Jet2 plc

Interim Results 2021

Jet2 plc

Interim Results

Jet2 plc, the Leisure Travel group ("the Group" or "the Company"), announces its unaudited interim results for the half year ended 30 September 2021. These results are presented in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Group financial highlights	**Half year ended 30 September 2021 Unaudited**	Half year ended 30 September 2020 Unaudited	*Half year end change*
Revenue	**£429.6m**	£299.9m	*43%*
Operating loss	**(£170.4m)**	(£111.2m)	*(53%)*
Loss before FX revaluation and taxation*	**(£195.1m)**	(£130.9m)	*(49%)*
Loss before taxation	**(£205.8m)**	(£119.3m)	*(73%)*
Loss for the period after taxation ǂ	**(£163.5m)**	(£68.7m)	*(138%)*
Basic earnings per share	**(76.2p)**	(56.9p)	*(34%)*

** Further information on the calculation of this measure can be found in Note 4.*

*ǂ 2020 includes profit after taxation from discontinued operations (following the sale of **Fowler Welch**, our Distribution & Logistics business) of £28.3m.*

- Overall liquidity improved significantly with total cash balances (including money market deposits) at the half year end of £2,036.9m (2020: £1,008.2m), an increase of 102%. **The Group's 'Own Cash' position, excluding customer deposits, at the half year end was £1,524.3m (2020: £652.5m) - an increase of 44% since 31 March 2021.**

- Although seat capacity for the period increased by 86% to 2.68m (2020: 1.44m), average load factor fell to 57.3% (2020: 69.0%) with load factors to Amber destinations, primarily popular high-volume leisure destinations, more than 20ppts lower than those for Green destinations, as customers remained anxious they could quickly be changed to Red, meaning enforced quarantine on return to the UK.

- Additionally, fragile consumer confidence arising from the three-weekly UK Government traffic light reviews undertaken throughout the period meant that customer bookings were significantly closer to departure than normal, leading to a reduction in average flight-only ticket yield per passenger sector of 25% year on year.

- Consequently, Group operating loss increased 53% to £170.4m (2020: £111.2m) and Group loss before foreign exchange revaluation and taxation increased 49% to £195.1m (2020: £130.9m). **The total loss for the period after taxation was £163.5m (2020: £68.7m).**

- In order to meet the future anticipated growth of our Leisure Travel business and to refresh our existing aircraft fleet, we were delighted to enter into agreements with Airbus for 51 new firm ordered A321 NEO aircraft, with agreed flexibility to extend the order up to 75 aircraft.

- The competitive pricing environment being experienced for Winter 21/22, plus the necessary investment in our own operations in the remainder of this financial year in readiness for our flying programme expansion in the Summer 2022 season, means that, as is typical for the business, further losses are to be expected in the second half.

- **Following the recent dissolution of the Green and Amber lists from 4 October and the easing of passenger testing requirements, forward bookings for Winter 21/22 have been markedly stronger and average load factors much improved.**

- **Bookings for Summer 22, for which package holiday bookings are displaying a materially higher mix of the total, are encouraging,** with average load factors ahead of Summer 19 at the same point. Given these promising trends, we remain optimistic that in Summer 22 we will experience a return to previously normal operations and customer volumes.

Chairman's Statement

I report on the Group's trading performance for ***Jet2holidays***, our acclaimed ATOL licensed package holidays operator and ***Jet2.com***, our award-winning leisure airline, for the half year ended 30 September 2021.

The first three months of the financial year saw little change in the significant challenges facing the Leisure Travel industry, with no scheduled flying activity in the period from 1 April to 24 June 2021. Although the UK Government's decision to allow quarantine-free travel to Amber list destinations for those fully vaccinated from 19 July 2021 was a welcome step in the right direction, the limited number of Green destinations and fragile consumer confidence arising from the three-weekly Government traffic light reviews undertaken throughout the period, meant that customer bookings were significantly closer to departure than normal.

As a result, average load factors and net ticket yields reduced materially year on year and consequently Group loss before foreign exchange revaluation and taxation increased to £195.1m (2020: £130.9m). **The total loss for the period after taxation was £163.5m (2020: £68.7m).**

Basic earnings per share decreased to (76.2p) (2020: (56.9p)) and in consideration of the continuing focus on liquidity given the still uncertain climate, the Board does not recommend the payment of an interim dividend (2020: nil).

At 1 April 2021, the Group had a strong and carefully managed balance sheet with an 'Own Cash' balance, excluding customer deposits, of £1,061.7m and a total cash balance of £1,379.0m.

On 3 June 2021, the Group announced the successful issuance of £387.4m of guaranteed senior unsecured convertible bonds due in 2026 carrying a coupon of 1.625%, the offering for which was significantly oversubscribed. The initial conversion price was set at £18.06 representing a premium of 40% above the reference share price of £12.90. The proceeds of the issuance strengthened ***Jet2 plc's*** liquidity further and positions the Company for a strong recovery, through fleet growth and fleet renewal opportunities. Additionally, the Group also secured a new £150.0m term loan, which matures in September 2023, from its supportive relationship banks.

In late August and early October 2021, we were delighted to announce that in order to meet the future anticipated growth of our Leisure Travel business and to refresh our existing aircraft fleet, we entered into agreements with Airbus for 51 new firm ordered A321 NEO aircraft with agreed flexibility to extend the order up to 75 aircraft. The firm ordered aircraft deliveries stretch over six years until 2029, and at current list prices represent a total value of approximately $6.9bn, with a total transaction value for up to 75 aircraft of approximately $10.1bn, though the Company negotiated significant discounts from the list price. This aircraft, which has more seats and provides additional operating benefits through lower fuel consumption is, in our opinion, the most flexible, efficient and environmentally friendly aircraft in its class today. The Group will retain flexibility in determining the most favourable method of financing the aircraft, which it expects will be through a combination of internal resources and debt.

In September 2021, we were pleased to publish our Sustainability Strategy with the vision to become "*one of the leading brands in sustainable air travel and package holidays*". ***Jet2*** has always taken its environmental impact seriously and as a socially and environmentally responsible airline and tour operator we recognise our future growth must continue to be sustainable. As part of our Net Zero 2050 commitment, in addition to the new Airbus A321 NEO investment, ***Jet2.com*** has pledged that from January 2022 it will offset every tonne of carbon not already covered by its contribution to existing emissions schemes and it will use a percentage of UK-produced Sustainable Aviation Fuel by 2026. It is also committing to the circular economy and will cut 80% of single use plastics on its aircraft by 2023 as compared to 2019 – equivalent to removing 11 million items per annum. ***Jet2holidays*** is also acting on the environmental impacts in its supply chain by enabling customers to make more sustainable accommodation choices through its hotel sustainability labelling system. More detailed information on the Group's Sustainability Strategy can be found at **www.jet2plc.com/the-environment**.

We take people on holiday!

Flying recommenced in late June 2021 to Jersey and subsequently to the Balearic Islands and Madeira on 1 July 2021. Following the UK Government's decision to allow quarantine-free travel to Amber list destinations for the fully vaccinated from mid-July 2021, ***Jet2.com*** and ***Jet2holidays*** broadened its Summer 21 flying programme to 37 leisure destinations, representing approximately 55% of pre-Covid Summer 19 capacity, enabling us to provide as many of our Customers as possible with their well-deserved and eagerly anticipated ***Real Package Holidays™***. Additionally, we were delighted to successfully commence operations from our new Bristol base on 2 July 2021.

Although seat capacity for the period increased by 86% to 2.68m (2020: 1.44m), the Group's average load factor fell to 57.3% (2020: 69.0%) with load factors to Amber destinations, primarily popular high-volume leisure destinations, more than 20ppts lower than those for Green destinations, as customers remained anxious they could quickly be changed to Red, meaning enforced quarantine on return to the UK.

As a result, overall passenger numbers for the period increased by 55% to 1.53m (2020: 0.99m), with customers choosing our end-to-end package holiday product rising 47% to 0.44m (2020: 0.30m) and single sector passengers choosing our flight-only product growing by 67% to 0.72m (2020: 0.43m). Consequently, higher margin package holiday customers represented 53.0% of overall flown passengers (2020: 56.7%).

Average flight-only ticket yield per passenger sector at £73.27 (2020: £97.58) was 25% lower than the prior year due to aggressive price competition as customer booking behaviour displayed a pronounced move to very short lead times from departure, a product of the UK Government's three-weekly traffic light reviews undertaken throughout the period.

Conversely, the average price of a ***Jet2holidays*** package holiday increased by 10% to £748 (2020: £681), a reflection of the many special offers received from hoteliers and passed onto customers in Summer 20.

Non-Ticket Retail Revenue per passenger sector grew by 6% to £30.97 (2020: £29.26) primarily due to increased take up of our successful in-flight retail service, in part assisted by changes to passenger duty-free allowances that came into effect from 1 January 2021, and higher revenue per passenger from advanced seat assignment.

As a result, overall Group Revenue increased 43% to £429.6m (2020: £299.9m)

Higher levels of flying activity resulted in an associated 48% increase in direct operating expenses (including direct staff costs) to £417.2m. Additionally, the Group continued to make use of grants available under the Coronavirus Job Retention Scheme ("CJRS") to support temporarily laid off colleagues, claiming £30.1m in the period (2020: £59.2m), a lower amount than the prior year as the percentage contributions from the UK Government steadily reduced and more colleagues returned to work as operational activity increased. These amounts continued to be supplemented by our generous bespoke salary plan which saw the Group substantially "top up" the CJRS funding to provide further financial support for our loyal colleagues on whom we depend to deliver our award winning *"Customer First"* service. In addition, an extra £29.3m was invested in brand and direct marketing as the business ramped up operations from a standstill position and sought to optimise load factors for Summer 21 and drive customer bookings for Winter 21/22 and Summer 22.

As a result, net operating expenses increased by 46% to £600.0m (2020: £411.1m).

Net financing expense (excluding Net FX revaluation (losses)/gains) increased by £5.9m with additional interest incurred on financing raised over the previous twelve months, including drawdown of the Covid Corporate Financing Facility ("CCFF") of £200.0m, the convertible bond issuance of £387.4m and the new term loan of £150.0m.

In the first half, the Group generated cash from operating activities of £248.4m (2020: cash used in operating activities of £566.5m), primarily a result of working capital benefits from the increased operational activity plus higher customer cash levels due to increased forward bookings.

Capital expenditure of £60.6m (2020: £22.6m) reflected pre-delivery payments made for the Group's Airbus A321 NEO order, plus continued investment in the long-term maintenance of our existing aircraft fleet, whilst net inflows of cash of £528.0m were generated from the convertible bond issuance and new term loan.

As a result, overall liquidity improved significantly with a total cash balance (including money market deposits) at the half year end of £2,036.9m, an increase of 102% (2020: £1,008.2m). **Our 'Own Cash' position (excluding customer deposits) of £1,524.3m, increased 134% (2020: £652.5m)**, aided in part by improved underlying average Own Cash burn of approximately £17m per month (2020: underlying average of £38m per month). There were no cash restrictions from Merchant Acquirers during the period and at the half year end £2.6m (2020: £8.1m) was placed with counterparties to cover out-of-the-money hedge instruments and as collateral in respect of adverse currency movements on aircraft loans in comparison to their underlying asset value.

Subsequent to the reporting period, the Group repaid its Revolving Credit Facility of £65.0m and as at 14 November 2021 its 'Own Cash' balance, excluding customer deposits, was £1,464.0m, with a total cash balance of £1,975.7m.

Key Performance Indicators	**Half year ended 30 September 2021**	Half year ended 30 September 2020	*Half year end change*
Leisure Travel sector seats available (capacity)	**2.68m**	1.44m	*86%*
Leisure Travel passenger sectors flown	**1.53m**	0.99m	*55%*
Leisure Travel average load factor	**57.3%**	69.0%	*(11.7ppts)*
Flight-only passenger sectors flown	**0.72m**	0.43m	*67%*
Package holiday customers	**0.44m**	0.30m	*47%*
Package holiday customers % of total passenger sectors flown	**53.0%**	56.7%	*(3.7ppts)*
Average flight-only ticket yield per passenger sector (excl. taxes)	**£73.27**	£97.58	*(25%)*
Average package holiday price	**£748**	£681	*10%*
Non-ticket revenue per passenger sector	**£30.97**	£29.26	*6%*
Advance sales made as at the reporting date	**£1,311.9m**	£951.7m	*38%*

Outlook

Although first half losses are greater than last year, given the limited number of Green destinations operated throughout the period and the fragile consumer confidence surrounding Amber destinations, we have been satisfied with the positive financial contribution achieved, supported by our quick to market, flexible operating model.

The dissolution of the Green and Amber lists from 4 October 2021 was particularly heartening, as were the changes to the UK Government's testing requirements for passengers returning to the UK. As a consequence, forward bookings for Winter 21/22 have been markedly stronger and average load factors much improved. At present, on the assumption of a continued unhindered flying programme, we anticipate seat capacity for Winter 21/22 will be approximately 11% less than Winter 19/20.

The Travel industry continues to be subject to a range of cost pressures most notably in relation to fuel and carbon costs. Additionally, we expect the competitive pricing environment being experienced for Winter 21/22 to continue. We will also make necessary investment in our own operations in the remainder of this financial year, including the increasing cost of retaining and attracting colleagues in readiness for our flying programme expansion in the Summer 22 season, plus marketing spend to drive customer bookings. As a result, and as is typical for the business, further losses are to be expected in the second half.

Nonetheless, visibility as to the full year financial outturn remains limited and will very much depend on the continued rollout of vaccines, no further adverse Covid-19 developments and an uninterrupted Winter 21/22 flying programme.

Current seat capacity for Summer 22 is approximately 13% higher than Summer 19 and we are on sale to all our popular ***Real Package Holidays™*** leisure destinations. Bookings for Summer 22, for which package holiday bookings are displaying a materially higher mix of the total, are encouraging, with average load factors ahead of Summer 19 at the same point. Given these promising trends, we remain optimistic that in Summer 22 we will experience a return to previously normal operations and customer volumes.

We continue to believe that opportunities for financially strong, resilient and trusted operators will only increase and with our Own Cash balance as at 14 November 2021 of £1,464.0m, we are well placed to respond. And, given current booking visibility, we are confident that our Customers will be determined to enjoy the wonderful experience of a well-deserved ***Jet2*** holiday and that ***Jet2.com*** and ***Jet2holidays*** will continue to have a thriving future, taking millions of UK holidaymakers annually, to the Mediterranean, the Canary Islands and to European Leisure Cities.

Philip Meeson
Executive Chairman
18 November 2021

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Condensed Consolidated Income Statement (Unaudited)

for the half year ended 30 September 2021

	Note	**Half year ended 30 September 2021 £m**	Half year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Revenue		**429.6**	299.9	395.4
Net operating expenses		**(600.0)**	(411.1)	(731.5)
Operating loss		**(170.4)**	(111.2)	(336.1)
Finance income		**1.7**	1.4	2.0
Finance expense		**(27.0)**	(20.8)	(40.5)
Net FX revaluation (losses) / gains		**(10.7)**	11.6	3.9
Net financing expense		**(36.0)**	(7.8)	(34.6)
Profit / (loss) on disposal of property, plant and equipment		**0.6**	(0.3)	0.8
Loss before taxation		**(205.8)**	(119.3)	(369.9)
Taxation	7	**42.3**	22.3	70.4
Loss for the period from continuing operations		**(163.5)**	(97.0)	(299.5)
Profit after taxation from discontinued operating activities		**-**	1.8	1.8
Profit on disposal of discontinued operations		**-**	26.5	26.5
Loss for the period *(all attributable to equity shareholders of the Parent)*		**(163.5)**	(68.7)	(271.2)
Earnings per share from continuing operations				
- basic	6	**(76.2p)**	(56.9p)	(166.9p)
- diluted	6	**(76.2p)**	(56.9p)	(166.9p)

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Condensed Consolidated Statement of Comprehensive Income (Unaudited)

for the half year ended 30 September 2021

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Loss for the period	**(163.5)**	(68.7)	(271.2)
Other comprehensive income / (expense)			
Cash flow hedges:			
Fair value gains / (losses)	**64.7**	(3.9)	(23.6)
Add back losses transferred to income statement	**18.7**	29.6	55.0
Cost of hedging reserve – changes in fair value	**1.6**	(3.1)	(1.9)
Related taxation charge	**(15.4)**	(4.3)	(5.6)
Revaluation of foreign operations	**0.9**	0.1	(3.4)
	70.5	18.4	20.5
Total comprehensive expense for the period *(all attributable to equity shareholders of the Parent)*	**(93.0)**	(50.3)	(250.7)

Total comprehensive (expense) / income for the period arises from:			
Continuing operations	**(93.0)**	(78.6)	(279.0)
Discontinued operations	**-**	28.3	28.3
Total comprehensive expense	**(93.0)**	(50.3)	(250.7)

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Condensed Consolidated Statement of Financial Position (Unaudited)

at 30 September 2021

	30 September 2021 £m	30 September 2020 £m Restated*	31 March 2021 £m
Non-current assets			
Intangible assets	**26.8**	26.8	26.8
Property, plant and equipment	**843.9**	890.9	836.6
Right-of-use assets	**464.2**	500.0	462.9
Derivative financial instruments	**9.5**	-	9.4
	1,344.4	1,417.7	1,335.7
Current assets			
Inventories	**0.8**	1.2	1.0
Trade and other receivables	**124.2**	159.5	133.8
Derivative financial instruments	**68.2**	51.4	23.5
Money market deposits	**941.1**	-	-
Cash and cash equivalents	**1,095.8**	1,008.2	1,379.0
	2,230.1	1,220.3	1,537.3
Total assets	**3,574.5**	2,638.0	2,873.0
Current liabilities			
Trade and other payables	**231.3**	166.1	69.8
Deferred revenue	**516.2**	339.7	278.0
Borrowings	**332.3**	87.7	322.5
Lease liabilities	**73.4**	73.9	67.1
Provisions and liabilities	**69.7**	72.3	62.5
Derivative financial instruments	**33.0**	90.9	58.3
	1,255.9	830.6	858.2
Non-current liabilities			
Deferred revenue	**9.3**	10.7	44.4
Borrowings	**881.6**	384.4	433.7
Lease liabilities	**480.9**	548.9	495.0
Derivative financial instruments	**13.3**	26.2	40.8
Deferred taxation	**10.9**	86.3	36.7
	1,396.0	1,056.5	1,050.6
Total liabilities	**2,651.9**	1,887.1	1,908.8
Net assets	**922.6**	750.9	964.2
Shareholders' equity			
Share capital	**2.7**	2.3	2.7
Share premium	**19.8**	12.9	19.8
Cash flow hedging reserve	**24.1**	(48.8)	(44.2)
Cost of hedging reserve	**2.1**	(0.2)	0.8
Other reserves	**52.2**	3.4	(0.1)
Retained earnings	**821.7**	781.3	985.2
Total shareholders' equity	**922.6**	750.9	964.2

** The share premium and retained earnings balances have been restated as at 30 September 2020 to better reflect the Group's share issue using a cashbox structure during the comparative period. Please see Note 12 for further information.*

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Condensed Consolidated Statement of Cash Flows (Unaudited)

for the half year ended 30 September 2021

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Loss from continuing operations before taxation	**(205.8)**	(119.3)	(369.9)
Profit from discontinued operations before taxation	**-**	28.6	28.6
Net financing expense (including Net FX revaluation losses / (gains))	**36.0**	8.0	34.8
Hedge ineffectiveness	**0.8**	0.7	(1.7)
Depreciation	**81.6**	83.4	166.1
Profit on disposal of discontinued operations	**-**	(26.5)	(26.5)
(Profit) / loss on disposal of property, plant and equipment	**(0.6)**	0.3	(0.8)
Equity settled share-based payments	**-**	-	0.4
Operating cash flows before movements in working capital	**(88.0)**	(24.8)	(169.0)
Decrease in inventories	**0.2**	0.1	0.3
Decrease in trade and other receivables	**4.1**	134.6	160.3
Increase / (decrease) in trade and other payables	**161.2**	(198.7)	(296.4)
Increase / (decrease) in deferred revenue	**203.1**	(394.8)	(422.8)
Increase / (decrease) in provisions and liabilities	**2.6**	5.0	(2.0)
Movement in assets held for sale	**-**	3.9	3.9
Payment on settlement of derivatives	**(15.5)**	(101.4)	(101.6)
Cash generated from / (used in) from operations	**267.7**	(576.1)	(827.3)
Interest received	**1.7**	1.4	2.0
Interest paid	**(21.0)**	(18.9)	(36.7)
Income taxes refunded	**-**	27.1	27.2
Net cash generated from / (used in) operating activities	**248.4**	(566.5)	(834.8)
Cash flows (used in) / generated from investing activities			
Purchase of property, plant and equipment	**(60.6)**	(21.7)	(36.2)
Purchase of right-of-use assets	**-**	(0.9)	(1.2)
Proceeds from sale of discontinued operations (net of cash disposed)	**-**	76.0	76.0
Proceeds from sale of property, plant and equipment	**0.6**	0.7	2.5
Net increase in money market deposits	**(941.1)**	-	-
Net cash (used in) / generated from investing activities	**(1,001.1)**	54.1	41.1
Cash flows (used in) / generated from financing activities			
Repayment of borrowings	**(25.2)**	(8.5)	(14.9)
New loans advanced	**147.9**	-	301.1
Payment of lease liabilities	**(35.0)**	(33.8)	(69.2)
Proceeds on issue of shares	**-**	167.1	580.4
Proceeds on issue of convertible bonds	**380.1**	-	-
Net cash generated from financing activities	**467.8**	124.8	797.4
Net (decrease) / increase in cash in the period	**(284.9)**	(387.6)	3.7
Cash and cash equivalents at beginning of period	**1,379.0**	1,400.2	1,400.2
Effect of foreign exchange rate changes	**1.7**	(4.4)	(24.9)
Cash and cash equivalents at end of period	**1,095.8**	1,008.2	1,379.0

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the half year ended 30 September 2021

	Share capital £m	Share premium £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Other reserves £m	Merger reserve £m	Retained earnings £m	**Total shareholders' equity £m**
Balance at 31 March 2020	**1.9**	**12.9**	**(69.6)**	**2.3**	**3.3**	**-**	**683.3**	**634.1**
Total comprehensive expense	-	-	20.8	(2.5)	0.1	-	(68.7)	**(50.3)**
Issue of share capital	0.4	-	-	-	-	166.7	-	**167.1**
Reserves transfer	-	-	-	-	-	(166.7)	166.7	**-**
Balance at 30 September 2020 – Restated[1]	**2.3**	**12.9**	**(48.8)**	**(0.2)**	**3.4**	**-**	**781.3**	**750.9**
Total comprehensive expense	-	-	4.6	1.0	(3.5)	-	(202.5)	**(200.4)**
Share-based payments	-	-	-	-	-	-	0.4	**0.4**
Issue of share capital	0.4	6.9	-	-	-	406.0	-	**413.3**
Reserves transfer	-	-	-	-	-	(406.0)	406.0	**-**
Balance at 31 March 2021	**2.7**	**19.8**	**(44.2)**	**0.8**	**(0.1)**	**-**	**985.2**	**964.2**
Total comprehensive expense	-	-	68.3	1.3	0.9	**-**	(163.5)	**(93.0)**
Issue of convertible bonds[2]	-	-	-	-	51.4	**-**	-	**51.4**
Balance at 30 September 2021	**2.7**	**19.8**	**24.1**	**2.1**	**52.2**	**-**	**821.7**	**922.6**

[1] The share premium and retained earnings balances have been restated as at 30 September 2020 to better reflect the Group's share issue using a cashbox structure during the comparative period. Please see Note 12 for further information.

[2] In June 2021, senior unsecured convertible bonds were issued generating gross proceeds of £387.4m. The equity component of the bonds was valued at £51.4m and recognised in Other reserves.

1. General information

The Group's interim financial report consolidates the financial statements of ***Jet2 plc*** and its subsidiaries. ***Jet2 plc*** is a public limited company incorporated and domiciled in England and Wales.

This interim report has been prepared and approved by the Directors in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. It 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

This unaudited consolidated interim financial report for the half year ended 30 September 2021 does not constitute statutory accounts as defined in s435 of the Companies Act 2006. The financial statements for the year ended 31 March 2021 were prepared in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 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(3) nor (4) of the Companies Act 2006.

The interim financial report has been prepared under the historical cost convention except for all derivative financial instruments, which have been measured at fair value. The accounting policies applied within this interim report are consistent with those detailed in the Annual Report and Accounts for the year ended 31 March 2021.

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

Going concern

The Directors have prepared financial forecasts for the Group, comprising profit before and after taxation, balance sheets and projected cash flows through to 31 March 2024.

For the purpose of assessing the appropriateness of the preparation of the Group's interim financial report on a going concern basis, three financial forecast scenarios have been prepared:

- A base case which assumes a full unhindered Summer 22 flying programme, utilising an aircraft fleet of over 100 at pre-pandemic load factors above 90%, although at lower net ticket yields than Summer 19 to reflect competitive pricing in the market;
- A downside case assuming reduced consumer demand resulting in materially lower average load factors than normally achieved, but with no restrictions on flying to any of the Group's destinations; and
- A severe downside case based on a period of no flying for 12 months from the date of publication of the Interim Results.

The forecasts consider the current cash position and an assessment of the principal areas of risk and uncertainty, paying particular attention to the impact of Covid-19.

In addition, all scenarios assume that the Group's £200m Covid Corporate Financing Facility is repaid on maturity in mid-March 2022, the Revolving Credit Facility is repaid early in October 2021 and there are no mitigating actions taken to defer capital expenditure.

Going concern (continued)

The Directors concluded that given the combination of a closing cash balance (including money market deposits) of £2,036.9m at 30 September 2021, together with the forecast monthly cash utilisation, that under all three scenarios, the Group would have sufficient liquidity throughout a period of 12 months from the date of approval of this interim financial report. In addition, the Group is forecast to meet its banking covenants at 31 March 2022 and 30 September 2022 under all scenarios.

As a result, the Directors have a reasonable expectation that the Group as a whole has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the interim financial report. For this reason, they continue to adopt the going concern basis in preparing the unaudited interim report for the half year ended 30 September 2021.

Convertible Bonds

Convertible bonds are compound financial instruments, and as a result their liability and equity components are presented separately in accordance with IAS 32 - *Financial Instruments: Presentation*.

On issuance of the convertible bonds, the initial fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption, with amortisation recorded through net financing expense in the Consolidated Income Statement.

The remainder of the proceeds raised on issuance of the convertible bonds is allocated to the conversion option that is recognised and included in equity; this equity component is not remeasured in subsequent years, until redemption of the liability or conversion into shares.

Transaction costs related to the convertible bond issuance are recorded proportionally against the corresponding liability and equity components.

3. New accounting standards

The following revision to accounting standards becomes effective from January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

The only interest rate benchmarks which the Group are exposed to and which are subject to reform are London Inter-Bank Offered Rate ("LIBOR") and US LIBOR. These exposures relate to the Group's Revolving Credit Facility, aircraft financing facilities and any associated floating-to-fixed interest rate swaps.

The Group is engaging with those banking partners to which it has LIBOR exposures to transition these agreements to the Sterling Overnight Index Average Rate ("SONIA") ahead of the 31 December 2021 deadline.

The application of this standard is not expected to have a material impact on the Group's reported financial performance or position.

4. Alternative performance measures

The Group's alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Loss before FX revaluation and taxation

Loss before FX revaluation and taxation is included as an alternative performance measure in order to aid users in understanding the underlying operating performance of the Group excluding the impact of foreign exchange volatility.

Loss before FX revaluation and taxation is calculated as below:

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m
Loss before taxation from continuing operations	**(205.8)**	(119.3)
Net FX revaluation losses / (gains)	**10.7**	(11.6)
Loss before FX revaluation and taxation from continuing operations	**(195.1)**	(130.9)

5. Segmental reporting

IFRS 8 – *Operating segments* requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

The 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.

The Group disposed of its Distribution & Logistics segment in May 2020; consequently, the information presented to the CODM for the purpose of resource allocation and assessment of the Group's performance now relates to its Leisure Travel segment as shown in the Consolidated Income Statement.

The Leisure Travel business specialises in the provision of ATOL licensed package holidays by its tour operator, ***Jet2holidays***, to leisure destinations in the Mediterranean, the Canary Islands and to European Leisure Cities, and scheduled holiday flights by its airline, ***Jet2.com***. Resource allocation decisions are based on the entire route network and the deployment of its entire aircraft fleet. All ***Jet2holidays*** customers fly on ***Jet2.com*** flights, and therefore these segments are inextricably linked and represent the only continuing segment within the Group.

Revenue is principally generated from within the UK, the Group's country of domicile. No customer represents more than 10% of the Group's revenue.

6. Earnings per share

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

	Half year ended 30 September 2021			Half year ended 30 September 2020		
	Earnings	**Weighted average number of shares**	**EPS**	Earnings	Weighted average number of shares	EPS
	£m	**millions**	**Pence**	£m	millions	Pence
Basic EPS						
Loss attributable to ordinary shareholders	**(163.5)**	**214.6**	**(76.2)**	(97.0)	170.6	(56.9)
Effect of dilutive instruments						
Share options and Deferred Awards	**-**	**-**	**-**	-	-	-
Diluted EPS	**(163.5)**	**214.6**	**(76.2)**	(97.0)	170.6	(56.9)

In accordance with IAS 33 – *Earnings per Share*, the Group shows no dilutive impact in respect of its share options and Deferred Awards in either year as their conversion to ordinary shares would decrease the loss per share from continuing operations.

7. Taxation

The taxation credit for continuing operations for the period of £42.3m (2020: £22.3m) reflects an estimated effective tax rate of approximately 21% (2020: 19%).

The Finance Bill 2021, which included an increase in the rate of corporation tax from 19% to 25% from 1 April 2023, received Royal Assent on 10 June 2021. The Group has therefore reassessed its net deferred taxation liability to reflect the prevailing taxation rates applicable to the periods in which these balances are expected to be utilised.

8. Dividends

In consideration of the continuing focus on liquidity given the still uncertain climate, the Board does not recommend the payment of an interim dividend (2020: nil).

9. Notes to the Consolidated Statement of Cash Flows

	Net cash / (debt)				Other			**Total**
	Cash and cash equivalents £m	Money market deposits £m	Borrowings £m	Lease Liabilities £m	Share capital / premium £m	Other reserves £m	Retained earnings £m	**£m**
At 31 March 2021 – audited	**1,379.0**	**-**	**(756.2)**	**(562.1)**	**(22.5)**	**0.1**	**(985.2)**	**(946.9)**
Repayment of borrowings	-	-	25.2	-	-	-	-	**25.2**
New loans advanced	-	-	(147.9)	-	-	-	-	**(147.9)**
Payments of lease liabilities	-	-	-	35.0	-	-	-	**35.0**
Proceeds on issue of Convertible bonds[1]	-	-	(328.7)	-	-	(51.4)	-	**(380.1)**
Total changes from financing cash flows	**-**	**-**	**(451.4)**	**35.0**	**-**	**(51.4)**	**-**	**(467.8)**
Other cash flows	(284.9)	941.1	-	-	-	-	-	**656.2**
Exchange differences	1.7	-	(5.2)	(10.8)	-	-	-	**(14.3)**
Unwinding of interest[2]	-	-	(4.0)	-	-	-	-	**(4.0)**
Lease movements[3]	-	-	-	(19.0)	-	-	-	**(19.0)**
Reclassification of transaction costs[4]	-	-	2.9	2.6	-	-	-	**5.5**
Other equity related changes	-	-	-	-	-	(0.9)	163.5	**162.6**
At 30 September 2021 – unaudited	**1,095.8**	**941.1**	**(1,213.9)**	**(554.3)**	**(22.5)**	**(52.2)**	**(821.7)**	**(627.7)**

[1] *In June 2021, senior unsecured convertible bonds were issued generating gross proceeds of £387.4m. The equity component of the bonds was valued at £51.4m and recognised in Other reserves.*

[2] *Unwinding of interest relates to non-cash interest which is accrued on the Group's Borrowings including the CCFF and convertible bonds.*

[3] *Lease movements include new leases and lease term amendments.*

[4] *Transaction costs from aircraft loan financing completed in previous years and previously held in Trade and other receivables, have been reclassified to better reflect their relationship with Borrowings in line with IFRS 9 – Financial Instruments.*

10. Convertible bonds

On 3 June 2021, the Group announced the launch of an offering of £387.4m of guaranteed senior unsecured convertible bonds due in 2026. Settlement and delivery of the convertible bonds took place on 10 June 2021. The total bond offering of £387.4m covers a five-year term beginning on 10 June 2021 with a 1.625% per annum coupon payable semi-annually in arrears in equal instalments. The bonds are convertible into new and/or existing ordinary shares of ***Jet2 plc***. The initial conversion price was set at £18.06 representing a premium of 40% above the reference share price on 3 June 2021 of £12.90. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on 10 June 2026.

The convertible bonds are deemed to be a compound financial instrument, with their accounting treatment as detailed in Note 2. Accordingly, £328.7m was initially recognised as a liability in the Statement of Financial Position on issue and £51.4m was recognised in equity, representing the conversion option. These two amounts are net of transaction costs of £7.3m, which were allocated proportionally between the components, with £6.3m recorded against the liability and £1.0m recorded against equity.

The Group have determined a significant judgement and estimate taken in the initial recognition of these convertible bonds as follows:

i. The fixed principal amount of each bond is convertible into a fixed number of shares; consequently the conversion option meets the “fixed-for-fixed” criterion required for recognition of a separate equity component. The terms of the convertible bonds include anti-dilution provisions to ensure that the holder’s potential interest in the equity of ***Jet2 plc*** is not diluted in specified circumstances. If these provisions are triggered, the number of shares that will be delivered to the holder is adjusted. On this basis, the Group considers that these provisions exist to ensure that the holder’s potential interest in the equity of the Company is not diluted under each of these circumstances and are not deemed to alter the fixed-for-fixed criterion. Therefore, the conversion option is accounted for as equity.

ii. The initial fair value of the liability portion of the convertible bond is determined using a market interest rate for an equivalent non-convertible Instrument at the issue date. If this discount rate increased by 1%, this would have resulted in the liability component decreasing by £15.0m and correspondingly the equity component increasing by £15.0m.

11. 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.

12. Restatement of prior year interim financial report

During the comparative period, the Group completed a placing of 29,781,894 ordinary shares at a total premium to nominal value of £171.3m and incurred £4.6m of incremental transaction costs, resulting in a net total premium of £166.7m.

The merger reserve represents the total premium to nominal value of the shares issued effected by way of a Jersey cash box structure, offset by incremental transaction costs. The Group has applied merger relief under the Companies Act 2006 and recognised a merger reserve of £166.7m which represents this net premium realised. Following the liquidation of the Jersey cashbox entities, this merger reserve has become distributable. As a result, the Group has chosen to transfer this amount to its Retained Earnings reserve.

In the previous year's interim financial report, the balance in excess of the nominal value had been held in share pr emium and therefore the Group has chosen to restate the comparative period in line with the substance of the transaction and reclassify the net total premium of £166.7m to retained earnings.

13. Other matters

This report will be posted on the Group's website, **www.jet2plc.com** and copies are available from the Group Company Secretary at the registered office address: Low Fare Finder House, Leeds Bradford Airport, Leeds, LS19 7TU.

14. Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information as stipulated u nder the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time, until the release of this announcement.