17 May 2019

easyJet plc

Results for the six months ending 31 March 2019

easyJet delivers half year results in line with expectations; investing in long term profit and returns; full year outlook unchanged

Summary

- During the first six months of Financial Year 2019 easyJet has:
  - delivered first half results in line with expectations
  - brought additional focus on its cost, customer and operational initiatives to underpin the outlook for the remainder of the year
  - continued to invest in the strategy set out in the Our Plan framework and is making good progress on its strategic initiatives
- Passenger numbers for the six months to 31 March 2019 increased by 4.9 million (13.3%) to 41.6 million
- Capacity[1] increased by 14.5% principally due to annualising of new operations in Berlin. easyJet grew its existing network capacity by c.7%. Load factor decreased by 1.0 percentage points to 90.1% mainly as a result of building loads in Berlin in the first quarter
- Total revenue increased by 7.3% to £2,343 million (H1 2018: £2,183 million) due to capacity growth and a foreign exchange benefit negatively offset by, the impact of the move of Easter, the new IFRS 15 accounting standard and the annualisation of prior year benefits such as Monarch's bankruptcy and Ryanair cancelling a large proportion of its winter 2017/8 schedule in the UK. Total revenue per seat decreased by 6.3% to £50.71 (H1 2018: £54.10), with a decrease of 7.4% at constant currency[2]
- Headline cost per seat increased by 3.9% to £56.66 (H1 2018: £54.53) as a result of fuel price increases, the impact of foreign exchange, underlying cost inflation, investing in resilience as well as the impact of drones at Gatwick in December, mitigated by easyJet's cost programme and fleet up-gauging. Headline cost per seat excluding fuel at constant currency increased by 1.3%
- Headline loss before tax was £275 million (H1 2018: loss of £18 million) reflecting the above revenue and cost drivers, easyJet's normal seasonality as well as increased volume of capacity
- Total loss before tax of £272 million for the six months ended 31 March 2019 (H1 2018: loss of £68 million) reflecting a small benefit of £3 million from non-headline items
- easyJet's business model and strategy are underpinned by sector leading balance sheet strength, with a net debt position at 31 March 2019 of £201 million (under new IFRS 16 accounting standards)

Outlook

- easyJet's headline profit before tax expectations for Financial Year 2019 remain unchanged and in line with market expectations
- easyJet continues to implement its strategy to secure leading positions at primary airports to drive profitable growth, returns and cash flow
- Forward bookings for the third quarter are three percentage points behind last year at 72% and flat year on year at 34% for the fourth quarter. easyJet's capacity growth in the second half is forecast at c.7%
- Revenue per seat at constant currency in the second half is now expected to be slightly down. This is not helped by the ongoing negative impact of Brexit-related market uncertainty as well as a wider

macroeconomic slowdown in Europe. This is offsetting a continued focus of yield improving initiatives, the move of Easter into the second half, the second-half phasing benefit of IFRS 15, improvements in Berlin and more disciplined market capacity growth

- However, full year headline cost per seat excluding fuel at constant currency (assuming normal levels of disruption in H2) is now also expected to be down. This includes an expected benefit in the second half from easyJet's investment in operational resilience to manage the impact of disruption
- It is estimated that at current exchange rates(3) and with jet fuel remaining within a $600 metric tonne to $700 metric tonne trading range, easyJet's unit fuel(4) bill for the 12 months to 30 September 2019 is likely to increase by between £25 million and £60 million compared to the 12 months to 30 September 2018. easyJet's total fuel cost for the year to 30 September 2019 is currently estimated to be approximately £1.4 billion
- In addition, exchange rate movements are likely to have around a £10 million positive impact on headline profit before tax compared to the 12 months to 30 September 2018
- easyJet is now targeting to consolidate its stronger positions delivered over the past few years and as a result its capacity growth in Financial Year 2020 will likely be at the lower end of its historic growth rates

	H1 2019	H1 2018	Change Favourable/(adverse)	
Capacity (millions of seats)	**46.2**	40.4	14.5	%
Load factor (%)	**90.1**	91.1	(1.0)	ppts
Passengers (millions)	**41.6**	36.8	13.3	%
Total revenue (£ million)	**2,343**	2,183	7.3	%
Headline loss before tax (£ million)	**(275)**	(18)	£(257)	m
Total loss before tax (£ million)	**(272)**	(68)	£(204)	m
Headline basic loss per share (pence)	**(56.1)**	(3.3)	(52.8)	pence
Revenue per seat (£)	**50.71**	54.10	(6.3)	%
Constant currency revenue per seat (£)	**50.12**	54.10	(7.4)	%
Total headline cost per seat (£)	**56.66**	54.53	(3.9)	%
Headline constant currency cost per seat excluding fuel (£)	**43.65**	43.11	(1.3)	%

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

"easyJet has performed in line with expectations in the first half.

"I am pleased that despite tougher trading conditions, we flew more than 41 million customers, up 13% on last year, performed well operationally with 54% fewer cancellations in the period and customer satisfaction with our crew is at an all-time high. We have also continued to make good progress on our strategic initiatives in holidays, loyalty, business and with data.

"Cost control remains a major priority for easyJet. Our focus is on efficiency and on innovation through data and we are on track to deliver more than £100m in cost savings during 2019.

"We are well-equipped to succeed in this more difficult market through a number of short term customer and trading initiatives for the summer; measures to improve our operational resilience; and by focusing on what is most important to customers – value for money, punctuality and great customer service. All this is underpinned by a market leading balance sheet.

"We have invested in the operation by doubling our standby aircraft and changed our schedules so that even though the external operating environment over the summer is not set to improve, we plan to alleviate the impact on our customers. We have rolled out Auto Bag Drop to 17 airports, which combined fly over 34 million of our customers and we are now the number one airline in Berlin and at our newly opened base in Nantes in France. In total we are now the number one airline at 27 airports across the network, up from 18 two years ago.

"Our focus on our customers continues to grow their loyalty. Our loyal customers are choosing us time and again and now account for 76% of total bookings, an increase of seven million since last year."

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There will be an analyst presentation at 09:30 am GMT on 17 May 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/4000/7464/16532/113259/Lobby/default.htm
For those who prefer a telephone dial-in the numbers to use are:

Conference call dials	
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Overview

During the first half of Financial Year 2019 easyJet has made progress in its strategic priorities in order to deliver future increases in profit per seat, return on capital employed and cash flow.

Capacity growth of 14.5% in the first half represents investment in stronger positions across the network, particularly the strategic opportunities in Berlin and Manchester. Passenger numbers have grown by 13.3% to 41.6 million and total revenue in the first half has grown to £2,343 million. Underlying revenue, including ancillary revenue, has been positive.

easyJet continues to invest in its customers and the implementation of the Operational Resilience programme in the first half has gone well and is delivering early benefits in the summer season.

Cost control remains a major focus for easyJet. Headline cost per seat excluding fuel at constant currency has increased by 1.3%, which includes an estimated £10 million direct cost from drones at Gatwick and reflects continued inflationary pressures. Both fuel and foreign exchange have been significant cost headwinds in the first half.

As a result of the investment in capacity, structural and revenue timing impacts and cost investment for the future, the headline first half loss was £275 million, which was in line with management expectations.

Revenue

Total revenue increased by 7.3% to £2,343 million (H1 2018: £2,183 million). Revenue per seat decreased by 6.3% to £50.71, and by 7.4% at constant currency to £50.12. This was driven by:

- Positive underlying demand for easyJet's attractive network of destinations and frequencies supported by easyJet's strong brand
- Continued growth in ancillary revenue per seat through better bag and allocated seating sales combined with product and pricing initiatives
- A foreign currency revenue benefit from a stronger Euro against Sterling

Offset by:

- The dilutive impact of a full period of operations at Berlin Tegel in its first full year of operations. easyJet grew capacity in Tegel by 50% in the six month period, which will naturally have put pressure on market prices
- The impact of the move to IFRS 15 accounting standard changing the timing of recognition of revenue (£57m total revenue impact in H1)
- Cancelled flights and lost revenue resulting from the drone issue at London Gatwick (c.£5m revenue impact)
- A decrease of 1.0 percentage points in load factor to 90.1% as anticipated, due to Berlin dilution and the one-off increase in prior year late demand
- Seasonality – the movement of Easter to the second half of the financial year (H1 impact of c.£45m)
- The impact of lower market capacity benefits in the prior year, including the one-off impact from the bankruptcies at Monarch and Air Berlin and the winter withdrawal of Ryanair from the UK domestic market

easyJet has started a number of initiatives to drive yield and ancillary revenue, supported in particular by increasing availability and deployment of data and by new product development. Investment in these has been prioritised and is now expected to support trading in the fourth quarter as well as for the future. These initiatives include:

- Increasing the use of data in our pricing algorithms for both tickets and ancillary products
- Developing the allocated seat band product further from the three bands in use at the beginning of the year to five by the end of April
- Developing product bundles quicker, in particular targeting business customers with a flexible, fast and value-focused combination that includes a seat at the front of the cabin, second cabin bag, Speedy Boarding and Fast Track security

Cost

easyJet's underlying cost performance has been solid despite external inflationary pressures. Headline cost per seat including fuel increased by 3.9% to £56.66 (H1 2018: £54.53). Headline cost per seat including fuel at constant currency increased by 2.5% to £55.88.

Headline cost per seat excluding fuel increased by 1.3% at constant currency to £43.65 (H1 2018: £43.11). This cost increase was driven by:

- Inflationary cost pressures including higher regulated airport charges, changes to airport mix and prices rises in maintenance costs
- Annualisation of previously agreed crew pay deals
- Ownership costs reflecting new aircraft year on year and the impact of IFRS 16 accounting
- A c.£10million 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
- Investment in operational resilience ahead of the busy summer period

easyJet's cost programme has partly offset these challenges and continued to deliver substantial savings in particular:

- Lower overall levels of disruption, cancellations and delays over three hours despite the drone issue at Gatwick
- Fleet up-gauging from A319 ceo to A320 neo and A321 neo albeit this has been marginally 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
- Lower navigation charges

Fuel cost per seat increased by 14.0% to £13.02 (H1 2018: £11.42) and by 7.1% at constant currency, driven by a higher hedged fuel price compared to the prior year, along with increases in the market price, partially offset by a continued investment into more fuel efficient aircraft.

Non-headline costs

easyJet had a £3 million benefit in non-headline items during the first half of Financial Year 2019. These items are separately disclosed as non-headline profit before tax items. The most significant items were as follows:

- £2 million non-cash profit as a result of the sale and leaseback of ten A319 aircraft in the period (H1 2018: charge of £19 million), a small change to previous guidance as the terms of the transaction were finalised
- £3 million gain from the retranslation of balance sheet assets and liabilities (H1 2018: nil)
- £4 million charge for ongoing organisational and legal costs associated with easyJet's Brexit-mitigation programme (H1 2018: charge of £4 million)

There were no non-headline charges relating to Tegel, which is now fully integrated into the underlying business (H1 2018: charge of £24 million).

Non-headline items are material non-recurring items or are items which do not reflect the trading performance of the business. Further detail can be found in the notes to the accounts.

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 its new strategic framework which is called 'Our Plan'. The five priorities are:

1. Network – number one or number two in primary airports
2. Winning our customers' loyalty
3. Value by efficiency
4. The right people
5. Innovating with data

1. Network – number one or number two in primary airports

easyJet's strategy is focused on key airports, serving valuable catchment areas that represent Europe's top markets by GDP, driving both leisure and business travel.

easyJet has now reached a number one position in 27 airports, an increase of two airports since H1 2018 and easyJet is now number one or number two at 25 of its 29 bases. 54% of easyJet capacity is flown from an airport where easyJet has a number one position and easyJet's seat capacity at airports where it has number one or number two positions has increased by almost seven million seats since 2018 to 78 million seats.

During the first half of Financial Year 2019, easyJet targeted two strategic investment opportunities, at Berlin Tegel and Manchester airports, as well as continuing to build its share in existing markets adding frequencies and destinations. In addition, around 2% of capacity growth in the first half was through up-gauging to bigger aircraft, by which easyJet can continue to deliver growth in slot constrained airports and drive higher returns.

easyJet is continuing to consolidate its position in Berlin and is now the number one airline in that market. With increased overall scale, operations at the business-friendly Tegel, a growing domestic network and additional international destinations, easyJet is establishing a strong presence in Berlin. The Germania airline bankruptcy has led to a benefit in terms of capacity and easyJet has secured additional aircraft parking at Tegel, which has allowed a reduction in costly outstation overnight stops and the opportunity to drive revenue with a better schedule and offer for the local Berlin customer.

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, Nantes, 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.

2. Winning our customers' loyalty

easyJet continues to implement its customer focused strategy in order to drive revenue, leading to increasing loyalty, brand recognition and offering its customer a range of attractive products. This is achieved through an attractive flying network, market-leading digital tools and a high level of customer service.

easyJet is the first choice airline for value[5] across its European markets, reflecting its investment in customers and people. In the UK easyJet has seen further growth in consideration and more consumers than ever are saying we are their first choice brand. In Europe our customers in France, Switzerland and Italy now consider easyJet their most trusted and best value Low Cost Carrier. In Germany easyJet's brand consideration has increased substantially with a 12 percentage point increase in serious consideration from the same period five years ago.

Initiatives such as the expansion of Automated Bag Drop to 17 airports, which represents over 34 million customers per year, has improved customer satisfaction due to an overall more efficient process for customers, with reduced queue times and customer hosts on hand to support with any queries. The launch of the AirPortr home bag collection service and the partnership with Three / Hands Free at some airports has allowed customers more flexibility in their travel plans and these services will expand further in the second half of the year. As a result of the successful "Summer of Boarding" initiatives last year, further activities are being planned to support this key part of the customer journey to ensure customers enjoy an easy, efficient and friendly experience when they fly with easyJet.

Satisfaction with crew onboard has increased year on year which is a strong reflection of easyJet's core purpose of having "the warmest welcome in the sky". In January 2019 the new electronic point of sale (ePOS) system was launched on board which has allowed the crew to provide an even better service on board, and allowing contactless payments for the first time, leading to a faster and more efficient service. This is also expected to drive revenue improvement in the future. Real time stock management functionality is allowing easyJet to build more detailed usage trends to help understand customer demands for future product selection and supports our new and improved regional food offering. The expansion of the pre-order offering to include boutique and children's meal deals is also allowing customers to pre-plan for their journeys. easyJet has also recently announced that it will stop selling peanuts on its aircraft to protect those with allergies.

easyJet's continued focus on its customers is being delivered through the proactive management of disruption, ensuring that customers receive accurate, relevant and timely communications through the appropriate channels such as the app which maintains its five star customer rating from over 31 million downloads. Customers are being provided greater choice and flexibility when they need to contact easyJet, which is being served through enhanced self-service capabilities (such as instant chat) and greater support around their entitlements in disruption. easyJet is now delivering a significantly better disruption claim process: the longest call centre wait time this Easter has been 4.5 minutes (compared to three and half hours during Easter 2018); the average processing time of a claim is one day and payment within five days; and easyJet is investing in systems to manage 20,000 claims per week at peak times. Over the course of the next year, easyJet will also be developing ways for customers to track the status of their claims to further improve this process.

Customer enhancements in the digital area so far this year include Look and Book, the new feature on the app that allows customers to book flights using screen grabs of Instagram posts. The introduction of the new digital bag scanner on the app also allows customers to check their cabin bag size before they arrive at the airport, allowing for a more seamless experience on the day of travel. Future development is now focused on enhancing the website design and planning for the delivery of voice activated bookings.

Strategic initiatives

easyJet has continued to invest in its three strategic initiatives in the first half of the year, which will drive revenue and profit per seat (through increasing demand and yields as well as higher ancillary revenue growth), with relatively low capital requirements driving increasing returns.

Holidays

easyJet has made excellent progress in setting up its Holidays business and expects to launch the offering by the end of the year, selling holidays for the summer 2020 season. The focus over the past six months has been to establish a structure and platform for the business as well as continue to define the offering.

The opportunity remains significant, with an estimated European Package Holiday market of around €60 billion[6] which is growing at 6% per annum. easyJet's network of high frequencies to 157 airports in Europe is expected to fly over 100 million seats this financial year and at present easyJet only sells accommodation to around 500,000 of its existing customers.

In March easyJet Holidays announced the appointments to its leadership team, which is made up of a combination of people already working for easyJet who bring with them extensive business and brand knowledge along with newly appointed experienced travel industry professionals. The Holidays Board will bring the experience, ambition and diversity that will be needed to build and grow easyJet Holidays into a major holidays business.

easyJet has also now appointed two best in class technology partners in Valtech, who will design and build the front end web platform, as well as Atcore as the back end provider who have led the provision of leading edge travel technology over a number of decades. They are uniquely placed to develop a platform that can provide a bespoke easyJet Holidays product and customer proposition but can scale across all easyJet's markets as it grows.

With the team, structure and technology now in place, easyJet Holidays is continuing to develop its direct relationships with key hotel partners throughout Europe and negotiations are well advanced. easyJet's aim is to work with the most loved hotels in city, beach and ski destinations and to complement these hand-picked hotels with a full range of accommodation options through our partners.

easyJet plans to launch its Holidays business at the end of 2019, selling holidays for summer 2020.

Business

easyJet's positions in primary airports and high number of frequencies allows it to compete effectively for higher yielding business customers, who tend to book late and add valuable ancillary revenue.

easyJet made further strong gains with business passengers in the first half, flying 8.3 million business passengers, an increase of 1.1 million more than in H1 2018 (+ 15.7%) growing faster than capacity. Business passenger penetration reached 20% for the half, up +0.6ppt on the prior year. This has been driven by the expansion at Tegel, supported by traction from our business sales team who have grown contracted customers by 6%. easyJet has over 50% penetration of business passengers on its German domestic routes. In Germany easyJet has now made it easier for customers to reclaim VAT with a semi-automated process and is progressing towards a fully automated offer.

easyJet has also made progress in its strategic focus on Business, building on the existing infrastructure, adding back end capability to make it easier to fly business with easyJet and continuing to develop its business proposition to compete with higher price legacy airlines. In the next few months easyJet will be delivering a number of initiatives that will drive increased volumes and an increased revenue premium from business customers:

- Rolling out Flight Club Business to over 100 corporate customers, which is currently being trialled with a pilot group of customers
- Introducing a Duty of Care solution through our partnership with Traxo
- Adding Fast Track within our Flexi Fare offer at another 20 airports to ensure 90% of our business passengers can enjoy quicker transition through airports
- Trialling a business fare bundle that includes a seat at the front of the cabin, second cabin bag, Speedy Boarding and Fast Track security

Loyalty

easyJet is taking a phased approach to its loyalty initiative, first looking to build on the success of its current loyalty products, Flight Club and easyJet Plus, whilst continuing the development of a modern, low cost rewards programme to introduce in the future.

easyJet carried more than 90 million passengers last year and has more than 25 million unique customers engaged in its CRM programme. easyJet plans to give these customers greater recognition and reward. easyJet is also planning to expand its easyJet Plus subscription product, introducing new variants to appeal to distinct customer segments.

3. Value by efficiency

easyJet is committed to maintaining its structural cost advantage in the markets in which it operates, primarily against 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 also 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: £45 million of savings have been achieved in the first half (H1 2018: £66m), principally in:

- airport deals: easyJet continues to benefit from economies of scale and delivering passenger growth to its network of airports
- ground handling costs: efficiency savings including at Gatwick with DHL and prior year saving from lower weather-related costs (e.g. de-icing)
- fleet procurement: 11 new A320 and A321 aircraft delivered that are more fuel efficient and have higher seat density
- disruption cost savings: 3,242 disruption events compared to 4,814 in H1 2018, despite the impact of Gatwick drones, with better customer service and lower welfare costs

easyJet expects to save around £100 million in Financial Year 2019.

Disruption

Further to our structural cost programme initiatives where we leverage our scale, easyJet sees opportunities to address head-on the worsening aviation operating environment and the associated rising cost of disruption in order to drive better On-Time Performance and customer satisfaction, as well as reduce costs.

During the first half of the year easyJet has made significant progress in its Operational Resilience programme, using data and resource from across the company to plan for a summer when the airspace environment is expected by Eurocontrol to experience an increase in delay minutes. Some of the main areas of focus have been:

- Schedules: 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, buffers for curfew-constrained airports and airspace that has been identified as being more congested. As easyJet operates more slots at constrained airports than any other airline in the world this is a key development that will continue to be enhanced in the future
- Crew rosters: data has been used extensively to ensure that sufficient crew are available to fly the aircraft at the right time in the right place whilst protecting days off and minimum rest periods. Standby crew are now rostered to times of day when they are most needed and fewer sectors are planned for crews on each day
- Tactical planning team: easyJet has set up a dedicated resource to plan operations with a seven day time horizon, updating systems and processes to reflect weather patterns, known strikes and ATC constriction, routings and aircraft availability
- On the day: intense focus on the first wave and using simulator software to identify early sectors that are likely to be affected, partnering with airspace providers to utilise low-use airspace
- Spare aircraft: easyJet has almost doubled availability of standby capacity for the summer that will be available in the event of delays or technical issues

- Continued development of the Skywise predictive maintenance programme with Airbus to ensure that aircraft technical availability remains high and costs reduced

Since the start of the year this investment has already seen improved performance, despite a 43% increase in delay minutes due to ATC. Over the busiest-ever Easter period easyJet had no cancellations and only eight three hour delays out of 7,300 flights, which replicates our expected flying in some of the peak summer days. On-Time Performance did not fall below 82% and peaked at 91% on Easter Sunday.

easyJet is already using this early data and findings for its future planning and expects to continue to drive improving performance and efficiency in Financial Year 2020 and beyond.

On-Time Performance

In the six months to 31 March 2019, On-Time Performance (OTP) was down one percentage point year on year to 81%. This reflects the challenges of operating at scale in increasingly congested airspace. OTP in the first quarter was significantly affected by the impact of the drones at Gatwick airport. However there was a 54% reduction in cancellations in H1 2019 compared to H1 2018.

OTP % arrivals within 15 minutes[7]	Q1	Q2	H1
2019 Network	79%	82%	80%
2018 Network	81%	82%	81%

4. The right people

easyJet's customer-facing employees are the very best in the industry and contribute significantly to the warmest welcome in the sky that passengers enjoy, leading to increased loyalty and repeat business.

Last year easyJet introduced Peakon as its tool to monitor employee engagement and to provide continuous insight into employee experience, empowering managers to make changes to the things that matter most. easyJet's eNet Promotor Score (eNPS) has remained high albeit broadly flat with an eNPS score of 25 in the most recent survey completed in March 2019 (eNPS was 27 in June 2018). easyJet's engagement score has also remained stable at 7.9 (vs 8.0 in June 2018). This is pleasing after a challenging end to summer operations and significant business change in the period. Feedback on Our Plan has been positive as the new Airline Management Board set out their vision for the future of easyJet.

Employee retention has remained strong, with turnover decreasing by 0.9 percentage points during the period to 6.1%. Crew retention is very good, with pilot turnover slightly ahead of last year at 6.6% (H1 2018: 3.3%). easyJet has continued to benefit from a strong employer brand, hiring almost 3,000 crew in the six month period.

5. Innovating with data

easyJet has the ambition to become the most data-driven airline in the world and has now invested in 39 data scientists and analysts who will give greater focus and weight to easyJet's use of data to improve the customer experience, drive revenue, reduce cost and improve operational reliability.

During the first half the data team have started nine new data products that will secure revenue and costs benefits in this year. The majority are focused on Operational Resilience and include an OTP simulator, ATC slot predictor, medium term standby capacity tracker and a night-time aircraft movement management tool. easyJet's revenue initiatives are also heavily dependent on data and software developed by the data team. For example, additional and cleaner data is being added to the revenue pricing system, the demand forecasting model is being enhanced and further improvements are being made to flight profiles. On the cost side easyJet has again reviewed the inflight product management and is securing over 50% waste savings as well as offering the ability to secure higher revenue opportunities.

Looking forward easyJet will now bring its data team together with its IT function to drive greater scale and product development speed. This includes projects to accelerate the completion of the data hub and its functionality which will build the capability to accelerate product creation and delivery.

Traffic statistics

easyJet's monthly passenger statistics are set out in the table below. easyJet experienced 1,210 cancellations in H1 2019 compared to 2,650 cancellations in H1 2018, with the biggest number of cancellations due to weather and ATC issues. Prior year numbers reflected the impact of the 'Beast from the East' weather in March.

	Jan	Feb	Mar	Q2
Passengers ('000)	5,838	6,498	7,722	20,058
Passenger growth	10.0%	12.2%	11.8%	11.4%
Load factor	86.5%	91.5%	93.1%	90.6%

Brexit

easyJet ensured that it was prepared for Brexit on 29 March. It now has 135 aircraft registered in Austria and is flying that fleet independently, with a separate identifier and call-sign, alongside the Swiss and UK airlines, with all related crew licenses now also transferred as necessary. Legislation securing flying rights is now in place between the EU and the UK which includes a six month grace period on ownership in the event of a hard Brexit.

Should they be necessary easyJet has in place a number of options to maintain its ownership by qualifying nationals, including the use of the provisions contained in its Articles of Association which would permit it to suspend rights to attend and vote at meetings of shareholders and/or forcing the sale of shares owned by non-qualifying nationals as well as other potential actions. easyJet's ownership by qualifying EEA (excluding UK) nationals is 49.6% at 30 April 2019.

Fleet

easyJet's fleet is a major component of its business model and a competitive advantage. easyJet's total fleet as at 31 March 2019 comprised 320 aircraft (30 September 2018: 315 aircraft) with the increase driven by the addition of new A320 neo and A321 neo deliveries. easyJet retrofitted 32 of its 180 seat A320 ceo fleet over the winter to reach 186 seat gauge. The average gauge of the fleet is now 174 seats per aircraft, an increase from 172 at 31 March 2018. The average age of the fleet increased slightly to 7.3 years (30 September 2018: 7.0 years). In the first half easyJet's asset utilisation across the network increased slightly to an average 10.0 block hours per day (H1 2018: 9.7 hours) as fewer flights were cancelled in the period compared to prior year.

Fleet as at 31 March 2019:

	Owned	Dry leases	**Total**	% of fleet	Changes since Sept 2018	Future deliveries	Purchase options	Unexercised purchase rights
A319	69	56	**125**	39%	(7)	-	-	-
A320 180 seat	20	23	**43**	13%	(32)	-	-	-
A320 186 seat	106	20	**126**	39%	33	-	-	-
A320 neo	21	-	**21**	7%	8	96	25	58
A321 neo	5	-	**5**	2%	3	25	-	-
	221	**99**	**320**		**5**	**121**	**25**	**58**
Percentage of total fleet	*69%*	*31%*						

A strong 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+ rating from Standard & Poor's and a Baa1 rating from Moody's.

Of easyJet's 320 aircraft on the balance sheet at 31 March 2019, the 221 owned aircraft are unencumbered, representing 69% of the total fleet. The comparable position at 31 March 2018 was 201 unencumbered aircraft, which was 67% of the total fleet.

easyJet's funding position is strong with net debt at 31 March 2019 of £201 million, which comprised cash and money market deposits of £1,280 million (31 March 2018: £1,624 million) and borrowings of £1,481 million (31 March 2018: £959 million). The net debt position includes the impact of lower profitability and therefore cash flow in the first half compared to H1 2018.

Borrowings as at 31 March 2019 include £623 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 31 March 2018), adjusted net debt at 31 March 2018 was £238 million.

Liquidity per 100 seats was £3.7 million (H1 2018: £4.1m).

Outlook

easyJet's headline profit before tax expectations for Financial Year 2019 remain unchanged and in line with market expectations.

easyJet is confident in its strategy and will continue its disciplined investment in reinforcing and expanding number one positions in its airports and on its routes, with significant opportunities in its core markets. Capacity is planned to grow by around 7% in the second half of Financial Year 2019, of which two percentage points completes the full year capacity growth plans in Berlin. Forward bookings for the third quarter are slightly behind last year at 72% and flat year on year at 34% for the fourth quarter.

Revenue per seat at constant currency in the second half is now expected to be slightly down. This is not helped by the ongoing negative impact of Brexit-related market uncertainty as well as a wider macroeconomic slowdown in Europe. This is offsetting a continued focus of yield improving initiatives, the move of Easter into the second half, the second-half phasing benefit of IFRS 15, improvements in Berlin and more disciplined market capacity growth.

However full year headline cost per seat excluding fuel at constant currency (assuming normal levels of disruption in H2) is now also expected to be down. This includes an expected benefit in the second half from easyJet's investment in operational resilience to manage the impact of disruption.

It is estimated that at current exchange rates[3] and with jet fuel remaining within a $600 metric tonne to $700 metric tonne trading range, easyJet's unit fuel[4] bill for the 12 months to 30 September 2019 is likely to increase by between £25 million and £60 million compared to the 12 months to 30 September 2018. easyJet's total fuel cost for the year to 30 September 2019 is currently estimated to be approximately £1.4 billion.

In addition, exchange rate movements are likely to have around a £10 million positive impact on headline profit before tax compared to the 12 months to 30 September 2018.

easyJet is now targeting to consolidate its stronger positions delivered over the past few years and as a result its capacity growth in Financial Year 2020 will likely be at the lower end of its historic growth rates.

Hedging positions

Details of hedging arrangements as at 31 March 2019 are set out below:

Percentage of anticipated requirement hedged	**Fuel requirement**	**US Dollar requirement**	**Euro surplus**
Six months to 30 September 2019	73%	77%	74%
Average rate	$584 / metric tonne	$1.34	€1.12
Full year ending 30 September 2019	72%	83%	68%
Average rate	$579 / metric tonne	$1.33	€1.13
Full year ending 30 September 2020	58%	61%	61%
Average rate	$660 / metric tonne	$1.36	€1.11

(1) Represents the number of earned seats flown. Earned seats include seats that 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) US $ to £ sterling 1.29, euro to £ sterling 1.15. Currency, capital expenditure and fuel increases are shown net of hedging impact
(4) Unit fuel calculated as the difference between latest estimate of FY’19 fuel costs less FY’18 fuel cost per seat multiplied by FY’19 seat capacity
(5) Source: Millward Brown brand tracker
(6) ONS Travel Trends 2017
(7) On-time performance measured by internal easyJet system

OUR FINANCIAL RESULTS

Headline loss before tax increased from £18 million for the six months ended 31 March 2018 to £275 million for the six months ended 31 March 2019. At constant currency, headline loss before tax for the six months ended 31 March 2019 would have been £266 million, giving an adverse foreign exchange impact of £9 million compared to last year. Total loss before tax increased from £68 million for the six months ended 31 March 2018 to £272 million for the six months ended 31 March 2019.

During the six months ended 31 March 2019, the new accounting standards IFRS 9, 15 and 16 have been adopted, 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 H1 2019 has been split out in the income statement to allow comparability with H1 2018.

FINANCIAL OVERVIEW

£ million (Reported)	**H1 2019**			H1 2018
	Amounts without adoption of new IFRSs	Impact of new IFRSs	**As reported**	As reported
Revenue	**2,400**	**(57)**	**2,343**	**2,183**
Headline costs excluding fuel	(2,024)	8	(2,016)	(1,740)
Fuel	(602)	-	(602)	(461)
Headline loss before tax	**(226)**	**(49)**	**(275)**	**(18)**
Non-headline items	5	(2)	3	(50)
Total loss before tax	**(221)**	**(51)**	**(272)**	**(68)**
Taxation	54	-	54	14
Total loss after tax	**(167)**	**(51)**	**(218)**	**(54)**

£ per seat (Reported)	**H1 2019**			H1 2018
	Amounts without adoption of new IFRSs	Impact of new IFRSs	**As reported**	As reported
Revenue	**51.93**	**(1.22)**	**50.71**	**54.10**
Headline costs excluding fuel	(43.81)	0.17	(43.64)	(43.11)
Fuel	(13.02)	-	(13.02)	(11.42)
Headline loss before tax	**(4.90)**	**(1.05)**	**(5.95)**	**(0.43)**
Non-headline items	0.11	(0.04)	0.07	(1.25)
Total loss before tax	**(4.79)**	**(1.09)**	**(5.88)**	**(1.68)**
Taxation	1.17	-	1.17	0.34
Total loss after tax	**(3.62)**	**(1.09)**	**(4.71)**	**(1.34)**

The total number of passengers carried increased by 13.3% to 41.6 million (H1 2018: 36.8 million), driven by a growth in seats flown of 14.5% to 46.2 million seats (H1 2018: 40.4 million seats) as we continue to strengthen our position in key markets as well as completing the annualisation of flying at Berlin Tegel airport. Load factor has decreased by 1.0 percentage point to 90.1% (H1 2018: 91.1%).

Total revenue increased by 7.3% to £2,343 million (H1 2018: £2,183 million), and increased by 6.1% at constant currency. However total revenue per seat fell by 6.3% to £50.71 (H1 2018: £54.10), and decreased by 7.4% at constant currency. The decrease in revenue per seat is a consequence of a number of contributors, including the introduction of IFRS 15; the non-repeat of one-off benefits in H1 2018 such as Monarch's bankruptcy and Ryanair cancellations; the shift of Easter into the second half of FY 2019; and a dilutive impact from a full period of Tegel flying.

Headline cost per seat excluding fuel increased by 1.2% to £43.64 (H1 2018: £43.11), and increased by 1.3% at constant currency. Higher crew costs were recognised from inflationary increases to crew and pilot wages, as well as low attrition rates and investment in operational resilience. Airport charges were also adversely impacted by the change in airport mix, which is driven by the annualisation of Tegel flying and continued pricing pressure at regulated airports. Partially offsetting these were lower disruption and de-icing costs, due to the sustained adverse weather in H1 2018, navigation price benefits and a decrease in wet leasing due to the high level of Tegel wet lease flying in H1 2018 whilst our own fleet was being introduced.

Fuel cost per seat increased by 14.0% to £13.02 (H1 2018: £11.42) and by 7.1% at constant currency, driven by hedging fuel at higher rates compared to the prior year, along with increases in the market price.

A non-headline profit of £3 million (H1 2018: £50 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 in the period, a £2 million credit from releasing the balance of the non-headline FY 2018 Commercial IT platform close down accrual no longer required, a £3 million gain for balance sheet revaluations, offset by a £4 million charge in relation to Brexit-related plans.

Corporate tax has been recognised at an effective rate of 19.7% (H1 2018: 19.8%) based on the anticipated tax rate for the full year ending 30 September 2019, resulting in a tax credit of £54 million during the period.

Loss per share and dividends per share

	H1 2019 **pence per share**	H1 2018 pence per share	Change pence per share
Basic headline loss per share	**(56.1)**	(3.3)	(52.8)
Basic total loss per share	**(55.3)**	(13.7)	(41.6)
Ordinary dividend per share paid during the period	**58.6**	40.9	17.7

Basic headline loss per share increased by 52.8 pence and basic total loss per share increased by 41.6 pence as a consequence of the £208 million increase in the headline loss after tax and a £164 million increase in the total loss after tax in the six months to 31 March 2019 respectively.

In line with the stated dividend policy of a payout ratio of 50% of headline profit after tax, easyJet paid an ordinary dividend of 58.6 pence per share on 22 March 2019.

EXCHANGE RATES

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

	Revenue		Costs	
	H1 2019	H1 2018	**H1 2019**	H1 2018
Sterling	**41%**	44%	**32%**	32%
Euro	**48%**	44%	**37%**	39%
US dollar	**1%**	1%	**23%**	22%
Other (principally Swiss franc)	**10%**	11%	**8%**	7%

Average exchange rates	**H1 2019**	H1 2018
Euro - revenue	**€1.13**	€1.15
Euro - costs	**€1.14**	€1.13
US dollar	**$1.31**	$1.41
Swiss franc	**CHF 1.15**	CHF 1.28

There was a net nil impact on total loss from the year-on-year movements in exchange rates. A £9 million adverse impact on headline loss was offset by a £9 million favourable impact on non-headline profit. The adverse impact of the Sterling/US dollar exchange rate on fuel costs has been materially offset by a favourable impact on revenue mainly driven by the stronger Euro against Sterling.

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.

Amounts presented at constant currency are an alternative performance measure and not determined in accordance with International Financial Reporting Standards ('IFRS').

Headline	**Euro**	**Swiss franc**	**US dollar**	**Other**	**Total**
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Total revenue	20	7	1	(1)	27
Fuel	-	-	(37)	-	(37)
Headline costs excluding fuel	7	(3)	(4)	1	1
Headline loss before tax	**27**	**4**	**(40)**	**-**	**(9)**

Non-Headline	**Euro**	**Swiss franc**	**US dollar**	**Other**	**Total**
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Non-headline items excluding prior year balance sheet revaluations	-	-	6	3	9
Prior year balance sheet revaluations	1	-	-	(1)	-
Non-headline items before tax	**1**	**-**	**6**	**2**	**9**

FINANCIAL PERFORMANCE

Revenue

£m (Reported)	H1 2019			H1 2018
	Amounts without adoption of IFRS 15	Impact of IFRS 15	**As reported**	As reported
Passenger revenue	**1,869**	(45)	**1,824**	1,729
Ancillary revenue	**531**	(12)	**519**	454
Total revenue	**2,400**	**(57)**	**2,343**	**2,183**

£ per seat (Reported)	H1 2019			H1 2018
	Amounts without adoption of IFRS 15	Impact of IFRS 15	**As reported**	As reported
Passenger revenue	**40.44**	(0.96)	**39.48**	42.84
Ancillary revenue	**11.49**	(0.26)	**11.23**	11.26
Total revenue	**51.93**	**(1.22)**	**50.71**	**54.10**

The total number of passengers carried increased by 13.3% to 41.6 million (H1 2018: 36.8 million), driven by a growth in seats flown of 14.5% to 46.2 million seats (H1 2018: 40.4 million seats) as we continue to strengthen our position in key markets as well as completing the annualisation of flying at Berlin Tegel airport. Load factor has decreased by 1.0 percentage point to 90.1% (H1 2018: 91.1%).

Total revenue increased by 7.3% to £2,343 million (H1 2018: £2,183 million). Excluding the impact of IFRS 15, which changes the recognition of certain fees from the time of booking to the time of flying and reclassifies an element of disruption costs up the income statement to offset against revenue, total revenue would have increased by 9.9% to £2,400 million.

Total revenue per seat decreased by 6.3% to £50.71 (H1 2018: £54.10), and by 7.4% at constant currency. Strength in underlying trading, with easyJet's brand recognition supporting demand, as well as continued growth in ancillary revenue per seat, was more than offset by a number of other contributors. These included the one-off benefits in H1 2018 such as Monarch's bankruptcy and Ryanair cancellations; the shift of Easter into the second half of FY 2019; the impact of the implementation of IFRS 15 and the dilutive impact of a full period of Tegel flying. Excluding the impact of the adoption of IFRS 15, revenue per seat decreased by 4.0% to £51.93, and by 5.1% at constant currency.

Headline costs excluding fuel

	H1 2019				H1 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 and income						
Airports and ground handling	**777**	(1)	**776**	**16.78**	673	16.67
Crew	**405**	-	**405**	**8.77**	337	8.36
Navigation	**175**	-	**175**	**3.79**	166	4.10
Maintenance	**188**	(36)	**152**	**3.30**	139	3.44
Selling and marketing	**72**	-	**72**	**1.56**	67	1.67
Other costs	**199**	(7)	**192**	**4.19**	181	4.50
Other income	**(15)**	-	**(15)**	**(0.32)**	(2)	(0.05)
	1,801	(44)	**1,757**	**38.07**	1,561	38.69
Ownership costs						
Aircraft dry leasing	**89**	(86)	**3**	**0.07**	67	1.66
Depreciation	**116**	112	**228**	**4.94**	95	2.34
Amortisation	**8**	-	**8**	**0.17**	7	0.18
Net finance charges	**8**	12	**20**	**0.39**	10	0.24
	221	38	**259**	**5.57**	179	4.42
Headline costs excluding fuel	**2,022**	**(6)**	**2,016**	**43.64**	**1,740**	**43.11**

Operating costs and income

Headline cost per seat excluding fuel increased by 1.2% to £43.64, and increased by 1.3% at constant currency. Excluding the impact of the adoption of IFRS 15 and 16, headline cost per seat excluding fuel increased by 1.6% to £43.81. The impact of adopting IFRS 9 on headline costs is minimal.

Headline airports and ground handling cost per seat increased by 0.6% to £16.78, and by 0.8% at constant currency. Airport charges were adversely impacted by the change in airport mix, which is driven by the annualisation of Tegel flying and the continued inflationary pressure from regulated airports. This was partially offset by a continued focus on airport procurement activity as well as a reduction in ground handling charges from a significant decrease in de-icing costs due to a non-repeat of the sustained adverse weather in H1 2018.

Headline crew cost per seat increased by 4.9% to £8.77, and by 5.2% at constant currency. This was driven by agreed inflationary increases in crew and pilot pay, low attrition rates and investment in operational resilience in advance of the busy summer period.

Headline navigation cost per seat decreased by 7.7% to £3.79 and decreased by 7.2% at constant currency resulting from decreased rates.

Headline maintenance cost per seat decreased by 4.3% to £3.30, and decreased by 6.0% at constant currency. Underlying increases in maintenance costs from inflationary prices rises and unanticipated heavy maintenance findings were offset by the impact of the introduction of IFRS 16. The adoption of IFRS 16 reclassifies maintenance provision charges out of the maintenance line into the depreciation expense.

Headline other cost per seat decreased by 6.9% to £4.19, and by 8.0% at constant currency. There has been a reduction in disruption costs with the more benign weather in H1 2019 leading to a lower number of events plus a small reclassification of disruption costs to revenue from the adoption of IFRS 15. These more than offset the additional disruption costs arising from the Gatwick drone incident. There has also been a decrease in wet leasing costs, due to the high level of Tegel wet lease flying in H1 2018 whilst our own fleet was being introduced.

Headline other income is an additional line on the face of the consolidated income statement to recognise income not originating from customers. This includes items such as insurance receipts, compensation and dividends received, which have been reclassified in both FY 2019 and FY 2018.

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 previous lease accounting standard, are replaced by similar aggregated levels of depreciation and interest expense.

Dry lease costs have decreased from £67 million in H1 2018 to £3 million in H1 2019, with only those leases which are exempt under IFRS 16, due to their short duration or low value, now being recognised within this line.

Depreciation costs have increased from £95 million in H1 2018 to £228 million in H1 2019. Excluding the impact of IFRS 16, depreciation increased to £116 million, driven by additional depreciation charged as a result of the acquisition of 28 new aircraft during FY 2018 and 11 new aircraft during this period.

Net finance charges have increased from £10 million in H1 2018 to £20 million in H1 2019, primarily driven by the impact on interest expense from the adoption of IFRS 16. Excluding the impact of IFRS 16, the net charge decreased by £2 million mainly due to an increase in interest income, driven by higher yields on GBP and USD deposits.

Fuel costs

	H1 2019		H1 2018	
	£ million	**£ per seat**	£ million	£ per seat
Fuel	**602**	**13.02**	461	11.42

Fuel costs of £602 million were £141 million higher than H1 2018. Fuel cost per seat of £13.02 was 14% higher than last year, and increased by 7.1% at constant currency.

During the period the average market fuel price increased by 5% to $650 per tonne from $620 per tonne last year. The operation of easyJet's fuel and US Dollar hedging meant that the effective fuel price movement saw an increase of 25% to £493 per tonne from £393 per tonne in the previous year.

The impact of the Sterling/US Dollar exchange rate movement on fuel costs was £37 million adverse (H1 2018: £26 million). The increase in fuel costs also reflects the increase in the price of Emissions Trading System (ETS) permits from €13 at 31 March 2018 to €22 at 31 March 2019.

Non-headline items

	H1 2019 £ million	H1 2018 £ million
Sale and leaseback gain/(charge)	**2**	(19)
Commercial IT platform	**2**	-
Organisational review	**-**	(1)
Brexit-related costs	**(4)**	(4)
Tegel integration	**-**	(24)
Balance sheet foreign exchange gain	**3**	-
Fair value adjustment	**-**	(2)
Non-headline items before tax	**3**	**(50)**

Non-headline profit before tax of £3 million comprises:

- a £2 million credit as a result of the sale and leaseback of 10 A319 aircraft in the period (H1 2018: £19 million charge as a result of the sale and leaseback of 10 A319 aircraft);
- a £2 million credit for releasing the balance of a FY 2018 non-headline Commercial IT platform close down accrual no longer required (H1 2018: nil);
- there were no organisational review costs classified as non-headline during H1 2019 (H1 2018: £1 million charge);
- a £4 million charge in relation to our Brexit-related plans (H1 2018: £4 million charge);
- there were no further one-off integration costs in relation to the operations in Tegel classified as non-headline in H1 2019 (H1 2018: £24 million);
- a £3 million gain for balance sheet revaluations (H1 2018: no gain or loss); and
- no gain or loss for fair value adjustments (H1 2018: £2 million charge).

NET (DEBT)/CASH AND FINANCIAL POSITION

Summary net (debt)/cash reconciliation

The table below presents cash flows on a net (debt)/cash basis. This is different to the GAAP presentation of the statement of cash flows in the condensed financial information.

	H1 2019 £ million	H1 2018 £ million	Change £ million
Operating loss	**(255)**	(56)	(199)
Depreciation and amortisation	**236**	102	134
Unearned revenue movement	**762**	741	21
Other net working capital movement	**(145)**	11	(156)
Net tax paid	**(28)**	(48)	20
Net capital expenditure	**(465)**	(387)	(78)
Net proceeds from sale and operating leaseback of aircraft	**121**	106	15
Purchase of own shares for employee share schemes	**(2)**	(2)	-
Net decrease in restricted cash	**4**	1	3
Repayment of capital element of leases arising under IFRS 16	**(85)**	-	(85)
Other (including the effect of exchange rates)	**24**	2	22
Ordinary dividend paid	**(233)**	(162)	(71)
Net (decrease)/increase in net cash	**(66)**	308	(374)
Net cash at closing of the prior period	**396**	357	39
IFRS 16 implementation impact at 1 October 2018	**(531)**	-	(531)
Net (debt)/cash at the beginning of the period	**(135)**	357	(492)
Net (debt)/cash at the end of the period	**(201)**	665	(866)
Operating lease adjustment (7x basis)	**-**	(903)	903
Adjusted net debt	**(201)**	(238)	37

Net debt as at 31 March 2019 was £201 million (31 March 2018: net cash £665 million) and comprised cash and money market deposits of £1,280 million (31 March 2018: £1,624 million) and borrowings of £1,481 million (31 March 2018: £959 million). 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 31 March 2018 was £238 million, with no operating lease adjustment required to the £201 million net debt balance as at 31 March 2019 due to the recognition of lease liabilities on adoption of IFRS 16.

Borrowings as at 31 March 2019 include £623 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.

Net capital expenditure includes final delivery payments for the acquisition of 11 aircraft (H1 2018: nine aircraft) and pre-delivery payments relating to aircraft purchases. The sale and leaseback of 10 aircraft in H1 2019 resulted in a net cash inflow of £121 million (H1 2018: £106 million).

easyJet made corporation tax payments totalling £28 million during the period (H1 2018: £48 million).

Summary consolidated statement of financial position

	31 March 2019 **£ million**	30 September 2018 (Restated) £ million	Movement £ million
Goodwill and other intangible assets	**551**	546	5
Property, plant and equipment (excluding right of use assets)	**4,286**	4,140	146
Right of use assets under IFRS 16	**572**	-	572
Derivative financial instruments	**48**	364	(316)
Equity investments	**54**	-	54
Other assets (excluding cash and money market deposits)	**484**	539	(55)
Unearned revenue	**(1,726)**	(877)	(849)
Other liabilities (excluding debt)	**(1,552)**	(1,875)	323
Capital employed	**2,717**	**2,837**	**(120)**
Cash and money market deposits*	**1,280**	1,373	(93)
Debt (excluding lease liabilities)	**(858)**	(977)	119
Lease liabilities under IFRS 16	**(623)**	-	(623)
Net (debt)/cash	**(201)**	396	(597)
Net assets	**2,516**	**3,233**	**(717)**

* excludes restricted cash

Since 30 September 2018 net assets have decreased by £717 million, mainly due to the loss for the period, the payment of the ordinary dividend (£233 million) and an adverse movement on the hedging reserve.

The net book value of property, plant and equipment excluding right of use assets has increased by £146 million as a result of the acquisition of 11 aircraft and pre-delivery payments relating to future aircraft purchases, offset by depreciation.

The closing balance for right of use assets was £572 million. As a result of the adoption of IFRS 16, a £497 million opening adjustment was recognised, as well as £73 million of reclassification of finance leases.

Derivative financial instruments on a net basis have decreased by £316 million. This movement is largely down to mark-to-market losses on Jet fuel contracts and cross currency interest rate swaps.

The equity investment of £54 million represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited. At initial recognition, upon adoption of IFRS 9, the fair value has been measured using a combination of income and market valuation techniques.

Unearned revenue increased by £849 million. Passengers pay for their flights in full when booking, and due to the seasonal nature of the industry this leads to significantly more unearned revenue at 31 March compared to 30 September each year. Unearned revenue is £258 million higher than 31 March 2018 due to the increase in capacity, the shift of Easter into the second half of FY 2019, 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 have decreased by £323 million primarily due to decreases in deferred tax, arising from movements in cash-flow hedges, and trade payables declining due to seasonality, with lower flying volumes in February/March.

Other liabilities also includes a £30 million post-employment benefit obligation in relation to a Swiss retirement benefit scheme. 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. 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 scheme was brought on 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 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 6 months ended 31 March 2018.

Debt has decreased by £119 million in the period, primarily due to £98 million of finance leases being reclassified as lease liabilities as an opening balance sheet adjustment upon IFRS 16 adoption.

Lease liabilities have been recognised upon adoption of IFRS 16. The £623 million balance includes a £531 million adjustment for the opening balance sheet impact of IFRS 16 adoption and £43 million of additions during the period as a result of sale and leasebacks, as well as the impact of lease payments and extensions during the period.

Return on Capital Employed (ROCE)

Reported £m	**H1 2019**		H1 2018
	Pre IFRS 9, 15 and 16 adoption	**Reported**	Reported (Restated)
Headline loss before interest and tax	(218)	**(255)**	(8)
Interest element of operating lease payments	30	-	25
Headline (loss)/profit before interest and tax – adjusted	(188)	**(255)**	17
UK corporation tax rate	19%	**19%**	19%
Normalised headline operating (loss)/profit after tax (NOPAT)	(152)	**(207)**	14
Average shareholders' equity	2,892	**2,849**	2,703
Average net debt/(cash)	(362)	**168**	(511)
Average capitalised leases	1,187	-	837
Average adjusted capital employed	3,717	**3,017**	3,029
Headline Return on capital employed	(4.1%)	**(6.8%)**	0.4%
Total Return on capital employed	(4.1%)	**(6.8%)**	(0.8%)

Headline ROCE for the period was (6.8)%, a decline of 7.2 percentage points on the prior year, driven by an increased loss for the period. Total ROCE for the period was (6.8)%, a decline of 6.0 percentage points on the prior year.

For H1 2018, the ROCE calculation includes an adjustment for the capital implicit in aircraft operating lease arrangements. The adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven. Upon adoption of IFRS 16 in H1 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 is (4.1)%, as the ROCE benefit from the recognition of newly-capitalised lease liabilities was more than offset by the adverse H1 2019 impact on earnings from the adoption of IFRS 15.

KEY STATISTICS

OPERATING MEASURES

	H1 2019	H1 2018	Increase/ (decrease)
Seats flown (millions)	**46.2**	40.4	14.5%
Passengers (millions)	**41.6**	36.8	13.3%
Load factor	**90.1%**	91.1%	-1.0ppt
Available seat kilometres (ASK) (millions)	**49,367**	43,215	14.2%
Revenue passenger kilometres (RPK) (millions)	**45,091**	39,875	13.1%
Average sector length (kilometres)	**1,068**	1,071	(0.2%)
Sectors	**267,504**	238,359	12.2%
Block hours	**510,403**	454,781	12.2%
Number of aircraft owned/leased at end of period	**320**	298	7.4%
Average number of aircraft owned/leased during period	**317.2**	285.8	11.0%
Number of aircraft operated at end of period	**285**	265	7.5%
Average number of aircraft operated during period	**281.6**	258.2	9.1%
Operated aircraft utilisation (hours per day)	**10.0**	9.7	2.9%
Owned aircraft utilisation (hours per day)	**8.7**	8.5	2.5%
Number of routes operated at end of period	**1,009**	900	12.1%
Number of airports served at end of period	**157**	148	6.1%

FINANCIAL MEASURES

	H1 2019	H1 2018	Increase/ (decrease)
Total return on capital employed	**(6.8%)**	(0.8%)	-6.0ppt
Headline return on capital employed	**(6.8%)**	0.4%	-7.2ppt
Liquidity per 100 seats (£m)	**3.7**	4.1	(9.8%)
Total loss before tax per seat (£)	**(5.88)**	(1.68)	(251.2%)
Headline loss before tax per seat (£)	**(5.95)**	(0.43)	(1,275.5%)
Total loss before tax per ASK (pence)	**(0.55)**	(0.16)	(251.9%)
Headline loss before tax per ASK (pence)	**(0.56)**	(0.04)	(1,278.7%)
Revenue			
Revenue per seat (£)	**50.71**	54.10	(6.3%)
Revenue per seat at constant currency (£)	**50.12**	54.10	(7.4%)
Revenue per ASK (pence)	**4.75**	5.05	(6.0%)
Revenue per ASK at constant currency (pence)	**4.69**	5.05	(7.1%)
Revenue per passenger (£)	**56.26**	59.39	(5.3%)
Revenue per passenger at constant currency (£)	**55.61**	59.39	(6.4%)
Costs			
Per seat measures			
Headline cost per seat (£)	**56.66**	54.53	3.9%
Non-headline per seat (£)	**(0.07)**	1.25	(105.2%)
Total cost per seat (£)	**56.59**	55.78	1.5%
Headline cost per seat excluding fuel (£)	**43.64**	43.11	1.2%
Headline cost per seat excluding fuel at constant currency (£)	**43.65**	43.11	1.3%
Total cost per seat excluding fuel (£)	**43.57**	44.36	(1.8%)
Total cost per seat excluding fuel at constant currency (£)	**43.77**	44.36	(1.3%)
Per ASK measures			
Headline cost per ASK (pence)	**5.31**	5.09	4.1%
Non-headline per ASK (pence)	**(0.01)**	0.12	(105.2%)
Total cost per ASK (£)	**5.30**	5.21	1.7%
Headline cost per ASK excluding fuel (pence)	**4.09**	4.02	1.5%
Headline cost per ASK excluding fuel at constant currency (pence)	**4.09**	4.02	1.5%
Total cost per ASK excluding fuel (pence)	**4.08**	4.14	(1.5%)
Total cost per ASK excluding fuel at constant currency (pence)	**4.10**	4.14	(1.1%)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The easyJet Board is responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them.

easyJet carries out a detailed risk management process to ensure that risks are identified and mitigated where possible. Whilst easyJet can monitor risks and prepare for adverse scenarios, the ability to affect the core drivers of many risks is not within the Group's control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues.

The principal risks and uncertainties faced by the Group remain those set out in our 2018 Annual report and accounts and include the following types of risks:

- Safety
- Commercial and Operational
- Financial
- People
- Regulatory and Legal
- Reputational

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the second half of the financial year remain the same as those stated on pages 39 to 48 of our Annual report and accounts for the year to 30 September 2018, which are available on our website http://corporate.easyjet.com with the exception of the risk related to the impact of Brexit which has been updated below:

IMPACT OF BREXIT

The immediate risk of a no deal Brexit has been delayed, likely to 31 October 2019 at the earliest. The underlying Brexit risks are unchanged, however the EU has now put in place legislation to address the impact of a no deal Brexit on flights between the EU and the UK. The effect of this, easyJet's internal actions and the UK's reciprocal actions are that easyJet will be able to maintain its schedules between the EU and the UK. This legislation also allows airlines whose ownership structure is affected by Brexit a six month period to comply with applicable EU ownership and control requirements following a "no deal" Brexit, provided that an airline submits an acceptable remedial plan. easyJet's EU (excluding UK) ownership is 49.6% at 30 April 2019. easyJet would expect to make use of this six month period if required and has already made the relevant applications under the legislation.

Macroeconomic uncertainty and many unanswered questions surrounding Brexit have together driven weaker customer demand in the market, such that we have seen softness in ticket yields in the UK and across Europe. Given this uncertainty, and as announced in our trading update and pre-close statement for the six months to 31 March 2019, our outlook for H2 2019 is now more cautious and the Brexit delay may continue to adversely impact consumer demand into FY 2020. A programme of yield initiatives has been established and its performance is monitored at weekly review meetings involving senior managers including members of the Airline Management Board (AMB), to determine their impact and whether further or different responses need to be taken to optimise revenue.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Consolidated income statement (unaudited)

		Six months ended 31 March					
		2019			2018		
		Headline	**Non-headline (note 3)**	**Total**	Headline	Non-headline (note 3)	Total
	Notes	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Passenger revenue		**1,824**	**-**	**1,824**	1,729	-	1,729
Ancillary revenue		**519**	**-**	**519**	454	-	454
Total revenue		**2,343**	**-**	**2,343**	2,183	-	2,183
Fuel		**(602)**	**-**	**(602)**	(461)	-	(461)
Airports and ground handling		**(776)**	**-**	**(776)**	(673)	-	(673)
Crew		**(405)**	**-**	**(405)**	(337)	(1)	(338)
Navigation		**(175)**	**-**	**(175)**	(166)	-	(166)
Maintenance		**(152)**	**(1)**	**(153)**	(139)	(18)	(157)
Selling and marketing		**(72)**	**-**	**(72)**	(67)	-	(67)
Other costs		**(192)**	**1**	**(191)**	(182)	(22)	(204)
Other income	1	**15**	**-**	**15**	3	-	3
EBITDAR		**(16)**	**-**	**(16)**	161	(41)	120
Aircraft dry leasing		**(3)**	**-**	**(3)**	(67)	(7)	(74)
Depreciation	10	**(228)**	**-**	**(228)**	(95)	-	(95)
Amortisation of intangible assets		**(8)**	**-**	**(8)**	(7)	-	(7)
Operating loss		**(255)**	**-**	**(255)**	(8)	(48)	(56)
Interest receivable and other financing income		**11**	**3**	**14**	5	-	5
Interest payable and other financing charges		**(31)**	**-**	**(31)**	(15)	(2)	(17)
Net finance charges	5	**(20)**	**3**	**(17)**	(10)	(2)	(12)
(Loss)/profit before tax		**(275)**	**3**	**(272)**	(18)	(50)	(68)
Tax credit	7	**54**	**-**	**54**	5	9	14
(Loss)/profit for the period		**(221)**	**3**	**(218)**	(13)	(41)	(54)
Loss per share, pence							
Basic	8			**(55.3)**			(13.7)

Consolidated statement of comprehensive income (unaudited)

	Notes	**Six months ended 31 March 2019 £ million**	Six months ended 31 March 2018 £ million
Loss for the period		**(218)**	(54)
Other comprehensive income/(expense)			
Remeasurement of post-employment benefit obligations		**(6)**	(3)
Cash flow hedges			
Fair value gains/(losses) in the period		**(185)**	138
(Gains)/losses transferred to income statement		**(86)**	(46)
Losses transferred to property, plant and equipment		**5**	(14)
Related tax credit/(charge)	7	**51**	(14)
Cost of hedging		**(2)**	-
		(223)	61
Total comprehensive (expense)/income for the period		**(441)**	7

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

Consolidated statement of financial position (unaudited)

	Notes	31 March 2019 £ million	30 September 2018 (Restated) £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**186**	181
Property, plant and equipment	2, 10	**4,858**	4,140
Derivative financial instruments	19	**97**	175
Equity investments	2	**54**	-
Restricted cash		**7**	11
Other non-current assets		**126**	122
		5,693	4,994
Current assets			
Trade and other receivables	2, 11	**335**	406
Derivative financial instruments	19	**100**	220
Current tax assets		**16**	-
Money market deposits		**409**	348
Cash and cash equivalents		**871**	1,025
		1,731	1,999
Current liabilities			
Trade and other payables	12	**(817)**	(1,023)
Unearned revenue		**(1,726)**	(877)
Borrowings	13	**-**	(9)
Lease liabilities	13, 14	**(173)**	-
Derivative financial instruments	19	**(90)**	(24)
Current tax payable		**-**	(9)
Provisions for liabilities and charges	16	**(99)**	(118)
		(2,905)	(2,060)
Net current liabilities		**(1,174)**	(61)
Non-current liabilities			
Borrowings	13	**(858)**	(968)
Lease liabilities	13, 14	**(450)**	-
Derivative financial instruments	19	**(59)**	(7)
Non-current deferred income	15	**(6)**	(18)
Post-employment benefit obligations	1	**(30)**	(29)
Provisions for liabilities and charges	16	**(386)**	(335)
Deferred tax	7	**(214)**	(343)
		(2,003)	(1,700)
Net assets		**2,516**	3,233
Shareholders' equity			
Share capital		**108**	108
Share premium		**659**	659
Hedging reserve		**77**	299
Cost of hedging reserve		**2**	-
Translation reserve		**1**	1
Retained earnings		**1,669**	2,166
		2,516	3,233

Consolidated statement of cash flows (unaudited)

	Notes	**Six months ended 31 March 2019 £ million**	Six months ended 31 March 2018 £ million
Cash flows from operating activities			
Cash generated from operations	17	**609**	816
Ordinary dividends paid	9	**(233)**	(162)
Interest and other financing charges paid		**(25)**	(17)
Interest and other financing income received		**15**	13
Net tax paid		**(28)**	(48)
Net cash generated from operating activities		**338**	602
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(452)**	(335)
Purchase of intangible assets		**(13)**	(52)
Net increase in money market deposits	18	**(66)**	(69)
Proceeds from sale and leaseback of aircraft		**121**	106
Net cash used by investing activities		**(410)**	(350)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		**(2)**	(2)
Repayment of capital element of finance leases arising under IAS 17	18	**-**	(3)
Repayment of capital element of leases arising under IFRS 16	18	**(85)**	-
Net decrease in restricted cash		**4**	1
Net cash used by financing activities		**(83)**	(4)
Effect of exchange rate changes		**1**	(19)
Net increase/(decrease) in cash and cash equivalents		**(154)**	229
Cash and cash equivalents at beginning of period		**1,025**	711
Cash and cash equivalents at end of period	18	**871**	940

Consolidated statement of changes in equity (unaudited)

£ millions	**Share capital**	**Share premium**	**Hedging reserve**	**Cost of hedging reserve**	**Translation reserve**	**Retained earnings (Restated)**	**Total (Restated)**
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**
Loss for the period	-	-	-	-	-	(218)	(218)
Other comprehensive expense	-	-	(215)	(2)	-	(6)	(223)
Total comprehensive expense	**-**	**-**	**(215)**	**(2)**	**-**	**(224)**	**(441)**
Dividends paid (note 9)	-	-	-	-	-	(233)	(233)
Share incentive schemes							
Value of employee services	-	-	-	-	-	11	11
Purchase of own shares	-	-	-	-	-	(2)	(2)
At 31 March 2019	**108**	**659**	**77**	**2**	**1**	**1,669**	**2,516**

£ millions	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings (Restated)	Total (Restated)
At 1 October 2017	108	659	38	1	1,972	2,778
Loss for the period	-	-	-	-	(54)	(54)
Other comprehensive income	-	-	64	-	(3)	61
Total comprehensive income/(expense)	**-**	**-**	**64**	**-**	**(57)**	**7**
Dividends paid (note 9)	-	-	-	-	(162)	(162)
Share incentive schemes						
Value of employee services	-	-	-	-	7	7
Purchase of own shares	-	-	-	-	(2)	(2)
At 31 March 2018	**108**	**659**	**102**	**1**	**1,758**	**2,628**

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 period end.

Details of the restatement 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 2.

Notes to the condensed consolidated interim financial information (unaudited)

1. General information

easyJet plc (the Company) is a Company registered in England (Company no. 03959649) domiciled in the United Kingdom (UK). The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 March 2019 comprise the Company and its interest in its subsidiaries (together referred to as the Group). Its principal business is that of a low-cost airline carrier operating principally in Europe. The consolidated financial statements of the Group as at and for the year ended 30 September 2018 are available upon request to the Company Secretary from the Company's registered office at Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF or are available on the corporate website at corporate.easyJet.com.

Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards 34 "Interim Financial Reporting" as adopted by the European Union. It should be read in conjunction with the Annual report and accounts for the year ended 30 September 2018, which were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

This is the first set of the Group's financial statements where IFRS 9, 15 and 16 have been applied. Changes to significant accounting policies are described in note 2.

The interim financial information does not constitute statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2018 were approved by the Board of Directors on 19 November 2018, and have been delivered to the Registrar of Companies. The report of the auditors was unqualified, and did not contain either an emphasis of matter paragraph or any statement made under section 498 of the Companies Act 2006.

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 September 2018.

In adopting the going concern basis for preparing this interim financial information, the Directors have considered easyJet's business activities, together with factors likely to affect its future development and performance, as well as easyJet's principal risks and uncertainties. Based on easyJet's cash flow forecasts and projections, the Board is satisfied that easyJet will be able to operate within the level of its available facilities and cash and deposits for the foreseeable future. For this reason easyJet continues to adopt the going concern basis.

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.

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, 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 scheme was brought on 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 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 6 months ended 31 March 2018.

2. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 September 2018.

The Group has initially adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases 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 period £79 million has been recognised in revenue which was recorded in unearned revenue at the beginning of the period.

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.

2. Changes in significant accounting policies (continued)

IFRS 16 Leases

IFRS 16 has been early adopted, bringing the timing of adoption in line with IFRS 9 and 15. The standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed.

easyJet has applied the cumulative catch-up ('modified') transition method. The comparative information has not been restated, and the retrospective cumulative impact of IFRS 16 has been recognised within the opening balance of retained earnings as at 1 October 2018. The financial statement impact of IFRS 16 is shown within this note. Refer also to note 10 Property, plant and equipment and note 14 Leases.

On initial adoption, easyJet has elected to use the following practical expedients proposed by the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- 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;
- IFRS 16 has only been applied to contracts that were previously classified as leases; 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 have capitalised the right of use of all aircraft and properties previously held under operating leases. At the date of adoption 86 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 options.

easyJet have 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 as an alternative.

Finance leases previously capitalised under IAS 17 Leases ('IAS 17') 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 already undertaken.

2. Changes in significant accounting policies (continued)

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 for 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.

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 over the lease term on a straight line basis.

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 ('IAS 39') 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 are now measured at fair value through other comprehensive income.

2. Changes in significant accounting policies (continued)

Accounting for financial liabilities and for derecognising financial instruments under IFRS 9 is materially consistent with that required by IAS 39. IFRS 9 adds new requirements to address the impairment of financial assets and hedge accounting, which have had an immaterial impact. Existing hedging activities have not materially changed on adoption of the standard. Some changes have been recognised in the classification and measurement of financial instruments, though these changes do not materially impact the financial statements due to the stable nature of the Group's investments. Similarly, easyJet does not have a material impact from the changes to hedge accounting or impairment due to upfront payments from customers and the high credit quality of counterparties with which easyJet transacts. A summary of the changes to the classification and measurement of financial instruments under IFRS 9 is included in note 19.

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 derecognised (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 using a combination of income and market valuation techniques in line with IFRS 13 requirements, with equal weighting applied to the outcome of the two techniques. See note 19 for further details.

Non-derivative financial assets

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.

Financial assets measured at amortised cost

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 and bank term deposits and tri-party repos 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.

2. Changes in significant accounting policies (continued)

Financial assets measured at fair value through profit or loss

Subsequent to initial recognition, this classification of financial asset is measured at fair value through profit or loss.

Financial assets are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss comprise 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. Dividends received from equity investments are recognised in 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

All of easyJet's non-derivative financial liabilities are measured at amortised cost.

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

Subsequent to initial recognition 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 hedging arrangement.

Hedge accounting

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 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.

2. Changes in significant accounting policies (continued)

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. 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 profit or loss 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 forward contracts 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 profit or loss 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.

In the event that a hedged forecast transaction is no longer considered highly probable, 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 remains a highly probable forecast transaction, the related gains and losses remain deferred in the hedging reserve until the transaction takes place.

2. Changes in significant accounting policies (continued)

The following table summarise the impacts of adopting IFRS 9, 15 and 16 on the Group's consolidated statement of financial position as at 1 October 2018.

Impact on the 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
	3,223	54	(70)	(36)	3,181

2. Changes in significant accounting policies (continued)

The following tables summarise the impacts of adopting IFRS 9, 15 and 16 on the Group's interim consolidated income statement for the six-month period ended 31 March 2019, its interim consolidated statement of financial position as at 31 March 2019, and its interim consolidated statement of cash flows for the six-month period ended 31 March 2019. There has been an immaterial impact of IFRS 9 adoption.

Impact on the condensed consolidated interim income statement

Six months ended 31 March 2019 £ millions	**As reported**	**IFRS 15 impact**	**IFRS 16 impact**	**Amounts without adoption of IFRS 15 & 16**
Passenger revenue	**1,824**	45	-	1,869
Ancillary revenue	**519**	12	-	531
Total revenue	**2,343**	57	-	2,400
Fuel	**(602)**	-	-	(602)
Airports and ground handling	**(776)**	-	(1)	(777)
Crew	**(405)**	-	-	(405)
Navigation	**(175)**	-	-	(175)
Maintenance	**(153)**	-	(36)	(189)
Selling and marketing	**(72)**	-	-	(72)
Other costs	**(191)**	(6)	(1)	(198)
Other income	**15**	-	-	15
EBITDAR	**(16)**	51	(38)	(3)
Aircraft dry leasing	**(3)**	-	(86)	(89)
Depreciation	**(228)**	-	112	(116)
Amortisation of intangible assets	**(8)**	-	-	(8)
Operating loss	**(255)**	51	(12)	(216)
Interest receivable and other financing income	**14**	-	-	14
Interest payable and other financing charges	**(31)**	-	12	(19)
Net finance charges	**(17)**	-	12	(5)
Loss before tax	**(272)**	51	-	(221)
Tax credit	**54**	-	-	54
Loss for the period	**(218)**	51	-	(167)
Loss per share, pence				
Basic	**(55.3)**			(42.4)

2. Changes in significant accounting policies (continued)

Impact on the condensed consolidated interim statement of financial position

As at 31 March 2019 £ millions	As reported	IFRS 9 impact	IFRS 15 impact	IFRS 16 impact	Amounts without adoption
Non-current assets					
Goodwill	**365**	-	-	-	365
Other intangible assets	**186**	-	-	-	186
Property, plant and equipment	**4,858**	-	-	(499)	4,359
Derivative financial instruments	**97**	-	-	-	97
Equity investments	**54**	(54)	-	-	-
Restricted cash	**7**	-	-	-	7
Other non-current assets	**126**	-	-	-	126
	5,693	(54)	-	(499)	5,140
Current assets					
Trade and other receivables	**335**	-	-	11	346
Derivative financial instruments	**100**	-	-	-	100
Current tax assets	**16**	-	-	-	16
Money market deposits	**409**	-	-	-	409
Cash and cash equivalents	**871**	-	-	-	871
	1,731	-	-	11	1,742
Current liabilities					
Trade and other payables	**(817)**	-	-	(10)	(827)
Unearned revenue	**(1,726)**	-	51	-	(1,675)
Borrowings	**-**	**-**	**-**	(9)	(9)
Lease liabilities	**(173)**	-	-	173	-
Derivative financial instruments	**(90)**	-	-	-	(90)
Provisions for liabilities and charges	**(99)**	-	-	8	(91)
	(2,905)	-	51	162	(2,692)
Net current liabilities	**(1,174)**	-	51	173	(950)
Non-current liabilities					
Borrowings	**(858)**	-	-	(85)	(943)
Lease liabilities	**(450)**	-	-	450	-
Derivative financial instruments	**(59)**	-	-	-	(59)
Non-current deferred income	**(6)**	-	-	(12)	(18)
Post-employment benefit obligations	**(30)**	-	-	-	(30)
Provisions for liabilities and charges	**(386)**	-	-	16	(370)
Deferred tax	**(214)**	-	-	(5)	(219)
	(2,003)	-	-	364	(1,639)
Net assets	**2,516**	(54)	51	38	2,551
Shareholders' equity					
Share capital	**108**	-	-	-	108
Share premium	**659**	-	-	-	659
Hedging reserve	**77**	3	-	2	82
Cost of hedging reserve	**2**	(2)	-	-	-
Translation reserve	**1**	-	-	-	1
Retained earnings	**1,669**	(55)	51	36	1,701
	2,516	(54)	51	38	2,551

2. Changes in significant accounting policies (continued)

Impact on the condensed consolidated interim statement of cash flows

Six months ended 31 March 2019 £ millions	As reported	IFRS 15 impact	IFRS 16 impact	Amounts without adoption of IFRS 15 & 16
Cash flows from operating activities				
Operating loss for the period	**(255)**	**51**	**(12)**	**(216)**
Adjustments for:				
Depreciation charges	**228**	**-**	**(112)**	**116**
Amortisation charges	**8**	**-**	**-**	**8**
Share-based payments	**11**	**-**	**-**	**11**
Changes in working capital and other items of an operating nature:				
Decrease in trade and other receivables	**70**	**-**	**(11)**	**59**
Decrease in trade and other payables	**(196)**	**-**	**23**	**(173)**
Increase in unearned revenue	**762**	**(51)**	**-**	**711**
Post-employment benefit contribution	**(10)**	**-**	**-**	**(10)**
Decrease in provisions	**(33)**	**-**	**19**	**(14)**
Increase in other non-current assets	**(4)**	**-**	**-**	**(4)**
Decrease in derivative financial instruments	**28**	**-**	**-**	**28**
Cash generated from operating activities	**609**	**-**	**(93)**	**516**
Ordinary dividends paid	**(233)**	**-**	**-**	**(233)**
Interest and other financing charges paid	**(25)**	**-**	**12**	**(13)**
Interest and other financing income received	**15**	**-**	**-**	**15**
Net tax paid	**(28)**	**-**	**-**	**(28)**
Net cash generated from operating activities	**338**	**-**	**(81)**	**257**
Cash flows from investing activities				
Purchase of property, plant and equipment	**(452)**	**-**	**-**	**(452)**
Purchase of intangible assets	**(13)**	**-**	**-**	**(13)**
Net increase in money market deposits	**(66)**	**-**	**-**	**(66)**
Net proceeds from sale and leaseback of aircraft	**121**	**-**	**-**	**121**
Net cash used by investing activities	**(410)**	**-**	**-**	**(410)**
Purchase of own shares for employee share schemes	**(2)**	**-**	**-**	**(2)**
Repayment of capital element of finance leases arising under IAS 17	**-**	**-**	**(4)**	**(4)**
Repayment of capital element of leases arising under IFRS 16	**(85)**	**-**	**85**	**-**
Net decrease in restricted cash	**4**	**-**	**-**	**4**
Net cash used by financing activities	**(83)**	**-**	**81**	**(2)**
Effect of exchange rate changes	**1**	**-**	**-**	**1**
Net increase/(decrease) in cash and cash equivalents	**(154)**	**-**	**-**	**(154)**
Cash and cash equivalents at beginning of period	**1,025**	**-**	**-**	**1,025**
Cash and cash equivalents at end of period	**871**	**-**	**-**	**871**

3. Non-headline profit measures

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

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

An analysis of the amounts presented as 'non-headline' is given below:

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Sale and leaseback (gain)/charge	**(2)**	19
Brexit-related costs	**4**	4
Commercial IT platform	**(2)**	-
Tegel integration	**-**	24
Organisational review	**-**	1
Recognised in operating loss	**-**	48
Balance sheet foreign exchange (gain)/loss	**(3)**	-
Fair value adjustment	**-**	2
Total non-headline (credit)/charge before tax	**(3)**	50
Tax on non-headline items	**-**	(9)
Total non-headline (credit)/charge after tax	**(3)**	41

Sale and leaseback

The sale and leaseback of the Group's ten oldest A319 aircraft resulted in a gain on disposal of the assets of £2 million (H1 2018: loss of £11 million), recognised within other costs in the income statement. In the prior year, before the adoption of IFRS 16, there was also a £8 million maintenance provision catch up charged immediately to the income statement within maintenance costs.

Brexit-related costs

Following the UK's referendum vote to leave the European Union ('EU'), the Group has established a multiple Air Operator Certificate (AOC), post-Brexit structure. This includes the set-up of a European AOC based in Austria, an EU member state, as well as a new UK AOC. The EU AOC helps secure future flying rights for the 30% of easyJet's network which remains wholly within and between EU member states. For the six months ended 31 March 2019, the Group incurred £4 million in Brexit-related costs (H1 2018: £4 million), principally due to the cost of transferring pilot licenses to Austria and legal expenses; which have been largely recognised in other costs within the income statement.

Commercial IT platform

At the end of FY 2018, a one-off charge of £65 million was recognised in relation to our IT commercial platform. This charge included a £60 million write down of costs previously capitalised in relation to development, along with an additional £5 million accrual for close down costs.

During FY 2019, only £3 million of the close down accrual was utilised, mainly due to anticipated compromise agreements not being required, and therefore the remaining £2 million has been released back to the income statement.

As this is a one-off credit which is in relation to an activity outside of easyJet's usual course of business, it has been classified as non-headline.

3. Headline profit measures (continued)

Tegel integration

The structure of the Air Berlin transaction (an acquisition of slots and the subsequent, separate integration of ex-Air Berlin aircraft and crew, as opposed to an 'all-in' business combination) resulted in £24 million of one-off integration costs in the six months ended 31 March 2018. There were no further one-off integration costs in relation to the operations in Tegel classified as non-headline in FY 2019.

Organisational review

The organisational review concluded last year and resulted in costs of £1 million for the six months ended 31 March 2018, which were recognised in other costs within the income statement.

Balance sheet foreign exchange gain

Foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities held in the statement of financial position and foreign exchange derivatives held at fair value through the income statement are recognised as non-headline items. For the six months ended 31 March 2019, the overall impact of balance sheet revaluations was £3 million gain (H1 2018: trivial).

Fair value adjustment

The fair value adjustment arises from the ineffective portion of the cross currency interest rate swaps elected into hedge relationships with the Eurobonds issued in February 2016 and October 2016 (fair value and cash flow hedges respectively). This is not considered to be reflective of the trading performance of the business and causes temporary volatility in the income statement. No gain or loss was recognised in the period (H1 2018: £2 million charge).

4. Seasonality

The airline industry is highly seasonal and demand and yields are significantly higher during the summer. Accordingly revenue and profitability are higher in the second half of the financial year. Historically, easyJet has reported a loss/low profit for the first half of the financial year and a profit in the second half.

5. Net finance charges

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Interest receivable and other financing income		
Interest income	**(11)**	(5)
Net exchange gains on monetary assets and liabilities	**(3)**	-
	(14)	(5)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	**11**	11
Interest payable on finance lease obligations arising under IAS 17	**-**	2
Interest payable on lease liabilities arising under IFRS 16	**13**	-
Other interest payable	**7**	4
	31	17
Net finance charges	**17**	12

6. Loss before tax

The following have been included in arriving at loss before tax:

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Depreciation of property, plant and equipment		
Owned assets	**113**	93
Assets held under finance leases arising under IAS 17	**-**	2
Right of use assets arising under IFRS 16	**115**	-
Loss on disposal of intangibles, property, plant and equipment	**2**	-
(Gain)/loss on sale and leaseback	**(2)**	11
Operating lease rentals arising under IAS 17		
Aircraft	**-**	71
Other assets	-	3
Lease rentals on short-term and low value leases arising under IFRS 16		
Dry leased aircraft and other low value rentals	**3**	-
Wet leased aircraft rentals*	**5**	17

* These are short term leases where the treatment remains the same under IAS 17 and IFRS 16

In the comparative period ended 31 March 2018 aircraft operating lease rentals of £71 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.

In the comparative period ended 31 March 2018 wet leased aircraft rentals of £17 million were recognised within other costs. Wet leases are fundamentally different to regular, long-term operating and finance 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').

7. Tax credit

Tax on loss on ordinary activities:

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Current tax	**3**	2
Deferred tax	**(57)**	(16)
	(54)	(14)
Effective tax rate	**19.7%**	19.8%

The forecast effective tax rate (using currently enacted rates) is higher than the standard rate of corporation tax in the United Kingdom (19%) principally due to current tax in Austria and Switzerland exceeding the UK rate.

Tax on items recognised directly in other comprehensive income

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Credit/(charge) to other comprehensive income		
Deferred tax on fair value movements of cash flow hedges	**51**	(14)

There was no tax on items recognised directly in shareholders' equity in the period (H1 2018: £nil).

7. Tax credit (continued)

Deferred tax

The net deferred tax liability in the statement of financial position is as follows:

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/ (losses) (Restated) £ million	Share-based payments £ million	Total (Restated) £ million
At 30 September 2018	**259**	**14**	**78**	**(8)**	**343**
Adjustments arising on adoption of IFRS 15 and 16	-	(22)	-	-	(22)
At 1 October 2018	**259**	**(8)**	**78**	**(8)**	**321**
Charged to income statement	-	(57)	-	-	(57)
Credited to other comprehensive income	-	-	(50)	-	(50)
At 31 March 2019	**259**	**(65)**	**28**	**(8)**	**214**

8. Loss per share

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Headline loss for the period	**(221)**	(13)
Total loss for the period	**(218)**	(54)

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Weighted average number of ordinary shares used to calculate basic loss per	**394**	394

Basic loss per share	**Six months ended 31 March 2019 pence**	Six months ended 31 March 2018 pence
Total	**(55.3)**	(13.7)
Adjustment for non-headline	**(0.8)**	10.4
Headline	**(56.1)**	(3.3)

Diluted earnings per share figures are not presented for either period as the impact of potential ordinary shares is anti-dilutive.

9. Dividends

The company paid an ordinary dividend of 58.6 pence per share, or £233 million (2018: 40.9 pence per share or £162 million). The dividend was paid on 22 March 2019, with a record date of 1 March 2019.

10. Property, plant and equipment

	Owned assets		Assets held under finance leases under IAS 17	Right of use assets held under leasing arrangements under IFRS 16		
	Aircraft and spares	Other	Aircraft and spares	Aircraft and spares	Other	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Cost						
At 30 September 2018	**4,964**	**67**	**103**	**-**	**-**	**5,134**
Recognised on adoption of IFRS 16	-	-	(103)	1,125	32	1,054
At 1 October 2018	**4,964**	**67**	**-**	**1,125**	**32**	**6,188**
Additions	445	7	-	70	-	522
Aircraft sold and leased back	(149)	-	-	47	-	(102)
Disposals	-	(2)	-	-	-	(2)
At 31 March 2019	**5,260**	**72**	**-**	**1,242**	**32**	**6,606**
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 period	111	2	-	112	3	228
Aircraft sold and leased back	(31)	-	-	-	-	(31)
Disposals	-	-	-	-	-	-
At 31 March 2019	**1,026**	**20**	**-**	**687**	**15**	**1,748**
Net book value						
At 31 March 2019	**4,234**	**52**	**-**	**555**	**17**	**4,858**
At 1 October 2018	4,018	49	**-**	550	20	4,637
At 30 September 2018	4,018	49	73	-	-	4,140

	Aircraft and spares	Other	Total
	£ million	£ million	£ million
Cost			
At 1 October 2017	**4,345**	**60**	**4,405**
Additions	919	12	931
Aircraft sold and leased back	(184)	-	(184)
Disposals	(13)	(5)	(18)
At 30 September 2018	**5,067**	**67**	**5,134**
Depreciation			
At 1 October 2017	**861**	**19**	**880**
Charge for the period	195	4	199
Aircraft sold and leased back	(67)	-	(67)
Disposals	(13)	(5)	(18)
At 30 September 2018	**976**	**18**	**994**
Net book value			
At 30 September 2018	**4,091**	**49**	**4,140**
At 1 October 2017	3,484	41	3,525

10. Property, plant and equipment (continued)

Information presented for the comparative period ended 30 September 2018, is presented in accordance with IAS 17. Information presented for the current period ended 31 March 2019, is presented in accordance with IFRS 16.

Net book value includes £288 million (H1 2018: £317 million) relating to advance and option payments for future aircraft deliveries. This amount is not depreciated.

At 31 March 2019 easyJet was contractually committed to the acquisition of 121 (H1 2018: 134) Airbus A320 family aircraft, with a total list price of US$14.2 billion (H1 2018: US$13.3 billion) before escalations and discounts for delivery. This includes planned deliveries in the second half of FY 2019 (18 aircraft), in 2020 (23 aircraft) and between 2021 and 2023 (80 aircraft).

11. Trade and other receivables

	31 March 2019 £ million	30 September 2018 (Restated) £ million
Trade receivables	**107**	112
Less provision for loss allowance	**(1)**	(1)
	106	111
Prepayments and accrued income	**182**	215
Recoverable supplemental rent (pledged as collateral)	**1**	24
Other receivables	**46**	56
	335	406

12. Trade and other payables

	31 March 2019 £ million	30 September 2018 £ million
Trade payables	**187**	329
Accruals	**521**	574
Leased aircraft - surplus on sale and leaseback	**-**	7
Taxes and social security	**28**	26
Other payables	**81**	87
	817	1,023

13. Borrowings and lease liabilities

	Current £ million	**Non-current £ million**	**Total £ million**
At 31 March 2019			
Eurobond	**-**	**858**	**858**
Lease liabilities arising under IFRS 16	**173**	**450**	**623**
	173	**1,308**	**1,481**

	Current £ million	Non-current £ million	Total £ million
At 30 September 2018			
Eurobond	-	879	879
Finance lease liabilities arising under IAS 17	9	89	98
	9	968	977

13. Borrowings and lease liabilities (continued)

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 31 March 2019, is presented in accordance with IFRS 16 Leases.

Lease obligations relate to aircraft and bear interest partly at fixed rates and partly at variable rates linked to USD LIBOR.

The maturity profile of lease liabilities is set out in note 14.

14. Leases

Information presented in this note is in respect of the current period ended 31 March 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 from 1 month to 9 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 2.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 10 to these financial statements.

Information in respect of the carrying value and interest arising on lease liabilities is set out in note 13 and note 5 respectively. A maturity analysis of lease liabilities is set out below.

easyJet also enters into short term leases and low value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the period in relation to these leases is disclosed in note 6.

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%.

Lease liabilities	**31 March 2019 £ million**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	(191)
One to five years	(394)
More than five years	(49)
	(634)

Lease liabilities included in the interim statement of financial position	**31 March 2019 £ million**
Current	(173)
Non-current	(450)
Total	**(623)**

Amounts recognised in the income statement	**Six months ending 31 March 2019 £ million**
Interest on lease liabilities adopted under IFRS 16	**12**
Expenses relating to short term and low value leases (excluding wet leases)	**3**
Expenses relating to short term wet leases	**5**
	20

14. Leases (continued)

Amounts recognised in the statement of cash flows	**Six months ending 31 March 2019 £ million**
Repayment of capital element of leases	**(85)**

	As at 1 October 2018 £ million
Operating lease commitments as disclosed at 30 September 2018	**601**
Reconciling items:	
-Effect of discounting (at incremental borrowing rate as at 1 October 2018)	(84)
- Adjustment for options reasonably certain to be exercised	14
Finance lease liabilities recognised as at 30 September 2018 under IAS 17	**98**
Lease liabilities as at 1 October 2018	**629**

15. 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.

16. Provisions for liabilities and charges

	Maintenance provisions £ million	**Provisions for customer claims** £ million	**Total provisions** £ 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	1	(1)	-
Charged to income statement	46	41	87
Utilised	(14)	(61)	(75)
At 31 March 2019	**445**	**40**	**485**

17. Reconciliation of operating loss to cash generated from operations

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Operating loss	**(255)**	(56)
Adjustments for non-cash items:		
Depreciation	**228**	95
Amortisation of intangible assets	**8**	7
Loss on disposal of property, plant and equipment	**2**	-
Loss on sale and leaseback	**(2)**	11
Share-based payments	**11**	7
Changes in working capital and other items of an operating nature:		
Decrease / (increase) in trade and other receivables	**70**	(64)
Decrease in trade and other payables	**(196)**	-
Increase in unearned revenue	**762**	741
Post-employment benefit contribution	**(10)**	(8)
Increase/(decrease) in provisions	**(33)**	69
Increase in other non-current assets	**(4)**	(42)
Decrease in derivative financial instruments	**28**	58
Decrease in non-current deferred income	**-**	(2)
Cash generated from operations	**609**	816

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

	1 October 2018 £ million	Fair value and foreign exchange £ million	Other changes £ million	Net cash flow £ million	**31 March 2019 £ million**
Cash and cash equivalents	1,025	1	-	(155)	**871**
Money market deposits	348	(5)	-	66	**409**
	1,373	(4)	-	(89)	**1,280**
Eurobonds	(879)	22	(1)	-	**(858)**
Lease liabilities*	(629)	(1)	(78)	85	**(623)**
	(1,508)	21	(79)	85	**(1,481)**
Net cash/(debt)	(135)	17	(79)	(4)	**(201)**

	1 October 2017 £ million	Fair value and foreign exchange £ million	Other changes £ million	Net cash flow £ million	**31 March 2018 £ million**
Cash and cash equivalents	711	(19)	-	248	**940**
Money market deposits	617	(2)	-	69	**684**
	1,328	(21)	-	317	**1,624**
Eurobonds	(870)	6	(1)	-	**(865)**
Finance lease obligations*	(101)	4	-	3	**(94)**
	(971)	10	(1)	3	**(959)**
Net cash	357	(11)	(1)	320	**665**

*Information presented for the comparative period ended 31 March 2018, is presented in accordance with IAS 17 and information presented for the current period ended 31 March 2019, is presented in accordance with IFRS 16.

19. Financial instruments

Classification and measurement

Under IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') easyJet previously classified and measured its financial instruments as follows:

- Derivative financial instruments: classified and measured at fair value through profit and loss;
- All other financial assets: classified as loans and receivables and measured at amortised cost; and
- All other financial liabilities: classified as other liabilities and measured at amortised cost.

Under IFRS 9 easyJet's basis for classifying and measuring derivative financial instruments and other financial liabilities has remained unchanged. On adoption of IFRS 9 there has therefore been no change to the classification or measurement basis of these instruments.

In accordance with IFRS 9 easyJet has performed an assessment on its non-derivative financial assets to ascertain the appropriate accounting treatment. Under this assessment all such financial assets, with the exception of money market funds and other equity instruments, have been assessed as being held under the 'hold-to collect' business model, and the related cash flows have been assessed as representing 'solely payments of principal and interest' ('SPPI'). On this basis, this group of financial assets have continued to be classified and measured at amortised cost on adoption of IFRS 9. Whilst there has been no change in the measurement classification of these instruments, a measurement difference has arisen on adoption of IFRS 9, primarily due to the enhanced impairment requirements of IFRS 9 versus IAS 39.

Under IFRS 9 money market funds have been classified and measured at fair value through profit or loss. easyJet's assessment of the instruments concluded that whilst these are also 'hold-to-collect' financial assets, they fail the SPPI test due to the fact the underlying short term debt investments within the funds can be sold at the funds discretion. On adoption of IFRS 9, money market funds have therefore been reclassified out of the amortised cost classification and into the fair value through profit or loss classification. However, due to the short-term, highly liquid nature of these instruments, their previous carrying values, under IAS 39, is considered to be materially the same as their fair value. As such, no measurement difference has arisen on adoption of IFRS 9.

Equity investments are non-derivative financial assets of unlisted investments, excluding interests in associates. On initial recognition, the equity investment has been designated as measured at fair value through other comprehensive income. The equity investment consists of easyJet's 13.2% shareholding in a non-listed entity, The Airline Group Limited. At initial recognition the fair value has been measured using a combination of income and market valuation techniques in line with the requirements of IFRS 9 and 13.

The income approach uses a discounted cash flow on expected future earnings incorporating an inflationary growth rate of 2% and a post-tax discount rate of 6.8%. Significant movements would have to arise in these assumptions for a material change in valuation to occur as at 31 March 2019. The market valuation takes into account market observable information such as recent market transactions and comparable listed companies. Equal weighting has been applied to the outcome of the two techniques.

19. Financial instruments (continued)

A summary of the changes to the classification and measurement bases of non-derivative financial assets under IFRS 9 is set out below:

	IAS 39 carrying amount at 30 September 2018	Reclass -ifications	Remeas -urements	IFRS 9 carrying amount at 1 October 2018	Effect on retained earnings at 1 October 2018
	£ million	£ million	£ million	£ million	£ million
Amortised cost:					
Other non-current assets	122	-	-	122	-
Trade and other receivables	406	-	-	406	-
Restricted cash	11	-	-	11	-
Money market deposits	348	-	-	348	-
Cash and cash equivalents	1,025	(665)	-	360	-
Fair value:					
Cash and cash equivalents	-	665	-	665	-
Equity investments	-	-	54	54	54

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					
	Financial assets	Financial liabilities	Fair value hedges	Cash flow hedges	Other financial instruments	Other [3]	Carrying value	Fair value
At 31 March 2019	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Other non-current assets	125	-	-	-	-	1	126	126
Trade and other receivables	215	-	-	-	-	120	335	335
Trade and other payables	-	(675)	-	-	-	(142)	(817)	(817)
Derivative financial instruments	-	-	54	(9)	3	-	48	48
Restricted cash	7	-	-	-	-	-	7	7
Money market deposits	409	-	-	-	-	-	409	409
Equity investments	-	-	-	-	54	-	54	54
Cash and cash equivalents	385	-	-	-	486	-	871	871
Eurobonds [1] & [2]	-	(858)	-	-	-	-	(858)	(889)
Lease liabilities	-	(623)	-	-	-	-	(623)	(624)

19. Financial instruments (continued)

At 30 September 2018 (Restated)	Amortised cost: Loans and receivables	Amortised cost: Financial liabilities	Held at fair value: Fair value hedges	Held at fair value: Cash flow hedges	Other (3)	Carrying value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million	£ 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 (1) & (2)	-	(879)	-	-	-	(879)	(908)
Finance lease liabilities arising under IAS17	-	(98)	-	-	-	(98)	(100)

(1) In February 2016, easyJet Plc issued a €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling floating rate exposure. All three swaps pay floating interest (three-month LIBOR plus a margin) quarterly, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a fair value hedge of the interest rate and currency risks on the €500 million Eurobond. The swaps are measured at fair value through profit or loss with any gains or losses being taken immediately to the income statement (except where related to timing differences related to-cross currency basis amortisation). The carrying value of the Eurobond is adjusted for changes in fair value attributable to the risks being hedged. This net carrying value differs to the swap's fair value depending on movements in the Group's credit risk and cross-currency basis. The fair value of the Eurobond represents the quoted market price of the Eurobond as at 31 March 2019. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 31 March 2019 was £379 million.

(2) In October 2016 easyJet plc issued €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.125%. Shortly after the issuance of the €500 million bond the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps were executed on 8 November 2016 with settlement and notional exchange occurring on 14 November 2016. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond.

The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 31 March 2019 was £448 million.

(3) 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.

Information presented for the comparative period ended 30 September 2018, is presented in accordance with IAS 39 and IFRS 7 Financial Instruments: Disclosures ('IFRS 7'), as applicable to IAS 39. Information presented for the current period ended 31 March 2019, is presented in accordance with IFRS 9 and IFRS 7, as modified by IFRS 9.

The fair values of the both Eurobonds are classified as level 1 of the IFRS 13 'Fair Value Measurement' fair value hierarchy. The remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2.

19. Financial instruments (continued)

Fair value calculation methodology

The fair values of derivatives and financial instruments have been determined by reference to observable market prices where the instruments are traded, where available. 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. The fair value of the equity investment has been calculated using a combination of the income and market fair value techniques as described above.

The fair values of the both Eurobonds are classified as level 1 of the IFRS 13 'Fair Value Measurement' fair value hierarchy. The remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2 with the exception of the equity investment which has some level 3 inputs into the valuation.

Application of hedge accounting

On adoption of IFRS 9 easyJet has elected to separate changes in the value of cross currency interest rate swaps arising as a result of foreign currency basis spread, when designating the swap as a hedging instrument. Changes in value relating to foreign currency basis spread no longer form part of the designated hedging instrument, and are instead recognised through other comprehensive income, held in a separate 'cost of hedging reserve', and are subsequently amortised on a rational basis. This has resulted in a net reclassification of £1 million between retained earnings and the hedging reserves on 1 October 2018.

Impact on the financial statements during the period ended 31 March 2019

The effect of adoption of IFRS 9 on the statement of financial position in the current period to 31 March 2019 is set out in note 2.

20. 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.

21. Related party transactions

The Company licenses the easyJet brand from easyGroup Ltd ('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. No changes to the Haji-Ioannou family concert party shareholding have been disclosed to easyJet in accordance with the Disclosure Guidance and Transparency Rules DTR 5, between 30 September 2018 and 31 March 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 the 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.

The amounts included in the income statement for these items were as follows:

	Six months ended 31 March 2019 £ million	Six months ended 31 March 2018 £ million
Annual royalty	**5.9**	5.5
Brand protection (legal fees paid through easyGroup to third parties)	**0.2**	0.8
	6.1	6.3

At 31 March 2019, £0.5 million (2018: £0.9 million) of related party balances were held in trade and other receivables and payables (net receivable).

Statement of Directors' responsibilities

The Directors are responsible for preparing the interim report in accordance with applicable law and regulations. The Directors confirm that the condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 ('Interim Financial Reporting') as adopted by the European Union.

The interim management report includes a fair review of the information required by the Disclosure and Transparency Rules paragraphs 4.2.7 R and 4.2.8 R, namely:

- an indication of important events that have occurred during the six months ended 31 March 2019 and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions during the six months ended 31 March 2019 and any material changes in the related-party transactions described in the Annual report and accounts 2018.

The Directors of easyJet plc are listed in the Annual report and accounts 2018. Since publication, Anastassia Lauterbach and Nicholas Leeder were appointed on 1 January 2019, and Adèle Anderson stepped down on 7 February 2019. A list of current Directors is maintained on the easyJet plc website: http://corporate.easyJet.com.

The Directors are responsible for the maintenance and integrity of, amongst other things, the financial and corporate governance information as provided on the easyJet website (http://corporate.easyJet.com). Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

The interim report was approved by the Board of Directors and authorised for issue on 16 May 2019 and signed on its behalf by:

Johan Lundgren	Andrew Findlay
Chief Executive	Chief Financial Officer

Independent review report to easyJet plc

Report on the condensed consolidated interim financial information

Our conclusion

We have reviewed easyJet plc's condensed consolidated interim financial information (the "interim financial statements") in the interim report of easyJet plc for the 6 month period ended 31 March 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
16 May 2019