IMPACT OF IFRS 15&16 ON INCOME STATEMENT

Description	H1 2019 £m
IFRS 15: Deferral of revenue to H2 and compensation payments offset against revenue	(57)
IFRS 15: Reclassification of compensation costs to offset revenue	6
Total IFRS 15 pre tax profit impact on H1'19	**(51)**
IFRS 16: Reclassification of maintenance expense	(36)
IFRS 16: Reduction of leasing expense	(88)
IFRS 16: Increase in depreciation expense	112
IFRS 16: Increase in interest expense	12
Total IFRS 16 pre tax profit impact on H1'19	**-**
Total H1'19 pre tax profit impact of new accounting standards*	**(51)**

easyJet

* The P&L impact of IFRS 9 is not material

RETURN ON CAPITAL EMPLOYED

£m	H1 2019 Pre-IFRS adoption	H1 2019 Reported	H1 2018 Reported
Headline loss before interest and tax	(218)	(256)	(8)
Interest element of operating lease payments	30	-	25
Headline (loss)/profit before interest and tax – adjusted	(188)	(256)	17
UK corporation tax rate	19%	19%	19%
Normalised headline operating (loss)/profit after tax (NOPAT)	(152)	(207)	14
Average shareholders' equity	2,892	2,849	2,729
Average net debt/(cash)	(362)	168	(511)
Average capitalised leases	1,187	-	837
Average adjusted capital employed	3,717	3,017	3,055
Return on capital employed	(4.1%)	(6.8%)	0.4%

*Favourable /(adverse)

ADOPTION OF IFRS 16

Change in accounting:

• All aircraft operating leases have been capitalised on the balance sheet as a right-of use asset with a corresponding lease liability representing easyJet's obligation to make lease payments. Lease costs previously recognised within the Income Statement have been replaced by depreciation and interest expense.

• Contractual maintenance obligations which are dependent on the use of the aircraft will continue to be provided for over the term of the lease based on the estimate future costs, discounted to present value. However they have been capitalised to the right-of-use asset and depreciated immediately rather than recognised within maintenance costs in the Income Statement.

Impact on early adoption on 1 October 2018:

• £532 million of lease liabilities and £497 million of Right of Use Assets were recognised at 1 October 2018, with a corresponding net decrease to retained earnings.

HY'19 impact:

• There is no half year pre tax profit impact.

• Decreases in operating lease expenses of £86m and maintenance charges of £38m are replaced by increased levels of depreciation of £112m and interest expense of £12m.