual royalty	16	15
Brand protection (legal fees paid through easyGroup to third parties)	1	1
	17	16

At 30 September 2019, £0.9 million (2018: £3 million) of the above aggregate amount was included in trade and other payables.

29. EVENTS AFTER THE REPORTING PERIOD

easyJet acquired Thomas Cook's slots at Gatwick Airport (12 summer slot pairs and eight winter slot pairs) and Bristol Airport (six summer slot pairs and one winter slot pair) for £36 million. Contractual terms have concluded and the slots have been awarded to easyJet.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2019 £ million	30 September 2018 (restated) £ million	1 October 2017 (restated) £ million
Non-current assets				
Investments in subsidiary undertakings	c	945	927	910
Derivative financial instruments with subsidiary undertakings	d	73	63	62
Deferred tax asset		1	–	–
		1,019	990	972
Current assets				
Amounts due from subsidiary undertakings		1,854	1,626	1,582
Current tax asset		–	–	2
		1,854	1,626	1,584
Current liabilities				
Amounts due to subsidiary undertakings		(3)	(1)	(2)
Current tax payable		(2)	(5)	–
		(5)	(6)	(2)
Net current assets		1,849	1,620	1,582
Non-current liabilities				
Borrowings	e	(1,324)	(879)	(870)
Derivative financial instruments with subsidiary undertakings	d	(8)	–	(8)
		(1,332)	(879)	(878)
Net assets		1,536	1,731	1,676
Shareholders' equity				
Share capital		108	108	108
Share premium		659	659	659
Hedging reserve		(15)	(1)	(3)
Cost of hedging reserve		8	–	–
Retained earnings		776	965	912
		1,536	1,731	1,676

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement and statement of comprehensive income. The Company's profit for the year was £25 million (2018: £198 million). Included in this amount are dividends received of £15 million (2018: £177 million), which are recognised when the right to receive payment is established. The Company recognised no other income or expenses in either the current or prior year, other than the profit for each year.

The accounts on pages 174 to 178 were approved by the Board of Directors and authorised for issue on 18 November 2019 and signed on behalf of the Board.

JOHAN LUNDGREN
Director

ANDREW FINDLAY
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Retained earnings £ million	Total £ million
At 30 September 2018	108	659	(1)	–	965	1,731
Recognition on adoption of IFRS 9	–	–	(5)	4	1	–
At 1 October 2018	108	659	(6)	4	966	1,731
Total comprehensive income	–	–	(9)	4	25	20
Dividends paid	–	–	–	–	(233)	(233)
Share incentive schemes						
Movement in reserves for employee share schemes	–	–	–	–	18	18
At 30 September 2019	108	659	(15)	8	776	1,536

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2017	108	659	(3)	–	912	1,679
Total comprehensive income	–	–	2	–	198	200
Dividends paid	–	–	–	–	(162)	(162)
Share incentive schemes						
Movement in reserves for employee share schemes	–	–	–	–	17	17
At 30 September 2018	108	659	(1)	–	965	1,731

An ordinary dividend in respect of the year ended 30 September 2019 of 43.9 pence per share or £174 million, based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 58.6 pence per share, or £233 million in respect of the year ended 30 September 2018 was paid in the year ended 30 September 2019. An ordinary dividend of 40.9 pence per share, or £162 million, in respect of the year ended 30 September 2017 was paid in the year ended 30 September 2018.

The disclosures required in respect of share capital are shown in note 20 to the consolidated accounts.

COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 September 2019 £ million	Year ended 30 September 2018 £ million
Cash flows from operating activities			
Cash used by operations (excluding dividends)	f	223	(26)
Interest received		36	40
Interest paid		(34)	(29)
Dividends received		15	177
Dividends paid		(233)	(162)
Tax paid		(7)	–
Net cash used by operating activities		–	–
Cash flows from financing activities			
Proceeds from drawdown of bank loans and other borrowings		443	–
Movement in loans with subsidiary undertakings		(443)	–
Net movement in cash and cash equivalents		–	–
Cash and cash equivalents at beginning and end of year		–	–

NOTES TO THE COMPANY ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these Company accounts are the same as those set out in note 1 to the consolidated accounts with the addition of the following:

INVESTMENTS

Investments in subsidiaries are stated at cost, less any provision for impairment. Where subsidiary undertakings incur charges for share-based payments in respect of share options and awards granted by the Company, a capital contribution in the same amount is recognised as an investment in subsidiary undertakings with a corresponding credit to shareholders' equity.

PRIOR YEAR ADJUSTMENT

A prior period adjustment has been made to the Derivative Financial Instruments with Subsidiary classification to align with the treatment of these line items within the Group accounts within the statement of financial position. Previously these amounts were classified as current assets on a net basis due to the amounts being related to inter-company cross currency interest rate swaps with a sole subsidiary (easyJet Airline Company Limited). These cross currency interest rate swaps are used to manage foreign currency and interest rate risks on Eurobond debt items and are held within hedge accounting relationships. The Eurobond items are non-current in nature and the external interest rate swaps align and should be presented as non-current.

The impact of this restatement on the statement of financial position as at 30 September 2018 has resulted in £63 million being reclassified from current assets to non-current assets. There was no impact on net assets or retained earnings.

B) INCOME STATEMENT AND STATEMENT OF TOTAL COMPREHENSIVE INCOME

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement and statement of comprehensive income. The Company's profit for the year was £25 million (2018: £198 million). Included in this amount are dividends received of £15 million (2018: £177 million), which are recognised when the right to receive payment is established. The Company recognised no other income or expenses in either the current or prior year, other than the profit for each year.

The Company has eight employees at 30 September 2019 (2018: seven). These employees are the Non-Executive Directors of easyJet plc; *their remuneration is paid by easyJet Airline Company Limited. The Executive Directors of easyJet plc are employed and paid by* easyJet Airline Company Limited. Details of Directors' remuneration are disclosed in note 4 to the consolidated accounts and in the Directors' remuneration report on pages 96 to 115.

C) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings were as follows:

	2019 £ million	2018 £ million
At 1 October	927	910
Capital contributions to subsidiaries	18	17
At 30 September	945	927

A full list of Group companies are detailed below.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
easyJet Airline Company Limited[2]	England and Wales	Airline operator	100
easyJet Switzerland S.A.[3]	Switzerland	Airline operator	49
Dawn Licensing Holdings Limited[4]	Malta	Holding company	100
Dawn Licensing Limited[4]	Malta	Graphic design	100
easyJet Sterling Limited[1, 5]	Cayman Islands	Aircraft trading and leasing	100
easyJet Leasing Limited[1, 5]	Cayman Islands	Aircraft trading and leasing	100
easyJet UK Limited[2]	England and Wales	Air transport	100
easyJet Holidays Holdings Limited[2]	England and Wales	Holding company	100
easyJet Holidays Limited[2]	England and Wales	Tour operator	100
easyJet Holidays Transport Limited[2]	England and Wales	Air transport	100
easyJet Europe Airline GmbH[6]	Austria	Airline operator	100
SALEM Beteiligungsverwaltungachtundachtzigste GmbH[6]	Austria	Holding company	100

1. *Although these companies are Cayman Islands incorporated they have always been, and continue to be, UK tax resident.*
2. Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF.
3. Route de l'Aeroport, Meyrin, CH-1215 Geneve 15, Switzerland.
4. Sterling Buildings, The Penthouse, Enrico Mizzi Street, Ta' Xbiex, XBX 1453, Malta.
5. Governor's Square, West Bay Road, Lime Tree Bay Road, UNIT # 2-105 , PO Box 1982, Grand Cayman KY1-1104, Cayman Islands.
6. Wagramer Straße 19, 11.Stock IZD Tower, 1220 Wien, Austria.

The Company has a 49% interest in easyJet Switzerland S.A. with an option to acquire the remaining 51%. The option is automatically extended for a further year on a rolling basis, unless the option is terminated by written agreement prior to the automatic renewal date. easyJet Switzerland S.A. is a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A non-controlling interest has not been reflected in the consolidated accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a predetermined minimal consideration.

D) FINANCIAL INSTRUMENTS

In February 2016, easyJet plc issued a €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a floating rate Sterling exposure.

In October 2016 easyJet plc issued €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.125%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure.

In June 2019 easyJet plc issued €500 million a bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 0.875%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a fixed rate Sterling exposure.

For further details please refer to note 27 of the consolidated accounts.

E) BORROWINGS

	Non-current £ million	Total £ million
At 30 September 2019		
Eurobond	1,324	1,324

	Non-current £ million	Total £ million
At 30 September 2018		
Eurobond	879	879

On 1 August 2018 easyJet signed a £250 million revolving credit facility with a two-year term. The facility was cancelled in June 2019 following the bond issue.

For further details please see the disclosures shown in note 15 to the consolidated accounts.

F) RECONCILIATION OF PROFIT FOR THE YEAR TO CASH GENERATED FROM OPERATIONS

	2019 £ million	2018 £ million
Profit for the year	25	198
Adjustments for:		
Finance and other similar income	(9)	(12)
Unrealised foreign exchange differences	(3)	(11)
Tax charge	2	5
Dividends received	(15)	(177)
Operating cash flows before movement in working capital	–	3
Changes in working capital and other items of an operating nature:		
Decrease/(increase) in amounts due from subsidiary undertakings	220	(29)
Increase/(decrease) in amounts due to subsidiary undertakings	1	(1)
Increase in derivative financial instruments	2	1
	223	(26)

G) GUARANTEES AND CONTINGENT LIABILITIES

The Company has given a formal undertaking to the Civil Aviation Authority to guarantee the payment and discharge of all liabilities of easyJet UK Limited, a subsidiary of the Company. The guarantee is required for that company to maintain its operating licence under Regulation 3 of the Licensing of Air Carriers Regulations 1992.

The Company has issued a guarantee in favour of easyJet Airline Company Limited, a subsidiary undertaking, in relation to the processing of credit card transactions, and also in respect of hedging transactions carried out according to treasury policy.

The Company has guaranteed the contractual obligations of easyJet Airline Company Limited and easyJet Leasing Limited, both subsidiary undertakings, in respect of its contractual obligations to Airbus SAS in respect of the supply of Airbus 320 family aircraft.

The company has guaranteed the contractual obligations of easyJet Holidays Limited, a subsidiary undertaking, with regards to payment obligations to Atcore Technology Limited.

The Company has guaranteed the repayment of borrowings that financed the acquisition of aircraft by subsidiary undertakings. The Company has also guaranteed the payment obligations for the lease of aircraft by subsidiary undertakings.

The Company has guaranteed certain letters of credit issued on behalf of subsidiary undertakings.

The company has guaranteed the contractual obligations of easyJet Airline Company Limited, a subsidiary undertaking, in respect of a $500 million revolving credit facility. The revolving credit facility was agreed during the year ended 30 September 2015, for a minimum of five years, and was undrawn at 30 September 2019 and 30 September 2018. The facility is currently due to mature in February 2022.

No amount is recognised on the Company statement of financial position in respect to any of these guarantees as it is not probable that there will be an outflow of resources.

H) RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings, which principally relate to the provision of funding within the Group, are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts with no specified credit period, are unsecured, and bear market rates of interest. Amounts due from subsidiaries are repayable on demand.

During the financial year the Company received a dividend from easyJet Switzerland of £15 million (2018: £15 million).

For full details of transactions and arrangements with easyJet's largest shareholder, see note 28 of the consolidated accounts.

FIVE-YEAR SUMMARY

	2019 £ million	2018[1] (restated) £ million	2017[2] (as reported) £ million	2016[2] (restated) £ million	2015[3] (as reported) £ million
Income statement					
Revenue	6,385	5,898	5,047	4,669	4,686
Total EBITDAR	970	839	709	770	940
Headline EBITDAR	970	961	733	764	
Total operating profit	466	463	404	510	688
Headline operating profit	466	595	428	504	
Total profit before tax	430	445	385	507	686
Headline profit before tax	427	578	408	494	
Total profit after tax	349	358	305	437	548
Headline profit after tax	349	466	325	427	
Basic total earnings per share – pence	88.6	90.9	77.4	110.9	139.1
Basic headline earnings per share – pence	88.7	118.3	82.5	108.4	
Diluted total earnings per share – pence	87.8	90.2	76.8	110.1	138
Diluted headline earnings per share – pence	87.8	117.4	81.9	107.6	
Ordinary dividend per share – pence	43.9	58.6	40.9	53.8	55.2
Statement of financial position					
Non-current assets	6,044	4,994	4,237	4,042	3,549
Current assets	2,119	1,999	1,734	1,442	1,279
Current liabilities	(2,668)	(2,060)	(1,670)	(1,569)	(1,768)
Non-current liabilities	(2,510)	(1,700)	(1,499)	(1,221)	(811)
Net assets	2,985	3,233	2,802	2,694	2,249
Net cash					
Operating activities	761	961	663	387	609
Investing activities	(863)	(906)	(515)	(586)	(532)
Financing activities (excluding movements in borrowings and money market deposits)	(9)	(21)	(10)	(16)	(70)
Loan issue costs	6	(1)	6	1	–
Fair value and foreign exchange gains/(losses)	(86)	6	–	(8)	6
Net increase/(decrease) in net cash	(191)	39	144	(222)	13
Key performance indicators					
Headline return on capital employed	11.4%	14.6%	11.9%	15.0%	22.2%
Net cash/(debt) (£million)	(326)	396	357	213	435
Total profit before tax per seat (£)	4.10	4.68	4.45	6.35	9.15
Headline profit before tax per seat (£)	4.07	6.07	4.71	6.18	
Revenue per seat (£)	60.81	61.94	58.23	58.46	62.48
Total cost per seat (£)	56.71	57.26	53.78	52.11	53.33
Headline cost per seat (£)	56.74	55.87	53.52	52.28	
Total cost per seat excluding fuel (£)	43.23	44.82	41.53	38.16	37.55
Headline cost per seat excluding fuel (£)	43.26	43.43	41.27	38.33	
Seats flown (million)	105.0	95.2	86.7	79.9	75.0

1. See note 1 to the financial statements for details of the change in accounting policy.
2. See note 1 to the 2017 financial statements for details of the change in accounting policy.
3. The performance metrics for 2015 above have not been restated to reflect the change in accounting policies detailed in note 1 to the 2017 financial statements.

GLOSSARY

Adjusted capital employed	Capital employed plus seven times operating lease costs incurred in the year.
Adjusted net cash/debt	Net cash/debt less seven times operating lease costs incurred in the year.
Aircraft dry/wet leasing	Payments to lessors under dry leasing arrangements relate solely to the provision of an aircraft. Payments to lessors under wet leasing arrangements relate to the provision of aircraft, crew, *maintenance and insurance.*
Aircraft owned/leased at end of year	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Ancillary Revenue	Includes revenue from the provision of checked baggage, allocated seating, change fees and commissions.
AOC	Air Operator Certificate.
Available seat kilometres (ASK)	Seats flown multiplied by the number of kilometres flown.
Average adjusted capital employed	The average of opening and closing capital employed.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capital employed	Shareholders' equity less net cash/debt.
Cost per ASK	Revenue less profit before tax, divided by available seat kilometres.
Cost per seat	Revenue less profit before tax, divided by seats flown.
Cost per seat, excluding fuel	Revenue, less profit before tax, plus fuel costs, divided by seats flown.
Customer Satisfaction (CSAT)	Customer satisfaction index, based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight.
EBITDAR	*Earnings before interest, taxes, depreciation, amortisation, aircraft dry leasing costs, and profit* or loss on disposal of aircraft held for sale.
Gearing	Adjusted net cash/debt divided by the sum of shareholders' equity and adjusted net cash/debt.
Headline	A measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.
Net cash/debt	Total cash less borrowings. (Cash includes money market deposits but excludes restricted cash).
Non-headline	Material non-recurring items or items which are not considered to be reflective of the trading performance of the business.
Normalised operating profit after tax	*Reported operating profit adjusted for one-third of operating lease costs incurred in the year,* less tax at the prevailing UK corporation tax rate at the end of the financial year.
On-time performance (OTP)	Percentage of flights which arrive within 15 minutes of scheduled arrival time.
Operated aircraft utilisation	Average number of block hours per day per aircraft operated.
Other costs	Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property plant and equipment.
Other income	Includes insurance receipts, compensation and dividends received.
Passengers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Profit before tax per seat	Profit before tax divided by seats flown.
Revenue	The sum of seat revenue and non-seat revenue.
Revenue passenger kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers were flown.
Revenue per ASK	Revenue divided by available seat kilometres.
Revenue per seat	Revenue divided by seats flown.
Return on capital employed (ROCE)	Operating profit, less tax at the prevailing UK corporation tax rate at the end of the financial year, divided by average capital employed.
ROCE (including lease adjustments)	Normalised operating profit after tax divided by average adjusted capital employed. Applicable to 2018 under IAS17.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight

SHAREHOLDER INFORMATION

MANAGING YOUR SHARES AND SHAREHOLDER COMMUNICATION

The Company's share register is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using one of the methods listed below:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone: 0371 384 2091
Telephone number outside UK : +44 121 415 7567

Online: help.shareview.co.uk
Website: www.shareview.co.uk

Lines are open Monday to Friday 8.30am to 5.30pm; excluding bank holidays.

Shareholders can manage their holdings online or elect to receive shareholder documentation in electronic form by registering at www.shareview.co.uk. Some of the benefits of having a Shareview portfolio are:

- Track share price and recent performance
- View and manage all of your shareholdings in one place
- Buy and sell shares instantly online with the share dealing service
- Find comprehensive shareholder information and forms
- Update your records following a change of address
- Have dividends paid into your bank account
- Vote in advance of Company general meetings

Should shareholders who have elected for electronic communication require a paper copy of any of the Company's shareholder documentation, or wish to change their instructions, they should contact Equiniti.

ANNUAL GENERAL MEETING

This year's Annual General Meeting (AGM) will be held on 6 February 2020 at the offices of easyJet plc, Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF. The Notice convening the AGM will be available for download from the Company's corporate website at corporate.easyjet.com/investors/shareholder-services/agm

KEY DATES

27 February 2020	Ex-dividend date
28 February 2020	Record date
6 February 2020	Annual General Meeting
20 March 2020	Final dividend payment date

AUDITOR

PricewaterhouseCoopers LLP
Embankment Place
London
WC2N 6KH

COMPANY'S REGISTERED OFFICE

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

Telephone: 01582 525252

Registered in England & Wales under number 03959649

CORPORATE WEBSITE

You can access the corporate website at corporate.easyjet.com. The corporate website provides useful information including annual reports, results announcements and share price data, as well as background information about the Company. Shareholders are encouraged to sign up to receive email notification of results and press announcements as they are released by registering at corporate.easyjet.com/investors

SHARE PRICE INFORMATION

Details of our share price data and other share price tools are available at corporate.easyjet.com/investors.

DIVIDENDS

Dividends can be paid quickly and securely directly into your bank account instead of being dispatched to you by cheque. You may also choose to have your dividends reinvested in further shares of the Company through our Dividend Reinvestment Plan (DRIP) (terms and conditions apply). To arrange either of these options, simply call Equiniti on the number provided. Alternatively, you can manage your dividend payment choices by registering with Shareview at www.shareview.co.uk.

SHARE GIFT

Shareholders who only have a small number of shares whose valuation makes it uneconomic to sell them may wish to consider donating them to charity through ShareGift, the independent charity share donation scheme (registered charity no.1052686). Further information may be obtained from ShareGift on 0207 930 3737 or at sharegift.org.

SHAREHOLDER FRAUD

Fraud is on the increase and many shareholders are targeted every year. If you have any reason to believe that you may have been the target of a fraud or attempted fraud in relation to your shareholding, please contact Equiniti immediately.

MIX
Paper from responsible sources
FSC® C001785

Printed by Park Communications on FSC® certified paper.

This document is printed on Galerie Satin, a paper containing 15% recycled fibre and 85% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

Designed and produced by Black Sun plc

THANK YOU

We'd like to thank everyone who has helped to produce this report:

Sruti Bajoria, Michael Barker, Ella Bennett, Meena Bhatia-Ahir, Mita Bhattacharjee, Lis Blair, Matthew Callaghan, Louise Cardani, Robert Carey, Maaike de Bie, Rob Denham, Claire Dickinson, Alex Field, Andrew Findlay, James Fisher, Jeremy Fletcher, Matt Garner, Holly Grainger, Mike Hirst, Flic Howard-Allen, Sadie Holness, Emma Knowler, Matt Landsman, Alex Larkin, Johan Lundgren, Ben Matthews, Tom Minion, Matthew Newman, Mark Ramsden, Sarahjane Robertson, Zarina Sabir, Ryan Simmons, Ben Souter, Julie Southern, Adrian Talbot, Mario Yiannopoulos and all of our employees across the network.

easyJet plc

London Luton Airport
Luton
Bedfordshire
LU2 9PF

www.easyJet.com