19 November 2019

easyJet plc

Results for the year ending 30 September 2019

easyJet announces a strong finish to 2019
driven by the delivery of self-help initiatives in challenging market conditions

easyJet to become the world's first major airline to operate net-zero carbon flights
by offsetting the carbon emissions from the fuel used on the flights

Summary

- Against the background of a difficult year, in the year ending 30 September 2019, easyJet has:
    - delivered full year results in line with expectations, with headline profit before tax towards the top end of guidance,
    - achieved solid revenue per seat during the second half of the year, as our self-help initiatives deliver valuable returns
    - demonstrated good operational performance thanks to our ongoing operational resilience programme and continued strong cost control, in spite of a difficult Q4 disruption environment (weather and LGW issues)
- Passenger numbers for the year ending 30 September 2019 increased by 8.6% to 96.1 million (2018 10.2%)
- Capacity[1] increased by 10.3% due to growth across all regions. Load factor decreased by 1.4 percentage points to 91.5%
- Total revenue increased by 8.3% to £6,385 million (2018: £5,898 million) enabled by our increase in capacity. Total revenue per seat decreased by 1.8% to £60.81 (2018: £61.94), driven by some weakness in consumer confidence, notably offset by the self-help initiatives delivered in the second half of the financial year and the positive impact from strikes at British Airways and Ryanair. The self-help initiatives included a focus on optimising late yield, whilst maintaining our commitment to offer great value. Revenue per seat at constant currency[2] for the year ending 30 September 2019 decreased by 2.7%, but increased by 0.8% during the second half, reflecting these self-help initiatives
- Headline cost per seat excluding fuel at constant currency[2] was down 0.8% to £43.11, mainly due to the successful delivery of the operational resilience programme which drove disruption costs down for the year. Headline cost per seat increased by 1.5% to £56.74 (2018: £55.87) as a result of higher unit fuel[3] costs and adverse foreign exchange movements
- Cost and efficiency programme savings of £139 million (2018: £107 million) were delivered over the year
- Non-headline items of £3 million positive (2018: £133 million cost). Total cost per seat, including the impact of non-headline items was £56.71 (2018: £57.26)
- Headline profit before tax was down 26% to £427 million (2018: £578 million), towards the top of the £420-430 million guidance range. Total headline profit before tax per seat decreased by 32.9% to £4.07 per seat (2018: £6.07 per seat)

- Reported profit before tax decreased to £430 million (2018 £445 million)
- Headline ROCE for the year decreased to 11.4% (2018: 14.6%). On a like-for-like accounting basis, headline ROCE decreased to 9.9%[4].
- Proposed dividend of 43.9 pence (2018: 58.6p) subject to approval by shareholders
- Balance sheet strength amongst the best in the sector, with a net debt position of £326 million

Looking forward

- From today onwards easyJet will make all flights net zero carbon. By offsetting the carbon emissions from the fuel used on the flights across our whole network we will become the world's first major net zero carbon airline. Carbon offsetting is an interim measure and we will continue the push to reinvent aviation for the long-term, including development of sustainable fuel and electric flying
- easyJet holidays will launch in the UK before Christmas and will offer beach and city holidays, travelling across easyJet's network. Flexibility will play a key part in the new offering allowing customers to holiday the way they want by choosing from a huge range of flight options paired with Europe's most loved hotels, all at great value

Outlook

- 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)
- easyJet's expected capacity growth for the year ending 30 September 2020 will be at the lower end of historic guidance of between 3% and 8% per year
- Headline airline revenue per seat at constant currency[2] in the first half of the 2020 financial year is expected to be up low to mid single digits
- Headline airline cost per seat excluding fuel at constant currency[2] for the full year to 30 September 2020 is expected to be up by low single digits, assuming normal levels of disruption
- easyJet Holidays is expected to be at least breakeven for the financial year to 30 September 2020
- Offsetting carbon emissions from the fuel used for all flights on behalf of customers is expected to cost c.£25 million in the financial year to 30 September 2020, and is reflected within our guidance of total fuel costs
- Capital expenditure for the financial year to 30 September 2020 is expected to be around £1,350 million
- easyJet has been operating since March 2019 in a state of full preparedness for all possible Brexit outcomes. We are structured as a pan-European airline group with three Air Operator Certificates based in Austria, Switzerland and the UK. Around 50% of our equity capital is held by qualifying European nationals. We continue to closely monitor customer demand in relation to Brexit.

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

"easyJet finished the 2019 financial year with a strong performance across the business and a record summer. More customers than ever are coming to easyJet as their airline of choice, with a record 96.1 million customers flying with us this year. Our self-help initiatives meant we have been able reduce costs and drive a better yield performance which has improved revenue per seat in the second half of the year.

"We have also invested in tackling disruption for our customers through our Operational Resilience programme, which has reduced cancellations by 46% and lowered delays of 3 hours or more by 24% year on year. All of these efforts have led to easyJet being the number one airline in the UK in terms of customer satisfaction, ahead of BA and Jet2; and the first choice airline brand and considered best value for money across Europe.

"I am really thrilled that with the launch, before Christmas, of our brand new easyJet Holidays business we are bringing flexibility and excellent value to the holiday market. We are now able to offer our customers more than 100 amazing beach and city holiday destinations, pairing Europe's best short-haul flight network with more than 5,000 of Europe's best hotels. We believe there is a gap in the market for a modern, relevant and flexible business for today's consumer.

"And finally I am proud that we have announced that from today we will be 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. We recognise that offsetting is only an interim measure, but we want to take action on our carbon emissions now. easyJet has a long tradition of efficient flying – the aircraft we fly and the way we fly them means that easyJet is already more efficient than many airlines. However, our priority is to continue to work on reducing our carbon footprint in the short term, coupled with long-term work to support the development of new technology, including electric planes, to reinvent aviation for the long-term."

	2019	2018	Change Favourable/(adverse)
Capacity (millions of seats)	**105.0**	95.2	10.3 %
Load factor (%)	**91.5**	92.9	(1.4) ppts
Passengers (millions)	**96.1**	88.5	8.6 %
Total revenue (£ million)	**6,385**	5,898	8.3 %
Headline profit before tax (£ million)	**427**	578	(26.0) %
Total profit before tax (£ million)	**430**	445	(3.4) %
Headline basic earnings per share (pence)	**88.7**	118.3	(25.0) %
Revenue per seat (£)	**60.81**	61.94	(1.8) %
Constant currency[2] revenue per seat (£)	**60.28**	61.94	(2.7) %
Headline cost per seat (£)	**56.74**	55.87	(1.5) %
Headline constant currency[2] cost per seat excluding fuel (£)	**43.11**	43.43	0.8 %
Proposed ordinary dividend per share (pence)	**43.9**	58.6	(25.1) %
Headline return on capital employed (%)	**11.4**	14.6	(3.2) ppt

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There will be an analyst presentation at 09:15am GMT on 19 November 2019 at Nomura, One Angel Lane, London, EC4R 3AB.

Alternatively a webcast of the presentation will be available both live and for replay (please register on the following link):
https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/16532/117606/Lobby/default.htm

For those who prefer a telephone dial-in:		Replay available for 7 days afterwards:	
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Overview

easyJet delivered a resilient performance in the year to 30 September 2019. These 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 outstanding people and great value proposition, which are enabling easyJet to deliver robust bookings and continue to take market share from the legacy carriers.

Revenues on a per seat basis this year 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 initiative. 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 launches in the UK market before Christmas, taking bookings for the winter 2019 and summer 2020 seasons. We will offer our customers a wide range of city and beach holidays teamed with the flexibility of our airline network and a simple-to-use and inspiring website. We are excited about this opportunity to build a differentiated and 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. 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).

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 are 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).

Strategic progress

Delivering Our Plan

easyJet has a well-established business model that provides a strong foundation to drive profitable growth and long term shareholder returns. easyJet is delivering its strategy through the strategic framework which we call 'Our Plan'. The five priorities are:

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

Network – 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 capacity-constrained airports, which reinforces its competitive advantage against airlines which cannot match its breadth of destinations and frequencies.

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.

<u>Winning our customers' loyalty</u>

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[5]. Consumers are choosing us because they want to fly easyJet, and not just because of our great prices and strong network.

Sustainability

From today easyJet will offset the carbon emissions from the fuel used for all of 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.£25 million for 2020.

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 (e.g. 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 reinvent 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 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 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 returning 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 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 that offer fair value and relevancy.

Value by efficiency

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 reduction 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
- 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 EU261 events and enable proactive action.

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

Our Operational Resilience programme has yielded tangible positive results (FY19 vs 18) 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, On-Time Performance (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(5)	Q1	Q2	Q3	Q4	Full year
2019 Network	79%	82%	74%	66%	75%
2018 Network	81%	82%	73%	68%	75%

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.

In order to continue to help navigate the increasingly challenging trading climate and long-term strategic choices ahead, easyJet will be making some accountability changes within the AMB in December 2019. Andrew Findlay will increase his responsibilities by taking on the corporate strategy function. This will simplify ways of working by consolidating our corporate and fleet strategy activities under one AMB member, in addition to allowing Andrew to lead all teams managing the strategy and 5-year planning process. This will support us in maximising long-term shareholder value and achieve our change and sustainability ambitions. Robert Carey will continue to own Network and Commercial strategy, working alongside Andrew and the wider AMB.

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.

<u>Innovating with data</u>

easyJet is aiming to become the world's most data-driven airline. Our Chief Data and Information Officer Sam Kini has built out 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.

Over the 2019 financial year our teams have been working in a co-ordinated, 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 4th 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 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 on-board 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.

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.

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 9 A320neo aircraft and 3 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 has 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.

Our current fleet plan reflects expected fleet growth to reach 352 aircraft by the end of Financial Year 2020, 353 aircraft by the end of Financial Year 2021, 358 aircraft by the end of Financial Year 2022 and 361 aircraft by the end of Financial Year 2023.

Fleet as at 30 September 2019:

	Owned	Leased	**Total**	% of fleet	Changes since Sep-18	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 operating leases, as previously adjusted (seven times operating lease costs incurred in the 12 months ending 30 September 2018), adjusted net debt 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[4], total ROCE decreased to 10.0%.

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 costs3 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[6] for the year to 30 September 2020 is expected to be a positive movement of around £40 million.

Hedging positions

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

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

Footnotes

(1) 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 2019 financial period performance translated at the 2018 financial period effective exchange rate to the 2018 financial period reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.
(3) Unit fuel calculated as the difference between latest estimate of FY’20 fuel costs less FY’19 fuel cost per seat multiplied by FY’20 seat capacity
(4) Adjusted for the adoption of IFRS 9, 15 and 16 accounting standards
(5) 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
(6) US$ to £ Sterling 1.28, Euro to £ Sterling 1.15. Currency, capital expenditure and fuel increases are shown net of hedging impact

OUR FINANCIAL RESULTS

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

£m (reported)	2019			2018
	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**

£ per seat (reported)	2019			2018
	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**

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, benefitting 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 increased 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)

ROCE calculation	2019 Pre IFRS 9, 15 and 16 adoption	2019 Reported	2018 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

Favorable/(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 before tax	**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 costs excluding prior year balance sheet revaluations	-	-	4	3	7
Prior year balance sheet revaluations	3	1	(4)	(1)	(1)
Non-headline total before tax	**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.

Revenue

£ million (Reported)	**2019**			2018
	Amounts without adoption of IFRS 15	**Impact of IFRS 15**	**As reported**	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 carried 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 RPS 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				2018	
	Amounts without adoption of new IFRSs £ million	**Impact of new IFRSs £ million**	**As reported £ million**	**Cost per seat £ per seat**	As reported £ million	Cost per seat £ per seat
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
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);
- a £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 year	**396**	357	39
IFRS 16 implementation impact at 1 October 2018	**(531)**	-	-
Net (debt)/cash at the beginning of the year	**(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 previous leases accounting standard, are replaced by similar aggregated levels of depreciation and interest expense.

Summary consolidated statement of financial position

	2019 Amounts without adoption of new IFRSs £ million	2019 Reported £ million	2018 Reported £ million (restated)	Change £ 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 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*	**1,576**	**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)

* 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.

Key statistics

	2019	2018	Increase/ (decrease)
Operating measures			
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%
Operated aircraft utilisation (hours per day)	**10.9**	11.1	(1.8%)
Number of routes operated at end of year	**1051**	979	7.4%
Number of airports served at end of year	**159**	156	1.9%
Financial measures			
Total return on capital employed	**11.4%**	11.7%	(0.3ppt)
Headline return on capital employed	**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**	44.83	(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%)

Consolidated Income Statement

		Year ended 30 September					
		2019			2018		
	Notes	**Headline £ million**	**Non-headline (note 4) £ million**	**Total £ million**	Headline £ million	Non-headline (note 4) £ million	Total £ million
Passenger revenue		**5,009**	**-**	**5,009**	4,688	-	4,688
Ancillary revenue		**1,376**	**-**	**1,376**	1,210	-	1,210
Total revenue		**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	8	**(484)**	**-**	**(484)**	(199)	-	(199)
Amortisation of intangible assets		**(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/(loss) before tax		**427**	**3**	**430**	578	(133)	445
Tax (charge)/credit	5	**(78)**	**(3)**	**(81)**	(112)	25	(87)
Profit for the year		**349**	**-**	**349**	466	(108)	358
Earnings per share, pence							
Basic	6			**88.6**			90.9
Diluted	6			**87.8**			90.2

Consolidated Statement of Comprehensive Income

	Notes	**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)	5	**69**	(60)
Cost of hedging		**4**	-
Items that will not be reclassified to the income statement:			
Remeasurement of post-employment benefit		**(17)**	(2)
Related deferred tax credit	5	**3**	-
Fair value movement on equity investment		**(6)**	-
		(312)	259
Total comprehensive income for the year		**37**	617

Consolidated Statement of Financial Position

	Notes	**30 September 2019 £ million**	30 September 2018 (restated) £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**196**	181
Property, plant and equipment	8	**5,163**	4,140
Derivative financial instruments	17	**126**	175
Equity investment		**48**	-
Restricted cash		**4**	11
Other non-current assets		**142**	122
		6,044	4,994
Current assets			
Trade and other receivables	9	**372**	406
Derivative financial instruments	17	**147**	220
Current tax assets		**24**	-
Money market deposits		**291**	348
Cash and cash equivalents		**1,285**	1,025
		2,119	1,999
Current liabilities			
Trade and other payables	10	**(1,050)**	(1,023)
Unearned revenue		**(1,069)**	(877)
Borrowings	11	**-**	(9)
Lease liabilities	11	**(219)**	-
Derivative financial instruments	17	**(138)**	(24)
Current tax payable		**-**	(9)
Provisions for liabilities and charges	14	**(192)**	(118)
		(2,668)	(2,060)
Net current liabilities		**(549)**	(61)
Non-current liabilities			
Borrowings	11	**(1,324)**	(968)
Lease liabilities	11	**(359)**	-
Derivative financial instruments	17	**(72)**	(7)
Non-current deferred income	13	**(6)**	(18)
Post-employment benefit obligation		**(47)**	(29)
Provisions for liabilities and charges	14	**(397)**	(335)
Deferred tax		**(305)**	(343)
		(2,510)	(1,700)
Net assets		**2,985**	3,233
Shareholders' equity			
Share capital		**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

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	-	-	-	-	-	(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	1,972	2,778
Total comprehensive income	-	-	261	-	-	356	617
Dividends paid	-	-	-	-	-	(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, £1m relates to a deferred tax liability amounts 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 Cash Flows

	Notes	**Year ended 30 September 2019 £ million**	Year ended 30 September 2018 £ million
Cash flows from operating activities			
Cash generated from operations	15	**1,098**	1,215
Ordinary dividends paid	7	**(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		**(954)**	(931)
Purchase of intangible assets		**(30)**	(81)
Net decrease in money market deposits	16	**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	16	**443**	-
Repayment of capital element of finance leases arising under IAS 17		**-**	(6)
Repayment of capital element of leases arising under IFRS 16	16	**(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 period		**1,025**	711
Cash and cash equivalents at end of year		**1,285**	1,025

Notes to the Accounts

1. Significant accounting policies

Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Conduct Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2019 but is extracted from the 2019 Annual Report and Accounts.

The Annual Report and Accounts for 2018 has been delivered to the Registrar of Companies.

The Annual Report and Accounts for 2019 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

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**

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.

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.

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 90 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 the income statement 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.

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.

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.

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 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 Groups 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 IFRS 16 hedging benefit as a result of management action

1b. Changes in significant accounting policies continued

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 and 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

	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 other intangibles	**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 increase in money market deposits	**52**	-	-	52
Net proceeds from sale and leaseback of aircraft	**121**	-	-	121
Net cash used by investing activities	**(811)**	-	-	(811)
Cash flows from financing activities				
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 year	**1,025**	-	-	1,025
Cash and cash equivalents at end of year	**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

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'headline' and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'non-headline' items.

Non-headline items may include impairments, amounts relating to acquisitions and disposals, expenditure on major restructuring programmes, litigation and insurance settlements, balance sheet exchange gains or losses, the income or expense resulting from the initial recognition of sale and lease back transactions, fair value adjustments on financial instruments and other particularly significant or unusual non-recurring items. Items relating to the normal trading performance of the business will always be included within the headline performance.

Judgement is required in determining the classification of items between headline and non-headline.

Consolidation of easyJet Switzerland

Judgement has been applied in consolidating easyJet Switzerland S.A. as a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A non-controlling interest has not been reflected in the consolidated accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a pre-determined minimal consideration.

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 calendar year 2019 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 years 2019 and 2020, 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

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 full 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.

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

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 basis 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

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

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.

Derivative financial instruments – £273 million asset, £210 million liability

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 and funding policies and 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 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 obligations 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 a £24 million gain relating to the fair value gain on derivatives designated as fair value through profit or loss.

3. Profit before tax

	2019	2018
	£ million	£ 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*	**22**	56

** 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’).

4. 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 (credit)/charge before tax	**(3)**	133
Tax on non-headline items	**3**	(25)
Total non-headline charge/(credit) after tax	**-**	108

Commercial IT platform charge

At the end of 2018, a one-off charge of £65 million was recognised in relation to our commercial IT 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 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 Air Operator Certificate (AOC) structure, helping to secure flying rights for the portion of our network that remains wholly within and between EU states.

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 in 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.

5. 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	**54**	39
Other temporary differences	**8**	(20)
Adjustments in respect of prior years	**-**	20
Difference in applicable rates for current and deferred tax	**(6)**	-
Total deferred tax charge	**56**	39
Total tax charge	**81**	87
Effective tax rate	**18.9%**	19.7%

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	**3**	**-**

6. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee benefit trusts.

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares.

Headline basic and diluted earnings per share are also presented, based on headline profit for the year.

Earnings per share is based on:

	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

7. 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.

8. Property, plant and equipment

	Owned assets: Aircraft and spares £ million	Owned assets: Land and buildings £ million	Owned assets: Other £	Assets held as finance leases under IAS 17: Aircraft and spares £ million	Right of use assets held under leasing arrangements under IFRS 16: Aircraft and spares £	Right of use assets held under leasing arrangements under IFRS 16: Other £	Total £
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	557
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

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

During the 2019 financial year easyJet 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%.

9. Trade and other receivables

	2019	2018
	£ million	£ 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.

10. Trade and other payables

	2019	2018
	£ million	£ 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

11. Borrowing and lease liabilities

	Current	**Non-current**	**Total**
	£ million	**£ million**	**£ 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	**Non-current**	**Total**
	£ million	**£ million**	**£ 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.

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.

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.

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.

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.

12. 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.

easyJet also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities.

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	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)

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

13. 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.

14. Provisions for liabilities and charges

	Maintenance Provision	Provisions for customer claims	Other provisions	Total provision
	£ million	£ million	£ million	£ 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	2018
	£ million	£ 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.

15. Reconciliation of operating profit to cash generated from operations

	2019	2018
	£ million	£ million
Operating profit	**466**	463
Adjustments for non-cash items:		
Depreciation	**484**	199
Loss on disposal of 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

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

	1 October 2018 £ million	IFRS 16 adoption £ million	Fair value and foreign exchange £ million	Loan issue costs capitalised £ 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)**

17. Financial instruments

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	–	(1,324)	–	–	–	–	(1,324)	(1368)
Lease liabilities	–	(578)	–	–	–	–	(578)	(580)
Equity investments[2]	–	–	–	–	48	–	48	48

At 30 September 2018	Amortised cost: Loans and receivables £ million	Amortised cost: Financial liabilities £ million	Held at fair value: Fair value hedges £ million	Held at fair value: 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	–	(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.

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 fair value hierarchy (valuations taken as the closing market trade price for each respective Eurobond as on 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 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 £6m 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).

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 forwards contracts quantity represents contracted metric tonnes.

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

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 specified in IAS 32 Financial Instruments: Presentation are not met.

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.

18. Contingent liabilities

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) expires 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.

19. 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.

20. 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.