Jet2 plc

Interim Results 2020

Jet2 plc

Interim Results

Jet2 plc (formerly Dart Group plc), the Leisure Travel Group ("the Group"), announces its unaudited interim results for the half year ended 30 September 2020. These results are presented under International Financial Reporting Standards ("IFRS") as adopted by the EU.

Group financial highlights	**Half year ended 30 September 2020 Unaudited**	Half year ended 30 September 2019 Re-presented	*Change*
Revenue*	**£299.9m**	£2,528.8m	*(88%)*
Operating (loss) / profit*	**(£111.2m)**	£361.5m	*(131%)*
(Loss) / profit before FX revaluation & taxation*	**(£130.9m)**	£347.1m	*(138%)*
(Loss) / profit before taxation*	**(£119.3m)**	£337.0m	*(135%)*
(Loss)/ Profit for the period after taxation ǂ	**(£68.7m)**	£278.6m	*(125%)*
Basic earnings per share*	**(56.9p)**	185.5p	*(131%)*
Interim dividend per share	**-**	3.0p	*(100%)*

Figures shown for the half year ended 30 September 2019 have been re-presented for the impact of Discontinued Operations in the prior year. Further information can be found in Notes 9 and 10.

** Figures relate to continuing operations.*

ǂ *Includes profit after taxation from discontinued operations (following the sale of **Fowler Welch**) of £28.3m*

- In what has proven to be a period of unprecedented operational and financial challenges, Group operating loss was £111.2m (2019: operating profit £361.5m) with Group loss before foreign exchange revaluation and taxation of £130.9m (2019: Group profit before foreign exchange revaluation and taxation £347.1m).
- **Total Loss for the period after taxation was £68.7m (2019: total profit after taxation of £278.6m)**, which included profit after taxation from discontinued operations of £28.3m.
- **The Group's 'Own Cash' position, excluding customer deposits, at the half year end was £652.5m (2019: £1,012.2m) – an increase of 25% since 31 March 2020**. This balance included gross proceeds raised from an equity Placing plus the sale of the Distribution & Logistics business, **Fowler Welch**, of £269.7m. Total cash balances were £1,008.2m (2019: £1,655.7m). **Both our 'Own Cash' and Total Cash position at the reporting date are better than the scenarios prepared at the time of the Placing in May 2020**.
- After grounding our aircraft fleet in mid-March, we were pleased to resume operations on 15 July after the UK Government lifted quarantine restrictions for an approved list of countries.
- Our summer flying programme **has since concentrated on those routes where we can achieve a positive financial contribution, supported by our quick to market, flexible operating model.**
- ***Jet2.com*** flew a total of 0.99m (2019: 10.07m) single sector passengers in the half year, with ***Jet2holidays*** package holiday customers representing 57% (2019: 53%) of the overall mix of flown passengers at 0.30m customers (2019: 2.71m). The uncertainty created by the several changes in UK Government quarantine guidance resulted in us achieving an average load factor of 69.0% (2019: 93.1%).
- **Whilst the recent positive news about a potential vaccine was welcome, we continue our cautious approach to summer 2021**. Current seat capacity is close to summer 2019 levels and we are on sale to all our popular ***Real Package Holidays™*** leisure destinations.
- **We have taken many actions to improve our available liquidity over the period and will continue to do so, to ensure that we are best placed to respond swiftly as travel restrictions are modified and customer confidence recovers**. And, despite these difficult decisions, we will continue to take every step necessary to preserve cash and enhance liquidity to ensure both ***Jet2.com*** and ***Jet2holidays*** are equipped to deal with this most challenging of trading environments and also best positioned for a return to operations in a stable financial position, to the benefit of all stakeholders.

Chairman's Statement

I report on the Group's trading performance for ***Jet2.com***, our award-winning leisure airline and ***Jet2holidays***, our acclaimed ATOL licensed package holidays tour operator, for the half year ended 30 September 2020.

In what has proven to be a period of unprecedented operational and financial challenges, Group operating loss was £111.2m (2019: operating profit £361.5m) with Group loss before foreign exchange revaluation and taxation of £130.9m (2019: Group profit before foreign exchange revaluation and taxation £347.1m). In addition, the Group recorded a profit after taxation from discontinued operations of £28.3m (2019: £2.3m), which included a profit on disposal of its Distribution & Logistics operation, **Fowler Welch**, of £26.5m. **As a result, the total Loss for the period after taxation was £68.7m (2019: total profit after taxation of £278.6m).**

Basic earnings per share from continuing operations decreased to (56.9p) (2019: 185.5p). In consideration of the ongoing impact of Covid-19 and the continued focus on liquidity, the Board does not recommend the payment of an interim dividend (2019: 3.0p per share).

At 1 April 2020, the Group had a strong and carefully managed balance sheet with an 'Own Cash' balance, excluding customer deposits, of £520.4m and a total cash balance of £1,387.5m. As a result of the impact of Covid-19, our 'Own Cash' balance and the careful preservation of it, became a top priority.

A considered but swift response to the pandemic saw cost mitigation measures put in place including: approximately 80% of our UK colleagues initially being put on temporary leave of absence ('furloughed') which made full use of the grants available under the UK Government's Coronavirus Job Retention Scheme ("CJRS") with similar schemes also in place for many of our overseas colleagues; the cancellation of twelve summer-only third-party leased aircraft; deferral of non-critical capital expenditure; and the freezing of recruitment and discretionary spending. In addition, we also had positive discussions with many suppliers to reduce our monthly outgoings. Despite the CJRS, our monthly salary bill remains a substantial proportion of our overall costs and therefore, we asked all colleagues (including, of course, Directors) to take an ongoing pay cut. Additionally, performance related bonuses earned for the financial year ended 31 March 2020, plus the Discretionary Colleague Profit Share Scheme, were not paid.

We strengthened our cash position in May 2020, by completing an oversubscribed Placing of 20% of the then issued share capital of the Company raising gross proceeds of £171.7m. We also announced the sale of our Distribution & Logistics business, **Fowler Welch**, for a gross cash consideration of £98.0m on 1 June 2020. In addition, we secured eligibility for up to £300.0m of funding from the Bank of England under the UK Government's Covid Corporate Financing Facility ("CCFF").

We take people on holiday!

After grounding our aircraft fleet in mid-March, we were pleased to resume operations on 15 July after the UK Government lifted quarantine restrictions for an approved list of countries, enabling us to provide as many of our customers as possible with their well-deserved and eagerly anticipated ***Real Package Holidays™***.

Our summer flying programme has since concentrated on those routes where we can achieve a positive financial contribution. Following the reimposition of quarantine restrictions for Mainland Spain, the Canary Islands and the Balearics in late July, we successfully re-focussed our programme to Eastern Mediterranean destinations, supported by our quick to market, flexible operating model.

As a result, our leisure airline, ***Jet2.com***, flew a total of 0.99m (2019: 10.07m) single sector passengers in the half year, with ***Jet2holidays*** package holiday customers representing 57% (2019: 53%) of the overall mix of flown passengers at 0.30m customers (2019: 2.71m). The uncertainty created by the several changes in UK Government quarantine guidance resulted in us achieving an average load factor of 69.0% (2019: 93.1%).

Average flight-only ticket yield per passenger sector at £97.58 (2019: £88.87) was 10% higher than the prior year, primarily due to the stronger mix of Eastern Mediterranean destinations. Conversely, the average price of a ***Jet2holidays*** package holiday decreased by 3% to £681 (2019: £702), reflecting the many special offers received from hoteliers and passed onto our customers in the pricing.

Non-Ticket Retail Revenue per passenger sector grew by 19% to £29.26 (2019: £24.62) as a result of the increased mix of longer flights to the Eastern Mediterranean, increased take-up of extra leg room and advanced seat assignment, plus the provision of our successful in-flight retail service, something our customers have come to expect and enjoy.

As a result, overall Revenue decreased by 88% to £299.9m (2019: £2,528.8m).

Lower levels of flying activity resulted in reduced operational variable costs, however, this cost reduction was offset by fixed costs being carried at lower than normal productivity levels, mitigated in part by £59.2m of grants received from the CJRS. As a result, net operating expenses reduced by 81% to £411.1m (2019: £2,167.3m).

As is typical for the business, further losses are to be expected in the second half of the financial year, as we ready ourselves operationally for the proposed summer 21 flying programme. In addition, the ability to fly in the short term remains uncertain, as UK Government guidance currently restricts international travel except in limited circumstances, until at least 3 December 2020.

Trading performance resulted in an operating cash outflow of £29.5m, essentially a result of operating losses of £111.2m, offset by depreciation of £81.0m from continuing activities.

In addition, movements in working capital resulted in further cash outflows of £551.3m, primarily due to the business holding lower customer cash receipts which is largely a result of lower forward bookings, whilst additional cash was expended to refund customers for cancelled flights or holidays. Overall in the first half, the Group absorbed £566.5m of cash in its operating activities (2019: cash generated from operating activities of £512.5m).

We have taken great pride in refunding our customers promptly. Our virtual contact centre, social media and customer service teams having worked tirelessly in this regard, and we were duly recognised by the UK Civil Aviation Authority as the only UK airline to have been consistently processing cash refunds quickly.

Capital expenditure of £22.6m (2019: £72.1m) reflected the significant reduction in flying activity, plus a focus on purchasing critical items only, whilst inflows of cash were generated from the Placing, the consideration for the sale of the Distribution & Logistics business, plus £27.1m of corporation tax refunds due to projected trading losses.

As a result, the Group's 'Own Cash' position at the half year end was £652.5m (2019: £1,012.2m) – an increase of 25% since 31 March 2020. Total cash balances were £1,008.2m (2019: £1,655.7m), of which £8.1m was placed with counterparties in the form of margin calls to cover out-of-the-money hedge instruments (2019: £nil). **Both our 'Own Cash' and Total Cash position at the reporting date are better than the scenarios prepared for and disclosed at the time of the Placing in May 2020. In addition, there were no cash restrictions from Merchant Acquirers as refunding our customers swiftly and efficiently remained a priority throughout the period.**

Subsequent to the reporting period, we completed the financing of six unencumbered mid-life aircraft raising proceeds of US$75m. Our 'Own Cash' balance, excluding customer deposits, as at 15 November 2020 is £631.8m, with total cash balances of £934.2m. The CCFF remains undrawn.

Following the sale of our Distribution & Logistics business earlier in the year, the Company changed its name in September to ***Jet2 plc***, reflecting the continued focus on its longer-term strategy of growing its leisure travel business. We were delighted to announce the appointment of Stephen Heapy to Chief Executive Officer of ***Jet2 plc*** and I remain the Executive Chairman.

Key Performance Indicators	**Half year ended 30 September 2020**	Half year ended 30 September 2019	*Half year end change*
Leisure Travel sector seats available (capacity)	**1.44m**	10.82m	*(87%)*
Leisure Travel passenger sectors flown	**0.99m**	10.07m	*(90%)*
Leisure Travel average load factor	**69.0%**	93.1%	*(24.1ppts)*
Flight-only passenger sectors flown	**0.43m**	4.75m	*(91%)*
Package holiday customers	**0.30m**	2.71m	*(89%)*
Average flight-only ticket yield per passenger sector (excl. taxes)	**£97.58**	£88.87	*10%*
Average package holiday price	**£681**	£702	*(3%)*
Non-ticket revenue per passenger sector	**£29.26**	£24.62	*19%*
Advance sales made as at the reporting date	**£951.7m**	£1,206.3m	*(21%)*

Outlook

When the financial year began, very few people could have foreseen the prolonged impact of the pandemic. ***Jet2 plc*** has adapted quickly to the challenges presented by taking considered, but decisive actions to bolster its liquidity, minimise losses and reduce cash burn. Throughout, we have taken a disciplined approach to flying capacity which has seen us positively contribute to our fixed costs and deliver a better than expected cash position to the scenarios modelled at the time of the Placing in May.

At this stage, we anticipate winter 20/21 seat capacity will be approximately 50% less than winter 19/20. And, with travel advice remaining uncertain, we expect forward bookings to continue to display a pronounced shorter lead time than in previous years.

Whilst the recent positive news about a potential vaccine was welcome, we continue our cautious approach to summer 2021. Current seat capacity is close to summer 2019 levels and we are on sale to all our popular ***Real Package Holidays™*** leisure destinations.

We have taken many actions to improve our available liquidity over the period and will continue to do so, to ensure that we are best placed to respond swiftly as travel restrictions are modified and customer confidence recovers. And, despite these difficult decisions, we will continue to take every step necessary to preserve cash and enhance liquidity to ensure both ***Jet2.com*** and ***Jet2holidays*** are equipped to deal with this most challenging of trading environments and also best positioned for a return to full operations in a stable financial position, to the benefit of all stakeholders.

On 11 November, we were very pleased to announce our tenth UK operating base at Bristol Airport which is on sale and will commence flying operations on 1 April 2021, with the required aircraft and crews primarily sourced from our existing fleet and colleagues. This expansion reflects our long-term strategy to become the **UK's Leading and Best Leisure Travel business** and means that holidaymakers in the South West can now take their holidays in the *modern way* and look forward to something they have not experienced before, which is our award-winning customer service and their ***Real Package Holidays from Jet2holidays®***.

Philip Meeson
Executive Chairman
19 November 2020

For further information, please contact:

Jet2 plc Philip Meeson, Executive Chairman Gary Brown, Group Chief Financial Officer	**Tel:**	**0113 239 7817**
Cenkos Securities plc **Nominated Adviser** Katy Birkin / Russell Cook	**Tel:**	**020 7397 8900**
Canaccord Genuity - Joint Broker Adam James	**Tel:**	**020 7523 8000**
Jefferies International Limited - Joint Broker Ed Matthews	**Tel:**	**020 7029 8000**
Buchanan - Financial PR Richard Oldworth	**Tel:**	**020 7466 5000** **07710 130634**

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Condensed Consolidated Income Statement (Unaudited)

for the half year ended 30 September 2020

	Note	**Half year ended 30 September 2020 £m**	Half year ended 30 September 2019 £m Re-presented*	Year ended 31 March 2020 £m
Revenue	3	**299.9**	2,528.8	3,584.7
Net operating expenses		**(411.1)**	(2,167.3)	(3,400.1)
Operating (loss) / profit		**(111.2)**	361.5	184.6
Finance income		**1.4**	8.1	14.5
Finance expense		**(20.8)**	(22.9)	(44.0)
Net FX revaluation gains / (losses)		**11.6**	(10.1)	(8.1)
Net financing expense		**(7.8)**	(24.9)	(37.6)
(Loss) / profit on disposal of property, plant and equipment		**(0.3)**	0.4	0.7
(Loss) / profit before taxation - from continuing operations		**(119.3)**	337.0	147.7
Taxation	6	**22.3**	(60.7)	(36.1)
(Loss) / profit for the period - from continuing operations		**(97.0)**	276.3	111.6
Profit after taxation from discontinued operating activities	10	1.8	2.3	4.4
Profit on disposal of discontinued operations	10	26.5	-	-
Profit for the period (after taxation) - from discontinued operations*	**10**	**28.3**	2.3	4.4
(Loss) / profit for the period *(all attributable to equity shareholders of the Parent)*		**(68.7)**	278.6	116.0
Earnings per share from continuing operations				
- basic	4	**(56.9p)**	185.5p	75.0p
- diluted	4	**(56.9p)**	185.1p	74.8p

* The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Notes 9 and 10.

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Condensed Consolidated Statement of Comprehensive Income (Unaudited)

for the half year ended 30 September 2020

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m Re-presented*	Year ended 31 March 2020 £m
(Loss) / Profit for the period	**(68.7)**	278.6	116.0
Other comprehensive (expense) / income			
Cash flow hedges:			
Fair value (losses) / gains	**(3.9)**	25.7	(68.6)
Add back losses / (gains) transferred to income statement	**29.6**	(4.4)	5.0
Cost of hedging – changes in fair value	**1.2**	-	2.9
Cost of hedging – transferred to income statement	**(4.3)**	-	-
Related taxation (charge) / credit	**(4.3)**	(4.1)	11.9
Revaluation of foreign operations	**0.1**	0.4	3.9
	18.4	17.6	(44.9)
Total comprehensive (expense) / income for the period	**(50.3)**	296.2	71.1
(all attributable to equity shareholders of the Parent)			

Total comprehensive (expense) / income for the period arises from:			
Continuing operations	**(78.6)**	293.9	66.7
Discontinued operations*	**28.3**	2.3	4.4
Total comprehensive (expense) / income	**(50.3)**	296.2	71.1

* The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Notes 9 and 10.

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Condensed Consolidated Statement of Financial Position (Unaudited)

at 30 September 2020

	30 September 2020 £m	30 September 2019 £m Restated[‡]	31 March 2020 £m
Non-current assets			
Intangible assets	**26.8**	-	26.8
Goodwill	**-**	6.8	-
Property, plant and equipment	**890.9**	898.1	931.8
Right-of-use assets	**500.0**	603.8	534.1
Derivative financial instruments	**-**	3.0	25.1
	1,417.7	1,511.7	1,517.8
Current assets			
Inventories	**1.2**	2.1	1.3
Trade and other receivables	**159.5**	235.3	294.1
Derivative financial instruments	**51.4**	51.5	53.9
Cash and cash equivalents	**1,008.2**	1,655.7	1,387.5
Assets held for sale	**-**	-	128.2
	1,220.3	1,944.6	1,865.0
Total assets	**2,638.0**	3,456.3	3,382.8
Current liabilities			
Trade and other payables	**166.1**	495.3	366.4
Deferred revenue	**339.7**	661.7	736.0
Borrowings	**87.7**	38.9	104.4
Lease liabilities	**73.9**	122.5	76.2
Provisions and liabilities	**72.3**	75.3	67.7
Derivative financial instruments	**90.9**	22.9	216.5
Liabilities held for sale	**-**	-	61.8
	830.6	1,416.6	1,629.0
Non-current liabilities			
Deferred revenue	**10.7**	4.7	9.2
Borrowings	**384.4**	402.9	381.3
Lease liabilities	**548.9**	636.2	596.5
Derivative financial instruments	**26.2**	32.7	54.0
Deferred taxation	**86.3**	89.1	78.7
	1,056.5	1,165.6	1,119.7
Total liabilities	**1,887.1**	2,582.2	2,748.7
Net assets	**750.9**	874.1	634.1
Shareholders' equity			
Share capital	**2.3**	1.9	1.9
Share premium	**179.6**	12.8	12.9
Cash flow hedging reserve	**(48.8)**	(1.3)	(69.6)
Cost of hedging reserve	**(0.2)**	-	2.3
Other reserves	**3.4**	(0.2)	3.3
Retained earnings	**614.6**	860.9	683.3
Total shareholders' equity	**750.9**	874.1	634.1

[‡]In line with IFRS16 – *Leases*, the Group has reclassified pre-existing IAS17 finance leases of £539.5m from Borrowings into Lease liabilities above for half year ended 30 September 2019.

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Condensed Consolidated Statement of Cash Flows (Unaudited)

for the half year ended 30 September 2020

		Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m Restated*	Year ended 31 March 2020 £m
(Loss) / Profit from continuing operations before taxation		**(119.3)**	337.0	147.7
Profit from discontinued operations before taxation		**28.6**	2.7	5.5
Net financing expense (including Net FX revaluation (gains) / losses)		**8.0**	25.7	38.8
Hedge ineffectiveness		**0.7**	-	108.4
Depreciation		**83.4**	114.3	218.7
Profit on disposal of discontinued operations	10	**(26.5)**	-	-
Loss / (profit) on disposal of property, plant and equipment		**0.3**	(0.4)	(0.9)
Equity settled share-based payments		**-**	-	0.5
Operating cash flows before movements in working capital		**(24.8)**	479.3	518.7
Decrease / (increase) in inventories		**0.1**	(0.5)	(0.3)
Decrease / (increase) in trade and other receivables		**134.6**	84.5	(7.9)
(Decrease) / increase in trade and other payables		**(198.7)**	225.3	172.8
(Decrease) in deferred revenue		**(394.8)**	(273.5)	(194.7)
Movement in assets held for sale		**3.9**	-	-
Increase in provisions and liabilities		**5.0**	16.6	8.6
Payment on settlement of derivatives		**(101.4)**	-	-
Cash (used in) / generated from operations		**(576.1)**	531.7	497.2
Interest received		**1.4**	8.1	14.5
Interest paid		**(18.9)**	(21.8)	(40.5)
Income taxes refunded / (paid)		**27.1**	(5.5)	(28.1)
Net cash (used in) / generated from operating activities		**(566.5)**	512.5	443.1
Cash flows from / (used in) investing activities				
Purchase of intangibles		**-**	-	(26.8)
Purchase of property, plant and equipment		**(22.6)**	(72.1)	(211.3)
Proceeds from sale of discontinued operations (net of cash disposed)		**76.0**	-	-
Proceeds from sale of property, plant and equipment		**0.7**	0.4	2.5
Net decrease in money market deposits		**-**	50.0	50.0
Net cash from / (used in) investing activities		**54.1**	(21.7)	(185.6)
Cash flows from financing activities				
Repayment of borrowings		**(8.5)**	(19.0)	(38.0)
New loans advanced		**-**	-	65.0
Payment of lease liability		**(33.8)**	(49.4)	(99.7)
Proceeds on issue of share capital		**167.1**	-	0.1
Equity dividends paid		**-**	-	(15.5)
Net cash from / (used in) financing activities		**124.8**	(68.4)	(88.1)
Net (decrease) / increase in cash in the period		**(387.6)**	422.4	169.4
Cash and cash equivalents at beginning of period		**1,400.2**	1,224.3	1,224.3
Effect of foreign exchange rate changes		**(4.4)**	9.0	6.5
Cash and cash equivalents at end of period		**1,008.2**	1,655.7	1,400.2
- From continuing operations		**1,008.2**	1,646.8	1,387.5
- From discontinued operations*		**-**	8.9	12.7

* The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Notes 9 and 10. In line with IFRS16 – *Leases*, the Group has reclassified pre-existing IAS17 finance leases repayments of £18.7m from Borrowings into Lease liabilities above for half year ended 30 September 2019.

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Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the half year ended 30 September 2020

	Share capital £m	Share premium £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Other reserves £m	Retained earnings £m	**Total shareholders' equity £m**
Balance at 31 March 2019 – as originally reported	**1.9**	**12.8**	**(18.5)**	**-**	**(0.6)**	**599.8**	**595.4**
Effect of transition to IFRS 16	-	-	-	-	-	(17.5)	**(17.5)**
Balance at 31 March 2019 – as restated	**1.9**	**12.8**	**(18.5)**	**-**	**(0.6)**	**582.3**	**577.9**
Total comprehensive income	-	-	17.2	-	0.4	278.6	**296.2**
Balance at 30 September 2019	**1.9**	**12.8**	**(1.3)**	**-**	**(0.2)**	**860.9**	**874.1**
Total comprehensive income	-	-	(68.3)	2.3	3.5	(162.6)	**(225.1)**
Dividends paid	-	-	-	-	-	(15.5)	**(15.5)**
Share-based payments	-	-	-	-	-	0.5	**0.5**
Issue of share capital	-	0.1	-	-	-	-	**0.1**
Balance at 31 March 2020	**1.9**	**12.9**	**(69.6)**	**2.3**	**3.3**	**683.3**	**634.1**
Total comprehensive income	-	-	20.8	(2.5)	0.1	(68.7)	**(50.3)**
Issue of share capital	0.4	166.7	-	-	-	-	**167.1**
Balance at 30 September 2020	**2.3**	**179.6**	**(48.8)**	**(0.2)**	**3.4**	**614.6**	**750.9**

* The Group has classified its Distribution & Logistics segment as a discontinued operation as detailed in Notes 9 and 10.

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Notes to the consolidated interim report

for the half year ended 30 September 2020 (Unaudited)

1. General information

The Group's financial statements consolidate the financial statements of ***Jet2 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"). ***Jet2 plc*** is a public limited company incorporated and domiciled in England and Wales.

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 2020 does not constitute statutory accounts as defined in s435 of the Companies Act 2006. The financial statements for the year ended 31 March 2020 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 2019 have been re-presented for the impact of Discontinued Operations (see Notes 9 and 10 for further details). In addition, in line with IFRS16 – *Leases*, the Group reclassified pre-existing IAS17 finance leases of £539.5m from Borrowings into Lease liabilities for the half year ended 30 September 2019.

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 accounting policies applied within this interim report are consistent with those detailed in the Annual Report and Accounts for the year ended 31 March 2020.

The Group's financial statements are 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 2023.

The base forecast assumed ongoing flying restrictions through winter 2020/21, running at reduced average load factors and net ticket yields which are significantly below historic levels. A more normalised level of activity, utilising a fleet of 92 aircraft was forecast for the years ending 31 March 2022 and 31 March 2023.

The forecasts also incorporated management actions taken since the prior year end which have improved overall liquidity, being: full use of the grants available under the UK Government's Coronavirus Job Retention Scheme; completing an equity Placing raising net proceeds of £167.1m; the sale of the Distribution & Logistics business for cash consideration (net of sale costs) of £94.6m; plus securing eligibility for £300.0 million of funding under the Bank of England Covid Corporate Financing Facility scheme ("CCFF").

In addition, a downside scenario was modelled, with an 80% reduction to winter 2020/21 flying, followed by a 40% reduction for summer 21 versus the base forecast. This scenario also considered non-utilisation of the CCFF.

The Directors concluded that given the combination of a closing cash balance of £1,008.2m at 30 September 2020, the additional actions taken to increase liquidity since the year end and the forecast monthly cash flows, the Group would have sufficient resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the unaudited interim report for the half year ended 30 September 2020.

Derivative financial instruments and hedging

The Group uses forward foreign currency contracts and aviation fuel and interest rate swaps to hedge its exposure to foreign exchange rates, aviation fuel price and interest rate 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 and are measured at fair value through Other comprehensive income.

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 and in Other comprehensive income. Any ineffective portion is recognised within the Consolidated Income Statement.

For the effective portion of the hedging instruments, amounts reported in other comprehensive income are reclassified to the Consolidated Income Statement in the same period in which the hedged transaction affects profit and loss.

3. Segmental reporting

Business Segments

IFRS 8 – *Operating segments* require 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.

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 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 Leisure Travel segment represents the only continuing segment within the Group, and therefore information on its performance is presented in the Condensed Consolidated Income Statement.

The Distribution & Logistics segment was sold on 31 May 2020 and is therefore presented as a discontinued operation in line with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. Information on the performance of this segment can be found in Note 10.

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. There was no intersegment revenue in the current year (2019: £nil). Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

4. Earnings per share

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

(i) Earnings per share from continuing operations

	Half year ended 30 September 2020			Half year ended 30 September 2019		
	Earnings	**Weighted average number of shares**	**EPS**	Earnings	Weighted average number of shares	EPS
	£m	**millions**	**Pence**	£m	millions	Pence
Basic EPS						
(Loss) / profit attributable to ordinary shareholders	**(97.0)**	**170.6**	**(56.9)**	276.3	149.0	185.5
Effect of dilutive instruments						
Share options and deferred awards	**-**	**-**	**-**	-	0.3	(0.4)
Diluted EPS	**(97.0)**	**170.6**	**(56.9)**	276.3	149.3	185.1

(ii) Earnings per share from total operations

	Half year ended 30 September 2020			Half year ended 30 September 2019		
	Earnings	**Weighted average number of shares**	**EPS**	Earnings	Weighted average number of shares	EPS
	£m	**millions**	**Pence**	£m	millions	Pence
Basic EPS						
(Loss) / profit attributable to ordinary shareholders	**(68.7)**	**170.6**	**(40.3)**	278.6	149.0	187.0
Effect of dilutive instruments						
Share options and deferred awards	**-**	**-**	**-**	-	0.3	(0.4)
Diluted EPS	**(68.7)**	**170.6**	**(40.3)**	278.6	149.3	186.6

In accordance with IAS 33 – *Earnings per Share*, the Group shows no dilutive impact in respect of its share options and deferred awards for the half year ended 30 September as their conversion to ordinary shares would decrease the loss per share from continuing operations.

5. Dividends

In consideration of the ongoing impact of Covid-19 and the continued focus on liquidity, the Board does not recommend the payment of an interim dividend (2019: 3.0p per share). In accordance with IAS 1 – *Presentation of Financial Statements*, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge to the Income Statement.

6. Taxation

The taxation credit for continuing operations for the period of £22.3m (2019: charge £60.7m) reflects an estimated effective tax rate of approximately 19% (2019: 18%).

The Group applied the Substantial Shareholding Exemption, whereby it did not incur a corporation tax charge on the £26.5m gain generated from its qualifying disposal of shares in its Distribution & Logistics operating segment.

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

	Net cash / (debt)				Other		**Total**
	Cash and cash equivalents	Borrowings	Lease Liabilities	**Total Net cash / (debt)**	Share capital & premium	Retained earnings	
	£m	£m	£m	**£m**	£m	£m	**£m**
At 31 March 2020 – audited	**1,387.5**	**(485.7)**	**(672.7)**	**229.1**	**(14.8)**	**(683.3)**	**(469.0)**
Repayment of borrowings	-	8.5	-	**8.5**	-	-	**8.5**
Payments of lease liabilities	-	-	33.8	**33.8**	-	-	**33.8**
Proceeds on issue of share capital	-	-	-	**-**	(167.1)	-	**(167.1)**
Total changes from financing cash flows	**-**	**8.5**	**33.8**	**42.3**	**(167.1)**	**-**	**(124.8)**
Other cash flows	(374.9)	-	-	**(374.9)**	-	-	**(374.9)**
Exchange differences	(4.4)	5.1	19.3	**20.0**	-	-	**20.0**
Disposal of discontinued operations	-	-	(2.0)	**(2.0)**	-	-	**(2.0)**
Lease movements	-	-	(1.2)	**(1.2)**	-	-	**(1.2)**
Other equity related changes	-	-	-	**-**	-	68.7	**68.7**
At 30 September 2020 – unaudited	**1,008.2**	**(472.1)**	**(622.8)**	**(86.7)**	**(181.9)**	**(614.6)**	**(883.2)**

Lease movements include new leases and lease term amendments.

8. 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.

9. Restatement of prior year Financial Statements

Consolidated Income Statement
for the half year ended 30 September 2019

	Half year ended 30 September 2019 As re-presented £m	Half year ended 30 September 2019 Discontinued operations £m	Half year ended 30 September 2019 As originally reported £m
Revenue	**2,528.8**	(86.4)	2,615.2
Net operating expenses	**(2,167.3)**	82.9	(2,250.2)
Operating profit	**361.5**	(3.5)	365.0
Finance income	**8.1**	-	8.1
Finance expense	**(22.9)**	0.8	(23.7)
Net FX revaluation losses	**(10.1)**	-	(10.1)
Net financing costs	**(24.9)**	0.8	(25.7)
Profit on disposal of property, plant and equipment	**0.4**	-	0.4
Profit before taxation	**337.0**	(2.7)	339.7
Taxation	**(60.7)**	0.4	(61.1)
Profit for the period - from continuing operations	**276.3**	(2.3)	278.6
Profit for the period - from discontinued operations	2.3	2.3	-
Profit for the period *(all attributable to equity shareholders of the Parent)*	**278.6**	**-**	**278.6**
Earnings per share from continuing operations			
- basic	185.5p		187.0p
- diluted	185.1p		186.6p

10. Disposal of discontinued operations

On 31 May 2020, the Group sold its Distribution & Logistics operating segment, **Fowler Welch**. The Distribution & Logistics segment was previously classified as held-for-sale and as a discontinued operation.

The profit after taxation for the period from discontinued operating activities was £1.8m (2019: £2.3m).

In addition, a profit of £26.5m (2019: nil) was generated on disposal of these discontinued operations, for which the Group did not incur a corporation tax charge as detailed in Note 6.

This results in a total discontinued earnings per share of 16.6p (2019: 1.5p).

(i) Results of discontinued operations

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Turnover	**27.6**	86.4	166.8
Net operating expenses	**(25.3)**	(82.9)	(160.3)
Operating profit	**2.3**	3.5	6.5
Net financing expense	**(0.2)**	(0.8)	(1.2)
Profit on disposal of property, plant and equipment	**-**	-	0.2
Profit before taxation from discontinued operating activities	**2.1**	2.7	5.5
Taxation	**(0.3)**	(0.4)	(1.1)
Profit after taxation from discontinued operating activities	**1.8**	2.3	4.4
Profit on disposal of discontinued operations (Note 10 (ii))	26.5	-	-
Total profit after taxation from discontinued operations	**28.3**	2.3	4.4
Earnings per share			
- basic	**16.6p**	1.5p	3.0p
- diluted	**16.6p**	1.5p	3.0p

	Half year ended 30 September 2020			Half year ended 30 September 2019		
Earnings per share from discontinued operations	**Earnings £m**	**Weighted average number of shares millions**	**EPS Pence**	Earnings £m	Weighted average number of shares millions	EPS Pence
Basic EPS						
Profit attributable to ordinary shareholders	**28.3**	**170.6**	**16.6**	2.3	149.0	1.5
Effect of dilutive instruments						
Share options and deferred awards	**-**	**-**	**-**	-	0.3	-
Diluted EPS	**28.3**	**170.6**	**16.6**	2.3	149.3	1.5

10. Disposal of discontinued operations (continued)

(ii) Effect of disposal on financial position of Group

	£m
Consideration received (net of sale costs)	94.6
Less: Cash disposed of	(18.6)
Proceeds from sale of discontinued operations (net of cash disposed)	**76.0**
Net Assets disposed of:	
Goodwill	6.8
Property, plant and equipment	72.1
Inventories	0.6
Trade and other receivables	33.4
Trade and other payables	(25.6)
Deferred revenue	0.2
Lease liabilities	(36.2)
Provisions and liabilities	(0.7)
Deferred taxation	(1.1)
Net Assets	**49.5**
Profit on disposal of discontinued operations	**26.5**

(iii) Cash flows from discontinued operations

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m	Year ended 31 March 2020 £m
Net cash generated from operating activities	**8.0**	8.6	18.4
Net cash used in investing activities	**(0.1)**	(1.5)	(1.4)
Net cash used in financing activities	**(2.0)**	(5.6)	(11.7)
Net increase in cash in the period	**5.9**	1.5	5.3
Cash and cash equivalents at beginning of period	**12.7**	7.4	7.4
Cash and cash equivalents at disposal / end of period	**18.6**	8.9	12.7

11. 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.

12. 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) / profit before FX revaluation & taxation

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

(Loss) / profit before FX revaluation & taxation is calculated as below:

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
(Loss) / profit before taxation - from continuing operations	**(119.3)**	337.0
Add back: net FX revaluation (gains) / losses	**(11.6)**	10.1
(Loss) / profit before FX revaluation & taxation	**(130.9)**	347.1

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.