# DART GROUP PLC

## Interim Results 2018

# DART GROUP plc

## Interim Results

Dart Group plc, the Leisure Travel and Distribution & Logistics Group ("the Group"), announces its unaudited interim results for the half year ended 30 September 2018. These results are presented under International Financial Reporting Standards ("IFRS").

| **Group financial highlights** | **Half year ended 30 September 2018** | Half year ended 30 September 2017 Restated | *Change* |
|---|---|---|---|
| Revenue | **£2,247.1m** | £1,652.5m | *36%* |
| Operating profit | **£350.1m** | £208.6m | *68%* |
| Operating profit margin | **15.6%** | 12.6% | *3.0ppts* |
| Profit before FX revaluation & taxation | **£339.4m** | £201.9m | *68%* |
| Profit before FX revaluation & taxation margin | **15.1%** | 12.2% | *2.9ppts* |
| Profit before taxation | **£337.4m** | £216.2m | *56%* |
| Profit before taxation margin | **15.0%** | 13.1% | *1.9ppts* |
| Basic earnings per share | **186.15p** | 119.47p | *56%* |
| Interim dividend per share | **2.8p** | 1.5p | *87%* |

*Figures shown for the half year ended 30 September 2017 have been restated to reflect the adoption of IFRS 15 in the current year. Further information can be found in Notes 3 & 12.*

- Summer 2018 has proven to be a particularly strong season for our Leisure Travel business, as demand for both our flight-only offering from ***Jet2.com*** and our higher margin package holiday product from ***Jet2holidays*** proved buoyant throughout.
- Group operating profit increased by 68% to £350.1m (2017: £208.6m) and Group profit before foreign exchange revaluation and taxation increased by 68% to £339.4m (2017: £201.9m).
- However, increased losses are to be expected in the second half of the year as we continue to invest in additional aircraft and marketing, together with the increasing cost of retaining and attracting wonderful colleagues in readiness for further flying programme expansion at all our operating bases in the summer 2019 season.
- With winter 2018/19 Leisure Travel bookings in line with expectations and notwithstanding the important post-Christmas booking period that is still to come, the Board expects current market expectations for the year ending 31 March 2019 to be met.
- Looking ahead, significant cost pressures such as fuel and other operating charges, plus the necessary continued investment in our products and operations including that required to retain and attract colleagues, are emerging headwinds. This, coupled with the overall uncertain UK economic outlook particularly related to Brexit and how it may impact on consumer spending, means we remain unclear how demand will develop in the medium term.
- However, our strategy for the long term remains consistent - to grow both our flight-only and package holiday products. On the assumption that the UK Government secures a pragmatic and balanced Brexit agreement with the EU, the outlook remains bright and we continue to have confidence in the resilience of both our Leisure Travel and Distribution & Logistics businesses.

## Chairman's Statement

I am pleased to report on the Group's trading performance for the half year ended 30 September 2018 in our two businesses, "Leisure Travel" - incorporating ***Jet2.com***, our award-winning airline and ***Jet2holidays***, our acclaimed ATOL licensed package holidays operator - together with "Distribution & Logistics", comprising **Fowler Welch**, one of the UK's leading logistics providers.

Summer 2018 has proven to be a particularly strong season for our Leisure Travel business, as demand for both our flight-only offering from ***Jet2.com*** and our higher margin package holiday product from ***Jet2holidays*** proved buoyant throughout.

Revenue in our Distribution & Logistics business also grew by 7% to £88.9m (2017: £83.0m), as management continued to focus on developing existing and new business opportunities.

As a result, Group operating profit increased by 68% to £350.1m (2017: £208.6m) and Group profit before foreign exchange revaluation and taxation increased by 68% to £339.4m (2017: £201.9m).

However, increased losses are to be expected in the second half of the year as we continue to invest in additional aircraft and marketing, together with the increasing cost of retaining and attracting wonderful colleagues in readiness for further flying programme expansion at all our operating bases in the summer 2019 season.

In the first half, the Group generated increased net cash flow from operating activities of £423.8m (2017: £257.2m), driven by the Leisure Travel trading performance. Total capital expenditure of £132.1m (2017: £90.4m) included the purchase of further new Boeing 737-800NG aircraft, investment in the long-term maintenance of our existing fleet, the purchase of a 5th flight simulator for our training centre in Bradford and infrastructure projects at **Fowler Welch**.

New loans totalling £132.7m (2017: £109.0m) were drawn down, as the Group secured commercial debt funding for the purchase of its new aircraft. As a result, the Group's cash and money market deposit balances increased in the first half by £389.0m (2017: £242.1m) to £1,397.6m (2017: £931.1m), which included advance payments from Leisure Travel customers of £520.7m (2017: £376.8m) in respect of their future flights and holidays. Net cash, stated after borrowings of £937.4m (2017: £574.2m), was £460.2m (2017: £356.9m), an increase of 29%.

Basic earnings per share increased to 186.15p (2017: 119.47p). In view of the outlook for the full year, the Board has decided to pay an increased interim dividend of 2.8p per share (2017: 1.5p). The dividend will be paid on 4 February 2019 to shareholders on the register at 28 December 2018.

### *Leisure Travel*

***We take people on holiday!*** Our UK Leisure Travel business specialises in scheduled holiday flights by ***Jet2.com***, and ATOL licensed package holidays by ***Jet2holidays***, to destinations in the Mediterranean, the Canary Islands and to European Leisure Cities.

Passenger volumes for summer 2018 have been strong as our important flight-only product was enjoyed by 4.38m passengers (2017: 3.52m), a growth of 24%, whilst demand for our ***Real Package Holidays™*** strengthened, with ***Jet2holidays*** taking 2.31m customers on package holidays (2017: 1.81m), an increase of 28%, representing 51.0% (2017: 50.7%) of overall flown customers.

***Jet2.com*** flew a total of 8.93m flight-only and package holiday passengers (one-way passenger sectors) (2017: 7.14m) to and from sun, city and ski destinations, an increase of 25% and slightly ahead of the 24% seat capacity increase. As a result, average load factors improved by 1.2ppts to 94.4% (2017: 93.2%) which included encouraging performances from our two new operating bases at London Stansted and Birmingham airports.

Average flight-only ticket yield per passenger sector at £88.02 (2017: £75.55) was 17% higher compared to the challenging market in the prior year. The average price of a ***Jet2holidays*** package holiday grew by 7% to £689 (2017: £645).

Non-ticket retail revenue per passenger grew by 9% to £23.83 (2017: £21.83). This revenue stream, which is primarily discretionary in nature, continues to be optimised through our customer contact programme as we focus on continually developing our customer services.

Overall, Leisure Travel revenue grew by 38% to £2,158.2m (2017: £1,569.5m) at an operating profit margin of 16% (2017: 13%), resulting in operating profit growth of 69% to £347.8m (2017: £206.2m).

The fleet expanded to 90 aircraft for summer 2018 (summer 2017: 75) with commensurate increases in pilots, engineers and cabin crew and we will continue to develop our holiday focused flying programme into summer 2019.

| **Key Performance Indicators** | **Half year ended 30 September 2018** | Half year ended 30 September 2017 Restated | *Half year end change* | Year ended 31 March 2018 Restated |
|---|---|---|---|---|
| Number of routes operated during the period | **304** | 260 | *17%* | 306 |
| Leisure Travel sector seats available (capacity) | **9.47m** | 7.66m | *24%* | 11.27m |
| Leisure Travel passenger sectors flown | **8.93m** | 7.14m | *25%* | 10.38m |
| Leisure Travel load factor | **94.4%** | 93.2% | *1.2ppts* | 92.2% |
| Flight-only passenger sectors flown | **4.38m** | 3.52m | *24%* | 5.37m |
| Package holiday customers | **2.31m** | 1.81m | *28%* | 2.50m |
| Flight-only ticket yield per passenger sector (excl. taxes) | **£88.02** | £75.55 | *17%* | £73.01 |
| Average package holiday price | **£689** | £645 | *7%* | £633 |
| Non-ticket revenue per passenger sector * | **£23.83** | £21.83 | *9%* | £22.52 |
| Advance sales made as at the reporting date | **£991.2m** | £744.2m | *33%* | £1,486.5m |

* *Presentation of the Non-ticket revenue per passenger sector KPI has been adjusted for the impact of IFRS 15 and also to remove certain non-ticket revenue items included within the Average package holiday price KPI.*

### *Distribution & Logistics*

Our distribution business, **Fowler Welch**, is one of the UK's leading providers of food supply-chain services, serving retailers, processors, growers and importers through its distribution network. A full range of value added services is provided, including the packing of fruits, storage and case-level picking, and an award-winning national distribution network.

The business operates from nine prime UK distribution sites, with major temperature-controlled operations in the key produce growing and importing areas of Spalding in Lincolnshire; Teynham and Paddock Wood in Kent; and Hilsea near Portsmouth.

Further regional distribution sites are located at Nuneaton in the Midlands; Washington, Tyne and Wear; and at Newton Abbott, Devon. Ambient (non-temperature-controlled) consolidation and distribution services are provided at Heywood near Bury, Greater Manchester; and Desborough, Northamptonshire.

In the reporting period, **Fowler Welch** revenue grew by 7% to £88.9m (2017: £83.0m) as new business was secured. Ambient performance was weaker than anticipated and varying Chilled volume profiles at certain depots led to some inefficiencies as customer service levels were maintained. However, the performance of **Integrated Service Solutions (ISS), Fowler Welch**'s joint venture operation, which ripens, grades and packs a variety of stone fruit, berries and exotic fruits, continued to be encouraging as it contributed an increased share of profit year on year. As a result, the business achieved a first half operating profit of £2.3m (2017: £2.4m).

| Key Performance Indicators | **Half year ended 30 September 2018** | Half year ended 30 September 2017 | *Half year end change* | Year ended 31 March 2018 |
|---|---|---|---|---|
| Distribution Centre space (square feet) | **897,000** | 897,000 | - | 897,000 |
| Number of tractor units in operation | **533** | 499 | *7%* | 515 |
| Number of trailer units in operation | **802** | 731 | *10%* | 742 |
| Miles per gallon | **9.8** | 9.9 | *(1%)* | 9.7 |
| Total fleet mileage | **25.6m** | 23.9m | *7%* | 49.4m |

***Outlook***

With winter 2018/19 Leisure Travel bookings in line with expectations and notwithstanding the important post-Christmas booking period that is still to come, the Board expects current market expectations for the year ending 31 March 2019 to be met.

Looking ahead, significant cost pressures such as fuel and other operating charges, plus the necessary continued investment in our products and operations including that required to retain and attract colleagues, are emerging headwinds. This, coupled with the overall uncertain UK economic outlook particularly related to Brexit and how it may impact on consumer spending, means we remain unclear how demand will develop in the medium term.

However, our strategy for the long term remains consistent - to grow both our flight-only and package holiday products. On the assumption that the UK Government secures a pragmatic and balanced Brexit agreement with the EU, the outlook remains bright and we continue to have confidence in the resilience of both our Leisure Travel and Distribution & Logistics businesses.

**Philip Meeson**
Executive Chairman
15 November 2018

For further information, please contact:


| | | |
|---|---|---|
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## Dart Group plc

### Condensed Consolidated Income Statement (Unaudited)

for the half year ended 30 September 2018

| | Note | **Half year ended 30 September 2018 £m** | Half year ended 30 September 2017 £m Restated | Year ended 31 March 2018 £m Restated |
|---|---|---|---|---|
| **Revenue** | 5 | **2,247.1** | 1,652.5 | 2,380.0 |
| Net operating expenses | | **(1,897.0)** | (1,443.9) | (2,253.8) |
| **Operating profit** | 5 | **350.1** | 208.6 | 126.2 |
| Finance income | | **5.2** | 2.1 | 4.8 |
| Finance expense | | **(17.4)** | (8.8) | (21.1) |
| Net FX revaluation (losses) / gains | | **(2.0)** | 14.3 | 20.0 |
| **Net financing (expense) / income** | | **(14.2)** | 7.6 | 3.7 |
| Profit on disposal of property, plant and equipment | | **1.5** | - | 0.3 |
| **Profit before taxation** | | **337.4** | 216.2 | 130.2 |
| Taxation | 8 | **(60.7)** | (39.0) | (23.1) |
| **Profit for the period** (all attributable to equity shareholders of the parent) | | **276.7** | 177.2 | 107.1 |
| **Earnings per share** | 6 | | | |
| - basic | | **186.15p** | 119.47p | 72.16p |
| - diluted | | **185.55p** | 118.88p | 71.83p |

## Dart Group plc
## Condensed Consolidated Statement of Comprehensive Income (Unaudited)
for the half year ended 30 September 2018

| | **Half year ended 30 September 2018 £m** | Half year ended 30 September 2017 £m Restated | Year ended 31 March 2018 £m Restated |
|---|---|---|---|
| **Profit for the period** | **276.7** | 177.2 | 107.1 |
| **Other comprehensive income / (expense)** | | | |
| Cash flow hedges: | | | |
| Fair value gains | **109.2** | 21.8 | 50.6 |
| Less gains transferred to income statement | **(21.7)** | (59.9) | (58.7) |
| Related taxation (charge) / credit | **(16.9)** | 7.2 | 1.5 |
| Revaluation of foreign operations | **0.8** | - | 0.7 |
| | **71.4** | (30.9) | (5.9) |
| **Total comprehensive income for the period** | **348.1** | 146.3 | 101.2 |
| (all attributable to equity shareholders of the parent) | | | |

## Dart Group plc

### Condensed Consolidated Statement of Financial Position (Unaudited)

at 30 September 2018

| | **30 September 2018 £m** | 30 September 2017 £m Restated | 31 March 2018 £m Restated |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | **6.8** | 6.8 | 6.8 |
| Property, plant and equipment | **1,176.4** | 827.4 | 1,083.0 |
| Derivative financial instruments | **19.3** | 3.7 | 23.7 |
| | **1,202.5** | 837.9 | 1,113.5 |
| **Current assets** | | | |
| Inventories | **1.9** | 1.7 | 1.8 |
| Trade and other receivables | **206.0** | 171.5 | 258.2 |
| Derivative financial instruments | **118.2** | 39.5 | 64.3 |
| Money market deposits | **485.2** | 445.2 | 220.2 |
| Cash and cash equivalents | **912.4** | 485.9 | 788.4 |
| | **1,723.7** | 1,143.8 | 1,332.9 |
| **Total assets** | **2,926.2** | 1,981.7 | 2,446.4 |
| **Current liabilities** | | | |
| Trade and other payables | **435.2** | 330.6 | 159.9 |
| Deferred revenue | **529.0** | 385.0 | 806.0 |
| Borrowings | **85.8** | 128.5 | 88.6 |
| Provisions | **55.7** | 45.4 | 41.7 |
| Derivative financial instruments | **1.3** | 11.4 | 40.7 |
| | **1,107.0** | 900.9 | 1,136.9 |
| **Non-current liabilities** | | | |
| Deferred revenue | **2.6** | 1.7 | 1.3 |
| Borrowings | **851.6** | 445.7 | 718.0 |
| Derivative financial instruments | **8.3** | 22.7 | 8.2 |
| Deferred taxation | **94.6** | 44.3 | 68.2 |
| | **957.1** | 514.4 | 795.7 |
| **Total liabilities** | **2,064.1** | 1,415.3 | 1,932.6 |
| **Net assets** | **862.1** | 566.4 | 513.8 |
| **Shareholders' equity** | | | |
| Share capital | **1.9** | 1.8 | 1.9 |
| Share premium | **12.9** | 12.7 | 12.7 |
| Cash flow hedging reserve | **102.2** | 7.3 | 31.6 |
| Other reserves | **1.5** | - | 0.7 |
| Retained earnings | **743.6** | 544.6 | 466.9 |
| **Total shareholders' equity** | **862.1** | 566.4 | 513.8 |

## Dart Group plc

### Condensed Consolidated Statement of Cash Flows (Unaudited)

for the half year ended 30 September 2018

| | **Half year ended 30 September 2018 £m** | Half year ended 30 September 2017 £m Restated | Year ended 31 March 2018 £m Restated |
|---|---|---|---|
| **Profit on ordinary activities before taxation** | **337.4** | 216.2 | 130.2 |
| Finance income | **(5.2)** | (2.1) | (4.8) |
| Finance expense | **17.4** | 8.8 | 21.1 |
| Net FX revaluation losses / (gains) | **2.0** | (14.3) | (20.0) |
| Depreciation | **72.0** | 60.8 | 111.6 |
| Profit on disposal of property, plant and equipment | **(1.5)** | - | (0.3) |
| Equity settled share-based payments | **-** | - | 0.4 |
| **Operating cash flows before movements in working capital** | **422.1** | 269.4 | 238.2 |
| Increase in inventories | **(0.1)** | (0.5) | (0.6) |
| Decrease / (increase) in trade and other receivables | **52.2** | 34.1 | (52.6) |
| Increase in trade and other payables | **226.0** | 163.5 | 27.8 |
| (Decrease) / increase in deferred revenue | **(275.7)** | (210.6) | 209.9 |
| Increase in provisions | **13.0** | 7.5 | 4.5 |
| **Cash generated from operations** | **437.5** | 263.4 | 427.2 |
| Interest received | **5.2** | 2.1 | 4.8 |
| Interest paid | **(15.1)** | (8.3) | (17.2) |
| Income taxes (paid) / received | **(3.8)** | - | 0.1 |
| **Net cash generated from operating activities** | **423.8** | 257.2 | 414.9 |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | **(132.1)** | (90.4) | (411.1) |
| Proceeds from sale of property, plant and equipment | **1.6** | - | 0.3 |
| Net increase in money market deposits | **(265.0)** | (244.9) | (19.9) |
| **Net cash used in investing activities** | **(395.5)** | (335.3) | (430.7) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | **(44.9)** | (34.0) | (128.8) |
| New loans advanced | **132.7** | 109.0 | 458.2 |
| Proceeds on issue of shares | **-** | 0.2 | 0.3 |
| Equity dividends paid | **-** | - | (8.0) |
| **Net cash from financing activities** | **87.8** | 75.2 | 321.7 |
| Effect of foreign exchange rate changes | **7.9** | 0.1 | (6.2) |
| **Net increase / (decrease) in cash in the period** | **124.0** | (2.8) | 299.7 |
| Cash and cash equivalents at beginning of period | **788.4** | 488.7 | 488.7 |
| **Cash and cash equivalents at end of period** | **912.4** | 485.9 | 788.4 |

## Dart Group plc

### Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the half year ended 30 September 2018

| | Share capital £m | Share premium £m | Cash flow hedging reserve £m | Other reserves £m | Retained earnings £m | **Total equity £m** |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2017** | **1.8** | **12.5** | **38.2** | **-** | **378.9** | **431.4** |
| Total comprehensive income | - | - | (30.9) | **-** | 174.2 | **143.3** |
| Issue of share capital | - | 0.2 | - | **-** | - | **0.2** |
| IFRS 15 Restatement: | | | | | | |
| Brought forward retained earnings | - | - | - | - | (11.5) | **(11.5)** |
| Total comprehensive income | - | - | - | - | 3.0 | **3.0** |
| **Balance at 30 September 2017 – as restated** | **1.8** | **12.7** | **7.3** | **-** | **544.6** | **566.4** |
| Total comprehensive income | - | - | 24.3 | 0.7 | (63.5) | **(38.5)** |
| Dividends paid | - | - | - | - | (8.0) | **(8.0)** |
| Share-based payments | - | - | - | - | 0.4 | **0.4** |
| Issue of share capital | 0.1 | - | - | - | - | **0.1** |
| IFRS 15 Restatement: | | | | | | |
| Total comprehensive income | - | - | - | - | (6.6) | **(6.6)** |
| **Balance at 31 March 2018 – as restated** | **1.9** | **12.7** | **31.6** | **0.7** | **466.9** | **513.8** |
| Total comprehensive income | - | - | 70.6 | 0.8 | 276.7 | **348.1** |
| Issue of share capital | - | 0.2 | - | - | - | **0.2** |
| **Balance at 30 September 2018** | **1.9** | **12.9** | **102.2** | **1.5** | **743.6** | **862.1** |

# Dart Group plc

## Notes to the consolidated interim report

for the half year ended 30 September 2018 (Unaudited)

1. **General information**

   The Group's financial statements consolidate the financial statements of Dart Group plc and its subsidiaries and have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRS").

   This interim financial report does not fully comply with IAS 34 *Interim Financial Reporting*, which is not currently required to be applied by AIM companies.

2. **Accounting policies**

   ***Basis of preparation of the interim report***

   The unaudited consolidated interim financial report for the half year ended 30 September 2018 does not constitute statutory accounts as defined in s435 of the Companies Act 2006. The financial statements for the year ended 31 March 2018 were prepared in accordance with IFRS and have been delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under s495(2) nor (3) of the Companies Act 2006. In this report, the comparative figures for the half year ended 30 September 2017 and the year ended 31 March 2018 have been restated for the impact of IFRS 15 and the revised presentation of accrued and deferred revenue - see notes 3 & 12 for further details.

   The financial statements have been prepared under the historical cost convention except for all derivative financial instruments, which have been measured at fair value.

   The Group's financial statements are presented in pounds sterling and all values are rounded to the nearest £100,000 except where indicated otherwise.

   ***Derivative financial instruments and hedging***

   The Group uses forward foreign currency contracts and interest rate and aviation fuel swaps to hedge its exposure to foreign exchange rates, interest rates and aviation fuel price volatility. The Group also uses forward EU Allowance contracts and forward Certified Emissions Reduction contracts to hedge exposure to Carbon Emissions Allowance price volatility. Such derivative financial instruments are stated at fair value.

   Where a derivative financial instrument is designated as a hedge of a highly probable forecast transaction, the effective portion of the gain or loss on the hedging instrument from the inception of the hedging relationship is recognised directly in the cash flow hedging reserve within equity. Any ineffective portion is recognised within the Consolidated Income Statement.

   For all other cash flow hedges, the recycling of the cash flow hedge is taken to the Consolidated Income Statement in the same period in which the hedged transaction begins to affect profit or loss.

   ***Going concern***

   The Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and cash flows through to 31 March 2021.

   For the purpose of assessing the appropriateness of the preparation of the Group's unaudited interim report on a going concern basis, the Directors have considered the current cash position, the availability of banking facilities, and sensitised forecasts of future trading through to 31 March 2021, including performance against financial covenants and an assessment of the principal areas of risk and uncertainty.

   Having considered the points above, the Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the unaudited interim report for the half year ended 30 September 2018.

### 3. New IFRS effective in the current year

The following amendments to IFRS became mandatorily effective in the current year.

| International Financial Reporting Standards | Applying to accounting periods beginning after |
|---|---|
| **IFRS 15** ***Revenue from Contracts with Customers*** | **January 2018** |

The Group has adopted IFRS 15 in its interim report for the half year ending 30 September 2018 and has applied the fully retrospective transition method, with the comparative year and opening net assets (as at 1 April 2017) restated. This new standard supersedes all existing revenue requirements in IFRS. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 discusses whether a contract contains more than one distinct good or service. In light of this guidance, the Group considered whether its package holidays offering contained more than one promised service, and concluded that a package holiday constituted delivery of one distinct performance obligation including flights, accommodation, transfers and other holiday-related services.

Under IFRS 15, revenues are recognised when a performance obligation is satisfied, which happens when control of the goods or services underlying the particular performance obligation is transferred to the customer. The impact of this for Leisure Travel is to defer the recognition of certain non-ticket revenue streams to the date of departure rather than the date of booking. The performance obligations for Distribution & Logistics have been considered, and there are no changes in the timing of revenue recognition as a result of implementing IFRS 15.

In addition, a proportion of flight delay compensation payments made to customers, previously recorded wholly within net operating expenses, are now offset against revenues. This presentational change has reduced revenue where the performance obligation has not been fully satisfied, but has a net nil impact on the overall profit for the period.

The impact on the Group financial statements for the half year ended 30 September 2017 and for the year ended 31 March 2018 is shown in detail in note 12 to this interim report.

| | |
|---|---|
| **IFRS 9** ***Financial Instruments*** | **January 2018** |

The Group has adopted IFRS 9 in its interim report for the half year ending 30 September 2018. This new standard replaces current guidance provided by IAS 39 on classification and measurement of financial assets and liabilities. In addition, IFRS 9 includes new requirements for general hedge accounting and impairment of financial assets.

Under IFRS 9, all recognised financial assets within scope are required to be subsequently measured at amortised cost or fair value. The classification of each financial asset is based on whether the business model of the Group is to hold assets to collect contractual cash flows or to benefit from changes in the fair value of assets. The Group financial statements have not been impacted by this change.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. The Group has applied the practical expedient afforded by IFRS 9 in calculating credit losses and therefore has not recorded any changes to its current impairment calculations.

**3. New IFRS effective in the current year** (continued)

Finally, under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. This new guidance is aligned with the Group's current hedging policy and therefore does not result in any material changes.

Overall, there is no impact on the Group's net assets or profit for the period on transition to IFRS 9.

**4. New IFRS and amendments to IAS and interpretations**

The International Accounting Standards Board ("IASB") has issued the following standards and interpretations, with an effective date after the date of this interim report. The Group continues to evaluate the potential impact of their adoption as described below.

| International Financial Reporting Standards | Applying to accounting periods beginning after |
|---|---|
| **IFRS 16 *Leases*** | **January 2019** |

The Group will adopt IFRS 16 in its financial statements for the year ending 31 March 2020. IFRS 16 replaces IAS 17 and removes the requirement for lessees to report on finance and operating leases separately.

Under IFRS 16, the Group will distinguish between leases and service contracts based on whether there is an identified asset controlled by the Group. Control exists if the customer has the right to obtain substantially all of the economic benefit from the use of the asset and the right to direct the use of that asset. Where control exists, the Group will be required to recognise a right-of-use asset and also a lease liability, rather than accounting for operating lease payments through profit and loss.

Upon application of the new standard, the Group expect to capitalise all aircraft and properties currently accounted for as operating leases. As a result, the Group will incur depreciation charges on these assets and interest charges on the associated lease liabilities, in place of the operating lease charges currently incurred.

The Group continues to evaluate the impact of applying the new standard.

**5. Segmental reporting**

**Business Segments**

The Chief Operating Decision Maker ("CODM") is responsible for the overall resource allocation and performance assessment of the Group. The Board of Directors approves major capital expenditure, assesses the performance of the Group and also determines key financing decisions. Consequently, the Board of Directors is considered to be the CODM.

For management purposes, the Group is organised into two operating segments: Leisure Travel and Distribution & Logistics. These operating segments are consistent with how information is presented to the CODM for the purpose of resource allocation and assessment of their performance and as such, they are also deemed to be the reporting segments.

The Leisure Travel business specialises in the provision of scheduled holiday flights by its airline, ***Jet2.com***, and ATOL licensed package holidays by its tour operator, ***Jet2holidays***, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities. Resource allocation decisions are based on the entire route network and the deployment of its entire aircraft fleet.

The Distribution & Logistics business is run on the basis of the evaluation of distribution centre-level performance data. However, resource allocation decisions are made based on the entire distribution network. The objective in making resource allocation decisions is to maximise the segment results rather than the results of the individual distribution centres within the network.

**5. Segmental reporting** (continued)

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Following the identification of the operating segments, the Group has assessed the similarity of their characteristics. Given the different performance targets, customer bases and operating markets of each, it is not appropriate to aggregate the operating segments for reporting purposes and, therefore, both are disclosed as reportable segments for the half year ended 30 September 2018:

- Leisure Travel, which incorporates the Group's leisure airline, ***Jet2.com***, and its ATOL licensed package holidays operator, ***Jet2holidays***; and
- Distribution & Logistics, incorporating the Group's logistics company, **Fowler Welch**.

The Board assesses the performance of each segment based on operating profit, and profit before and after taxation. Revenue from reportable segments is measured on a basis consistent with the Consolidated Income Statement.

Revenue is principally generated from within the UK, the Group's country of domicile. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

No customer represents more than 10% of the Group's revenue. Segment revenue reported below represents revenue generated from external customers. There was no intersegment revenue in the current year (2017: nil).

| Half year to 30 September 2018 | Leisure Travel £m | Distribution & Logistics £m | Group eliminations £m | Total £m |
|---|---|---|---|---|
| **Revenue** | 2,158.2 | 88.9 | - | **2,247.1** |
| **Operating profit** | 347.8 | 2.3 | - | **350.1** |
| Finance income | 5.2 | - | - | **5.2** |
| Finance expense | (17.4) | - | - | **(17.4)** |
| Net FX revaluation losses | (2.0) | - | - | **(2.0)** |
| **Net financing expense** | (14.2) | - | - | **(14.2)** |
| Profit on disposal of property, plant and equipment | 1.5 | - | - | **1.5** |
| **Profit before taxation** | 335.1 | 2.3 | - | **337.4** |
| Taxation | (60.3) | (0.4) | - | **(60.7)** |
| **Profit for the period** | 274.8 | 1.9 | - | **276.7** |
| **Assets and liabilities** | | | | |
| Segment assets | 2,840.3 | 90.3 | (4.4) | **2,926.2** |
| Segment liabilities | (2,039.7) | (28.8) | 4.4 | **(2,064.1)** |
| **Net assets** | 800.6 | 61.5 | - | **862.1** |
| **Other segment information** | | | | |
| Property, plant and equipment additions | 130.7 | 1.4 | - | **132.1** |
| Depreciation, amortisation and impairment | (70.5) | (1.5) | | **(72.0)** |
| Share-based payments | | - | - | **-** |

**5. Segmental reporting – continued**

| Half year to 30 September 2017 | Leisure Travel Restated £m | Distribution & Logistics £m | Group eliminations £m | Total Restated £m |
|---|---|---|---|---|
| **Revenue** | 1,569.5 | 83.0 | - | **1,652.5** |
| **Operating profit** | 206.2 | 2.4 | - | **208.6** |
| Finance income | 2.1 | - | - | **2.1** |
| Finance expense | (8.8) | - | - | **(8.8)** |
| Net FX revaluation gains | 14.3 | - | - | **14.3** |
| **Net financing income** | 7.6 | - | - | **7.6** |
| **Profit before taxation** | 213.8 | 2.4 | - | **216.2** |
| Taxation | (38.6) | (0.4) | - | **(39.0)** |
| **Profit for the period** | 175.2 | 2.0 | - | **177.2** |
| **Assets and liabilities** | | | | |
| Segment assets | 1,900.6 | 86.2 | (5.1) | **1,981.7** |
| Segment liabilities | (1,392.0) | (28.4) | 5.1 | **(1,415.3)** |
| **Net assets** | 508.6 | 57.8 | - | **566.4** |
| **Other segment information** | | | | |
| Property, plant and equipment additions | 88.8 | 1.6 | - | **90.4** |
| Depreciation, amortisation and impairment | (59.6) | (1.2) | - | **(60.8)** |

| Year ended 31 March 2018 | Leisure Travel Restated £m | Distribution & Logistics £m | Group eliminations £m | Total Restated £m |
|---|---|---|---|---|
| **Revenue** | 2,211.4 | 168.6 | - | **2,380.0** |
| **Operating profit** | 121.8 | 4.4 | - | **126.2** |
| Finance income | 4.8 | - | - | **4.8** |
| Finance expense | (21.1) | - | - | **(21.1)** |
| Net FX revaluation gains | 20.0 | - | - | **20.0** |
| **Net financing income** | 3.7 | - | - | **3.7** |
| Profit on disposal of property, plant and equipment | 0.3 | - | - | **0.3** |
| **Profit before taxation** | 125.8 | 4.4 | - | **130.2** |
| Taxation | (22.4) | (0.7) | - | **(23.1)** |
| **Profit for the period** | 103.4 | 3.7 | - | **107.1** |
| **Assets and liabilities** | | | | |
| Segment assets | 2,364.8 | 86.5 | (4.9) | **2,446.4** |
| Segment liabilities | (1,910.6) | (26.9) | 4.9 | **(1,932.6)** |
| **Net assets** | 454.2 | 59.6 | - | **513.8** |
| **Other segment information** | | | | |
| Property, plant and equipment additions | 405.2 | 5.9 | - | **411.1** |
| Depreciation, amortisation and impairment | (108.9) | (2.7) | - | **(111.6)** |
| Share-based payments | (0.3) | (0.1) | - | **(0.4)** |

**6. Earnings per share**

The calculation of earnings per share is based on the following:

| | **Half year to 30 September 2018** | Half year to 30 September 2017 Restated | Year to 31 March 2018 Restated |
|---|---|---|---|
| Profit for the period (£m) | **276.7** | 177.2 | 107.1 |
| Weighted average no. of ordinary shares in issue: | | | |
| - used to calculate basic earnings per share | **148,643,358** | 148,325,869 | 148,415,077 |
| - used to calculate diluted earnings per share | **149,120,814** | 149,057,472 | 149,097,339 |

**7. Dividends**

The declared interim dividend of 2.8p per share (2017: 1.5p) will be paid out of the Company's available distributable reserves on 4 February 2019, to shareholders on the register at 28 December 2018. In accordance with IAS 1, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge to the Income Statement.

**8. Taxation**

The taxation charge for the period of £60.7m (2017: £39.0m) reflects an estimated effective tax rate of approximately 18% (2017: 18%). The current UK corporation tax rate of 19% became effective on 1 April 2017. A reduction in the rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016.

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

| | At 31 March 2018 £m | Cash flow £m | Exchange differences £m | Accrued interest £m | **At 30 September 2018 £m** | At 30 September 2017 £m |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 788.4 | 116.1 | 7.9 | - | **912.4** | 485.9 |
| Money market deposits | 220.2 | 265.0 | - | - | **485.2** | 445.2 |
| Borrowings due within one year | (88.6) | 8.3 | (4.1) | (1.4) | **(85.8)** | (128.5) |
| Borrowings due after one year | (718.0) | (96.1) | (37.5) | - | **(851.6)** | (445.7) |
| **Net cash** | 202.0 | 293.3 | (33.7) | (1.4) | **460.2** | 356.9 |

**10. Contingent liabilities**

The Group has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

**11. Other matters**

This report will be posted on the Group's website, www.dartgroup.co.uk and copies are available from the Group Company Secretary at the registered office address: Low Fare Finder House, Leeds Bradford International Airport, Leeds, LS19 7TU.

**12. Impact of IFRS 15: Revenue from contracts with customers**

The following tables summarise the impact of IFRS 15 on previously reported consolidated financial statements. The nature of these adjustments is described in more detail in note 3 to this interim report.

**Consolidated Income Statement**

for the half year ended 30 September 2017

| | **Half year ended 30 September 2017 As restated £m** | Half year ended 30 September 2017 IFRS 15 Adjustments £m | Half year ended 30 September 2017 As originally reported £m |
|---|---|---|---|
| **Revenue** | **1,652.5** | (11.4) | 1,663.9 |
| Net operating expenses | **(1,443.9)** | 15.1 | (1,459.0) |
| **Operating profit** | **208.6** | 3.7 | 204.9 |
| Finance income | **2.1** | - | 2.1 |
| Finance expense | **(8.8)** | - | (8.8) |
| Net FX revaluation gains | **14.3** | - | 14.3 |
| **Net financing income** | **7.6** | - | 7.6 |
| Profit on disposal of property, plant and equipment | **-** | - | - |
| **Profit before taxation** | **216.2** | 3.7 | 212.5 |
| Taxation | **(39.0)** | (0.7) | (38.3) |
| **Profit for the period** | **177.2** | 3.0 | 174.2 |
| **Total comprehensive income for the period** | **146.3** | 3.0 | 143.3 |

### 12. Impact of IFRS 15: Revenue from contracts with customers – Continued

**Consolidated Statement of Financial Position**
at 30 September 2017

| | **Half year ended 30 September 2017 As restated £m** | Half year ended 30 September 2017 Accrued revenue restatement* £m | Half year ended 30 September 2017 IFRS 15 Adjustments £m | Half year ended 30 September 2017 As originally reported £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | **6.8** | - | - | 6.8 |
| Property, plant and equipment | **827.4** | - | - | 827.4 |
| Derivative financial instruments | **3.7** | - | - | 3.7 |
| | **837.9** | - | - | 837.9 |
| **Current assets** | | | | |
| Inventories | **1.7** | - | - | 1.7 |
| Trade and other receivables | **171.5** | (357.5) | - | 529.0 |
| Derivative financial instruments | **39.5** | - | - | 39.5 |
| Money market deposits | **445.2** | - | - | 445.2 |
| Cash and cash equivalents | **485.9** | - | - | 485.9 |
| | **1,143.8** | (357.5) | - | 1,501.3 |
| **Total assets** | **1,981.7** | (357.5) | - | 2,339.2 |
| **Current liabilities** | | | | |
| Trade and other payables | **330.6** | - | (20.7) | 351.3 |
| Deferred revenue | **385.0** | (350.4) | 31.0 | 704.4 |
| Borrowings | **128.5** | - | - | 128.5 |
| Provisions | **45.4** | - | - | 45.4 |
| Derivative financial instruments | **11.4** | - | - | 11.4 |
| | **900.9** | (350.4) | 10.3 | 1,241.0 |
| **Non-current liabilities** | | | | |
| Deferred revenue | **1.7** | (7.1) | - | 8.8 |
| Borrowings | **445.7** | - | - | 445.7 |
| Derivative financial instruments | **22.7** | - | - | 22.7 |
| Deferred taxation | **44.3** | - | (1.8) | 46.1 |
| | **514.4** | (7.1) | (1.8) | 523.3 |
| **Total liabilities** | **1,415.3** | (357.5) | 8.5 | 1,764.3 |
| **Net assets** | **566.4** | - | (8.5) | 574.9 |
| **Shareholders' equity** | | | | |
| Share capital | **1.8** | - | - | 1.8 |
| Share premium | **12.7** | - | - | 12.7 |
| Cash flow hedging reserve | **7.3** | - | - | 7.3 |
| Other reserves | **-** | - | - | - |
| Retained earnings | **544.6** | - | (8.5) | 553.1 |
| **Total shareholders' equity** | **566.4** | - | (8.5) | 574.9 |

* In both comparative periods, accrued revenue is now presented offset against deferred revenue. This presentation has been amended in line with standard industry practices and aids the usability of the financial statements.

### 12. Impact of IFRS 15: Revenue from contracts with customers – Continued

**Consolidated Income Statement**

for the year ended 31 March 2018

| | **Year ended 31 March 2018 As restated £m** | Year ended 31 March 2018 IFRS 15 Adjustments £m | Year ended 31 March 2018 As originally reported £m |
|---|---|---|---|
| **Revenue** | **2,380.0** | (11.8) | 2,391.8 |
| Net operating expenses | **(2,253.8)** | 7.4 | (2,261.2) |
| **Operating profit** | **126.2** | (4.4) | 130.6 |
| Finance income | **4.8** | - | 4.8 |
| Finance expense | **(21.1)** | - | (21.1) |
| Net FX revaluation gains | **20.0** | - | 20.0 |
| **Net financing income** | **3.7** | - | 3.7 |
| Profit on disposal of property, plant and equipment | **0.3** | - | 0.3 |
| **Profit before taxation** | **130.2** | (4.4) | 134.6 |
| Taxation | **(23.1)** | 0.8 | (23.9) |
| **Profit for the period** | **107.1** | (3.6) | 110.7 |
| | | | |
| **Total comprehensive income for the period** | **101.2** | (3.6) | 104.8 |

### 12. Impact of IFRS 15: Revenue from contracts with customers – Continued

**Consolidated Statement of Financial Position**
at 31 March 2018

| | **Year ended 31 March 2018 As restated £m** | Year ended 31 March 2018 Accrued revenue restatement £m | Year ended 31 March 2018 IFRS 15 Adjustments £m | Year ended 31 March 2018 As originally reported £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | **6.8** | - | - | 6.8 |
| Property, plant and equipment | **1,083.0** | - | - | 1,083.0 |
| Derivative financial instruments | **23.7** | - | - | 23.7 |
| | **1,113.5** | - | - | 1,113.5 |
| **Current assets** | | | | |
| Inventories | **1.8** | - | - | 1.8 |
| Trade and other receivables | **258.2** | (679.2) | - | 937.4 |
| Derivative financial instruments | **64.3** | - | - | 64.3 |
| Money market deposits | **220.2** | - | - | 220.2 |
| Cash and cash equivalents | **788.4** | - | - | 788.4 |
| | **1,332.9** | (679.2) | - | 2,012.1 |
| **Total assets** | **2,446.4** | (679.2) | - | 3,125.6 |
| **Current liabilities** | | | | |
| Trade and other payables | **159.9** | - | (12.4) | 172.3 |
| Deferred revenue | **806.0** | (675.4) | 30.8 | 1,450.6 |
| Borrowings | **88.6** | - | - | 88.6 |
| Provisions | **41.7** | - | - | 41.7 |
| Derivative financial instruments | **40.7** | - | - | 40.7 |
| | **1,136.9** | (675.4) | 18.4 | 1,793.9 |
| **Non-current liabilities** | | | | |
| Deferred revenue | **1.3** | (3.8) | - | 5.1 |
| Borrowings | **718.0** | - | - | 718.0 |
| Derivative financial instruments | **8.2** | - | - | 8.2 |
| Deferred taxation | **68.2** | - | (3.3) | 71.5 |
| | **795.7** | (3.8) | (3.3) | 802.8 |
| **Total liabilities** | **1,932.6** | (679.2) | 15.1 | 2,596.7 |
| **Net assets** | **513.8** | - | (15.1) | 528.9 |
| **Shareholders' equity** | | | | |
| Share capital | **1.9** | - | - | 1.9 |
| Share premium | **12.7** | - | - | 12.7 |
| Cash flow hedging reserve | **31.6** | - | - | 31.6 |
| Other reserves | **0.7** | - | - | 0.7 |
| Retained earnings | **466.9** | - | (15.1) | 482.0 |
| **Total shareholders' equity** | **513.8** | - | (15.1) | 528.9 |

### 13. Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.