easyJet plc

Half-year Report

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Results for the six months ending 31 March 2020

easyJet delivers strong first half results in light of Covid-19

Equity placing further supplements strong liquidity position and investment grade balance sheet

Decisive action taken to cut costs and capex

Summary

- easyJet has been decisive in meeting the challenges of Covid-19:
  - Driving down costs
  - Delivering vastly reduced capex whilst retaining excellent fleet flexibility
  - Secured c£1.7bn of funding already with a further £200-350m anticipated from final sale and leaseback transactions
- easyJet announces today that its strong liquidity position and investment grade balance sheet are being further boosted by an equity placing. As at 22 June our current cash position is c.£2.4bn, before proceeds from the equity placing or the remaining sale and leaseback transactions
- easyJet's business model means that we are well positioned for the recovery from Covid-19:
  - Delivered strong first half results, with underlying trading ahead of expectations
  - easyJet's brand drives confidence in European travellers, who are focused on trust, sustainability and value for money
  - easyJet's industry-leading network, serving primary airports, provides a customer offering that cannot be matched by any other airline
  - Cost-out programme to deliver sustainable savings in all areas of the cost base
- Passenger numbers for the six months to 31 March 2020 decreased by 3.0 million (7.4%) to 38.6 million due to the impact of Covid-19
- Capacity[1] decreased by 7.6% due to the very significant number of flight cancellations in March related to Covid-19. Load factor increased by 0.2 percentage points to 90.3%
- Total Group revenue increased by 1.6% to £2,382 million (H1 2019: £2,343 million) due to self-help measures such as our late yields initiative, network optimisation in Germany, the bankruptcy of Thomas Cook and strong ancillary revenue growth, offset by national strikes in France, storms Ciara and Dennis and the impact of Covid-19. Airline revenue per seat[2] increased by 9.6% to £55.60 (H1 2019: £50.71), with an increase of 10.2% at constant currency[3]
- Airline headline cost per seat excluding fuel increased by 8.2% to £47.24 (H1 2019: £43.64). Airline headline cost per seat excluding fuel at constant currency increased by 9.5%
- Group headline loss before tax was £193 million (H1 2019: loss of £275 million) reflecting the above revenue and cost drivers as well as easyJet's normal seasonality
- Total Group loss before tax of £353 million for the six months ended 31 March 2020 (H1 2019 loss of £272 million) reflecting a net charge of £160 million from non-headline items, relating principally to the discontinuation and ineffectiveness of fuel hedges resulting from Covid-19 related flying restrictions
- Net debt position at 31 March 2020 of £467 million (H1 2019: £201 million)

Outlook

- Capacity is expected to build through the summer season, with Q4 at 30% of planned, pre-Covid-19 capacity
- Booking numbers for easyJet Holidays are encouraging.
- easyJet expects to deliver circa flat CPS ex fuel at constant currency in full year 2021 vs full year 2019
- At this stage, given the continued level of uncertainty, it is not possible to provide financial guidance for the remainder of the FY20 financial year.

	H1 2020	H1 2019	Change Favourable/(adverse)
Capacity (millions of seats)	**42.7**	46.2	(7.6) %
Load factor (%)	**90.3**	90.1	+0.2 ppts
Passengers (millions)	**38.6**	41.6	(7.4) %
Total Group revenue (£ million)	**2,382**	2,343	1.6 %
Headline Group loss before tax (£ million)	**(193)**	(275)	+£82 m
Total Group loss before tax (£ million)	**(353)**	(272)	(£81) m
Headline basic loss per share (pence)	**(49.4)**	(56.1)	6.7 pence
Airline revenue per seat (£)	**55.60**	50.71	9.6 %
Airline constant currency revenue per seat (£)	**55.87**	50.71	10.2 %
Total Airline headline cost per seat (£)	**59.75**	56.66	(5.5) %
Headline Airline constant currency cost per seat excluding fuel (£)	**47.80**	43.64	(9.5) %

Commenting on the results, CEO of easyJet Johan Lundgren said:

"easyJet delivered a strong performance in the first half prior to the onset of the Covid-19 pandemic, resulting in a 30% improvement in headline loss before tax versus the same period last year.

"We have been decisive in meeting the challenges of the pandemic by cutting costs, vastly reducing our capex while retaining our industry leading fleet flexibility and having already secured £1.7bn of an expected £2.0bn in additional funding.

"After grounding our fleet in March, we successfully resumed operations on 15 June, incorporating new enhanced bio security measures to ensure our staff and customers can fly safely. We will gradually ramp up our flying to around 75% of our routes in August, albeit with lower frequencies, so our customers can go on summer holidays.

"We are also continuing to work to strengthen our balance sheet. Today we have announced plans for an equity placing which will further enhance easyJet's liquidity position, credit metrics and already strong balance sheet through the Covid-19 recovery.

"I am extremely proud of all the easyJet team has done to bring us through this exceptionally challenging period. As Europe emerges from the Covid-19 crisis, easyJet is well placed to strengthen its leading position as a trusted brand offering value for money with an industry-leading network of primary airports."

For further details please contact easyJet plc:

Institutional investors and analysts:

Michael Barker	Investor Relations	+44 (0)7985 890 939
Holly Grainger	Investor Relations	+44 (0)7583 101 913

Media:

Anna Knowles	Corporate Communications	+44 (0)7985 873 313
Edward Simpkins	Finsbury	+44 (0)7947 740 551 / (0)207 251 3801
Dorothy Burwell	Finsbury	+44 (0)7733 294 930 / (0)207 251 3801

Conference call
There will be a conference call at 17:30 BST on 24 June 2020.

Telephone dial-in:		Replay available for 7 days afterwards:	
UK & International:	+44 (0) 20 3003 2666	UK & International:	+44 (0) 203 451 9993
UK Toll Free:	+44 (0) 808 109 0700	UK Toll Free:	+44 (0) 800 633 8453
Password:	easyJet	PIN:	8027563#

Overview

During the first half of financial year 2020 easyJet was materially impacted by the Covid-19 pandemic. Government restrictions on flying during the pandemic caused 18,000 flight cancellations in March. Passenger numbers during March were halved compared to the year earlier. Across the first half passenger numbers decreased by 7.4% to 38.6 million, capacity decreased by 7.6% and total revenue grew by 1.6% to £2,382 million.

Revenue

Total revenue increased by 1.6% to £2,382 million (H1 2019: £2,343 million). Airline revenue per seat increased by 9.6% to £55.60, and by 10.2% at constant currency to £55.87. This was driven by:

- Strong underlying trading, driven by self-help measures such as our late yield initiative, network optimisation, notably in Germany, market consolidation and route maturity
- The bankruptcy of Thomas Cook on 23rd September 2019 meant that through our late yield initiatives we were able to capitalise

on increased demand, particularly during October

- Continued strength in ancillary revenue, predominantly driven through first bag, where we annualised the improved bag yield algorithm, which was launched in April 2019, as well as strong performance of allocated seating initiatives such as the fourth seating band and seasonal pricing

Offset by:

- National strikes in France, which had a significant impact in the first quarter
- Storms Ciara and Dennis in second quarter
- The impact of Covid-19, which began with severe disruption and cancellations in our Italian flying programme, later spreading to Spain. The fleet was fully grounded on 30 March. Approximately 18,000 flights were cancelled in the period due to Covid-19, resulting in lost revenue of circa £0.2 billion

Cost

easyJet's underlying cost performance has been solid despite external inflationary pressures. Airline headline cost per seat including fuel increased by 5.5% to £59.75 (H1 2019: £56.66). Airline headline cost per seat at constant currency increased by 7.2% to £60.75.

Airline headline cost per seat excluding fuel increased by 9.5% at constant currency to £47.80 (H1 2019: £43.64). This cost increase was driven by:

- Overheads and other costs comprised mainly Covid-19-related disruption costs
- Maintenance costs and an expected one-off maintenance charge
- Ownership costs, reflecting new aircraft year on year
- Crew costs, namely annualisation of previous pay increases, higher than expected crew retention and low productivity during March 2020
- Inflationary pressure from regulated airports and lower incentives due to reduced passenger numbers, partially offset by a continued focus on airport procurement activity

Offset by:

- Lower navigation charges, due to a reduction in rates from Eurocontrol

Of the 9.5% increase in Airline headline cost per seat excluding fuel at constant currency, c4.5% was driven by the impact of Covid-19. This led to:

- Significant increase in disruption costs
- Full pilot and crew rosters through to March when many flights were being cancelled (furlough arrangements only started after the end of the first half)
- Lower seat capacity driven by cancellations

Fuel cost per seat decreased by 3.9% to £12.51 (H1 2019: £13.02) and by 0.5% at constant currency, driven by favourable price movements, lower volume requirements due to Covid-19 related cancellations and continued investment into more fuel efficient aircraft. The sale of certain carbon assets resulted in a remeasurement of our EU ETS liability which has reduced H1 2020 fuel costs in the income statement by £55 million.

Non-headline items

easyJet had a net £160 million non-headline charge during the first half of financial year 2020 (H1 2019: £3 million gain). These items are separately disclosed as non-headline loss before tax items. The most significant items were as follows:

- £164 million fair value net charge due to easyJet's significantly over-hedged position from both a jet fuel and FX perspective, following the full grounding of the fleet and the lower capacity expected for several months thereafter (H1 2019: nil)
- £3 million foreign exchange gain arising from the retranslation of foreign currency monetary assets and liabilities held in the statement of financial position (H1 2019: £3 million gain)
- £1 million gain from the sale and leaseback of 10 A319 aircraft resulting in a profit on disposal of the assets (H1 2019: £2 million gain)

There were minimal non-headline charges relating to Brexit (H1 2019: charge of £4 million) and no further commercial IT platform items (H1 2019: £2 million release of provision).

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

Strategic progress

Delivering Our Plan

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

- Network - number one or number two in primary airports
- Winning our customers' loyalty
- Value by efficiency

- The right people
- Innovating with data

Progress on a number of our key strategic initiatives has been unavoidably delayed by the shift of resources to managing the impact of the Covid-19 pandemic and by the furloughing of a large proportion of our people. We will return to these initiatives in due course.

<u>Network - number one or number two in primary airports</u>

Grounding and restart
The easyJet fleet was fully grounded on 30 March 2020 as a result of the unprecedented travel restrictions imposed by governments in response to the Covid-19 pandemic and the implementation of national lockdowns across many European countries.

easyJet resumed flying on 15 June 2020, servicing a small number of routes where we predicted sufficient customer demand to support profitable flying. The initial schedule comprised mainly domestic flying in the UK, France and Italy with just 10 lines of flying.

This is expected to ramp up through July, starting with 85 aircraft, building to 100 by mid-month and around 150 during August. This will include international flying. This reduced network has been carefully selected following analysis of customer demand and government restrictions across Europe, in order to prioritise cash generative flying.

Further routes will be announced as customer demand increases and government restrictions across Europe are relaxed. We hope to be able to serve around 75% of our previous route network by the end of August, albeit on reduced frequencies.

Booking trends on resumed flights have been encouraging, and the demand indications for summer 2020 are improving, albeit from a low base. Bookings for winter are well ahead of the equivalent point last year, which includes customers who are rebooking Covid-19-disrupted flights for later dates.

easyJet currently expects to fly around 30% of the planned capacity, on average, for Q4 2020. This will continue to be evaluated to reflect changing regulations and customer demand. Our commercial planning and data science teams have built demand forecasts around various route clusters, as we move through summer and into winter 2020/21.

In line with IATA projections, easyJet believes that the levels of market demand seen in 2019 are not likely to be reached again until 2023. As a low cost airline with a strong network, we believe we are well placed to benefit from customers seeking great value during that recovery period.

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

99% of easyJet's seat capacity touches these key, primary airports, positioning the airline strongly against its competitors. These are airports where GDP and passenger volumes are high, and where there is a weak incumbent or fragmented competition, such as London, Berlin, Milan or Basel. By being number one in key airports, with the strongest brand and delivering the best value, we can become the first choice airline for our customers. Legacy carriers are expected to de-emphasise short-haul flying in the coming recovery phase and easyJet is well placed to take further market share.

easyJet regularly reviews its route network in order to maximise returns and exploit demand opportunities in the market. During this time of unprecedented change in the aviation market, we are more focused than ever on profitable flying. Each line of flying proposed for the restart has been scrutinised by our commercial and financial teams in order to ensure that we maximise the available cash returns whilst balancing expected demand and loosening of government restrictions.

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

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

As part of the response to Covid-19 we will look at potential changes to our network, including how we optimise our base structures. To this effect, in June 2020, easyJet will launch a progressive employee consultation process and will spend time with employee representatives over the coming weeks and months to discuss the appropriate and necessary approach to make this happen.

In November 2019 easyJet acquired Thomas Cook's slots at Gatwick Airport (12 summer slot pairs and 8 winter slot pairs) and Bristol Airport (6 summer slot pairs and one winter slot pair) for £36 million. easyJet will consider acting quickly to selectively acquire attractive slots made available by competitors in locations where we see opportunities.

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

Europe with Confidence Pledge
In June 2020 easyJet launched its 'Europe with Confidence Pledge' in order to reinforce some of our core brand values:

1. **Wellbeing**
   As always, the safety and wellbeing of our customers is our utmost priority, so we have introduced new measures to help keep them safe. Our teams are conducting additional deep cleaning and disinfection of our aircraft every day. All of our customers, crew and ground staff will be required to wear masks. We'll also have spare hygiene supplies available on board.
   In the initial start-up phase we will be spacing passengers across the aircraft where possible, and we will temporarily suspend our on-board Bistro service.

These measures to help keep our customers safe are based on the latest government, EASA and ICAO Public Health guidance. All our aircraft are equipped with industry-leading filtration systems to keep the air in the cabin as clean as possible. These filters are the same as those used in hospitals and through them the cabin air gets replaced every 3-4 minutes.
easyJet has been one of the first airlines to commit to EASA's 'Aviation Industry Charter for COVID-19' which includes commitments to ensuring passengers are aware of measures required for a safe and healthy environment before they travel; reducing the chance of people with symptoms arriving at the airport; reducing the risk of transmission from within the airport and reducing the risk of an infected passenger boarding the aircraft; and reducing the risk of transmission on board the aircraft.

2. **Sustainability**
   Even though the way we operate will look different for a while, we will not be compromising on the promises we have made around the environment. We recognise that we have a responsibility to minimise the impact of our flights and are focused on operating efficiently now, and on the development of electric aircraft in the future. In the interim, we continue to offset the carbon emissions from the fuel used for all of our flights on behalf of our customers and we're proud to be the first major airline in the world to do so. easyJet is also looking for more ways to take action beyond carbon, including rapidly reducing our waste and single-use plastic usage.

3. **Value**
   We believe everyone should have the opportunity to travel, so for years we've been proud to offer our customers great value fares. As people begin to reconnect with destinations they've missed, we promise to continue that commitment.
   As ever, booking early tends to give you better prices. In order to give our customers peace of mind when booking they will be able to switch their flights up to 14 days before departure without a change fee, as long as travel restrictions remain.
   As the most trusted low cost airline across Europe easyJet is particularly well-placed for this environment.

Holidays
easyJet Holidays will benefit from the renewed cost focus at easyJet, since it will lead to lower costs for the 'airlift' portion of the package. The brand-building work being undertaken, including the 'Europe with confidence pledge' provides easyJet Holidays customers with the confidence to travel.

easyJet Holidays enjoys a mostly variable cost base with only very low fixed costs. There are no financial commitments to hotel stock which means that risk is low and also means that any hotelier incentives on rates as part of their restart can be passed directly into pricing, as we do not have the requirement to recover financial commitments or prepayments. Relationships with hoteliers have strengthened through the Covid-19 pandemic, as hotels have recognised the strength and integrity of the easyJet brand and balance sheet, as well the increasing weakness of the traditional exclusive model of distribution through only one tour operator partner, which has left their businesses exposed - we are working collaboratively to look for ways in which we can support them in their restart.

In March 2020 we launched both our Winter '20 and Summer '21 seasons, in order to give disrupted customers more choice when amending their holidays to future seasons. We recently added holidays to Egypt, particularly for winter sun. Initial indications for Summer '21 bookings are positive. By offering a range of flexible options for customers with disrupted bookings, we expect to have retained around 65% of these bookings for future travel.

<u>Value by efficiency</u>

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

In response to Covid-19 easyJet has launched a major cost out programme, which aims to drive cash generation in order to pay down debt and to ensure that easyJet emerges from the pandemic in a more competitive position.

The programme is targeting to deliver around flat cost per seat excluding fuel at constant currency in FY21 versus FY19. This is a stretch target given the likely significant decrease in the number of seats to be flown. The programme includes rightsizing the organisation and reducing staff numbers by up to 30%. easyJet launched an employee consultation process on these proposals to reduce staff numbers, as well as optimising our network and bases, improving productivity and promoting more efficient ways of working.

Other cost restructuring activities include:
- Seeking lower cost airport deals through simpler handling
- Bringing some maintenance in-house at lower cost
- Accelerating lease returns
- Fuel efficiency programme

Whilst we have also undertaken cost cutting measures within easyJet Holidays, it maintains a high proportion of variable costs, which will flex with revenue, and has no inventory risk.

On-Time Performance
In the six months to 31 March 2020, On-Time Performance (OTP) was up one percentage point year on year to 81%. This reflects improvements in the UK, Netherlands and Germany, offset by challenges in France, Spain and Portugal.

OTP % arrivals within 15 minutes[4]	Q1	Q2	H1
2020 Network	80%	82%	81%
2019 Network	79%	82%	80%

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

easyJet remains committed to fostering an inclusive and energising environment which attracts the right people and inspires everyone to learn and grow.

Gender diversity
Improving the gender balance in the pilot community has been a real focus for easyJet and we believe that no other airline has been doing more on this issue. We are delighted that we achieved our 2020 ambition to increase the number of female applicants applying to fly for easyJet, and we have doubled the number of female pilots flying for us since 2015. Our aim is to continue to lead the way in helping to break down barriers for women who are interested in a career in aviation through providing support, information and role models.

Reshaping the business
Due to the expected reduction in demand and capacity in the coming years, easyJet anticipates a need to reduce the number of employees by up to 30% across the business. We will look at potential changes to our network, including how we optimise our base structures and will focus on new efficient ways of working, to ensure the long-term competitive position of our business. To this effect, in June 2020, easyJet will commence a progressive employee consultation process and will spend time with employee representatives over the coming weeks and months to discuss the appropriate and necessary approach to make this happen.

Management changes
After the end of the period there were a number of changes to the Airline Management Board. Lis Blair, Chief Marketing Officer, has left after eight years with the airline. This role has been removed and Marketing, Customer, Digital and Insight now reports directly into Chief Commercial Officer, Robert Carey. Flic Howard-Allen, Chief Communications Officer has decided to take voluntary redundancy and will be leaving easyJet at the end of June. The role of Chief Communications Officer will not be replaced at this time, with internal communications now reporting to Group People Director, Ella Bennett and external communications and sustainability functions reporting into Group Markets Director, Thomas Haagensen.

In May 2020 Chief Financial Officer Andrew Findlay gave notice that he intends to leave the business. Andrew will continue in his role whilst the Board searches for his successor, and he is expected to leave easyJet in May 2021.

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

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

Our data team has been instrumental in planning and managing the restart of flying. easyJet has a sophisticated revenue management system which uses historic volumes to forecast performance. However after three months of full grounding with no fresh sales data, the historical data driving the model is no longer valid. Instead we have built a new model to forecast how each route is going to perform in the current circumstances. The model estimates potential passengers and revenue based on both our internal data around search volumes and web traffic, but also booking volumes. We use external data sources around mobility and web traffic, combined with existing bookings, to get total revenue forecasts which are relevant to the new market circumstances as lockdowns ease. Our teams analyse these forecasts alongside our costs of operation so that each line of flying can be authorised when it is expected to be profitable.

Data breach
Following the end of the Half Year, easyJet announced that it had been the target of a cyber attack from a highly sophisticated source. As soon as the company became aware of the attack, immediate steps were taken to respond to and manage the incident and easyJet engaged leading forensic experts to investigate the issue. We notified the National Cyber Security Centre and the Information Commissioner's Office and closed off the unauthorised access. Our investigation found that the email address and travel details of approximately 9 million customers were accessed. Other than as referenced in the following paragraph, passport details and credit card details of these customers were not accessed.

Our forensic investigation found that, for a very small subset of customers (2,208), credit card details were accessed. Action was taken to contact all of these customers and they were offered support. We take issues of security extremely seriously and continue to invest to further enhance our security environment. There is no evidence that any personal information of any nature has been misused, however, on the recommendation of the ICO, we communicated with the approximately 9 million customers whose travel details were accessed to advise them of protective steps to minimise any risk of potential phishing. We advised customers to continue to be alert, especially should they receive any unsolicited communications. We would like to reassure customers that we take the safety and security of their information very seriously.

General Meeting
On 22 May 2020 a General Meeting was convened to consider the resolutions proposed at the direction of Sir Stelios Haji-Ioannou to remove as directors of the Company: the Chairman John Barton; the CEO Johan Lundgren; the CFO Andrew Findlay; and Independent Non-Executive Director Andreas Bierwirth. The Board had unanimously recommended that shareholders vote against these resolutions. All four resolutions were defeated, with over 99% of votes cast by independent shareholders[5] being in support of the Board.

The Board would like to thank shareholders for their support. The Board seeks a good relationship with all of easyJet's shareholders and is actively seeking to be able to re-engage constructively with Sir Stelios.

Brexit

easyJet is well prepared for the UK's departure from the European Union.

Since March 2019 easyJet has been structured as a pan-European airline group of three airlines each based in Austria, Switzerland and the UK. This ensures that easyJet will continue to be able to operate flights both across the EU and domestically within EU countries after the UK has left the EU, regardless of the Brexit outcome.

easyJet has made good progress in meeting the European ownership requirements and approximately 47% of its equity capital is currently owned by qualifying nationals (EU member states plus Switzerland, Norway, Iceland, Liechtenstein, but excluding the UK). In the event that the UK were to leave the EU without a deal and if the European ownership of easyJet is below 50% then easyJet could invoke the provisions within its articles of association which allow for suspension of rights to attend and vote at shareholder meetings and/or sale of shares by non-qualifying nationals to qualifying nationals. Similar powers exist in the articles of association of other airlines, as well as in the articles of companies in other sectors which are subject to national share ownership requirements. Whilst easyJet has no current intention of exercising these powers, the position will be kept under review pending the outcome of negotiations between the UK and the EU during the transition period, along with other options.

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

Fleet

easyJet's fleet is a major component of its business model and a competitive advantage. easyJet's total fleet as at 31 March 2020 comprised 337 aircraft (30 September 2019: 331 aircraft) with the increase driven by the addition of new A320NEO family deliveries. The average gauge of the fleet is now 176.4 seats per aircraft, a slight increase from 174 at 31 March 2019. The average age of the fleet increased to 7.7 years (30 September 2019: 7.4 years). In the first half easyJet's asset utilisation across the network decreased to an average 8.8 block hours per day (H1 2019: 10.0 hours) due to the Covid-19-related cancellations towards the end of the period.

Fleet as at 31 March 2020:

	Owned	Leased	**Total**	% of fleet	Changes since Sep-19	Future deliveries	Purchase options	Unexercised purchase rights
A319	59	64	**123**	36%	(2)	-	-	-
A320 180 seat	1	13	**14**	4%	(26)	-	-	-
A320 186 seat	125	30	**155**	46%	26	-	-	-
A320 neo	34	-	**34**	10%	3	95	13	58
A321 neo	11	-	**11**	3%	5	19	-	-
	230	**107**	**337**		**6**	**114**	**13**	**58**
Percentage of total fleet	*68%*	*32%*						

The Airbus single supplier relationship remains a critical component of easyJet's successful strategy. It has underpinned a modernised, cost-effective and flexible fleet, ensuring that easyJet is able to maintain its low operating costs and maintain a competitive advantage in fleet costs.

Operating a single aircraft type increases efficiency and is common across low cost airlines. It lowers both operating costs and supports scale efficiencies in procurement. The scale of the easyJet fleet also ensures that an in-depth partnership is maintained with Airbus, supporting order book flexibility, analytical support capability and access to technical knowledge.

The Airbus contract does not contain a clause allowing easyJet to walk away from its obligations or substantially amend its terms in light of the Covid-19 pandemic, which is standard for long-term aircraft purchase agreements of this type. Accordingly, easyJet has no right to unilaterally terminate the Airbus contract because of the Covid-19 pandemic.

The one-off costs associated with termination would be very material and taken together with the future value anticipated to be generated from this very competitive contract, the Board believes that termination would be hugely detrimental and seriously impact the Company's ability to operate as a low cost airline.

The Airbus contract entitles easyJet to warranties, required maintenance, avionics and other technical support which are critical to the operation of the easyJet fleet. It would be very difficult (and may well be impossible) to replicate that support on the open market. Even if that support could be replicated on the open market it would be at much less competitive rates. Termination would thus lead to a material increase in the operating cost of the fleet.

On 9 April easyJet announced that it had reached agreement with Airbus for the net deferral of 24 aircraft deliveries from financial years 2020, 2021 and 2022. This will mean that as compared to our previously disclosed fleet plan the following aircraft deliveries will be deferred:

- 10 aircraft deliveries in FY20
- 12 aircraft deliveries in FY21
- 2 aircraft deliveries in FY22

As a result easyJet will take no aircraft deliveries in FY21 and retained the option to defer a further 5 deliveries in FY22.

On 16 June 2020 easyJet and Airbus finalised the exact delivery dates for the deferred aircraft deferred. In total, 32 aircraft with original delivery dates between June 2020 and December 2021 were deferred. As 8 aircraft were deferred from FY20 to FY22, the net number of deferrals from the financial years 2020, 2021 and 2022 was 24 aircraft (being 32 less 8), as announced on 9 April 2020. These 24 aircraft were originally deferred beyond December 2022 and it has now been agreed that these aircraft will be delivered from FY2025 to FY2027.

All aircraft purchased by easyJet under the terms of the original 2013 Airbus agreement are subject to a very substantial discount from the list price which remains unchanged. Within the 2013 agreement a price escalation mechanism is used to reflect market inflation in labour and material costs[6]. By applying this inflationary mechanism, the future aggregate cash price of the 32 deferred aircraft, at their future delivery dates, could increase by up to c.£95 million[7] the large majority payable between FY25 and FY27. Any increase would be materially offset by the reduced cost of borrowing associated with the significant cashflow benefits in the next 16 months arising from these deferrals (including consequential changes to the schedule of pre-delivery payments).

As part of these agreements, easyJet has also secured for nil consideration an extension to the deadlines for the exercise of existing deferral and purchase rights.

easyJet now has the flexibility until December 2020 to defer two aircraft and the option to not take up to seven aircraft currently scheduled for delivery between FY22 and FY26. easyJet has also secured additional flexibility with respect to its existing purchase options of 13 aircraft, by agreeing an extension to the deadline for the exercise of such options from November 2020 to November 2021 (in respect of seven aircraft) and to November 2022 (in respect of six aircraft). These changes complement our pre-existing deferral rights.

These changes maintain our significant discount from list price whilst enabling further flexibility in relation to deferral rights and future purchase options. The changes defer capacity in the medium term while continuing our long-term strategy of replacing our older fleet with the advanced and lower fuel burning A320neo family.

Number of aircraft	Mar-20 HY	Sep-20 FY	Sep-21 FY	Sep-22 FY	Sep-23 FY
New plan minimum	337	335*	302	281	272
New plan maximum	337	335*	302	305	327
Current contractual maximum	337	335*	326	328	350
Expected deliveries	8	14	0	8-13	7-29

* Assumes sale/exit of 6 old aircraft yet to be transacted.

Within the next 14 months easyJet also has 24 operating leases due for renewal, providing us with further flexibility, which could include deferral and cancellation.

As a result of these actions the fleet has the potential to be substantially lower than our previous plan, whilst also retaining the flexibility to respond to future demand environments.

Capex
The revised fleet agreement with Airbus has materially reduced easyJet's capital expenditure requirements. We have also deferred or cancelled a number of other projects. These measures combined have enabled us to reduce our projected capex spend by c.£1 billion over three years.

Anticipated gross capital cashflows:

	H2 20	FY 21	FY 22	FY 23
Expected gross capex	£400m	c£600m	£600-900m	£600-1,400m

We also continue to focus on minimising non-essential capex spending. The majority of the anticipated capital expenditure in aggregate across H2 20, FY21 and FY22 relates to aircraft purchase pre-delivery payments, aircraft lease payments treated as capital cashflows under IFRS16, as well as maintenance expenditure on existing aircraft and other IT related capital expenditure. Maintenance expenditure will be subject to the level of FY21 and FY22 flying and the quantity of operating lease redeliveries to lessors. A significant level of IT expenditure in FY21 and FY22 is discretionary and also subject to further review.

Funding
easyJet's funding position is strong with net debt at 31 March 2020 of £467 million, which comprised cash and money market deposits of £1,388 million (31 March 2019: £1,280 million) and borrowings of £1,855 million (31 March 2019: £1,481 million).

Borrowings as at 31 March 2020 include £536 million of lease liabilities.

Liquidity per 100 seats at 31 March 2020 was £3.2 million (H1 2019: £3.7 million), well in excess of our target of £2.6 million.

easyJet has taken decisive action to access additional liquidity during the Covid-19 pandemic. In addition to the c.£1.4 billion in liquidity as at 31 March 2020, easyJet has arranged the following:

- c£400 million from having fully drawn down on a previously undrawn $500 million Revolving Credit Facility, secured against aircraft assets

- £600 million issuance of Commercial Paper through the UK Government's Covid Corporate Financing Facility (CCFF). This facility enables UK companies which had investment grade credit ratings before 1 March 2020 to issue 12-month, unsecured debt directly to HM Treasury
- c£400 million proceeds from two term loans, which both mature in 2022 and are secured against aircraft assets
- £301 million in proceeds secured from sale and leaseback transactions, with total anticipated proceeds from the current programme of £500-650 million

Thus easyJet will have raised c£1.7 billion in additional debt liquidity since March 2020 with a further £200-350m anticipated.

As at 22 June our current cash position is c.£2.4bn, before proceeds from the equity placing or the remaining planned sale and leaseback transactions.

In light of the current pressures on the aviation industry from Covid-19, easyJet's credit ratings have been downgraded by both Standard & Poor's and Moody's. Nonetheless both rating agencies have recognised the strength of easyJet's balance sheet and business strategy and have therefore maintained our ratings at investment grade, with a BBB- rating from Standard & Poor's and a Baa3 rating from Moody's.

easyJet is working successfully towards a target range of £500 to £650 million of proceeds through the sale and leaseback of some of our aircraft. We have already signed separate binding contractual agreements with SMBC Aviation, JP Lease and Aero Capital Solutions, for the sale and leaseback of 15 aircraft with proceeds of approximately £301 million in aggregate. The subject aircraft consisted of two A321NEOs, three A320NEOs, three A320CEOs, and seven A319CEOs with age ranges from new to 12 years of age. easyJet has seen strong interest from the global operating lease marketplace and is working with preferred suppliers on finalising the sale of at least a further eight A320NEO family aircraft, which would see us meet the upper end of our liquidity target range in FY20.

Of easyJet's 337 aircraft on the balance sheet at 31 March 2020, the 230 owned aircraft were unencumbered, representing 68% of the total fleet. The comparable position at 31 March 2019 was 221 unencumbered aircraft, which was 69% of the total fleet. Following the closing of the various funding initiatives outlined above, around 50% of the fleet remains unencumbered.

Our scenario planning cash burn analysis has been updated since published in April. We now assume that under a full grounding scenario we would use the following amounts of cash:

- 3 months full grounding - £1.0 billion
- 6 months full grounding - £2.1 billion
- 9 months full grounding - £3.0 billion

Current cash burn is slightly better than our April forecast, principally driven by the proportion of customers choosing to rebook or take a voucher for future travel, rather than requesting a cash refund. We have resumed our flying programme after 11 weeks of full grounding, somewhat ahead of the base case scenario of a 3 month grounding.

On 24 June easyJet launched an equity placing, which will be conducted by way of a single, accelerated bookbuild of Ordinary Shares. This bookbuild covers both a firm placing for up to 9.99% of our issued share capital and up to a further 5% of issued share capital which is conditional upon shareholder approval, under an ordinary resolution. This approval will be sought at a General Meeting to be held on 14 July. Gross proceeds of the equity placing are expected to be £400-450 million. The proceeds will further enhance easyJet's liquidity position and credit metrics while also enhancing our already strong balance sheet strength through the Covid-19 recovery.

Fuel & FX

Due to the full grounding of the fleet on 30 March 2020 and the lower capacity expected for several months thereafter, easyJet became significantly over-hedged from both a jet fuel and FX perspective. This has had an adverse effect on easyJet's income statement in the first half, due to the recording of hedge accounting discontinuation and ineffectiveness.

Prior to Covid-19 fuel was 71% hedged at $654 per metric tonne for FY20 and 51% hedged at $638 per metric tonne for FY21. In the first half of FY20 there was a net charge of £164 million for fair value adjustment due to easyJet's significantly over-hedged position from both a jet fuel and FX perspective, following the full grounding of the fleet and the lower capacity expected for several months thereafter. There is the potential for further impact in H2 2020 and over-hedged amounts are likely to cause a degree of volatility in the income statement until these instruments mature. This was included as part of our scenario planning.

To mitigate the effects of over-hedging, a number of actions have been taken including putting jet fuel hedging on hold for time periods from April 2020 through to October 2021. Jet fuel hedging continues for later time periods, in order to take advantage of the low-price environment. Our expected FY22 jet fuel requirement is currently around 35% hedged at $513 per metric tonne.

Outlook

Capacity is expected to build through the summer season, to c30% of planned, pre-Covid-19 capacity for Q4.

Booking numbers for easyJet Holidays are encouraging.

easyJet expects to deliver cost per seat excluding fuel at constant currency roughly flat in FY21 compared to FY19.

At this stage, given the continued level of uncertainty, it is not possible to provide financial guidance for the remainder of the FY20 financial year.

Notes

(1) Represents the number of earned seats flown. Earned seats include seats that are flown whether or not the passenger turns up as easyJet is a no-refund airline, and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to staff for business travel.
(2)Per seat measures are for the airline only. Group measures are the consolidated results of both the airline and the holidays business
(3) Constant currency is calculated by comparing 2020 financial period performance translated at the 2019 financial period effective exchange rate to the 2019 financial period reported performance, excluding foreign exchange gains and losses on balance sheet revaluations
(4) On-time performance measured by internal easyJet system
(5) Independent shareholders exclude the 132,401,427 shares held by or on behalf of the Haji-Ioannou family concert party

(6) As set out in the circular sent to shareholders prior to easyJet entering into the 2013 agreement with Airbus.
(7) £47 million relating to the original deferral of 8 aircraft to delivery in FY22 and 24 aircraft to delivery beyond December 2022, and £48 million relating to the further deferral of these 24 aircraft to deliver in FY25 to FY27.

OUR FINANCIAL RESULTS

Headline loss before tax decreased from £275 million for the six months ended 31 March 2019 to £193 million for the six months ended 31 March 2020. At constant currency, headline loss before tax for the six months ended 31 March 2020 would have been £224 million, giving a favourable foreign exchange impact of £31 million compared to last year.

Total loss before tax increased from £272 million for the six months ended 31 March 2019 to £353 million for the six months ended 31 March 2020. This was mainly driven by a £164 million net charge related to hedge ineffectiveness and the discontinuation of hedge accounting for jet fuel and foreign exchange derivative contracts. As a result of the expected reduced flying programme as at 31 March 2020, the Group's near term exposures for jet fuel and foreign currency were significantly reduced, causing a proportion of previously hedge accounted derivative financial instruments to be recorded as ineffective. These amounts have been recognised as a non-headline item.

The half year report is based on the financial performance up to 31 March 2020, and therefore excludes information relating to funding and other Covid-19 management actions which have occurred since 31 March 2020. The entire easyJet fleet was grounded from 30 March, however prior to this, there were circa 18,000 cancellations during the month of March as travel restrictions were introduced across Europe, which has impacted our cost performance in H1 2020.

During November 2019, the easyJet Holidays business was launched with the first holidays commencing in January 2020. easyJet Holidays forms a separate operating segment to the Airline. Therefore, all per seat metrics are for the Airline business only, as the inclusion of hotel-related revenue and costs from the Holidays business will distort the RPS and CPS metrics as these are not directly correlated to the seats flown by the Airline business. The segmental note within the interim consolidated financial statements shows the contribution of each operating segment towards the Group's performance. All seats flown directly relate to the Airline business and are therefore included in total for the per seat metrics. The overall contribution of the Holidays segment to the financial performance of the consolidated Group for the six months ended 31 March 2020 is insignificant. In presenting the Airline-only financial performance metrics below this does not materially distort the financial performance of the Group as a whole.

FINANCIAL OVERVIEW

£ million (Reported) – Group	**H1 2020**	H1 2019
Group revenue	**2,382**	2,343
Headline costs excluding fuel	**(2,041)**	(2,016)
Fuel	**(534)**	(602)
Group headline loss before tax	**(193)**	**(275)**
Non-headline items	**(160)**	3
Group total loss before tax	**(353)**	**(272)**
Taxation	**29**	54
Group total loss after tax	**(324)**	**(218)**

£ per seat – Airline only	**H1 2020**	H1 2019
Airline revenue	**55.60**	50.71
Headline costs excluding fuel	**(47.24)**	(43.64)
Fuel	**(12.51)**	(13.02)
Airline headline loss before tax	**(4.15)**	**(5.95)**
Non-headline items	**(3.77)**	0.07
Airline total loss before tax	**(7.92)**	**(5.88)**
Taxation	**0.62**	1.17
Airline total loss after tax	**(7.30)**	**(4.71)**

The total number of passengers carried decreased by 7.4% to 38.6 million (H1 2019: 41.6 million), which was driven by a reduction in seats flown of 7.6% to 42.7 million seats (H1 2019: 46.2 million seats) as a result of the increase in cancellations prior to our entire fleet being fully grounded on 30 March 2020. Load factor has increased by 0.2 percentage points to 90.3% (H1 2019: 90.1%).

Total revenue increased by 1.6% to £2,382 million (H1 2019: £2,343 million) and increased by 2.2% at constant currency. Airline revenue per seat increased by 9.6% to £55.60 (H1 2019: £50.71) and increased by 10.2% at constant currency. The increase in Airline revenue per seat is a consequence of a number of contributors, including our own and market capacity consolidation from October to February, particularly in the UK and Germany, with yield initiatives and network optimisations further capitalising on strong demand for our routes.

Headline Airline cost per seat excluding fuel increased by 8.2% to £47.24 (H1 2019: £43.64), and increased by 9.5% at constant currency.

The Airline cost per seat excluding fuel increase included inflationary linked increases in ground handling costs, airport costs and maintenance, high crew retention, and a one-off maintenance provision catch up. The impact of Covid-19 resulted in significantly higher disruption costs, full pilot and crew staffing costs through March when many flights were cancelled, and lower seat capacity. Cost increases were partially offset by lower staff incentive costs, and reduced navigation rates.

Airline fuel cost per seat decreased by 3.9% to £12.51 (H1 2019: £13.02) and by 0.5% at constant currency. There has been an underlying decrease in the market price of fuel, and there was also a benefit recognised in the period from settling the 2019 EU ETS (Emissions Trading System) liability primarily using free credits received during 2019 and 2020. easyJet participates in the EU Emissions Trading System (EU ETS) scheme which requires our carbon footprint to be offset by submitting carbon allowances to the UK Environment Agency. easyJet receives certain free carbon allowances from the UK government and purchases others from the market. In December 2019 easyJet purchased carbon credits with the intention of using these credits to settle the calendar year 2019 EU ETS liability. As a result of flying restrictions imposed following Covid-19, easyJet sold some of these purchased carbon credits in March 2020 to realise cash, which resulted in an income statement loss on disposal of £12 million, which has been recognised within Other costs. The sale of the assets resulted in a remeasurement of the liability which has reduced H1 2020 fuel costs in the income statement by £55 million.

A non-headline loss of £160 million (H1 2019: £3 million gain) was recognised in the period, consisting of a £164 million net charge for hedge discontinuation and ineffectiveness, a £1 million gain as a result of the sale and leaseback of 10 A319 aircraft in the period and a £3 million gain on balance sheet foreign exchange revaluations.

Corporate tax has been recognised at a statutory effective rate of 8.3% (H1 2019: 19.7%) based on the anticipated tax rate for the full year ending 30 September 2020, resulting in a tax credit of £29 million (2019: £54 million) during the period.

This effective tax rate is distorted following the cancellation of the proposed corporate tax rate cut to 17% in April 2020, resulting in an increase to the deferred tax liability of £36 million. Excluding this tax item, the effective rate of tax is 18.6%.

Loss per share and dividends per share

	H1 2020 **pence per share**	H1 2019 pence per share	Change pence per share
Basic headline loss per share	**(49.4)**	(56.1)	6.7
Basic total loss per share	**(82.4)**	(55.3)	(27.1)
Ordinary dividend per share paid during the period	**43.9**	58.6	(14.7)

Basic headline loss per share decreased by 6.7 pence and basic total loss per share increased by 27.1 pence as a consequence of the £27 million decrease in the headline loss after tax and a £106 million increase in the total loss after tax in the six months to 31 March 2020 respectively.

easyJet paid a final dividend for the year ended 30 September 2019 of 43.9 pence per share on 20 March 2020. The payment of the dividend became legally binding following approval by shareholders at the Annual General Meeting on 6 February 2020, before the outbreak of Covid-19 in Europe.

EXCHANGE RATES

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

	Revenue		Costs	
	H1 2020	H1 2019	**H1 2020**	H1 2019
Sterling	**42%**	41%	**33%**	32%
Euro	**48%**	48%	**32%**	37%
US dollar	**1%**	1%	**28%**	23%
Other (principally Swiss franc)	**9%**	10%	**7%**	8%

Average exchange rates	**H1 2020**	H1 2019

Euro – revenue		**€1.14**	€1.13
Euro – costs		**€1.17**	€1.14
US dollar		**$1.32**	$1.31
Swiss franc		**CHF 1.29**	CHF 1.15

There was a favourable impact on total loss from the year-on-year movements in exchange rates of £23 million. The Group's foreign currency risk management policy is aimed at reducing the impact of a fluctuation in exchange rates on future cash flows, however the timing of cash flows can be different to the timing of recognition within the income statement resulting in foreign exchange movements.

As a result of the full grounding of the fleet and lower capacity flying expected for several months thereafter, easyJet is in an over-hedged position on its operating foreign exchange hedges. Over-hedged derivative amounts determined as at 31 March 2020 have been discontinued from hedge accounting with their full fair valuation recorded in the income statement.

To minimise the effects of over-hedging going forward, easyJet has temporarily paused its normal rolling foreign exchange programme of hedging between 65% to 85% of the next 12 months and 45% to 65% of month's 13-24 forecast cash flows. Once there is greater certainty on the expected future currency exposures, easyJet's regular policy is anticipated to resume.

In addition, following an agreement with Airbus to defer aircraft deliveries, certain foreign exchange contracts used to hedge these purchases have also becoming ineffective due to the delay. As the precise phasing of future capex deliveries was recently agreed on 16 June 2020, the Group will look to re-hedge these cash flows a minimum of 12 months out in line with existing hedging policy.

Amounts presented at constant currency are an alternative performance measure and not determined in accordance with International Financial Reporting Standards. Constant currency is calculated by comparing performance for the 2020 half year, translated at the effective exchange rate for the 2019 half year, with the 2019 half year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.

Headline exchange rate impact	**Euro**	**Swiss franc**	**US dollar**	**Other**	**Total**
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Total revenue	(2)	(1)	-	(10)	(13)
Fuel	2	-	17	-	19
Headline costs excluding fuel	25	(3)	2	1	25
Headline loss before tax	**25**	**(4)**	**19**	**(9)**	**31**

Non-Headline exchange rate impact	**Euro**	**Swiss franc**	**US dollar**	**Other**	**Total**
Favourable/(adverse)	£ million	£ million	£ million	£ million	£ million
Non-headline items excluding prior year balance sheet revaluations	(7)	-	(15)	11	(11)
Prior year balance sheet revaluations	2	(2)	(2)	5	3
Non-headline items before tax	**(5)**	**(2)**	**(17)**	**16**	**(8)**

Financial Performance

Revenue

£m Group	**H1 2020**	H1 2019
Passenger revenue	**1,833**	**1,824**
Ancillary revenue	**549**	**519**
Total revenue	**2,382**	**2,343**

£ Airline per seat	**H1 2020**	H1 2019
Passenger revenue	**42.93**	**39.48**
Ancillary revenue	**12.67**	**11.23**
Total revenue	**55.60**	**50.71**

The total number of passengers carried decreased by 7.4% to 38.6 million (H1 2019: 41.6 million). This was driven by the reduction in the number of seats flown as a result of a large number of cancellations in March due to Covid-19 travel restrictions, prior to the full grounding of the entire fleet on 30 March 2020. Load factor has increased by 0.2 percentage point to 90.3% (H1 2019: 90.1%).

Total group revenue increased by 1.6% to £2,382 million (H1 2019: £2,343 million), and increased by 2.2% at constant currency.

Airline revenue per seat increased by 9.6% to £55.60 (H1 2019: £50.71), and increased by 10.2% at constant currency. The increase in Airline revenue per seat is a consequence of a number of contributors, including our own and market capacity consolidation from October to February, particularly in the UK and Germany, with yield initiatives and network optimisations further capitalising on strong demand for our routes.

The delivery of self-help initiatives, robust customer demand and low levels of competitor capacity drove improved performance in both our passenger and ancillary revenue per seat.

Ancillary revenue continued to perform strongly, predominantly driven through bag yield initiatives and strong performance from allocated seating initiatives and the inclusion of revenue from our Holidays business.

Headline costs excluding fuel

	H1 2020		H1 2019	
	Group £ million	**Airline Cost per seat £ per seat**	Group £ million	Airline Cost per seat £ per seat
Operating costs/(income)				
Airports, ground handling and other operating costs	**715**	**16.65**	776	16.78
Crew	**398**	**9.32**	405	8.77
Navigation	**152**	**3.57**	175	3.79
Maintenance	**191**	**4.47**	152	3.30
Selling and marketing	**78**	**1.57**	72	1.56
Other costs	**241**	**5.45**	192	4.19
Other income	**(15)**	**(0.36)**	(15)	(0.32)
	1,760	**40.67**	1,757	38.07
Ownership costs				
Aircraft dry leasing	**-**	**-**	3	0.07
Depreciation	**254**	**5.95**	228	4.94
Amortisation	**8**	**0.17**	8	0.17
Net finance charges	**19**	**0.45**	20	0.39
	281	**6.57**	259	5.57
Headline costs excluding fuel	**2,041**	**47.24**	**2,016**	**43.64**

Headline cost per seat excluding fuel increased by 8.2% to £47.24 (H1 2019: £43.64), and increased by 9.5% at constant currency.

Operating costs and income

Headline airports, ground handling and other operating costs cost per seat decreased by 0.8% to £16.65, and increased by 0.6% at constant currency. Airport charges were adversely impacted by the continued inflationary pressure from regulated airports and lower incentives due to reduced passenger numbers, partially offset by a continued focus on airport procurement activity.

Headline crew cost per seat increased by 6.2% to £9.32, and by 7.5% at constant currency. This was driven by lower productivity due to decreased flying in March, agreed increases in crew and pilot pay and low attrition rates.

Headline navigation cost per seat decreased by 5.9% to £3.57 and decreased by 4.1% at constant currency resulting from decreased rates.

Headline maintenance cost per seat increased by 35.1% to £4.47, and increased by 36.8% at constant currency. A one-off catch up was recognised to provide for future maintenance events which are now required on our leased fleet, along with underlying increases in base maintenance costs.

Headline other cost per seat increased by 30.4% to £5.45, and by 32.2% at constant currency. This is primarily driven by an increase in disruption costs, mainly as a result of Covid-19 welfare costs provision for passengers impacted by travel restrictions in March. In addition, a loss on the sale of EU ETS (Emissions Trading System) allowances was recognised in the period, as set out in the Financial Overview, and the impact of lower flown capacity.

Ownership costs

Dry lease costs have decreased from £3 million in H1 2019 to less than £1 million in H1 2020, with only those leases which are exempt under IFRS 16, due to their short duration or low value, being recognised within this line.

Depreciation costs have increased from £228 million in H1 2019 to £254 million in H1 2020. This is driven by the additional depreciation charged as a result of the acquisition of 23 new aircraft during FY 2019 and eight new aircraft during this period.

Fuel costs

	H1 2020		H1 2019	
	Group £ million	**Airline £ per seat**	Group £ million	Airline £ per seat
Fuel	**534**	**12.51**	**602**	**13.02**

Fuel costs of £534 million were £68 million lower than H1 2019. Fuel cost per seat of £12.51 was 3.9% lower than last year, and decreased by 0.5% at constant currency.

During the period the average market fuel price decreased by 13% to $563 per tonne from $650 per tonne last year. The operation of easyJet's fuel and US Dollar hedging meant that the effective fuel price movement saw a decrease of 3% to £476 per tonne from £493 per tonne in the previous year.

The impact of the Sterling/US Dollar exchange rate movement on fuel costs was £19 million favourable (H1 2019: £37 million adverse).

The decrease in fuel costs also reflects a remeasurement of our Emissions Trading System (ETS) permits liability. Further details are set out in the Financial Overview.

The Group uses jet fuel derivatives to hedge against sudden and significant increases in jet fuel prices to mitigate volatility in the income statement in the short-term. In order to manage the risk exposure, jet fuel derivative contracts are used in line with the Board approved policy to hedge between 65% and 85% of estimated exposures up to 12 months in advance, and to hedge between 45% and 65% of estimated exposures from 13 up to 24 months in advance.

As a result of the full grounding of the fleet and lower capacity flying expected for several months thereafter, easyJet is in an over-hedged position on its anticipated future jet fuel exposure. Over-hedged derivative amounts determined as at 31 March 2020 have been discontinued from hedge accounting with their full fair valuation recorded in the income statement. These amounts are presented in non-headline and are not included as a headline fuel cost.

To minimise the effects of over-hedging going forward, easyJet has temporarily reduced its normal rolling jet fuel hedging programme to only execute new trades for FY 2022 onwards. As with foreign exchange hedging, once there is further certainty on future Jet fuel exposures, easyJet's regular policy is anticipated to resume.

Non-headline items

	H1 2020 £ million	H1 2019 £ million
Sale and leaseback gain	**1**	2
Commercial IT platform	**-**	2
Brexit-related costs	**-**	(4)
Balance sheet foreign exchange gain	**3**	3
Fair value adjustment	**(164)**	-
Non-headline items before tax	**(160)**	3

Non-headline loss before tax of £160 million comprises:

- A £1 million gain as a result of the sale and leaseback of 10 A319 aircraft in the period (H1 2019: £2 million charge as a result of the sale and leaseback of 10 A319 aircraft);
- There were no Commercial IT platform items classified as non-headline in H1 2020 (H1 2019: £2 million credit);
- There were £0.3 million of Brexit-related costs in H1 2020 (H1 2019: £4 million charge);
- A £3 million gain for balance sheet revaluations (H1 2019: £3 million). This relates to foreign exchange gains or losses arising from the re-translation of monetary assets and liabilities held on the balance sheet; and
- A £164 million net charge related to discontinued hedges and hedge ineffectiveness (H1 2019: no gain or loss). Due to the full grounding of the fleet and the lower capacity expected for several months thereafter, easyJet is in a significantly over-hedged position from both a jet fuel and FX perspective.

NET DEBT AND FINANCIAL POSITION

Summary net debt reconciliation

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

	H1 2020 £ million	H1 2019 £ million	Change £ million
Operating loss	**(173)**	(255)	82
Depreciation and amortisation	**262**	236	26
Unearned revenue movement	**(95)**	762	(857)
Other net working capital movement	**460**	(145)	605
Net tax paid	**(20)**	(28)	8
Net capital expenditure	**(452)**	(465)	13
Net proceeds from sale and operating leaseback of aircraft	**114**	121	(7)
Purchase of own shares for employee share schemes	**(6)**	(2)	(4)
Net decrease in restricted cash	**-**	4	(4)
Repayment of capital element of leases	**(111)**	(85)	(26)
Other (including the effect of exchange rates)	**54**	24	30
Ordinary dividend paid	**(174)**	(233)	59
Net increase in net debt	**(141)**	(66)	(75)

Net (debt)/cash at closing of the prior period	**(326)**	396	(722)
IFRS 16 implementation impact at 1 October 2018	**-**	(531)	531
Net debt at the beginning of the period	**(326)**	(135)	(191)
Net debt at the end of the period	**(467)**	(201)	(266)

Net debt as at 31 March 2020 was £467 million (31 March 2019: net debt £201 million) and comprised cash and money market deposits of £1,388 million (31 March 2019: £1,280 million), borrowings of £1,319 million (31 March 2019: £858 million) and lease liabilities of £536 million (31 March 2019: £623 million).

Unearned revenue decreased by £857 million. Due to the cancellation of flights that were due to take place in April and May 2020, the unearned revenue balance is lower compared to March 2019. Upon cancellation of a flight, the balance is transferred from unearned revenue into trade and other payables to be classified as a financial liability.

Other working capital has increased by £605 million as a result of the increase in trade payables due to the transfer of a proportion of the unearned revenue balance into trade and other payables, as explained above, the optimisation of supplier payment terms and collection of receivables, and movements in the derivative financial instruments balance.

Net capital expenditure includes final delivery payments for the acquisition of eight aircraft (H1 2019: 11 aircraft) and pre-delivery payments relating to aircraft purchases. The sale and leaseback of 10 aircraft in H1 2020 resulted in a net cash inflow of £114 million (H1 2019: £121 million).

easyJet made corporation tax payments totalling £20 million during the period (H1 2019: £28 million).

Summary consolidated statement of financial position

	31 March 2020	30 September 2019	Movement
	£ million	£ million	£ million
Goodwill and other intangible assets	**613**	**561**	52
Property, plant and equipment (excluding RoU assets)	**4,823**	**4,661**	162
Right of use assets	**468**	**502**	(34)
Derivative financial instruments	**(554)**	**63**	(617)
Equity investments	**33**	**48**	(15)
Other assets (excluding cash and money market deposits)	**662**	**542**	120
Unearned revenue	**(974)**	**(1,069)**	95
Trade and other payables	**(1,660)**	**(1,050)**	(610)
Other liabilities (excluding debt)	**(852)**	**(947)**	95
Capital employed	**2,559**	**3,311**	**(752)**
Cash and money market deposits*	**1,388**	**1,576**	(188)
Debt (excluding lease liabilities)	**(1,319)**	**(1,324)**	5
Lease liabilities	**(536)**	**(578)**	42
Net assets	**2,092**	**2,985**	(893)
Net debt	**(467)**	**(326)**	**(141)**

* excludes restricted cash

Since 30 September 2019 net assets have decreased by £893 million, mainly due to the loss for the period, the payment of the ordinary dividend (£174 million), and an adverse movement on the hedging reserve.

Goodwill and other intangible assets have increase predominately due to our acquisition of ex-Thomas Cook slots at Gatwick Airport and Bristol Airport for £36 million.

The net book value of property, plant and equipment excluding right of use assets has increased by £162 million as a result of the acquisition of eight aircraft, pre-delivery payments relating to future aircraft purchases, aircraft heavy maintenance and three spare engine purchases, offset by depreciation. The closing balance for right of use assets was £468 million, a decrease of £34 million.

Derivative financial instruments as at 31 March 2020 were in a £554 million net liability position, a £617 million movement from the £63 million net asset position as at 30 September 2019. This movement is largely down to mark-to-market losses on jet fuel contracts, decreases in currency assets and cross currency interest rate swaps.

Other assets have increased by £120 million largely due to timing differences in trade and other receivables and an increase within current intangible assets driven by calendar year 2020 carbon credits. Further detail on carbon credits is included in the Financial Overview section.

Unearned revenue decreased by £95 million. Passengers pay for their flights in full when booking, and due to the seasonal nature of the industry this usually leads to significantly more unearned revenue at 31 March compared to 30 September each year. However due to the cancellation of flights due to depart in April and May 2020, the unearned revenue balance is lower compared to September 2019. Upon cancellation of a flight, the balance is moved out of unearned revenue and into trade and other payables to be classified as a financial liability.

Trade and other payables have increased by £610 million largely due to the increase in refunds due as a result of significant cancellations resulting from Covid-19, as well as timing of invoices.

Other liabilities have increased by £95 million primarily due to deferred tax movements as a result of the cancellation of the proposed UK corporate tax rate cut to 17% and a one-off catch up to the maintenance provision of £24 million. The 'catch up' is determined by the flying cycles which had already been incurred to date for those leased aircraft impacted.

Return on Capital Employed (ROCE)

ROCE Calculation

Reported £m	**H1 2020**	H1 2019
Headline loss before interest and tax	**(174)**	(255)
UK corporation tax rate	**19%**	19%
Normalised headline operating loss after tax (NOPAT)	**(141)**	(207)
Average shareholders' equity	**2,539**	2,849
Average net debt	**397**	168
Average adjusted capital employed	**2,936**	3,017
Headline Return on capital employed	**(4.8%)**	(6.8%)
Total Return on capital employed	**(4.8%)**	(6.8%)

Headline ROCE for the period was (4.8)%, an improvement of 2.0 percentage points on the prior year, driven by a reduced loss for the period. Total ROCE for the period was (4.8)%, an improvement of 2.0 percentage points on the prior year.

KEY STATISTICS

OPERATING MEASURES

	H1 2020	H1 2019	Increase/ (decrease)
Seats flown (millions)	**42.7**	46.2	(7.6%)
Passengers (millions)	**38.6**	41.6	(7.4%)
Load factor	**90.3%**	90.1%	0.2ppt
Available seat kilometres (ASK) (millions)	**46,753**	49,367	(5.3%)
Revenue passenger kilometres (RPK) (millions)	**42,920**	45,091	(4.8%)
Average sector length (kilometres)	**1,095**	1,068	2.5%
Sectors	**244,235**	267,504	(8.7%)
Block hours	**474,082**	510,403	(7.1%)
Number of aircraft owned/leased at end of period	**337**	320	5.3%
Average number of aircraft owned/leased during period	**333.4**	317.2	5.1%
Number of aircraft operated at end of period	**302**	285	6.0%
Average number of aircraft operated during period	**294.7**	281.6	4.7%
Operated aircraft utilisation (hours per day)	**8.8**	10.0	(12.0%)
Owned aircraft utilisation (hours per day)	**7.8**	8.7	(10.3%)
Number of routes operated at end of period	**1,104**	1,009	9.4%
Number of airports served at end of period	**161**	157	2.5%

FINANCIAL MEASURES

	H1 2020	H1 2019	Increase/ (decrease)
Total return on capital employed	**(4.8%)**	(6.8%)	1.9ppt
Headline return on capital employed	**(4.8%)**	(6.8%)	1.9ppt
Liquidity per 100 seats (£m)	**3.2**	3.7	(13.5%)
Total Airline loss before tax per seat (£)	**(7.92)**	(5.88)	34.7%
Headline Airline loss before tax per seat (£)	**(4.15)**	(5.95)	(30.3%)
Total Airline loss before tax per ASK (pence)	**(0.72)**	(0.55)	36.4%
Headline Airline loss before tax per ASK (pence)	**(0.38)**	(0.56)	(32.1%)
Revenue			
Airline revenue per seat (£)	**55.60**	50.71	9.6%
Airline revenue per seat at constant currency (£)	**55.87**	50.71	10.2%
Airline revenue per ASK (pence)	**5.08**	4.75	6.9%
Airline revenue per ASK at constant currency (pence)	**5.17**	4.75	8.8%
Airline revenue per passenger (£)	**61.56**	56.26	9.4%
Airline revenue per passenger at constant currency (£)	**62.63**	56.26	11.3%
Costs			
Per seat measures			
Airline headline cost per seat (£)	**(59.75)**	(56.66)	5.5%
Airline non-headline per seat (£)	**(3.77)**	0.07	–
Airline total cost per seat (£)	**(63.52)**	(56.59)	12.2%
Airline headline cost per seat excluding fuel (£)	**(47.24)**	(43.64)	8.2%

Airline headline cost per seat excluding fuel at constant currency (£)	**(47.80)**	(43.64)	9.5%
Airline total cost per seat excluding fuel (£)	**(51.01)**	(43.57)	17.0%
Airline total cost per seat excluding fuel at constant currency (£)	**(51.32)**	(43.57)	17.8%
Per ASK measures			
Airline headline cost per ASK (pence)	**(5.45)**	(5.31)	2.6%
Airline non-headline cost per ASK (pence)	**(0.34)**	0.01	–
Airline total cost per ASK (£)	**(5.80)**	(5.30)	9.4%
Airline headline cost per ASK excluding fuel (pence)	**(4.32)**	(4.09)	5.6%
Airline headline cost per ASK excluding fuel at constant currency (pence)	**(4.37)**	(4.09)	6.8%
Airline total cost per ASK excluding fuel (pence)	**(4.66)**	(4.08)	14.1%
Airline total cost per ASK excluding fuel at constant currency (pence)	**(4.69)**	(4.08)	14.9%

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 2019 Annual report and accounts and include the following types of risks:

- Asset Efficiency & Effectiveness
- Environment & Sustainability
- Legislative / Regulatory Landscape
- Macro-economic & Geopolitical
- People
- Safety, Security, and Operations
- Technology & Cyber

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 substantially the same as those stated on pages 38 to 47 of our Annual report and accounts for the year to 30 September 2019, which are available on our website http://corporate.easyjet.com. The risk associated with Brexit continues to evolve as the UK left the European Union on 31 January 2020 and has entered a transition period. Throughout this period easyJet continues to focus on ensuring that our network is unaffected by Brexit, and that our operations are unaffected by any eventual Brexit outcome. Two new, specific risks and uncertainties, related to the impact of COVID-19, and the impact of the data breach announced in May 2020, have been set out below:

IMPACT OF COVID-19

The Covid-19 pandemic has become a worldwide crisis, and at the date of this report the situation is still evolving. The spread of Covid-19 precipitated an unprecedented level of travel restrictions being imposed by governments across our markets. As a result of these restrictions, easyJet grounded the entire fleet from 30 March 2020. Both the spread of Covid-19 and the associated travel restrictions have had a significant impact on easyJet. As we restart our flying programme in June 2020, there remain a number of risks and uncertainties that are being actively managed:

Ensuring the safety of our passengers and employees is, and always will be, easyJet's highest priority. Whilst the rate of transmission of Covid-19 has decreased, there continue to be new cases of infection, and the measures implemented by easyJet are therefore based on the latest government, EASA, and ICAO public health guidance. easyJet has a comprehensive set of biosecurity standards in place to minimise the risk of transmission of infectious diseases, and these are overseen by our Biosecurity Standards Group. These include all of our aircraft having industry leading filtration systems, to keep the cabin air as clean as possible. We have also implemented additional daily cleaning and disinfection of our aircraft. Furthermore all passengers and crew will be required to wear masks at all times on board our flights.

Due to the extreme level of uncertainty created by the global Covid-19 pandemic, there remains a risk that a second wave or multiple waves of the pandemic could affect our markets, leading to further travel restrictions being imposed. Accordingly, easyJet has modelled severe but plausible downside scenarios based on further extended waves of the pandemic. These downside scenarios include combinations of a decrease in yield, additional grounding periods, planned cost initiatives not being achieved to the level forecast, adverse variations in fuel price, and unfavourable foreign exchange rate movements. Although these severe downside scenarios are not considered likely, in the event of some or all of these occurring, and to ensure the business meets its obligations for the next 12 months, the Group may need to secure additional funding, which is not contractually committed at 22 June 2020 (See Going Concern in Note 1).

easyJet has taken a number of measures to preserve cash, reduce costs and generate liquidity. These include signing two secured term loans totalling c. £400 million, maturing in 2022. We have also successfully issued £600 million of Commercial Paper through the Covid Corporate Financing Facility (CCFF) as well as fully drawing down on a $500 million Revolving Credit Facility. This facility secures against aircraft when it is drawn. Furthermore we continue to engage with an active lessor market interested in acquiring aircraft from easyJet's fleet on a sale and leaseback basis. These negotiations are at an advanced stage with anticipated proceeds of c. £300 million in early July 2020.

easyJet continues to take decisive action to remove cost and non-critical expenditure from the business at every level. This includes reaching agreement with Airbus to delay the delivery of 24 aircraft, with easyJet now expecting its year end 2021 fleet size to be around 302 aircraft. easyJet continues to focus on minimising non-essential capex, and is actively renegotiating contracts with key suppliers in order to reduce costs. easyJet utilised Government support available across its network to furlough employees. To reflect the reduced fleet, and proposals relating to the optimisation of our network and bases, easyJet has commenced a consultation process with its employees on proposals to reduce staff numbers by up to 30%. During the organisation design process, the company has considered the critical skills and capabilities needed to ensure it remains successful in the future. As easyJet progresses through the consultation process, there is a heightened risk of industrial action that may disrupt our operations.

In light of the global pandemic, the market for aircraft transactions has slowed significantly. However, asset recoverable amounts, based on value in use, exceed the carrying values as at 31 March 2020. Management will continue to keep these valuations under review.

The significant increase in employees working at home has increased our IT and information security risks. We have an ongoing communication and awareness programme to remind all users of the associated risks, and have issued advice on secure home-working best practices. We have also upgraded our multi-factor authentication and password complexity controls to reflect changing IT Security threats. Furthermore a comprehensive wellbeing support microsite was launched to support people to work remotely as well as manage the personal impact of COVID-19.

IMPACT OF DATA BREACH

On 19 May 2020, easyJet announced that it had been the target of a cyber-attack from a highly sophisticated source. The email address and travel details of approximately 9 million customers were accessed and for a very small subset of customers (2,208), credit card details were accessed. The Information Commissioner's Office (ICO) has opened an investigation into the cyber-attack, and a class action law firm has filed a claim against easyJet in the High Court. The merit, likely outcome and potential impact on easyJet of both the investigation by the ICO, and the class action claim are subject to a number of significant uncertainties and, therefore, any assessment of the likely outcome or quantum cannot be made at the date of this disclosure.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Consolidated income statement (unaudited)

		Six months ended 31 March					
		2020			2019		
		Headline	**Non-headline (note 3)**	**Total**	Headline	Non-headline (note 3)	Total
	Notes	**£ million**	**£ million**	**£ million**	£ million	£ million	£ million
Passenger revenue		**1,833**	**-**	**1,833**	1,824	-	1,824
Ancillary revenue		**549**	**-**	**549**	519	-	519
Total revenue		**2,382**	**-**	**2,382**	2,343	-	2,343
Fuel		**(534)**	**-**	**(534)**	(602)	-	(602)
Airports, ground handling and other operating costs		**(715)**	**-**	**(715)**	(776)	-	(776)
Crew		**(398)**	**-**	**(398)**	(405)	-	(405)
Navigation		**(152)**	**-**	**(152)**	(175)	-	(175)
Maintenance		**(191)**	**-**	**(191)**	(152)	(1)	(153)
Selling and marketing		**(78)**	**-**	**(78)**	(72)	-	(72)
Other costs		**(241)**	**1**	**(240)**	(192)	1	(191)
Other income		**15**	**-**	**15**	15	-	15
EBITDAR		**88**	**1**	**89**	(16)	-	(16)
Aircraft dry leasing		**-**	**-**	**-**	(3)	-	(3)
Depreciation	7	**(254)**	**-**	**(254)**	(228)	-	(228)
Amortisation of intangible assets		**(8)**	**-**	**(8)**	(8)	-	(8)
Operating (loss)/profit		**(174)**	**1**	**(173)**	(255)	-	(255)
Interest receivable and other financing income		**8**	**69**	**77**	11	3	14
Interest payable and other financing charges		**(27)**	**(230)**	**(257)**	(31)	-	(31)
Net finance (charges)/gain		**(19)**	**(161)**	**(180)**	(20)	3	(17)
(Loss)/profit before tax		**(193)**	**(160)**	**(353)**	(275)	3	(272)

Tax (charge)/credit	4	**(1)**	**30**	**29**	54	-	54
(Loss)/profit for the period		**(194)**	**(130)**	**(324)**	(221)	3	(218)
Loss per share, pence							
Basic	5			**(82.4)**			(55.3)

Consolidated statement of comprehensive income (unaudited)

	Notes	**Six months ended 31 March 2020 £ million**	Six months ended 31 March 2019 £ million
Loss for the period		**(324)**	(218)
Other comprehensive expense			
Items that may be re classified to the income statement			
Cash flow hedges			
Fair value losses in the period		**(572)**	(185)
Gains transferred to income statement		**(66)**	(86)
Losses transferred to property, plant and equipment		**-**	5
Related tax credit	4	**91**	51
Hedge ineffectiveness & discontinuation		**163**	-
Cost of hedging		**(4)**	(2)
Items that will not be re classified to the income statement			
Remeasurement of post-employment benefit obligations		**8**	(6)
Related deferred tax charge		**(1)**	-
Fair value movement on equity investment		**(15)**	-
		(396)	(223)
Total comprehensive expense for the period		**(720)**	(441)

Fair valuation losses in the period primarily due to large decreases in the market price of jet fuel, along with movements in foreign exchange rates used when valuing derivatives held in the hedging reserve.

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

Consolidated statement of financial position (unaudited)

	Notes	**31 March 2020 £ million**	30 September 2019* £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**248**	196
Property, plant and equipment	7	**5,291**	5,163
Derivative financial instruments	10	**105**	126
Equity investments		**33**	48
Restricted cash		**4**	4
Other non-current assets		**127**	142
		6,173	6,044
Current assets			
Trade and other receivables *		**332**	302
Intangible assets *	1	**156**	70
Derivative financial instruments	10	**115**	147
Current tax assets		**43**	24
Money market deposits		**172**	291
Cash and cash equivalents		**1,216**	1,285
		2,034	2,119
Current liabilities			
Trade and other payables		**(1,660)**	(1,050)
Unearned revenue		**(974)**	(1,069)
Lease liabilities		**(264)**	(219)
Derivative financial instruments	10	**(529)**	(138)

Provisions for liabilities and charges		**(297)**	(192)
		(3,724)	(2,668)
Net current liabilities		**(1,690)**	(549)
Non-current liabilities			
Borrowings		**(1,319)**	(1,324)
Lease liabilities		**(272)**	(359)
Derivative financial instruments	10	**(245)**	(72)
Non-current deferred income		**(5)**	(6)
Post-employment benefit obligations		**(35)**	(47)
Provisions for liabilities and charges		**(331)**	(397)
Deferred tax		**(184)**	(305)
		(2,391)	(2,510)
Net assets		**2,092**	2,985
Shareholders' equity			
Share capital		**108**	108
Share premium		**659**	659
Hedging reserve		**(388)**	(4)
Cost of hedging reserve		**4**	8
Translation reserve		**(2)**	(1)
Retained earnings		**1,711**	2,215
		2,092	2,985

* Please refer to note 1 for further information on our voluntary change in accounting policy.

Consolidated statement of cash flows (unaudited)

	Notes	**Six months ended 31 March 2020 £ million**	Six months ended 31 March 2019 £ million
Cash flows from operating activities			
Cash generated from operations	8	**472**	609
Ordinary dividends paid	6	**(174)**	(233)
Interest and other financing charges paid		**(25)**	(25)
Interest and other financing income received		**34**	15
Net tax paid		**(20)**	(28)
Net cash generated from operating activities		**287**	338
Cash flows from investing activities			
Purchase of property, plant and equipment		**(392)**	(452)
Purchase of non-current intangible assets		**(60)**	(13)
Net increase in money market deposits	9	**118**	(66)
Proceeds from sale and leaseback of aircraft		**114**	121
Net cash used by investing activities		**(220)**	(410)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		**(6)**	(2)
Repayment of capital element of leases	9	**(111)**	(85)
Net decrease in restricted cash		**-**	4
Net cash used by financing activities		**(117)**	(83)
Effect of exchange rate changes		**(19)**	1
Net decrease in cash and cash equivalents		**(69)**	(154)
Cash and cash equivalents at beginning of period		**1,285**	1,025
Cash and cash equivalents at end of period	9	**1,216**	871

Consolidated statement of changes in equity (unaudited)

Cost of

	Share capital £ million	Share premium £ million	Hedging reserve £ million	hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2019	**108**	**659**	**(4)**	**8**	**(1)**	**2,215**	**2,985**
Loss for the period	-	-	-	-	-	(324)	(324)
Other comprehensive expense	-	-	(384)	(4)	-	(8)	(396)
Total comprehensive expense	**-**	**-**	**(384)**	**(4)**	**-**	**(332)**	**(720)**
Dividends paid (note 6)	-	-	-	-	-	(174)	(174)
Share incentive schemes							
Value of employee services	-	-	-	-	-	8	8
Purchase of own shares	-	-	-	-	-	(6)	(6)
Currency translation differences	-	-	-	-	(1)	-	(1)
At 31 March 2020	**108**	**659**	**(388)**	**4**	**(2)**	**1,711**	**2,092**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2018	**108**	**659**	**292**	**4**	**1**	**2,117**	**3,181**
Loss for the period	-	-	-	-	-	(218)	(218)
Other comprehensive expense	-	-	(215)	(2)	-	(6)	(223)
Total comprehensive income/(expense)	**-**	**-**	**(215)**	**(2)**	**-**	**(224)**	**(441)**
Dividends paid (note 6)	-	-	-	-	-	(233)	(233)
Share incentive schemes							
Value of employee services	-	-	-	-	-	11	11
Purchase of own shares	-	-	-	-	-	(2)	(2)
At 31 March 2019	**108**	**659**	**77**	**2**	**1**	**1,669**	**2,516**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the period end.

Details of the restatement made to the opening retained earnings as at 1 October 2018 can be found in the Annual Report and Accounts for the year ended 30 September 2019.

Notes to the condensed consolidated interim financial information (unaudited)

1. General information

easyJet plc (the Company) is a Company registered in England (Company no. 03959649) domiciled in the United Kingdom (UK). The condensed consolidated interim financial information of the Company as at and for the six months ended 31 March 2020 comprise the Company and its interest in its subsidiaries (together referred to as the Group). Its principal business is that of a low-cost airline carrier operating principally in Europe. The consolidated financial statements of the Group as at and for the year ended 30 September 2019 are available upon request to the Company Secretary from the Company's registered office at Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF or are available on the corporate website at corporate.easyJet.com.

BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards 34 "Interim Financial Reporting" as adopted by the European Union. It should be read in conjunction with the Annual Report and Accounts for the year ended 30 September 2019, 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 2019 were approved by the Board of Directors on 18 November 2019, and have been delivered to the Registrar of Companies. The report of the auditors was unqualified, and did not contain either an emphasis of matter paragraph or any statement made under section 498 of the Companies Act 2006.

The Group's financial risk management objectives and policies are materially consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 September 2019. However, as a consequence of the fleet grounding along with current uncertainty on future cash flow and jet fuel exposures, additional hedging in these areas has been temporarily suspended or reduced. As a result, during this period the Group expects hedge levels to be outside of normal risk management policy in these areas.

Going concern

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.

The spread of Covid-19 precipitated an unprecedented level of travel restrictions being imposed by governments across our markets. As easyJet restarts its flying programme in June 2020, there remains significant uncertainty about the future impact of the Covid-19 pandemic. However, as at 22 June 2020, the consolidated easyJet plc Group maintains a strong liquidity position, unencumbered aircraft worth in excess of £3.1 billion, and a large and valuable slot portfolio.

The Directors have reviewed the financial forecasts across a range of scenarios. easyJet has modelled a base case of how the business plans to return to operation as travel restrictions are lifted across Europe, and this assumes a phased return to the flying schedule, with 30% of Q4 FY19 capacity being forecast in Q4 FY20, increasing to 85% of FY'19 levels of flying by the end of FY'21. Compensating management actions to reduce forecast capital expenditure, optimise working capital, and reduce fixed costs have been included in this scenario.

After reviewing the financial forecasts, testing various scenarios and considering the uncertainties described below, and current funding facilities outlined, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Due to the uncertainty created by the Covid-19 pandemic, there remains a risk that a second wave or multiple waves of the pandemic could affect our markets, leading to further travel restrictions being imposed. Accordingly, easyJet has also modelled severe but plausible downside scenarios based on further waves of the pandemic. These downside scenarios include combinations of a decrease in yield, additional grounding periods, planned cost initiatives not being fully achieved, significant deterioration of relationships with card acquirers, adverse variations in fuel price, and unfavourable foreign exchange rate movements.

Although these severe downside scenarios are not considered likely, in the event that some or all of these occur the Group may need to secure additional funding to ensure the business meets its obligations for the next 12 months, which is not contractually committed at 22 June 2020. Sources of additional funding are expected to include sale and leasebacks with proceeds of c.£300m which are at an advanced stage of negotiation with anticipated proceeds in early July 2020, an extension to March 2022 of the £600m of current COVID Corporate Financing Facility (CCFF) government funding, and an equity placing which easyJet announced today.

However, if government funding schemes such as the CCFF are not renewed or alternative sources of finance, such as sale and leasebacks are not available, the occurrence of these severe downside scenarios and easyJet's ability to obtain additional funding represents a material uncertainty at 22 June 2020 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Accounting policies

The accounting policies adopted are consistent with those described in the Annual report and accounts for the year ended 30 September 2019, with the exception of the policies below, which relate to changes to reporting and presentation in the period.

Segment reporting

easyJet previously had one operating segment, being its route network, under the direction of the Airline Management Board. In the 2020 financial year easyJet created a Holidays business with a separate Holidays Management Board. Under the new structure the Chief Operating Decision Maker has been assessed as the easyJet PLC Board, which receives regular reporting on the Airline and Holidays results in order to make resource allocation decisions. The Holidays business has been identified as a separate operating segment meaning the Group now has two operating segments, being the Airline business which operates easyJet's route network and the Holidays business, which sells holiday packages. Presentation of separate segmental reporting is included in note 13.

Revenue is allocated to geographic segments on the following bases:

- revenue earned from customers is allocated according to the location of the first departure airport on each booking; and
- commission revenue earned from partners is allocated according to the domicile of each partner.

Passenger revenue recognised within the Airline segment includes intra-segment sales of flights to the Holidays segment. Passenger revenue is recognised in the Airline segment when the flight takes place.

Accounting policy for revenue

The revenue recognition policy has been updated to include revenue generated by the Holidays business. There is no change to the previous accounting policy in relation to existing Airline revenues.

easyJet categorises total revenue earned on the face of the income statement between passenger and ancillary revenue. Passenger revenue arises from the sale of flight seats and administration fees and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, package holidays revenue (excluding flights which are recognised as passenger revenue) and revenue arising from commissions earned from services sold on behalf of partners and inflight sales. It is measured as the price paid by the customer for the service booked. Ancillary revenue is recognised when the performance obligation is complete, which is generally when the related flight takes place, with the following exceptions:

- cancellation fees which are recognised when the cancellation requested by the customer is processed
- in the case of commission earned from travel insurance, revenue is recognised at the time of booking as easyJet acts solely as appointed representative of the insurance company; and
- for practical reasons non-flight elements of package holiday revenue and related costs are recognised at the end of the holiday,

on the inbound flight date as opposed to over time

Unearned revenue from flights not yet flown is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete. Unearned revenue also includes non-flight elements of package holidays for which the customer has paid but has not yet taken place, and is held in the statement of financial position until it is realised in the income statement when the performance obligation is complete.

If easyJet cancels a flight or holiday, unless a customer immediately re-books on an alternative flight or holiday, at the point of the cancellation the amount paid for the flight is derecognised from unearned revenue and a financial liability is recognised within Trade and other payables to refund the customer.

Some of the compensation payments made to customers (in respect of flight delays) are offset against revenues recognised up to the amount of the flight, with the excess compensation being recorded within expenses.

A cost line has been amended in the consolidated income statement for Airports, ground handling and other operating costs, which now merges the existing airport and ground handling costs with Holidays direct operating costs. The Holidays direct operating costs represent all direct operating costs relating to package holidays excluding flight costs, which are eliminated on consolidation. Holidays direct costs are recognised at the end of the holiday, on the inbound flight date which is consistent with the non-flight elements of package holiday revenue.

Accounting policy for Carbon offsetting and Verified Emission Reductions

In November 2019 easyJet announced a voluntary policy to compensate for every tonne of carbon and carbon equivalents (collectively 'carbon') emitted from fuel used for all its flights, by investing in projects which will mean there is one tonne less in the atmosphere - whether by reducing carbon by physically removing it from the air or by avoiding the release of additional carbon.

easyJet purchases Verified Emission Reductions (VERs) arising from Gold Standard or Verified Carbon Standard (VCS) accredited projects to offset the carbon emitted from flights. The cost of purchasing VERs is recognised in the income statement when the flight occurs with a corresponding carbon offsetting liability. This is measured using the purchase price of VERs on a First In First Out basis, then a weighted average of expected future purchases where all purchased VERs have been allocated. VERs are recorded as an asset at historic cost when delivery into the easyJet registry account has taken place. At regular intervals the VERs are retired to settle the obligation, at which point the VER asset and carbon offsetting liability are derecognised.

Voluntary change in accounting policy - presentation of carbon assets

With the introduction of the voluntary carbon offset policy, easyJet has reviewed the most appropriate presentation for assets held to settle this liability, and the presentation of assets purchased and held to settle the requirements under the EU Emissions Trading System (ETS). It has been concluded that due to the nature of these assets, they would be more appropriately presented as current intangible assets in the statement of financial position. The prior year ETS asset balance of £70 million has therefore been reclassified from trade and other receivables to current intangible assets in the comparative statement of financial position as at 30 September 2019 to be consistent with this new presentation.

The cash flows associated with the purchase of carbon credit assets are classified as operating cash flows, as these are cash outflows for an activity which is treated as an operating expense in consolidated income statement. This has resulted in a similar reclassification of the reconciliation of operating loss to cash generated from operations seen in note 8. The amount moved from changes in trade and other receivables to change in current intangible assets was £86 million.

The underlying accounting treatment remains unchanged for carbon assets. Free allocations received from the government under the EU ETS scheme are recognised at fair value on the date received with a corresponding liability. Purchased carbon credits are recognised at the purchase price and are not subsequently revalued as they are held for own use. Carbon assets are derecognised when they are used to offset the corresponding liability.

New and revised standards and interpretations

IFRIC 23 has been adopted as at 1 October 2019 with no material impact.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Estimates and judgements

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies have been re-evaluated in light of Covid-19. The key judgements and estimates are the same as those that applied in the most recent published consolidated financial statements, together with the following updates.

Hedge ineffectiveness and discontinuation

As a result of the expected reduced flying programme as at 31 March 2020, the Group's near term exposures for jet fuel and foreign currency were significantly reduced, causing a proportion of derivatives previously hedge accounted for to become ineffective. A net charge of £164 million has been recognised as a non-headline item in the income statement primarily due to the discontinuation of hedge accounting for impacted derivatives.

In assessing whether future exposures are still expected to occur, easyJet made estimates as at 31 March 2020 regarding our jet fuel consumption requirements and expected future foreign currency cash flows. These estimates used assumptions based on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule as at that date. Since the half year date management has revised downwards their forecast of customer demand and recovery phasing. Based on these current revised forecasts, a further £91 million estimated charge related to hedge discontinuation is currently expected to be recognised in the second half of the financial year based on the valuation of related contracts as at 31 March 2020, in addition to that recognised in the half year report.

Goodwill and landing rights impairment

The recoverable amount of goodwill and landing rights has been determined based on value in use calculations. The value in use is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of key estimates including the ability to meet its strategic plans, future fuel prices and exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Fuel price and exchange rates continue to be volatile in nature, and the assumptions used are sensitive to significant changes in these rates. In addition, assumptions over the recovery of customer demand levels could have a significant effect on the impairment assessment performed. Due to the uncertainty created by the Covid-19 pandemic, there remains a risk that a second wave or multiple waves of the pandemic could affect our markets, leading to further travel restrictions being imposed. These uncertainties could have a significant effect on future impairment assessments performed. At the current date no reasonably foreseeable circumstances would result in impairment.

Aircraft carrying values

No triggers for the impairment of the carrying values of aircraft have been identified at 31 March 2020 and the asset recoverable amounts, based on value in use, exceed the carrying values as at 31 March 2020. However, in light of the global pandemic, the longer-term impact on the airline industry is currently uncertain and the market for aircraft transactions has also slowed. Should future demand fall significantly below current expectations there could be a risk that the recoverable amount for some aircraft assets falls below their current carrying value.

Provisions for customer claims

The staggered travel restrictions which were implemented by governments across Europe during March 2020 resulted in a large number of easyJet passengers requiring additional support to be repatriated. As at 31 March 2020, assumptions were required to estimate the cost of providing welfare payments for those customers impacted. These included the number of passengers who would have eligible claims as well as the estimated expenses that would be payable under the regulatory framework in place. Reasonable changes to those assumptions could have a significant impact on the valuation of the provision recognised.

2. Seasonality

The airline industry is highly seasonal and demand and yields are significantly higher during the summer. Accordingly revenue and profitability are usually 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. Non-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. The excluded items are referred to as 'non-headline' items.

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

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

	Six months ended 31 March 2020 £ million	Six months ended 31 March 2019 £ million
Sale and leaseback gain	**(1)**	(2)
Brexit-related costs	**-**	4
Commercial IT platform	**-**	(2)
Recognised in operating profit	**(1)**	-
Balance sheet foreign exchange gain	**(3)**	(3)
Fair value adjustment	**164**	-
Total non-headline charge/(credit) before tax	**160**	(3)
Tax on non-headline items	**(30)**	-
Total non-headline charge/(credit) after tax	**130**	(3)

Sale and leaseback

The sale and leaseback of the Group's 10 oldest A319 aircraft resulted in a gain on disposal of the assets of £1 million (H1 2019: gain of £2 million), recognised within other costs in the income statement.

Brexit-related costs

Following the UK's referendum vote to leave the European Union ('EU'), the Group has established a multiple Air Operator Certificate (AOC), post-Brexit structure. This work concluded last year and resulted in costs of £0.3 million for the six months ended 31 March 2020, which was recognised in other costs within the income statement.

Commercial IT platform

At the end of FY 2018, a one-off charge of £65 million was recognised in relation to our IT commercial platform. This charge included a £60 million write down of costs previously capitalised in relation to development, along with an additional £5 million accrual for close down costs. During FY 2019, only £3 million of the close down accrual was utilised, mainly due to anticipated compromise agreements not being required, and therefore the remaining £2 million was released back to the income statement.

Balance sheet foreign exchange gain

Foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities held in the statement of financial position and foreign exchange derivatives held at fair value through the income statement are recognised as non-headline items. For the six months ended 31 March 2020, the overall impact of balance sheet revaluations was £3 million gain (H1 2019: £3 million gain).

Fair value adjustment

This relates to hedge accounting ineffectiveness for items currently held in fair value and cash flow hedge relationships, or amounts that have been discontinued from a previous hedge relationship.

In accordance with IFRS 9, hedge effectiveness testing is performed on a regular, periodic basis. For cash flow hedges this includes an assessment of highly probable future cash exposures with the amount compared to the notional of derivatives held in a hedge relationship. Where derivative contracts exceed the amount of projected exposures and the forecast is no longer expected to occur (e.g. for foreign currency or jet fuel), these amounts no longer qualify for hedge accounting. Fair valuation related to these ineffective derivatives held in Other Comprehensive Income is then immediately recorded in the income statement.

Additionally, fair value adjustments may also be recorded related to hedge relationships that continue to be effective. This arises as the value of hedged items are adjusted for changes in fair value attributable to the hedged risks, which are not perfectly offset by the fair value change on the hedging instruments due to factors such as in counterparty credit risk, cash flow timing or amount changes.

Due to the full grounding of the fleet, easyJet is in a significantly over-hedged position from both a jet fuel and FX perspective. Primarily as a result of this, a £163 million loss was recognised in the period for fair value adjustments related to discontinuation of hedge accounting.

In addition, a £1m charge for hedge ineffectiveness on Cross Currency Interest Rate Swaps hedging Eurobond debt in the period related to currency basis and credit movements. These items continue in a strong hedge accounting relationship and ineffective amounts are unrelated to the reduced flying programme.

Total fair value adjustments for the six months ended 31 March 2020 were £164m (H1 2019: no gain or loss).

4. Tax credit

Tax on loss on ordinary activities:

	Six months ended 31 March 2020 £ million	Six months ended 31 March 2019 £ million
Current tax	**3**	3
Deferred tax	**(32)**	(57)
Total tax credit	**(29)**	(54)
Effective tax rate	**8.3%**	19.7%
Effective tax rate excluding rate change impact	**18.6%**	19.7%

The forecast effective tax rate (using substantively enacted rates) is lower than the standard rate of corporation tax in the United Kingdom (19%) principally due to the movement on the deferred tax balance due to the cancellation of the rate reduction.

Tax on items recognised directly in other comprehensive income

	Six months ended 31 March 2020 £ million	Six months ended 31 March 2019 £ million
Credit/(charge) to other comprehensive income		
Deferred tax charge on defined benefit scheme	**(1)**	-
Deferred tax on fair value movements of cash flow hedges	**91**	51
Total credit to other comprehensive income	**90**	51

There was no tax on items recognised directly in shareholders' equity in the period (H1 2019: £nil).

5. Loss per share

	Six months ended 31 March 2020 £ million	Six months ended 31 March 2019 £ million
Headline loss for the period	**(194)**	(221)
Total loss for the period	**(324)**	(218)

	Six months ended 31 March 2020 million	Six months ended 31 March 2019 million
Weighted average number of ordinary shares used to calculate basic loss per share	**393**	394

Basic loss per share	Six months ended 31 March 2020 pence	Six months ended 31 March 2019 pence
Total	**(82.4)**	(55.3)
Adjustment for non-headline	**33.0**	(0.8)
Headline	**(49.4)**	(56.1)

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

6. Dividends

easyJet paid a final dividend for the year ended 30 September 2019 of 43.9 pence per share (2019: 58.6 pence per share) on 20 March 2020. The payment of the dividend became legally binding following approval by shareholders at the Annual General Meeting on 6 February 2020.

7. Property, plant and equipment

	Owned assets			**Right of use assets held under leasing arrangements**		
	Aircraft and spares £ million	**Land and buildings £ million**	**Other £ million**	**Aircraft and spares £ million**	**Other £ million**	**Total £ million**
Cost						
At 1 October 2019	**5,720**	**34**	**76**	**1,298**	**34**	**7,162**
Additions	410	-	-	39	-	449
Transfer to intangible assets	-	-	(6)	-	-	(6)
Aircraft sold and leased back	(159)	-	-	54	-	(105)
Disposals	-	-	(1)	-	-	(1)
At 31 March 2020	**5,971**	**34**	**69**	**1,391**	**34**	**7,499**
Depreciation						
At 1 October 2019	**1,147**	**-**	**18**	**818**	**16**	**1,999**
Charge for the period	128	-	3	121	2	254
Aircraft sold and leased back	(45)	-	-	-	-	(45)
At 31 March 2020	**1,230**	**-**	**21**	**939**	**18**	**2,208**
Net book value						
At 31 March 2020	**4,741**	**34**	**48**	**452**	**16**	**5,291**
At 1 October 2019	4,573	34	58	480	18	5,163

	Owned assets			Assets held under IAS 17 finance leases	Right of use assets held under leasing arrangements under IFRS 16		
	Aircraft and spares £ million	Land and buildings £ million	Other £ million	Aircraft and spares £ million	Aircraft and spares £ million	Other £ million	Total £ million
Cost							
At 30 September 2018	**4,964**	**-**	**67**	**103**	**-**	**-**	**5,134**

Recognised on adoption of IFRS 16	-	-	-	(103)	1,125	32	1,054
At 1 October 2018	**4,964**	**-**	**67**	**-**	**1,125**	**32**	**6,188**
Additions	905	34	15	-	125	2	1,081
Aircraft sold and leased back	(149)	-	-	-	48	-	(101)
Disposals	-	-	(6)	-	-	-	(6)
At 30 September 2019	**5,720**	**34**	**76**	**-**	**1,298**	**34**	**7,162**
Depreciation							
At 30 September 2018	**946**	**-**	**18**	**30**	**-**	**-**	**994**
Recognised on adoption of IFRS 16	-	-	-	(30)	575	12	557
At 1 October 2018	**946**	**-**	**18**	**-**	**575**	**12**	**1,551**
Charge for the period	232	-	5	-	243	4	484
Aircraft sold and leased back	(31)	-	-	-	-	-	(31)
Disposals	-	-	(5)	-	-	-	(5)
At 30 September 2019	**1,147**	**-**	**18**	**-**	**818**	**16**	**1,999**
Net book value							
At 30 September 2019	**4,573**	**34**	**58**	**-**	**480**	**18**	**5,163**
At 1 October 2018	4,018	-	49	-	550	20	4,637
At 30 September 2018	4,018	-	49	73	-	-	4,140

7. Property, plant and equipment (continued)

Net book value includes £300 million (H1 2019: £288 million) relating to advance and option payments for future aircraft deliveries. This amount is not depreciated.

At 31 March 2020 easyJet was contractually committed to the acquisition of 107 (H1 2019: 121) Airbus A320 family aircraft, with a total list price of US$12.9 billion (H1 2019: US$14.2 billion) before escalations and discounts for delivery. It is expected that six aircraft will be delivered for the remainder of FY 2020 and no aircraft will be delivered in FY 2021. See note 14 for further details.

Included in additions in the period is £15 million previously recognised in prepayments, which has been reclassified to property, plant and equipment.

During the period £6 million has been transferred from PPE to other intangible assets to reflect their nature.

8. Reconciliation of operating loss to cash generated from operations

	Six months ended 31 March 2020 £ million	Six months ended 31 March 2019* £ million
Operating loss	**(173)**	(255)
Adjustments for non-cash items:		
Depreciation	**254**	228
Amortisation of intangible assets	**8**	8
Loss on disposal of property, plant and equipment and intangibles	**12**	2
Gain on sale and leaseback	**(1)**	(2)
Share-based payments	**7**	11
Changes in working capital and other items of an operating nature:		
(Increase)/decrease in trade and other receivables	**(29)**	116
Increase in current intangible assets	**(86)**	(46)
Increase/(decrease) in trade and other payables	**603**	(196)
(Decrease) / increase in unearned revenue	**(95)**	762
Decrease in post-employment benefit contribution	**(5)**	(10)
Increase/(decrease) in provisions	**-**	(33)
Decrease/(increase) in other non-current assets	**15**	(4)
(Decrease)/Increase in derivative financial instruments	**(37)**	28
Decrease in non-current deferred income	**(1)**	-
Cash generated from operations	**472**	609

* Please refer to note 1 for further information on our voluntary change in accounting policy.

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

	1 October 2019 £ million	Fair value and foreign exchange £ million	Other changes £ million	Net cash flow £ million	31 March 2020 £ million
Cash and cash equivalents	1,285	(19)	-	(50)	**1,216**
Money market deposits	291	(1)	-	(118)	**172**
	1,576	(20)	-	(168)	**1,388**
Eurobonds	(1,324)	6	(1)	-	**(1,319)**
Lease liabilities	(578)	5	(74)	111	**(536)**
	(1,902)	11	(75)	111	**(1,855)**
Net cash/(debt)	**(326)**	**(9)**	**(75)**	**(57)**	**(467)**

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

10. Financial instruments

Carrying value and fair value of financial assets and liabilities

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

	Amortised cost		**Held at fair value**					
	Financial assets	**Financial liabilities**	**Fair value hedges**	**Cash flow hedges**	**Other financial instruments**	**Other (1)**	**Carrying value**	**Fair value**
At 31 March 2020	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Other non-current assets	**127**	-	-	-	-	-	**127**	**127**
Trade and other receivables	**204**	-	-	-	-	**128**	**332**	**332**
Trade and other payables	-	**(1,497)**	-	-	-	**(163)**	**(1,660)**	**(1,660)**
Derivative financial instruments	-	-	**67**	**(468)**	**(153)**	-	**(554)**	**(554)**
Restricted cash	**4**	-	-	-	-	-	**4**	**4**
Money market deposits	**172**	-	-	-	-	-	**172**	**172**
Cash and cash equivalents	**715**	-	-	-	**501**	-	**1,216**	**1,216**
Eurobonds (3), (4) & (5)	-	**(1,319)**	-	-	-	-	**(1,319)**	**(1,013)**
Lease liabilities	-	**(536)**	-	-	-	-	**(536)**	**(537)**
Equity Investments (2)	-	-	-	-	**33**	-	**33**	**33**

	Amortised cost		Held at fair value					
	Financial assets*	Financial liabilities	Fair value hedges	Cash flow hedges	Other financial instruments	Other (1)	Carrying Value*	Fair Value*
At 30 September 2019	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Other non-current assets	141	-	-	-	-	1	142	142
Trade and other receivables	139	-	-	-	-	163	302	302
Trade and other payables	-	(919)	-	-	-	(131)	(1,050)	(1,050)
Derivative financial instruments	-	-	73	(30)	20	-	63	63
Restricted cash	4	-	-	-	-	-	4	4
Money market deposits	291	-	-	-	-	-	291	291
Cash and cash equivalents	872	-	-	-	413	-	1,285	1,285
Eurobonds (3), (4) & (5)	-	(1,324)	-	-	-	-	(1,324)	(1,368)

Lease liabilities	-	(578)	-	-	-	-	(578)	(580)
Equity Investments (2)	-	-	-	-	48	-	48	48

* Please refer to note 1 for further information on our voluntary change in accounting policy.

(1). Amounts disclosed in the 'Other' column are items that do not meet the definition of a financial instrument. They are disclosed to facilitate reconciliation of the carrying values of financial instruments to line items presented in the statement of financial position.

(2). The equity investment of £33 million represents a 13.2% shareholding in a non-listed entity, The Airline Group Limited measured with reference to income and market valuation techniques in line with IFRS 13 'Fair Value Measurement' requirements. Valuation movements are designated as being fair valued through other comprehensive income due to the nature of the investment being held for strategic purposes.

(3). In February 2016, easyJet Plc issued a €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling floating rate exposure. All three swaps pay floating interest (three-month LIBOR plus a margin) quarterly, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a fair value hedge of the interest rate and currency risks on the €500 million Eurobond. The swaps are measured at fair value through profit or loss with any gains or losses being taken immediately to the income statement (except where related to timing differences related to-cross currency basis amortisation). The carrying value of the Eurobond is adjusted for changes in fair value attributable to the risks being hedged. This net carrying value differs to the swap's fair value depending on movements in the Group's credit risk and cross-currency basis. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 31 March 2020 was £380 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

(4). In October 2016 easyJet plc issued €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.125%. Shortly after the issuance of the €500 million bond the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps were executed on 8 November 2016 with settlement and notional exchange occurring on 14 November 2016. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond. The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 31 March 2020 was £450 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

(5). In June 2019 easyJet plc issued €500 million bond under the £3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 0.875%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond. The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 31 March 2020 was £453 million. This value does not include capitalised set-up costs incurred in the issuing of the bond.

Fair value calculation methodology

The fair value measurement hierarchy levels have been defined as follows;

- Level 1, fair value of financial instruments based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, fair value of financial instruments in an active market (for example, over the counter derivatives) which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.
- Level 3, fair value of financial instruments that are not based on observable market data (i.e. unobservable inputs).

Where available the fair values of derivatives and financial instruments have been determined by reference to observable market prices where the instruments are traded. Where market prices are not available, the fair value has been estimated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates (excluding the Airline Group Limited equity investment).

The fair values of the three Eurobonds are classified as level 1 of the IFRS 13 Fair Value Measurement hierarchy (valuations taken as the closing market trade price for each respective Eurobond as at 31 March 2020). Apart from the equity investment, the remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2.

The equity investment is classified as level 3 due to the use of forecast cash flows which are discounted to present value. Though there are other level 2 inputs to the valuation, the discounted cash flow is a significant input which is not based on observable market data. The fair value is assessed at each reporting date based on the discounted cash flows and two other valuations calculated using a market approach and level 2 inputs. If the level 3 forecast cash flows were 10% higher or lower the fair value would not increase/decrease by a significant amount.

11. Contingent liabilities and commitments

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.

On 19 May 2020, easyJet announced that it had been the target of a cyber-attack from a highly sophisticated source. The email address and travel details of approximately 9 million customers were accessed and for a very small subset of customers (2,208), credit card details were accessed. Initial discussions have been held with the Information Commissioner's Office (ICO) and no provision has currently been recognised. The merit, likely outcome and potential impact on easyJet is subject to a number of significant uncertainties and, therefore, any assessment of the likely outcome or quantum cannot be made at the date of this disclosure.

As part of the commitment to voluntary carbon offsetting, easyJet currently has contractual commitments to purchase Verified Emission Reductions worth £29 million in total over the next three years.

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 2019 and 31 March 2020.

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 2020 £ million	Six months ended 31 March 2019 £ million
Annual royalty	**5.9**	5.9
Brand protection (legal fees paid through easyGroup to third parties)	**0.3**	0.2
	6.2	6.1

At 31 March 2020, £3.5 million (2019: £0.5 million) of related party balances were held in trade and other receivables and payables (net receivable).

13. Segmental Reporting

	H1 2020			
	Airline	**Holidays**	**Eliminations**	**Group**
	£ million	**£ million**	**£ million**	**£ million**
Revenue	2,374	11	(3)	2,382
Operating costs excl fuel	(1,737)	(26)	3	(1,760)
Fuel	(534)	-	-	(534)
Ownership costs	(280)	(1)	-	(281)
Headline loss before tax	(177)	(16)	-	(193)
Non-headline items	(161)	1	-	(160)
Total loss before tax	(338)	(15)	-	(353)

The elimination column represents sales from Airline to Holidays which are recorded at arm's length and eliminated on consolidation. Individual cost lines are not reported separately as these are not key metrics reported to the Chief Operating Decision Maker (CODM). Assets and liabilities are not allocated to individual segments and are not separately reported to or reviewed by the CODM, and therefore these have not been disclosed. Interest income and expenditure are not allocated to segments as this activity is driven by the central treasury function which manages the cash position of the group. Comparative information is not provided as the Holidays segment was created in the current period.

14. Events after the reporting period

On 6 April 2020 easyJet issued a £600 million Commercial Paper through the Covid Corporate Financing Facility (CCFF). This is an unsecured, short term paper repayable in March 2021.

On 6 April 2020 easyJet fully drew down its $500 million Revolving Credit Facility, secured against aircraft assets.

On 9 April 2020 easyJet announced that it had reached agreement with Airbus for the net deferral of 24 aircraft versus our previously disclosed fleet plan. On 16 June 2020, the exact delivery dates were finalised. In total, 32 aircraft with original delivery dates between June 2020 and December 2021 were deferred. As 8 aircraft were deferred from FY 2020 to FY 2022, the net number of deferrals from the Financial Years 2020, 2021 and 2022 was 24 aircraft (being 32 less 8). These 24 aircraft were originally deferred beyond December 2022 and it has now been agreed that these aircraft will be delivered from FY 2025 to FY 2027.

On 16 April 2020 easyJet secured two term loans totalling $425 million. Both loans are secured against aircraft assets and mature in 2022.

On 19 May 2020, easyJet announced that it had been the target of a cyber-attack from a highly sophisticated source. The email address and travel details of approximately 9 million customers were accessed and for a very small subset of customers (2,208), credit card details were accessed. Initial discussions have been held with the Information Commissioner's Office (ICO) and no provision has currently been recognised. The merit, likely outcome and potential impact on easyJet is subject to a number of significant uncertainties and, therefore, any assessment of the likely outcome or quantum cannot be made at the date of this disclosure.

A General Meeting was convened on 22 May 2020 to consider four resolutions proposed at the direction of Sir Stelios Haji-Ioannou to remove as directors of the Company the Chairman, John Barton; the CEO, Johan Lundgren; the CFO, Andrew Findlay and Independent Non-Executive Director, Andreas Bierwirth. The Board had unanimously recommended that shareholders vote against these resolutions. All four resolutions were defeated.

On 26 May 2020 Andrew Findlay advised the Board of his intention to leave easyJet. In adherence with his contractual obligations he is expected to leave easyJet in May 2021.

On 8 June 2020 easyJet announced that Charles Gurassa, Deputy Chairman and Senior Independent Director, and Andy Martin, Independent Non-Executive Director and Chair of the Finance Committee, notified the Board that they intend to step down from the Board in line with corporate governance best practise having each served on the Board for nine years. Andy Martin will step down on 31

August 2020. Charles Gurassa has agreed to stay on until 31 December 2020.

Since 31 March 2020 15 aircraft have been sold and leased back generating cash of £301 million.

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 and the Accounting Standards Board's 2007 statement on half-yearly reports.

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

- an indication of important events that have occurred during the six months ended 31 March 2020 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 2020 and any material changes in the related-party transactions described in the Annual report and Accounts 2019.

The Directors of easyJet plc are listed in the Annual report and Accounts 2019. A list of current Directors is maintained on the easyJet plc website: http://corporate.easyJet.com and includes the appointment of Catherine Bradley CBE as a non-executive director in January 2020.

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 24 June 2020 and signed on its behalf by:

Johan Lundgren	Andrew Findlay
Chief Executive	Chief Financial Officer

Independent review report to easyJet plc

Report on the consolidated interim financial information

Our conclusion

We have reviewed easyJet plc's consolidated interim financial information (the "interim financial statements") in the interim report of easyJet plc for the 6 month period ended 31 March 2020. 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.

Emphasis of matter - Going concern

Without modifying our conclusion on the interim financial statements, we have considered the adequacy of the disclosure made in note 1 to the interim financial statements concerning the Group's ability to continue as a going concern. The Group's forecast and projections assume a phased return to flying which represents a significant reduction to historical revenue levels, along with cost saving measures and reductions in capital expenditure.

After making enquiries and considering the uncertainties described in note 1, the directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

In the event that there is a second wave or multiple waves of the pandemic, leading to further travel restrictions being imposed in the markets easyJet operates in, the Group may require further financing. As described in note 1, the occurrence of such severe but plausible events and the availability of additional financing represents a material uncertainty that could cast significant doubt upon the Group's ability to continue as a going concern.

The interim financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

What we have reviewed

The interim financial statements comprise:

the consolidated statement of financial position as at 31 March 2020;

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

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
24 June 2020