16 May 2017

easyJet plc

Results for the six months ending 31 March 2017

easyJet delivers strong passenger and revenue growth, rigorous cost control and a resilient operational performance

Strengthening number one positions

- Record number of passengers for the first six months of the 2017 financial year at 33.8 million, up 9.0% year-on-year with a record first half load factor at 90.2% (H1 2016: 89.7%), reflecting easyJet's attractive network and affordable fares.
- Capacity increased by 8.4% as easyJet delivered its strategy of purposeful investment to reinforce and expand its leadership positions in its core markets.
- Total revenue up 3.2% to £1,827 million with revenue per seat of £48.80 (a decline of 4.9%, and of 9.7% at constant currency[1], in line with guidance) reflecting the timing of Easter and high overall market capacity growth.

Rigorous cost control

- Headline cost per seat excluding fuel at constant currency flat at £38.54, reflecting strong cost control despite high levels of disruption. Headline cost per seat increased by 4.9% to £54.45 (a decrease of 4.1% at constant currency) driven by the weakness of sterling.
- Headline loss before tax of £212 million includes the estimated impact of the move of Easter into the second half of the year (circa £45 million) and a negative net currency impact of £82 million. Excluding these two items the headline loss before tax would have been circa £85 million. Total loss before tax after non–headline items was £236 million.

Investing in the future

- easyJet has agreed to purchase 30 A321 NEO aircraft under its existing agreement with Airbus, with the first arriving in summer 2018. This is a conversion of 30 existing A320 NEO orders and via increased flexibility within the Airbus agreement will be neutral to current fleet capex commitments. The A321 NEOs will increase easyJet's ability to grow in slot constrained airports and manage costs.
- easyJet remains on track to confirm possession of a European Air Operator Certificate (AOC) by the Summer and therefore secure its future operations within the European Union.
- easyJet's business model and strategy are underpinned by sector leading balance sheet strength, with a net cash position at 31 March 2017 of £353m. Unencumbered aircraft now represent 71% of easyJet's total fleet.

Outlook

- easyJet continues to implement its strategy of purposeful, profitable growth to secure leading positions at primary airports and drive returns over the long term.
- Forward bookings are ahead of last year; at 77% for the third quarter and 55% for the half year.

- easyJet's capacity growth in the second half of the 2017 financial year is planned to be at a similar level to the first six months and RPS in the third quarter is anticipated to decline by low single digits, a significant improvement from the first six months.
- Headline cost per seat excluding fuel at constant currency for the full year and at normal levels of disruption is expected to increase by around 1%, which better than initially expected. easyJet has successfully offset the cost of additional investment in resilience and in improving its long-term operational performance within this latest full year guidance.

	2017	2016	Change Favourable/(adverse)	
Capacity (millions of seats)	**37.5**	34.5	8.4	%
Load factor (%)	**90.2**	89.7	0.5	ppts
Passengers (millions)	**33.8**	31.0	9.0	%
Total revenue (£ million)	**1,827**	1,771	3.2	%
Headline loss before tax (£ million)	**(212)**	(21)	£(191)	m
Total loss before tax (£ million)	**(236)**	(18)	£(218)	m
Headline constant currency loss before tax (£ million)	**(130)**	(21)	(109)	m
Headline basic loss per share (pence)	**(43.8)**	(4.6)	(39.2)	pence
Constant currency revenue per seat (£)	**46.32**	51.29	(9.7)	%
Headline constant currency cost per seat (£)	**49.79**	51.91	4.1	%

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

"easyJet delivered a resilient performance during the winter months with strong cost control, improving operational performance and within guidance for revenue. We grew total revenue by 3.2% year on year while passenger numbers were up by 2.8 million. The first half loss is in line with market expectations and reflects the movement of Easter into the second half as well as currency effects which together had an estimated impact of circa £127m on the bottom line.

"Our bookings for the summer are ahead of last year showing that demand to fly remains strong and reflects growing evidence that consumers are prioritising expenditure on flights and holidays above other non-essential items.

"Looking ahead, we are seeing an improving revenue per seat trend as well as the continued reduction of competitor capacity growth. Cost performance for the full year will continue to be strong. easyJet is delivering on its strategy of purposeful investment in securing and building strong positions at Europe's leading airports which is driving competitive advantage with sustainable returns. As a result our expectations for the full year are in line with current consensus market expectations[(2)]."

Inside Information

The sections of this announcement relating to the agreement with Airbus to deliver A321 NEO aircraft, including but not limited to certain sections under the "Capital allocation and fleet" heading, contain

information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

For further details please contact easyJet plc:

Institutional investors and sell side analysts:		
Stuart Morgan	Investor Relations	+44 (0) 7989 665 484
Michael Barker	Investor Relations	+44 (0) 7985 890 939
Media:		
Paul Moore	Corporate Communications	+44 (0) 7860 794 444
Dorothy Burwell	Finsbury	+44 (0) 207 251 3801
		+44 (0) 7733 294 930

There will be an analyst presentation at 10:00 am GMT on 16 May 2017 at Nomura, One Angel Lane, London, EC4R 3AB

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

Conference call dials –
UK & International: +44 (0) 20 3003 2666
UK Toll Free: 0808 109 0700
US toll: +1 212 999 6659
US Toll Free: 1 866 966 5335
Replay available for 7 days
UK & International: +44 (0) 20 8196 1998
UK Toll Free: 0800 633 8453
US Toll Free: 1 866 583 1035
PIN: 2259085#

Overview

easyJet delivered a resilient performance in the first half of 2017. During the period, easyJet made good progress in its strategy of making disciplined investments to defend, maintain and leverage its market-leading positions in Europe's primary, slot-constrained airports. This includes increasing easyJet's share on selected city routes and existing number one positions in markets with high volume traffic.

Cost control has been strong as easyJet made further progress with its lean cost programme, offsetting increasing costs of disruption. However adverse foreign exchange rates have continued to have a significant impact on profitability.

The Company's business model and strategy position easyJet to be a structural winner within its chosen markets in the European short-haul market. Looking ahead, there is evidence that key competitors are reducing capacity plans in easyJet's markets (e.g. Alitalia, Air Berlin, Vueling, Norwegian) and easyJet will continue to manage its own capacity growth plans to drive long-term returns.

Total revenue increased by 3.2% to £1,827 million (H1 2016: £1,771 million).

Revenue per seat decreased by 4.9% to £48.80 due to:

- easyJet's growth in capacity by 8.4% focused on strengthening its number one positions at Europe's primary airports and securing time-sensitive opportunities in newer markets
- increased overall market capacity, along with low pricing sustained by a low fuel price
- seasonality, mainly regarding the movement of Easter to the second half of the financial year (an H1 impact of 2.4% on revenue per seat at constant currency)
- increased levels of disruption during the first half (due to strikes, severe weather, airport issues) which resulted in 3,302 flights (H1 2016: 2,796) being either cancelled, delayed over three hours or diverted

This was offset by:

- excellent progress in growing non-seat revenue, which increased by 18%, driven by customer-focused initiatives such as improvements to inflight food and drink ranges
- some recovery in markets after the shock events of last year
- increased load factor, by 0.5ppts to 90.2%

Headline cost per seat has increased by 4.9% to £54.45 driven by a gross foreign exchange impact of £175 million, partially offset by a lower effective fuel price. At constant currency the headline cost per seat decreased by 4.1%, with headline cost per seat excluding fuel remaining flat. The overall cost performance is driven by:

- fuel cost reduction of 15.9% at constant currency driven by a lower hedged fuel price, mitigating market price increases
- Lean initiatives in:
    - airport charges, offsetting underlying inflation
    - reduced navigation charges
    - engineering and maintenance savings, such as the component supply contract
    - overhead efficiencies in headcount
- the phasing of project spend
- up-gauging of fleet with the delivery of additional 186-seat A320 aircraft and the retro-fitting of 44 existing 180-seat A320s to a 186-seat gauge

This has helped to offset:

- a continued increase in disruption charges due to an increased number of events, level of compensation claims and welfare claims
- additional ownership and financing costs that were anticipated following investment in the long-term growth of the airline

easyJet remains on track to deliver flat headline cost per seat excluding fuel at constant currency from the 2015 financial year to the 2019 financial year, assuming normal levels of disruption.

Market environment

easyJet operates in the European short-haul aviation market, with a focused business model that has enabled it consistently to generate higher levels of profitability. As competitors continue to struggle to restructure their high cost bases or operate with inadequate financial resources, easyJet is well positioned to continue to selectively strengthen its market positions. Economic trends remain favourable across Europe with continued GDP growth supporting spending in all easyJet's major countries.

The total European short-haul market[3] grew by 6% year-on-year in the six months ending 31 March 2017 and by 9% in easyJet's markets, driven by easyJet's own growth and competitor growth supported primarily by a continued low fuel price, with particularly strong growth in Spain and Germany.

Strategic progress

easyJet is delivering through its six strategic pillars:

1. Purposeful investment to build strong number one and two network positions
2. A lean cost advantage
3. Customer and operational excellence
4. Data and digital
5. Enhance revenue growth
6. The best people

Purposeful investment to build strong number one and number two network positions

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. These are strong, existing markets, built up over a period of time by legacy carriers. easyJet's portfolio of peak time slots at airports, where either total slot availability or availability at customer-friendly times is constrained, further reinforces its competitive advantage.

easyJet currently holds 18 number one market positions by share and has identified a number of potential targets for the next five years where GDP and passenger volumes are high, where there is a weak incumbent and/or where there is no clear winner today. easyJet has the opportunity to capture further market share and to grow the overall market.

easyJet takes a disciplined approach to capital allocation, balancing its network by deploying aircraft to where it can achieve the highest returns. easyJet's strategy achieves this through:

1. Building number one positions both at primary airports and on its routes, which drives significantly greater contribution:

- 98% of easyJet's capacity touches an airport where it has the number one or number two position by share

2. Investing in scale:
   - Leading positions, route frequencies and multiple destinations create flexibility for customers, as well as reinforcing the easyJet brand to ensure that it is 'top of mind'
3. Investing with purpose:
   - easyJet has a track record of generating above cost of capital returns from purposeful investments within a three year period

In line with guidance given in November 2016, during the first half of this financial year easyJet has focused its growth on maintaining market share in the UK and Switzerland and growing in France. easyJet also invested high capacity growth in its city strategy: in Venice and Naples to improve its number one position; maintaining share in the slot-constrained Berlin market and in Amsterdam where the airport is now at full capacity. Further capacity growth was deployed in easyJet's lean bases to increase their scale and leverage their cost advantage.

Having capitalised on time-sensitive opportunities to bolster its positions in primary airports during this period, such as in Amsterdam, easyJet capacity is likely to grow at a lower rate in FY 2018 compared to this year. By leveraging its flexible fleet plans, easyJet is focused on driving returns on its investment.

easyJet is now seeing signs that competitors are reducing their growth rates or even overall capacity for the forthcoming summer and in the future:

- Vueling is expected to reduce its capacity on easyJet markets this Summer by around 5%
- Norwegian is focusing more on low cost long-haul, reducing its short haul network at Gatwick
- The combination of Air Berlin and Lufthansa in Germany is expected to result in a reduction of around 20 aircraft
- Alitalia is in a state of administration in Italy
- Flybe is expected to reduce its capacity in 2018

Overall easyJet grew capacity by 8.4% in the period, with 3.5ppts being invested in new routes and 7.3ppts on existing routes, being offset by 2.4ppts of routes that we have actively churned. Progress in easyJet's main markets is as follows:

United Kingdom

easyJet has strong market positions in all of the UK's busiest airports, including 47% share of short-haul capacity at London Gatwick and 43% share at Luton. At 31 March 2017, 135 aircraft were based in the UK, with 85 at four London airports. easyJet increased its capacity in the UK in the first half by 8%, with significant growth targeted at maintaining its share of the London market through Luton and Gatwick and increasing capacity at Bristol and Manchester airports in particular.

France

easyJet currently has a number one position in Nice and Nantes, with number two positions in Paris, Lyon, Toulouse and Bordeaux. At 31 March 2017, the airline had 28 aircraft based in France. easyJet increased capacity in the first half by 12%, significantly ahead of the overall market, to consolidate its presence in Paris and increase its share in the regions. With an overall market share at 31 March 2017 of 15%, easyJet has increased its share of the market in France in the last 12 months by 1 percentage point.

Italy

easyJet is the largest operator at Milan Malpensa, Naples and Venice. At 31 March 2017, the airline had 27 aircraft based in Italy. easyJet increased capacity in the first half by 6%: further increasing its investment in Venice, where easyJet now has 28% share of the airport; Naples (35% share); and securing its position in Milan Malpensa (40% share).

Switzerland

easyJet has a strong position in Switzerland and is number one in both Geneva and Basel with 40% and 57% market share respectively. At 31 March 2017, the airline had 22 aircraft based in Switzerland. easyJet increased capacity in the first half of the year by 9% in increasing its share in both Geneva and Basel, against overall market growth of 8%.

Germany

In Germany, easyJet has two bases, at Berlin Schönefeld, where it has a number one position, and Hamburg. At 31 March 2017, the airline had 14 aircraft based in Germany. easyJet increased capacity by 9% in Germany during the period as it invested in maintaining its strong market share of the Berlin market.

Netherlands

easyJet holds the number two position behind KLM at Amsterdam Schiphol airport, which is now at full capacity. At 31 March 2017, the airline had eight based aircraft with one further to be added this Summer. This has been built since opening the base in March 2015 and is an increase of three aircraft since 31 March 2016. easyJet increased capacity by 7% in the first half as it began to annualise the high growth from the previous two years, focusing on adding frequencies to existing destinations and capturing first wave demand from business passengers.

Portugal / Spain

easyJet operates out of all five major airports in Portugal and flies both international and domestic routes. At 31 March 2017, the airline had eight aircraft based in Portugal. easyJet increased capacity by 17% in the first half as it continued to establish its position in both bases (Lisbon and Oporto) and protect its market share.

easyJet operates at 20 airports in Spain and serves over 150 routes. At 31 March 2017, the airline had four aircraft based in Spain. easyJet grew capacity in Spain by 16% in the first half as it continued to build its presence in Barcelona. In March, easyJet opened its first seasonal base in Palma de Majorca, a major leisure destination which will serve over two million passengers this summer. Three aircraft will be based there during the busy summer months.

A lean cost advantage

easyJet is committed to maintaining its structural cost advantage in the markets where it operates, primarily against the legacy airlines. Through its lean programme, easyJet continues to review its cost base to identify both short-term efficiencies and longer term structural cost savings. These savings enable the airline to offset the effects of underlying inflation and build flexibility to help mitigate revenue pressure. The lean project is well established within the organisation and seen as a primary driver of the business. As a result, easyJet has remained committed to a target of flat unit headline cost performance between the 2015 financial year and the 2019 financial year, at constant currency and before the effect of fuel, assuming normal levels of disruption. Total lean savings in the first half of FY 2017 were approximately £35 million.

Savings will be delivered in the following areas:

Airports and ground handling

- As easyJet increases in size, the airline can further drive economies of scale from long-term deals with airports and ground handling operators. Management continues to work with airports that will reward easyJet's commitment and growth with attractive financial packages
- 20% of all easyJet passengers now travel through an automated bag drop area with further automation planned to be rolled out across the network. Automatic gates are also being trialled for boarding

Maintenance and engineering

- easyJet is driving further efficiencies from its contract for maintenance and the provision of spare parts, which started in October 2015
- easyJet is using data science and its strong relationship with Airbus to support predictive maintenance, which will drive further long-term cost savings

Crew

- easyJet is investing significant resources to improve schedule and rostering efficiency, which will improve productivity and create a more stable working environment for its crew
- In March the airline opened its first seasonal base in Palma de Majorca, which will match the fluctuating needs of the market to supply periods of high customer demand while providing local easyJet crew with a lifestyle choice of working for eight months with four months leave
- Continuing to grow the lean bases in Lisbon, Oporto and Barcelona

Overhead and IT

- easyJet is implementing its new organisational design that will bring significant efficiency to the business, as well as the ability to leverage scale in overhead for future growth
- Increasing investment into data and digital to increase simplicity, enhance flexibility and drive efficiency
- Continuing end-to-end review of the supplier base in all areas of the business to reduce cost and drive innovative thinking about the way the airline works in future

Up-gauging and efficient fleet management

- Moving from 156 seats on an A319 to 186 on an A320 NEO aircraft is expected to deliver a cost per seat saving of around 13%-14%(4). This is being achieved by
    - Increasing the proportion of higher gauge A320 aircraft in the fleet
    - All new A320 deliveries will be fitted with 186 seats
    - Retrofitting the existing fleet of 180 seat A320s
    - Introduction of the 186-seat A320 NEO from June 2017
- The addition of A321 NEO aircraft to the fleet is expected to deliver an 8% to 9%(4) cost per seat saving compared to an A320 NEO, primarily due to their 235-seat configuration

Fuel

- easyJet continues to optimise its commercial and logistical fuel supply arrangements, working closely with its fuel providers

Non-headline items

As indicated previously, easyJet has incurred a number of non-headline costs during the first half of the 2017 financial year. These costs are separately disclosed as non-headline profit before tax items:

- easyJet transacted the first sale and leaseback arrangement for 10 aircraft in December 2016, which is the first of a rolling programme of approximately 10 per year to 2021 to de-risk the exit from the business of the ageing A319 fleet. easyJet has incurred a total one-off, non-cash charge of £16 million. Of this, £10 million relates to a loss on disposal, which reflects the timing of the transaction and the specific aircraft sold. It does not necessarily reflect the outcome of future transactions. A further £6 million relates to a one-off catch up in the maintenance provision due to the differences in accounting treatment between owned and leased aircraft. The proceeds of the transaction were $144 million and are reflected in the cash flow statement
- as a result of the UK's referendum vote to leave the European Union, easyJet expects to establish an Air Operator Certificate (AOC) in another EU member state during this Summer. This will secure the flying rights of the 30% of the network that remains wholly within and between EU states, excluding the UK. This one-off cost, comprised mainly of aircraft registration costs, is expected to total up to £10 million over three years with up to £3 million incurred in the 2017 financial year. The cost in the first half of 2017 has been £1 million.
- expenses associated with implementing the organisational review in the 2017 financial year totalled £2 million to date
- balance sheet foreign exchange loss of £1 million (H1 2016 £2m gain). These charges/credits have previously been excluded from the Cost per Seat at constant currency statistics
- a £4 million non-cash fair value adjustment associated with the Cross Currency Interest Rate Swap (CCRIS) that was put in place to hedge the €500 million Eurobond issue in February 2016. The CCRIS movements are non-cash and revert to nil exposure over the term of the bond. They relate to the different accounting treatment of the underlying Bond valuation versus the accounting treatment of the hedge put in place to alleviate cash flow volatility

These Profit and Loss items are material non-recurring items or are items which do not reflect the trading performance of the business.

easyJet will continue to relentlessly focus on lean cost control. The cost saving programme will build on the strong momentum from 2016, leveraging easyJet's increasing scale and will review the airline's cost management down to the most granular level.

Customer and operational excellence

easyJet continues to improve its On Time Performance (OTP) from a difficult period in Summer 2016. The airline is investing to provide better customer service and reduce the increasing associated costs of disruption.

In the six months to 31 March 2017, cancellations and delays increased by 18% to 3,302 (H1 2016 2,796) and OTP was 80%. The challenges of working at Gatwick, where easyJet outperforms most of its direct competitors on OTP, continue to have an impact on the rest of the network; OTP excluding the UK was two percentage points higher than the rest of the network at 82%. In particular, easyJet was affected by a number of external factors:

- Severe weather at peak times of year (Christmas and Storm Doris at February half term)

- Strikes around the network – French Air Traffic Control (ATC), Italian Ground Handling, Berlin Ground Handling
- Reduced capacity as French ATC perform systems upgrades in Bordeaux, similar to the Brest upgrades last year

OTP % arrivals within 15 minutes[5]	Q1	Q2	H1
2017 Network	79%	80%	80%
Network excluding UK	82%	82%	82%
2016 Network	82%	82%	82%
Network excluding UK	83%	84%	83%

easyJet is making good progress on a number of its initiatives to improve OTP and reduce Disruption:

- Engineering initiatives to increase aircraft availability: easyJet has set up an Aircraft On Ground Response Team and will add another light aircraft at Milan Malpensa to the one at Luton to ensure engineers can fix aircraft more quickly; spare parts have also now been distributed around the network to support a faster response, guided by predictive maintenance analysis; and predictive maintenance is also being used in scheduled checks and is expected to reduce technical operational interruptions by up to 20%
- Gatwick North Terminal consolidation: since January easyJet has been able to improve operations and customer experience at Gatwick; and 80% of stands are now dedicated to easyJet aircraft, enabling more efficient Ground Handling processes and consistent turn times
- Customer communications: easyJet has increased its push notifications to customers, to manage disruption better; technology is also supporting more consistent communication between Operations Control, Ground Handling teams and onboard Crew to passengers; and easyJet has now introduced further automation to compensation claims to improve customer satisfaction and reduce processing costs
- Schedule and Rosters: easyJet has introduced breaks to its schedule and increasing block times (reducing asset utilisation) to ensure it can deliver a more robust schedule for its customers. In addition three aircraft have been wet leased this summer to build flexibility and a further two spare aircraft made available to add resilience

As a result of the above recent trends are encouraging, with improvements to all areas of customer satisfaction at Gatwick in the first half year and good On Time Performance across the network at Easter in particular (a 9.0 ppt improvement to 85.3%).

easyJet is also seeing strong customer satisfaction improvements where it has rolled out Auto Bag Drop, currently in six airports. With shorter queuing times (over 90% of our customers at Gatwick waited less than five minutes in last year's peak Summer season) and as Ground Crew move away from the process and into customer service, this is driving improving Customer Satisfaction scores. At Gatwick the Overall Bag Drop satisfaction increased by 7ppts from second quarter 2016 to second quarter 2017.

Data and digital

easyJet has been at the forefront of digital innovation in the airline industry and its digital strategy is a core part of easyJet's wider strategy. Its capability helps to build customer loyalty, drive revenue growth, secure cost savings and deliver greater customer satisfaction. easyJet's increasingly sophisticated use of data will enable the Company to make travel even easier and more affordable in the long-term.

Mobile is increasingly a channel which we will use to drive revenue. easyJet is now making 26% of all ecommerce bookings through mobile platforms, an increase of 4ppts from 31 March 2016, as functionality and accessibility improve further. The ability to simplify transactions also continues to improve with technology such as Apple Pay seeing strong adoption and representing 11% of all bookings. 21% of passengers now use mobile boarding passes (6.3ppts increase from H1 2016) and 39 airports support real time data exchange for gate information and bag drop. easyJet sent 5.5 million “go to gate” push notifications during the period.

Innovation and digital leadership

easyJet has recently started the next phase of its digital development, with a new booking funnel now live for all customers. This has already seen increases in target metrics for conversion and attachment rates as customers find it easier to search for flights, compare routes, times and fares and see more relevant information on seats and bags. With the new website rolled out this provides a platform to release new features and enhancements. The digital platform remains a key point of differentiation from competitors and further opportunities for commercial optimisation are planned.

easyJet has continued to enhance its App capabilities, already the “most loved airline app in Europe” with 20 million downloads with a consistent 4.4 star rating on App stores. As well as functionality that improves the travel experience and drives loyalty, such as mobile boarding passes and the flight tracker, easyJet’s app is increasingly being used to manage disruption, combining better communication with the ability for passengers to self-handle, easily rebooking their flights and securing pre-approved hotel accommodation.

easyJet has now announced the next step with its first two Founders Factory portfolio companies. The Company will be integrating features from both Flio and Lucky Trip into the easyJet travel app later in the year, delivering customer benefits in the airport experience and travel inspiration respectively.

Loyalty and data

easyJet continues to benefit from increasingly loyal customers. In the first six months of financial year 2017 75% of its seats were booked by returning customers, representing an increase of four million compared to the first half of 2016. easyJet has seen significant increases in returning customer loyalty in its core markets of the UK (+2.3 million customers) and Switzerland (+0.5 million customers), with strong increases also in France and Germany.

easyJet is also building increasingly strong relationships with its customers through the use of personalised data. easyJet’s CRM of marketable customers increased by 5% during the first half to 26.7 million. After its first 12 months easyJet’s loyalty scheme Flight Club is also producing demonstrable benefits, driving higher retention and higher satisfaction than non-members. Over 50% of Flight Club members fly 20 or more times a year, with over 40% representing business or commuter customers.

Enhance revenue growth

easyJet has a programme to develop additional revenue streams as well as enhancing existing revenue streams, leveraging its primary airport-focused network, cost focus and track record of innovation. The airline is exploring new distribution channels, partner agreements and structures such as connectivity with other airlines. easyJet is also increasingly using data science to support revenue-enhancing initiatives, for example using customer profiling on specific sectors and routes.

Business passengers

easyJet’s business passenger segment has performed well during the first half of the financial year. The total number of business passengers has increased by 6.2%, against a backdrop of capacity investment weighted towards leisure routes. Business passengers remained at 19% of easyJet’s customer base, reflecting the mix of routes flown. The business passenger premium has remained steady year-on-year, helped by the recovery from shock events (which disproportionately impacted short-term travel) and the move of Easter from March into April.

With the proposition now well established, easyJet is looking to evolve the product offering, drive better distribution and reduce costs. A new organisational structure is now finalised, contracts with Travel Management companies are being renegotiated and six major new corporate and Government contracts were signed in the period, for example with the State of the Netherlands.

Additional revenue streams

In the first six months, easyJet has seen strong growth in its Ancillary[5] (including Non-Seat) Revenue, offsetting pressure on ticket yields from the external environment. For example easyJet has seen excellent early results from new initiatives in its baggage strategy, reflecting changes to consumer behaviour. easyJet also has opportunities to build on its partnerships with industry-leading brands in car rental (Europcar) and hotels (Booking.com), as well as exploring other value channels. Building on these, easyJet has a number of projects in the pipeline for the next 12 months.

Non-seat revenue has increased by 18% in the first half of the financial year, driven by improvements to inflight food and drink ranges. easyJet has continued to add premium products that appeal to its customer base.

The best people

easyJet cares about its people and believes they set the airline apart. easyJet's customer-facing employees are the very best in the industry and contribute significantly to the positive experience that passengers enjoy, leading to increased loyalty and repeat business.

It is easyJet's people who continue to deliver the business' strategy and will drive future success. easyJet has invested in a programme called 'Next Generation' that is focused on driving efficiency and effectiveness in our overhead structure through the optimisation of a scaleable organisational design, focused accountabilities and empowerment, enhanced ways of working that will support more effective and cost-efficient growth in the future and faster and more effective decision making that best fits the easyJet's entrepreneurial culture.

easyJet continues to recruit to support its growth, adding over 281 pilots and 836 cabin crew. During the period 35% of positions were filled by internal candidates, ahead of easyJet's target of 30%. Retention rates remain good with employee turnover at 7%, while attendance rates are high at 97%.

easyJet continues to lead the industry in its push to increase the number of female pilots through the Amy Johnson Flying Initiative, in partnership with the British Women Pilots Association. After reaching the initial target to double the proportion of new female entrants from under 6% in the year ending 30 September 2015 to over 12% within a two year period, easyJet has set a new, more stretching target for 20% of our new pilot cadets to be female by 2020.

Capital allocation and fleet

easyJet has a ruthless focus on capital allocation, using its market-leading fleet flexibility to increase or decrease capacity deployed. easyJet regularly reviews the opportunities available and prevailing economic and market conditions to determine the most effective capital allocation. In the past five years easyJet has closed bases in Madrid and Rome and redeployed those aircraft to secure stronger more profitable market positions elsewhere. Every year the airline churns routes that have not reached their targeted objectives using the flexibility to move aircraft between routes and markets to ensure improved utilisation and generate increased returns.

This industry-leading flexibility is achieved due to a number of agreements that impact both the timing and scale of capacity deployment: new aircraft orders can be deferred, leases may be extended or not renewed, aircraft may be sold or utilisation can be reduced at times of low demand. As announced in November 2016, easyJet secured a reduced notice period with Airbus for deferring deliveries from 24 months to 18 months, giving it a competitive advantage in its ability to respond to market conditions.

In addition, easyJet has reached an agreement with Airbus to purchase 30 A321 NEO aircraft in a 235 seat configuration, with the first deliveries expected in July 2018. This is a conversion of 30 A320 NEO orders under the existing 2014 easyJet Airbus agreement. This will enable easyJet to continue to deliver growth in slot constrained airports, as well as securing substantial unit cost savings, which are estimated to be around 8% to 9% better than a 186-seat A320 NEO. easyJet has also agreed a delivery schedule and optionality with Airbus making it capex neutral to current plans, including the deferral of some A320 NEO deliveries. As a result easyJet has further increased its high degree of flexibility in its fleet plans to manage its growth, cost and cash flows.

	Owned	Finance leases	Operating leases	**Total**	% of fleet	Changes since Sept '16	Future deliveries	Unexercised purchase rights
A319	89	-	55	**144**	54%	-	-	-
A320 180 seat	52	1	8	**61**	23%	(44)	-	-
A320 186 seat	47	4	10	**61**	23%	53	27	-
A320 neo	-	-	-	**-**	-	-	100	100
A321 neo	-	-	-	**-**	-	-	30	-
	188	**5**	**73**	**266**		**9**	**157**	**100**
	71%	*2%*	*27%*					

easyJet's total fleet as at 31 March 2017 comprised of 266 aircraft (H1 2016: 247 aircraft), split between 156-seat Airbus A319s, 180-seat A320s and since May 2016, 186-seat A320s. Alongside its lean initiatives over the next five years easyJet will reduce cost by improving the fleet mix and ownership structure. In the six months to 31 March 2017, easyJet took delivery of nine 186-seat A320 aircraft, which provide a per seat cost saving of 9% to 10%[(3)] compared to the A319 through economies of scale, efficiencies in crew, ownership, fuel and maintenance. easyJet also completed the up-gauging of 44 of its existing 180-seat A320s to 186 seats. During this process easyJet experienced issues with the quality of the new equipment, leading to aircraft unavailability. Therefore, the retrofitting programme will be suspended until these problems are resolved.

The average age of the fleet increased to 7.0 years (H1 2016: 6.7 years). In the first six months easyJet slightly increased its asset utilisation across the network to an average 10.0 block hours per day (H1 2016: 9.6 hours).

Based on current plans, including the recently agreed changes to include A321 NEO aircraft, capital expenditure for the next three years is as follows:

Year	2017	2018	2019	2020
Gross capital expenditure (£)	700	1,050	800	950

Of the 193 aircraft on easyJet's balance sheet at 31 March 2017, 188 are unencumbered reflecting the strength of easyJet's balance sheet. At 31 March 2016 easyJet had 177 aircraft on its balance sheet of which 128 were unencumbered with mortgage financing.

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short-term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency exposures and between 45% and 65% of the following 12 months anticipated requirements. Specific decisions may require consideration of a longer term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives.

Details of hedging arrangements as at 31 March 2017 are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 30 September 2017	83%	78%	95%	71%
Average rate	$577 / metric tonne	$1.48	€1.34	CHF 1.37
Full year ending 30 September 2017	84%	82%	91%	74%
Average rate	$612 / metric tonne	$1.50	€1.35	CHF 1.40
Full year ending 30 September 2018	60%	59%	66%	61%
Average rate	$516 / metric tonne	$1.40	€1.25	CHF1.32

Sensitivities

- A $10 movement in fuel price per metric tonne impacts the FY'17 fuel bill by $2.2 million.
- A one cent movement in £/$ impacts the FY'17 profit before tax by £1.0 million.
- A one cent movement in £/€ impacts the FY'17 profit before tax by £0.6 million.
- A one cent movement in £/CHF impacts the FY'17 profit before tax by £0.3 million.

Outlook

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 8.5% in the second half of financial year 2017.

easyJet expects revenue per seat at constant currency for the third quarter of the financial year to decrease by low single digits, reflecting the move of Easter into April and an improving yield and capacity environment. Forward bookings are currently ahead of last year at 77% for the quarter and 55% for the second half (H1 2016: 72% and 50% respectively).

easyJet is on track to deliver against the expected headline cost per seat at constant currency excluding fuel increase of around 1% for the full year, assuming normal levels of disruption. This is better than guided in November 2016 as easyJet has achieved further cost savings in its lean programme to offset successfully the cost of additional investment in resilience and in improving its long-term operational performance. The majority of expected non-headline costs have been incurred in the first half of the financial year. As previously guided we will incur around £10 million over three years on the set-up of the European Union AOC and up to £3 million in the current financial year 2017. We also expect to incur costs of around £10 million on the organisational review in the same three year period and up to £6 million this financial year. easyJet remains committed to delivering a flat headline cost per seat performance between the 2015 financial year compared to the 2019 financial year at normal levels of disruption.

It is estimated that at current exchange rates(7) and with jet fuel remaining within a $500 metric tonne to $580 metric tonne trading range, easyJet's unit fuel bill(8) for the second half of the financial year is likely to decrease by between £145 million and £160 million compared to the six months to 30 September 2016. On a full year basis it is estimated that at current exchange rates and with jet fuel remaining within a $500 metric tonne to $580 metric tonne trading range, easyJet's unit fuel bill for the 12 months ending 30 September 2017 is likely to decrease by between £225 million and £235 million compared to the 12 months to 30 September 2016. easyJet's total fuel cost for the year to 30 September 2017 is currently estimated to be approximately £1,060 million.

In addition, exchange rate movements(7) are likely to have around a £20 million adverse impact on headline profit before tax compared to the six months to 30 September 2016 and are likely to have around a £100 million adverse impact on headline profit before tax compared to the 12 months to 30 September 2016.

easyJet continues to deliver on its strategy and sees significant opportunities to grow revenue, profits and shareholder returns. easyJet expects market demand to remain strong and easyJet's unique model and strategy are well positioned to capture significant value from favourable trends in both leisure and business markets. easyJet's clear structural advantages over both legacy and low cost competitors in cost, network, customer data and digital leave the airline well positioned for long-term success. easyJet remains committed to its full year dividend policy based on a 50% payout of profit after tax. easyJet expectations for the full year are in line with current consensus market expectations(2).

Footnotes:

(1) Constant currency is calculated by comparing 2017 financial period performance translated at the 2016 financial period effective exchange rate to the 2016 financial period reported performance, excluding foreign exchange gains and losses on balance sheet revaluations

(2) Company-compiled consensus headline profit before tax for financial year 2017 is £367 million at 15 May 2017

(3) Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 6 month period from October 2016 to March 2017.

(4) Based on fuel price assumptions in place at the time of each transaction

(5) On-time performance measured by internal easyJet system

(6) Ancillary revenue includes revenue from the provision of checked baggage, administration, allocated seating, credit card and change fees, and also includes non-seat revenue which arises from commissions earned from services sold on behalf of partners and inflight sales.

(7) US $ to £ sterling 1.286, euro to £ sterling 1.184. Currency and fuel increases are shown net of hedging impact.

(8) Unit fuel calculated as the difference between latest estimate of FY'17 fuel costs less FY'16 fuel cost per seat multiplied by FY'17 seat capacity

OUR FINANCIAL RESULTS

easyJet has delivered a headline loss before tax for the six months to 31 March 2017 of £212 million (headline loss of £5.65 per seat) an increase of £191 million from a headline loss of £21 million (loss of £0.62 per seat) last year. The 2017 result includes an unfavourable £82 million movement from foreign exchange. At constant currency easyJet delivered a headline loss before tax of £130 million during the period.

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 or low profit for the first half of the financial year and a profit in the second half.

FINANCIAL OVERVIEW

	2017			2016 (restated*)		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Total revenue	**1,827**	**48.80**	**4.61**	1,771	51.29	4.87
Headline costs excluding fuel	**(1,580)**	**(42.18)**	**(3.98)**	(1,330)	(38.54)	(3.66)
Fuel	**(459)**	**(12.27)**	**(1.16)**	(462)	(13.37)	(1.27)
Headline loss before tax	**(212)**	**(5.65)**	**(0.53)**	(21)	(0.62)	(0.06)
Headline tax credit	**40**	**1.06**	**0.10**	3	0.09	0.01
Headline loss after tax	**(172)**	**(4.59)**	**(0.43)**	(18)	(0.53)	(0.05)
Non-headline (loss)/profit after tax	**(20)**	**(0.51)**	**(0.05)**	3	0.09	0.01
Total loss after tax	**(192)**	**(5.10)**	**(0.48)**	(15)	(0.44)	(0.04)

* For further detail on the restatement see note 1 to the Condensed Financial Information.

Seats flown grew by 8.4%. Total revenue per seat fell by 4.9% to £48.80. At constant currency, revenue per seat fell by 9.7% to £46.32. The decrease is a consequence of driving demand through decreased price, reflecting significant capacity growth in the market associated with low fuel prices and to alleviate the impact of higher holiday costs for UK travellers as a result of the weakening of the Pound. Additionally the movement of Easter into the second half of the year impacted performance.

Headline cost per seat excluding fuel increased by 9.5% to £42.18, but remained flat at constant currency. Savings were obtained from airport lean initiatives, the annualisation of reduced navigation charges, engineering and maintenance savings such as the component supply contract and the upgauging of fleet as easyJet continues to move from A319s to A320s. These savings have offset inflation pressures in the period, regulated airport uplifts, a continued increase in disruption charges due to an increased number of events, level of compensation claims and welfare claims and expected additional ownership and financing costs as we invest in the long term growth of the airline. We anticipate full year headline cost per seat at constant currency excluding fuel to increase by 1%, assuming normal levels of disruption, reflecting additional investment into operational resilience for the Summer peak given the current level of airport and airspace congestion, especially at primary airports.

Fuel costs fell by £3 million, and from £13.37 to £12.27 per seat. Despite an increase in the market price of fuel, the operation of easyJet’s fuel and US dollar hedging policy resulted in a reduction in the effective fuel price.

This resulted in a headline loss before tax per seat increase from £0.62 to £5.65 per seat.

Non-headline costs of £24 million were recognised in the period, consisting of a £16 million charge as a result of the sale and leaseback of 10 A319 aircraft in December, a £2 million charge associated with our organisational review, a £1 million charge in relation to the application and set-up of an EU Air Operator Certificate (AOC), a £4 million charge for fair value adjustments in relation to the cross currency interest rate swaps in place for the bond issued in February 2016 and a £1 million charge relating to balance sheet foreign exchange gains and losses.

Corporate tax has been credited at an effective rate of 18.7% (FY 2016: charged at 13.7%) based on rates substantively enacted as at 31 March 2017, resulting in a tax credit of £44 million during the period.

Loss per share and dividends per share

	2017 **pence per share**	2016 (restated) pence per share	Change pence per share
Basic headline loss per share	**(43.8)**	(4.6)	(39.2)
Basic total loss per share	**(48.9)**	(3.8)	(45.1)
Ordinary dividend per share paid during the period	**53.8**	55.2	(1.4)

Basic headline loss per share increased by 39.2 pence as a consequence of the £154 million increase in the headline loss after tax in the six months to 31 March 2017.

In line with the stated dividend policy of a payout ratio of 50% of profit after tax, easyJet paid an ordinary dividend of 53.8 pence per share in March 2017.

EXCHANGE RATES

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

	Revenue		**Costs**	
	2017	2016	**2017**	2016
Sterling	**45%**	47%	**33%**	29%
Euro	**43%**	41%	**36%**	33%
US dollar	**1%**	1%	**23%**	32%
Other (principally Swiss franc)	**11%**	11%	**8%**	6%

Average exchange rates

	2017	2016
Euro - revenue	**€1.21**	€1.32
Euro - costs	**€1.16**	€1.34
US dollar	**$1.51**	$1.60
Swiss franc	**CHF 1.78**	CHF 1.52

The net adverse impact on profit due to the year-on-year changes in exchange rates was mainly driven by the stronger average US dollar and Euro rate:

Headline	Euro	Swiss franc	US dollar	Other	Total
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Total revenue	71	14	3	5	93
Fuel	(1)	-	(37)	-	(38)
Headline costs excluding fuel	(96)	(19)	(16)	(6)	(137)
Headline loss before tax	**(26)**	**(5)**	**(50)**	**(1)**	**(82)**

Non-headline	Euro	Swiss franc	US dollar	Other	Total
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Non-headline costs excluding prior year balance sheet revaluations	(6)	(1)	23	1	17
Prior year balance sheet revaluations	(3)	-	-	1	(2)
Non-headline loss before tax	**(9)**	**(1)**	**23**	**2**	**15**

FINANCIAL PERFORMANCE

Revenue

			2017			2016
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Seat revenue	**1,790**	**47.82**	**4.52**	1,740	50.39	4.78
Non-seat revenue	**37**	**0.98**	**0.09**	31	0.90	0.09
Total revenue	**1,827**	**48.80**	**4.61**	1,771	51.29	4.87

Revenue per seat decreased by 4.9% to £48.80 (31 March 2016: £51.29). At constant currency, revenue per seat fell by 9.7% to £46.32. The decrease is a consequence of driving demand through decreased price, reflecting significant capacity growth in the market associated with low fuel prices and to alleviate the impact of higher holiday costs for UK travellers as a result of the weakening of the Pound. Additionally the movement of Easter into the second half of the year impacted performance.

Load factor during the period increased by 0.5 percentage points to 90.2%.

Revenue per ASK decreased by 5.3%, and by 10.1% at constant currency, impacted by a 4.9% decrease in revenue per seat and a 0.4% increase in the average sector length.

Headline costs excluding fuel

	2017			2016 (restated)		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Operating costs						
Airports and ground handling	**624**	**16.66**	**1.57**	514	14.88	1.42
Crew	**293**	**7.82**	**0.74**	250	7.25	0.69
Navigation	**159**	**4.25**	**0.40**	135	3.91	0.37
Maintenance	**127**	**3.39**	**0.32**	111	3.22	0.31
Selling and marketing	**59**	**1.57**	**0.15**	51	1.48	0.14
Other costs	**160**	**4.27**	**0.41**	137	3.98	0.37
	1,422	**37.96**	**3.59**	1,198	34.72	3.30
Ownership costs						
Aircraft dry leasing	**55**	**1.46**	**0.14**	48	1.39	0.13
Depreciation	**85**	**2.28**	**0.21**	74	2.15	0.20
Amortisation	**7**	**0.17**	**0.02**	6	0.17	0.02
Net interest payable	**11**	**0.31**	**0.02**	4	0.11	0.01
	158	**4.22**	**0.39**	132	3.82	0.36
Headline costs excluding fuel	**1,580**	**42.18**	**3.98**	1,330	38.54	3.66

Headline cost per seat excluding fuel increased by 9.5% to £42.18 but remained flat at constant currency.

Headline airports and ground handling cost per seat increased by 12.0% but remained broadly flat at constant currency. Savings obtained from airport lean initiatives have offset regulatory airport uplifts.

Headline crew cost per seat increased by 7.9% to £7.82, and by 0.5% at constant currency. This was driven by pay increases, however these were largely offset by efficiencies obtained from the up-gauging of our fleet.

Headline navigation cost per seat increased by 8.8% to £4.25 but decreased by 3.5% at constant currency driven by the annualisation of reduced charges primarily in France and Germany.

Headline maintenance cost per seat increased by 5.5% to £3.39, but decreased by 4.9% at constant currency. This was driven by engineering and maintenance savings such as the component supply contract, and the upgauging of fleet as easyJet continues to move from A319s to A320s.

Headline other operating costs per seat increased by 7.1% to £4.27 per seat, and by 1.9% at constant currency. This was mainly driven by an increase in disruption costs due to an increased number of events, level of compensation claims and welfare claims, which had a higher impact in Q1 due to the profile of events.

Headline aircraft dry leasing cost per seat increased by 5.1% to £1.46 but decreased by 5.5% at constant currency. The favourable variance was driven by the increased capacity in the year and the favourable lease mix.

Depreciation costs have increased by 5.9% on a per seat basis driven by the acquisition of 20 new aircraft last year. The average owned fleet increased by 10.0% to 187.
An increase in headline net interest costs of £0.20 per seat is attributable to issuance costs of two bonds, as we invest in the long term growth of the airline.

Fuel

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Fuel	**459**	**12.27**	**1.16**	462	13.37	1.27

Fuel cost per seat decreased by 8.3% and by 15.9% at constant currency.

During the period the average market fuel price increased by 22.2% to $500 per tonne from $409 per tonne in the previous year. The operation of easyJet's fuel and US Dollar hedging policy meant that the average effective fuel price movement saw a decrease of 8.2% to £449 per tonne from £489 per tonne in the previous year.

Non-headline items

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Sale and leaseback charge	**(16)**	**(0.42)**	**(0.04)**	-	-	-
Organisational review	**(2)**	**(0.09)**	**(0.01)**	-	-	-
EU Air Operator Certificate	**(1)**	**(0.02)**	**-**	-	-	-
Balance sheet foreign exchange (loss)/gain	**(1)**	**(0.01)**	**-**	2	0.07	0.01
Fair value adjustment	**(4)**	**(0.09)**	**(0.01)**	1	0.03	-
Non-headline (charge)/credit before tax	**(24)**	**(0.63)**	**(0.06)**	3	0.10	0.01

Non-headline profit before tax items of £24 million comprise:

- a £10 million loss on disposal and a £6 million maintenance provision - both one-off charges as a result of the sale and leaseback of 10 A319 aircraft in December 2016, arising due to the age of the selected aircraft and maintenance provision accounting;
- a £2 million one-off charge associated with implementing the organisational review;
- a £1 million charge in relation to establishing an Air Operator Certificate in another EU member state, to secure the flying rights of the 30% of our network that remains wholly within and between EU states, excluding the UK, following the UK's referendum vote to leave the European Union;
- a £1 million non-cash charge relating to balance sheet foreign exchange gains and losses; and
- a £4 million charge relating to fair value adjustments associated with the cross currency interest rate swaps in place for the bond issued in February 2016.

NET CASH AND FINANCIAL POSITION

Summary net cash reconciliation

The table below presents cash flows on a net cash basis. This presentation has been adopted as it shows more clearly the capability of the business to generate net cash. This is different to the GAAP presentation of the statement of cash flows in the condensed financial information.

	Six months ended 31 March 2017	Six months ended 31 March 2016 (restated)	Change
	£ million	£ million	£ million
Operating loss	**(220)**	(17)	(203)
Depreciation and amortisation	**92**	80	12
Unearned revenue movement	**730**	461	269
Other net working capital movement	**(63)**	(75)	12
Net tax paid	**(28)**	(45)	17
Net capital expenditure	**(302)**	(314)	12
Net proceeds from sale and operating leaseback of aircraft	**115**	-	115
Purchase of own shares for employee share schemes	**(6)**	(11)	5
Net decrease in restricted cash	**-**	1	(1)
Other (including the effect of exchange rates)	**36**	-	36
Ordinary dividend paid	**(214)**	(219)	5
Net increase/(decrease) in net cash	**140**	(139)	279
Net cash at beginning of period	**213**	435	(222)
Net cash at end of period	**353**	296	57

Net cash at 31 March 2017 was £353 million (31 March 2016: £296 million) and comprised cash and money market deposits of £1,308 million (31 March 2016: £1,057 million) and borrowings of £ 955 million (31 March 2016: £761 million). After allowing for the impact of aircraft operating leases (seven times operating lease costs incurred in the 12 months to 31 March 2017), adjusted net debt at 30 September 2016 of £424 million has decreased by £91 million to £333 million.

Net capital expenditure includes the acquisition of nine A320 aircraft (31 March 2016: 10 aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases. The number of scheduled aircraft operating in the fleet increased from 249 at 30 September 2016 to 252 at 31 March 2017.

easyJet made net corporation tax payments totalling £28 million during the period (2016: £45 million).

Borrowings as at 31 March 2017 were £955 million, an increase of £194 million from 31 March 2016. Under the £3 billion Euro Medium Term Note Programme announced in FY'16, on 11 October 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.125%. This increase in borrowings was partially offset by the repayment of mortgages on aircraft amounting to £219 million in the period.

Summary consolidated statement of financial position

	31 March 2017	30 September 2016 (restated)	Change
	£ million	£ million	£ million
Goodwill	**365**	365	-
Property, plant and equipment	**3,314**	3,252	62
Derivative financial instruments	**123**	98	25
Unearned revenue	**(1,298)**	(568)	(730)
Net working capital	**(400)**	(413)	13
Restricted cash	**7**	7	-
Net cash	**353**	213	140
Current and deferred taxation	**(192)**	(253)	61
Other non-current assets and liabilities	**68**	(7)	75
	2,340	2,694	(354)
Opening shareholders' equity	**2,694**	2,221	
(Loss)/profit for the period	**(192)**	437	
Ordinary dividend paid	**(214)**	(219)	
Change in hedging reserve	**48**	263	
Other movements	**4**	(8)	
	2,340	2,694	

Since 30 September 2016 net assets decreased by £354 million, due to the payment of the ordinary dividend (£214 million) combined with the loss for the period, slightly offset by the favourable movement on the hedging reserve. The movement on the hedging reserve was primarily due to the maturity of out of the money contracts.

The net book value of property, plant and equipment increased by £62 million driven principally by the acquisition of nine A320 family aircraft, and pre-delivery payments relating to aircraft purchases.

Unearned revenue increased by £730 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. Compared to March 2016, unearned revenue has increased by £218 million. This increase arises due to differences in the timing of flight schedule releases and the Easter school holiday schedule.

KEY STATISTICS

Operating measures	2017	2016	Increase/ (decrease)
Seats flown (millions)	**37.5**	34.5	8.4%
Passengers (millions)	**33.8**	31.0	9.0%
Load factor	**90.2%**	89.7%	0.5ppt
Available seat kilometres (ASK) (millions)	**39,635**	36,393	8.9%
Revenue passenger kilometres (RPK) (millions)	**36,190**	33,179	9.1%
Average sector length (kilometres)	**1,058**	1,054	0.4%
Sectors	**225,052**	208,901	7.7%
Block hours	**427,274**	394,743	8.2%
Number of aircraft owned/leased at end of period	**266**	247	7.7%
Average number of aircraft owned/leased during period	**260.9**	244.5	6.7%
Number of aircraft operated at end of period	**252**	236	6.8%
Average number of aircraft operated during period	**235.4**	224.9	4.7%
Operated aircraft utilisation (hours per day)	**10.0**	9.6	4.0%
Owned aircraft utilisation (hours per day)	**9.0**	8.8	2.0%
Number of routes operated at end of period	**837**	753	11.2%
Number of airports served at end of period	**135**	133	1.5%
Financial measures			
Total loss before tax per seat (£)	**(6.28)**	(0.52)	(1,112.4%)
Headline loss before tax per seat (£)	**(5.65)**	(0.62)	(815.2%)
Total loss before tax per ASK (pence)	**(0.59)**	(0.05)	(1,107.1%)
Headline loss before tax per ASK (pence)	**(0.53)**	(0.06)	(811.2%)
Revenue			
Revenue per seat (£)	**48.80**	51.29	(4.9%)
Revenue per seat at constant currency (£)	**46.32**	51.29	(9.7%)
Revenue per ASK (pence)	**4.61**	4.87	(5.3%)
Revenue per ASK at constant currency (pence)	**4.38**	4.87	(10.1%)
Costs			
Per seat measures			
Headline cost per seat (£)	**54.45**	51.91	4.9%
Non-headline cost per seat (£)	**0.63**	(0.10)	739.6%
Headline cost per seat excluding fuel (£)	**42.18**	38.54	9.5%
Headline cost per seat excluding fuel at constant currency (£)	**38.54**	38.54	0.0%
Headline operating cost per seat (£)	**50.23**	48.09	4.5%
Headline operating cost per seat excluding fuel (£)	**37.96**	34.72	9.4%
Headline operating cost per seat excluding fuel at constant currency (£)	**34.48**	34.72	(0.7%)
Headline ownership cost per seat (£)	**4.22**	3.82	10.4%
Per ASK measures			
Headline cost per ASK (pence)	**5.14**	4.93	4.4%
Non-headline cost per ASK (pence)	**0.06**	(0.01)	736.8%
Headline cost per ASK excluding fuel (pence)	**3.98**	3.66	9.0%
Headline cost per ASK excluding fuel at constant currency (pence)	**3.65**	3.66	(0.4%)
Headline operating cost per ASK (pence)	**4.75**	4.57	4.0%
Headline operating cost per ASK excluding fuel (pence)	**3.59**	3.30	8.9%
Headline operating cost per ASK excluding fuel at constant currency (pence)	**3.26**	3.30	(1.1%)
Headline ownership cost per ASK (pence)	**0.39**	0.36	9.9%

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 2016 Annual report and accounts and include the following types of risks:

- Safety
- Commercial
- Operational
- Financial risks
- Reputational
- People
- Compliance and regulatory

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 24 to 31 of our Annual report and accounts for the year to 30 September 2016, which are available on our website http://corporate.easyjet.com

CONDENSED FINANCIAL INFORMATION

Consolidated income statement (unaudited)

		Six months ended 31 March					
		2017	**2017**	**2017**	2016 (restated)	2016 (restated)	2016 (restated)
		Headline	**Non-headline (note 3)**	**Total**	Headline	Non-headline (note 3)	Total
	Notes	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Seat revenue		**1,790**	**-**	**1,790**	1,740	-	1,740
Non-seat revenue		**37**	**-**	**37**	31	-	31
Total revenue		**1,827**	**-**	**1,827**	1,771	-	1,771
Fuel		**(459)**	**-**	**(459)**	(462)	-	(462)
Airports and ground handling		**(624)**	**-**	**(624)**	(514)	-	(514)
Crew		**(293)**	**-**	**(293)**	(250)	-	(250)
Navigation		**(159)**	**-**	**(159)**	(135)	-	(135)
Maintenance		**(127)**	**(6)**	**(133)**	(111)	-	(111)
Selling and marketing		**(59)**	**-**	**(59)**	(51)	-	(51)
Other costs		**(160)**	**(13)**	**(173)**	(137)	-	(137)
EBITDAR		**(54)**	**(19)**	**(73)**	111	-	111
Aircraft dry leasing		**(55)**	**-**	**(55)**	(48)	-	(48)
Depreciation	7	**(85)**	**-**	**(85)**	(74)	-	(74)
Amortisation of intangible assets		**(7)**	**-**	**(7)**	(6)	-	(6)
Operating loss		**(201)**	**(19)**	**(220)**	(17)	-	(17)
Interest receivable and other financing income		**3**	**-**	**3**	3	2	5
Interest payable and other financing charges		**(14)**	**(5)**	**(19)**	(7)	1	(6)
Net finance charges		**(11)**	**(5)**	**(16)**	(4)	3	(1)
(Loss)/profit before tax		**(212)**	**(24)**	**(236)**	(21)	3	(18)
Tax credit	4	**40**	**4**	**44**	3	-	3
(Loss)/profit for the period		**(172)**	**(20)**	**(192)**	(18)	3	(15)
Loss per share, pence							
Basic	5			**(48.9)**			(3.8)

Consolidated statement of comprehensive income (unaudited)

	Notes	**Six months ended 31 March 2017 £ million**	Six months ended 31 March 2016 (restated) £ million
Loss for the period		**(192)**	(15)
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value losses in the period		**16**	(222)
Losses transferred to income statement		**66**	161
Gains transferred to property, plant and equipment		**(23)**	(3)
Related tax credit	4	**(11)**	9
		48	(55)
Total comprehensive expense for the period		**(144)**	(70)

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 items in other comprehensive income will be reclassified to the income statement.

Consolidated statement of financial position (unaudited)

	Notes	31 March 2017 £ million	30 September 2016 (restated) £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**168**	152
Property, plant and equipment	7	**3,314**	3,252
Derivative financial instruments		**96**	154
Restricted cash		**5**	7
Other non-current assets		**110**	112
		4,058	4,042
Current assets			
Trade and other receivables		**238**	205
Derivative financial instruments		**243**	268
Current tax assets		**12**	-
Restricted cash		**2**	-
Money market deposits		**635**	255
Cash and cash equivalents		**673**	714
		1,803	1,442
Current liabilities			
Trade and other payables		**(511)**	(565)
Unearned revenue		**(1,298)**	(568)
Borrowings		**(9)**	(92)
Derivative financial instruments		**(149)**	(275)
Current tax payable		**-**	(16)
Provisions for liabilities and charges		**(127)**	(53)
		(2,094)	(1,569)
Net current liabilities		**(291)**	(127)
Non-current liabilities			
Borrowings		**(946)**	(664)
Derivative financial instruments		**(67)**	(49)
Non-current deferred income		**(30)**	(36)
Provisions for liabilities and charges		**(180)**	(235)
Deferred tax		**(204)**	(237)
		(1,427)	(1,221)
Net assets		**2,340**	2,694
Shareholders' equity			
Share capital		**108**	108
Share premium		**659**	659
Hedging reserve		**72**	24
Translation reserve		**1**	1
Retained earnings		**1,500**	1,902
		2,340	2,694

Consolidated statement of changes in equity (unaudited)

	Share capital	**Share premium**	**Hedging reserve**	**Translation reserve**	**Retained earnings (restated)**	**Total**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
At 1 October 2016	108	659	24	1	1,920	2,712
Effect of change in accounting policy	-	-	-	-	(18)	(18)
Restated balance at 1 October 2016	**108**	**659**	**24**	**1**	**1,902**	**2,694**
Total comprehensive income	-	-	48	-	(192)	(144)
Dividends paid (note 6)	-	-	-	-	(214)	(214)
Share incentive schemes						
Value of employee services	-	-	-	-	10	10
Purchase of own shares	-	-	-	-	(6)	(6)
At 31 March 2017	**108**	**659**	**72**	**1**	**1,500**	**2,340**

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings (restated)	Total
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 October 2015	108	659	(239)	1	1,720	2,249
Effect of change in accounting policy	-	-	-	-	(28)	(28)
Restated balance at 1 October 2015	**108**	**659**	**(239)**	**1**	**1,692**	**2,221**
Total comprehensive (expense)/income	-	-	(55)	-	(15)	(70)
Dividends paid (note 6)	-	-	-	-	(219)	(219)
Share incentive schemes						
Value of employee services	-	-	-	-	10	10
Related tax (note 4)	-	-	-	-	(2)	(2)
Purchase of own shares	-	-	-	-	(11)	(11)
At 31 March 2016	108	659	(294)	1	1,455	1,929

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.

Consolidated statement of cash flows (unaudited)

	Notes	**Six months ended 31 March 2017 £ million**	Six months ended 31 March 2016 (restated) £ million
Cash flows from operating activities			
Cash generated from operations	8	**560**	461
Ordinary dividends paid	6	**(214)**	(219)
Net interest and other financing charges paid		**(24)**	(11)
Net tax paid		**(28)**	(45)
Net cash generated from operating activities		**294**	186
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(279)**	(299)
Purchase of intangible assets		**(23)**	(15)
Net increase in money market deposits	9	**(379)**	(129)
Net cash used by investing activities		**(681)**	(443)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		**(6)**	(11)
Proceeds from Eurobond issue	9	**451**	379
Repayment of bank loans and other borrowings	9	**(219)**	(99)
Repayment of capital element of finance leases	9	**(3)**	(65)
Net proceeds from sale and operating leaseback of aircraft		**115**	-
Net decrease in restricted cash		**-**	1
Net cash generated from financing activities		**338**	205
Effect of exchange rate changes		**8**	37
Net decrease in cash and cash equivalents		**(41)**	(15)
Cash and cash equivalents at beginning of period		**714**	650
Cash and cash equivalents at end of period	9	**673**	635

Notes to the condensed consolidated interim financial information (unaudited)

1. Significant accounting policies

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 2016, which were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

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 2016 were approved by the Board of Directors on 14 November 2016, 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.

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.

A number of amended standards and interpretations became effective for the current reporting period. However, none of them had any material impact on the interim financial information.

The accounting policies adopted are consistent with those described in the Annual report and accounts for the year ended 30 September 2016, except for the accounting for the recognition of the initial maintenance provision on sale and leaseback transactions, as described below.

Changes in accounting policies

Where an aircraft is sold and leased back, other than when first delivered to easyJet, a liability to undertake future maintenance activities, resulting from past flying activity, arises at the point the lease agreement is signed. Historically this liability has been treated as part of the surplus or shortfall arising on the sale and leaseback and recognised in either deferred income or non-current or current assets as appropriate and amortised in the income statement on a straight-line basis over the expected lease term.

During the period, management made a change to this accounting policy, to recognise the initial maintenance provision on sale and leasebacks immediately in the income statement. Management believe that the new accounting policy will result in a more relevant and reliable accounting treatment which better reflects the economics of the lease arrangements.

This change will require a restatement of previous financial statements.

The following table sets out the adjustments made to certain selected line items of the previously reported comparative amounts as a result of the change to the above accounting policy.

Impacted lines	**Six months ended 31 March 2016** As reported £ million	**Six months ended 31 March 2016** As restated £ million	Year ended 30 September 2016 As reported £ million	Year ended 30 September 2016 As restated £ million
Statement of financial position				
Other non-current assets	**122**	**107**	121	112
Trade and other receivables	**233**	**227**	217	205
Trade and other payables	**(438)**	**(439)**	(564)	(565)
Current tax payable	**-**	**-**	(21)	(16)
Non-current deferred income	**(41)**	**(42)**	(35)	(36)
Net assets	**1,952**	**1,929**	2,712	2,694
Shareholders' equity - retained earnings	**1,478**	**1,455**	1,920	1,902
Income statement				
Aircraft dry leasing	**(54)**	**(48)**	(103)	(91)
Operating (loss)/profit	**(23)**	**(17)**	498	510
(Loss)/profit before tax	**(24)**	**(18)**	495	507
Tax credit/(charge)	**4**	**3**	(68)	(70)
Profit/(loss) for the period	**(20)**	**(15)**	427	437
(Loss)/earnings per share (pence)				
Basic	**(5.1)**	**(3.8)**	108.4	110.9
Diluted	**-**	**-**	107.6	110.1
Statement of changes in equity				
Retained earnings at 1 October 2015	**1,720**	**1,692**	1,720	1,692
Total comprehensive (expense) / income	**(20)**	**(15)**	427	437
Retained earnings at the end of period	**1,478**	**1,455**	1,920	1,902

Changes in disclosures and presentation of performance measures

From the reporting period ended 31 March 2017, the Group will present its results in the income statement with amounts relating to non-recurring material items of income or expenses and items which are not considered to be reflective of trading performance of the business in a separate column, called 'non-headline' items, which is a non-gaap measure. Management believe these should be highlighted as they are unrepresentative of the underlying trading performance of the Group.

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

For the full list of non-headline items and their financial impact for the six months ended 31 March 2017, refer to note 3.

2. 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.

3. Headline profit measures

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as ‘headline’ and is used by the Directors to measure and monitor performance. See note 1 for an explanation of the excluded items. The excluded items are referred to as ‘non-headline’ items.

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

	Six months ended 31 March 2017 £ million	Six months ended 31 March 2016 £ million
Sale and leaseback charge	**16**	-
Organisational review	**2**	-
EU Air Operator Certificate (‘AOC’)	**1**	-
Recognised in operating profit	**19**	-
Balance sheet foreign exchange loss/(gain)	**1**	(2)
Fair value adjustment	**4**	(1)
Total non-headline charge/(credit) before tax	**24**	(3)
Tax on non-headline items	**(4)**	-
Total non-headline charge/(credit) after tax	**20**	(3)

Sale and leaseback charge
The sale and leaseback of the Group’s ten oldest A319 aircraft resulted in a loss on disposal of the assets of £10 million, recognised within other costs in the income statement, and a £6 million maintenance provision charged immediately to the income statement within maintenance costs.

Organisational review
The implementation of an organisational review has resulted in costs of £2 million which has been recognised in other costs within the income statement. This programme, which involves redundancy costs and associated third party advisor fees, is considered a material non-recurring item by virtue of the estimated size of the whole programme. This one-off cost is expected to total around £10 million over two years, however any costs associated with this programme will be paid back before its conclusion.

EU Air Operator Certificate (‘AOC’)
Following the UK’s referendum vote to leave the European Union (‘EU’), the Group is in the process of establishing an AOC in another EU member state. For the six months ended 31 March 2017, the Group incurred £1 million in setup costs, which has been recognised in other costs within the income statement. This one-off cost is expected to total up to £10 million over three years, mostly driven by the costs to re-register aircraft.

Balance sheet foreign exchange (gain)/loss
Foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities held in the statement of financial position resulted in a charge of £1 million, recognised within interest payable and other financing charges in the income statement.

Fair value adjustment
The fair value adjustment arises from the ineffective portion of the cross currency interest rate swaps elected into fair value hedge relationships with the €500 million Eurobond issued 9 February 2016. This is not considered to be reflective of the trading performance of the business and causes temporary volatility in the income statement. The adjustment amounted to a £4 million loss for the period which is recognised within interest payable and other financing charges in the income statement.

4. Tax (credit)/charge

Tax on loss on ordinary activities

	Six months ended 31 March 2017	Six months ended 31 March 2016 (restated)
	£ million	£ million
Current tax	**1**	3
Deferred tax	**(45)**	(6)
	(44)	(3)
Effective tax rate	**18.7%**	17.3%

The effective tax rate is lower than the standard rate of corporation tax in the United Kingdom (FY'17: 19.5%) principally due to deferred tax being provided at lower than the standard rate.

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

	Six months ended 31 March 2017	Six months ended 31 March 2016
	£ million	£ million
(Charge)/credit to other comprehensive income		
Deferred tax on fair value movements of cash flow hedges	**(11)**	9
(Charge)/credit to shareholders' equity		
Current tax on share-based payments	**-**	1
Deferred tax on share-based payments	**-**	(3)
	-	(2)

5. Loss per share

	2017	2016 (restated)
	£ million	£ million
Headline loss for the period	**(172)**	(18)
Total loss for the period	**(192)**	(15)

	2017 million	2016 million
Weighted average number of ordinary shares used to calculate basic loss	**393**	394

	2017	2016 (restated)
Basic loss per share	**pence**	pence
Total	**(48.9)**	(3.8)
Adjustment for non-headline	**5.1**	(0.8)
Headline	**(43.8)**	(4.6)

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

6. Dividends

The company paid an ordinary dividend of 53.8 pence per share, or £214 million (2016: 55.2 pence per share or £219 million).

7. Property, plant and equipment

	2017 **£ million**	2016 £ million
At 1 October	**3,252**	2,877
Additions	**279**	314
Transfer to intangible assets	**-**	(15)
Aircraft sold and leased back	**(125)**	-
Disposals	**(1)**	(2)
Transfer to maintenance provision	**(6)**	(11)
Depreciation	**(85)**	(74)
At 31 March	**3,314**	3,089

Net book value includes £293 million (2016: £293 million) relating to advance and option payments for future aircraft deliveries.

At 31 March 2017 easyJet was contractually committed to the acquisition of 157 (2016: 176) Airbus A320 family aircraft, with a total list price of US$14.1 billion (2016: US$15.5 billion) before escalations and discounts for delivery. This includes deliveries in the second half of FY'17 (14 aircraft), in 2018 (34 aircraft) and between 2019 and 2022 (109 aircraft). 130 are new generation aircraft.

8. Reconciliation of operating loss to cash generated from operations

	Six months ended 31 March 2017 **£ million**	Six months ended 31 March 2016 (restated) £ million
Operating loss	**(220)**	(17)
Adjustments for non-cash items:		
Depreciation	**85**	74
Loss on disposal of property, plant and equipment	**11**	2
Amortisation of intangible assets	**7**	6
Share-based payments	**10**	10
Changes in working capital and other items of an operating nature:		
Increase in trade and other receivables	**(31)**	(20)
Decrease in trade and other payables	**(52)**	(64)
Increase in unearned revenue	**730**	461
Increase in provisions	**19**	16
Decrease in other non-current assets	**2**	2
Decrease / (increase) in derivative financial instruments	**5**	(3)
Decrease in non-current deferred income	**(6)**	(6)
Cash generated from operations	**560**	461

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

	1 October 2016 £ million	Fair value and foreign exchange £ million	Loan issue costs £ million	Net cash flow £ million	31 March 2017 £ million
Cash and cash equivalents	714	8	-	(49)	**673**
Money market deposits	255	1	-	379	**635**
	969	9	-	330	**1,308**
Eurobonds	(435)	36	7	(451)	**(843)**
Bank loans	(210)	(9)	-	219	**-**
Finance lease obligations	(111)	(4)	-	3	**(112)**
	(756)	23	7	(229)	**(955)**
Net cash	213	32	7	101	**353**

On 7 January 2016, the UK Listing Authority approved a prospectus relating to the establishment of a £3,000 million Euro Medium Term Note programme issued by easyJet plc and guaranteed by easyJet Airline Company Ltd (subsequently updated on 7 October 2016 and 10 February 2017). Under this programme, on 9 February 2016, easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.750%. At the same time the Group entered into cross currency interest rate swaps to convert the €500 million fixed rate Eurobond to a £379 million floating rate exposure. The Group designated the cross currency interest rate swaps as a fair value hedge of the interest rate and currency risks of the €500 million Eurobond. The €500 million Eurobond and the cross currency interest rate swaps are measured at fair value through the income statement.

On 11 October 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.125% under the £3,000 million Euro Medium Term Note programme. The Group subsequently entered into cross currency interest rate swaps on 8 November 2016 to convert the €500 million fixed rate Eurobond to a £445 million fixed rate sterling exposure. The Group designated the cross currency interest rate swaps as a cash flow hedge of the currency risk of the €500 million Eurobond. The €500 million Eurobond is held at amortised cost and revalued at the balance sheet date with the spot GBP/EUR foreign exchange rate prevailing at the time, with movements being taken through the income statement. 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.

10. Fair value

The fair values of financial assets and liabilities, together with the carrying value at each reporting date, are as follows:

	2017 Carrying value £ million	2017 Fair value £ million	2016 Carrying value £ million	2016 Fair value £ million
Eurobonds	**843**	**853**	**435**	453
Bank loans	**-**	**-**	**210**	210
Finance lease obligations	**112**	**118**	**111**	117

The fair value of the €500 million Eurobond issued on 9 February 2016 is classified as level 1 of the IFRS 13 ‘Fair Value Measurement’ fair value hierarchy.

All derivative financial instruments are classified as level 2.

The €500 million Eurobond issued on the 11 October 2016 and Finance lease obligations are held at amortised cost.

For all financial assets and financial liabilities not disclosed within the table above, the carrying value is a reasonable approximation to fair value.

The fair values of derivatives and financial instruments have been determined by referencing observable market prices where the instruments are traded, where available. Where market prices are not available, the fair value has been calculated by discounting expected future cash flows at prevailing interest rates.

11. 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.

12. 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 2016 and 31 March 2017.

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 2017 £ million	Six months ended 31 March 2016 £ million
Annual royalty	**4.6**	4.4
Brand protection (legal fees paid through easyGroup to third parties)	**0.7**	0.1
	5.3	4.5

At 31 March 2017, £1.6 million (2016: £2.3 million) of the above aggregate amount was included in trade and other payables.

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 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 31 March 2017 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 2017 and any material changes in the related-party transactions described in the last Annual report and accounts 2016.

The Directors of easyJet plc are listed in the Annual report and accounts 2016. There have been no changes since the date of publication. 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 15 May 2017 and signed on its behalf by:

Carolyn McCall DBE	Andrew Findlay
Chief Executive	Chief Financial Officer

Independent review report to easyJet plc
Report on the consolidated condensed financial statements

Our conclusion
We have reviewed easyJet plc's consolidated condensed financial statements (the "interim financial statements") in the interim report of easyJet plc for the 6 month period ended 31 March 2017. 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 2017;
- the consolidated income statement and the 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 Ireland) 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
15 May 2017