15 November 2011 **easyJet plc**

Results for the year ended 30 September 2011

Strong performance driven by firm control of costs, the strength of the easyJet network and focus on customers

Results at a glance

	2011	2010	Change
Total revenue (£ million)	**3,452**	2,973	+16.1%
Reported profit before tax (£ million)	**248**	154	+60.8%
Underlying[1] profit before tax (£ million)	**248**	188	+31.5%
Underlying[1] pre-tax margin (%)	**7.2**	6.3	+0.9ppt
Return on Capital Employed (%)	**12.7**	8.8	+3.9ppt
Basic earnings per share (pence)	**52.5**	28.4	+84.9%
Proposed dividend – ordinary (pence per share)	**10.5**	-	nm
Proposed dividend – special (pence per share)	**34.9**	-	nm

- easyJet has made excellent progress over the past year and has delivered a strong set of results with underlying profit before tax up by £60 million to £248 million despite a £100 million increase in unit fuel costs. This strong performance is due to firm control of costs, effective yield management ,the strength of easyJet's network and focus on customers
- Return on Capital Employ ed (ROCE) improved by 3.9 percentage points to 12.7%
- On Time Performance improved by 13 percentage points to 79% with the strong performance across the network leading to a six percentage point improvement in customer satisfaction
- Total revenue per seat up 4.1% (3.4% at constant currency) to £55.27, as capacity investments made in FY'10 and the first half of FY'11 matured combined with a strong performance from ancillary revenue, up 12.9% to £11.52 per seat following decisive management action in the second quarter
- Passenger numbers rose 11.8% to 54.5 million and load factor improved by 0.3 percentage points to 87.3%. Passengers originating outside of the UK now account for 56%, an increase of 3 percentage points compared to the prior year. Passengers travelling with easyJet on business increased by almost one million to 9.5 million
- Underlying cost per seat (excluding fuel and currency movement) fell by 1.3% for the full year and was flat on a reported basis with strong performances in ground handling, maintenance and disruption related costs
- The year saw strong operating cash generation of £424 million, resulting in net cash of £100 million as at 30 September 2011
- The Board has recommended a one-off return to shareholders, structured as a special dividend, of £150 million. Taken together with the ordinary dividend of 10.5 pence per share, this provides an estimated total cash return to shareholders for the year of £195 million or 45.4 pence per share to be paid on 23 March 2012 to those shareholders on the register at the close of business on 2 March 2012 with an ex dividend date of 29 February 2012
- Earnings per share improved by 24.1 pence to 52.5 pence per share, of which around nine pence resulted from changes in the UK corporation tax rate and the resolution of various tax enquiries
- Forward bookings are in line with the prior year. With around 45% of winter seats now booked, first half total revenue per seat at constant currency is expected to be up by mid single digits

Note 1: Underlying measures exclude £27 million of cost relating to the volcanic ash cloud and £7 million loss on disposal of A321 aircraft in 2010. There were no underlying adjustments in 2011.

Commenting on the results, Carolyn McCall easyJet Chief Executive said

"easyJet has made great progress this year. Our strong operational and financial performance is a result of the hard work and commitment of easyJet's people in delivering on our cause to make travel easy and affordable for our customers. This delivery leads to tangible returns for our shareholders and we have announced a total cash return to shareholders for the year of approximately £195 million or 45.4 pence per share.

Despite the headwinds of higher fuel costs and a weak and uncertain economic outlook, our focus on customers, robust operational performance, the strength of easyJet's network combined with cost control and capital discipline means that easyJet is well placed to succeed."

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There will be an analyst presentation at 9:30 am on 15 November 2011 at RBS, 3rd floor, 250 Bishopsgate, EC2M 4AA.

A live webcast of the presentation will be available at www.easyJet.com

Business Review

INTRODUCTION

easyJet has made strong progress this year in the execution of it's strategy. Our strong operational and financial performance is a result of the hard work and commitment of easyJet's people to make travel easy and affordable for customers. The business has strengthened despite the headwinds of fuel costs, rising aviation taxes and a weak economy. The management team has introduced an enhanced focus on financial discipline, financial return and operational performance and constantly takes a rigorous look at the Company's network and profitability.

Financial performance

easyJet delivered record profit before tax of £248 million up by £60 million from an underlying profit of £188 million in 2010 despite a £100 million increase in unit fuel costs. Underlying profit per seat (including fuel, adjusting for last year's volcano effect and loss on disposal of A321 aircraft) rose by 61 pence to £3.97. This strong performance was driven by:

- Passenger numbers rose 11.8% to 54.5 million and load factor improved by 0.3 percentage points to 87.3%. Passengers originating outside of the UK now account for 56%, an increase of 3 percentage points compared to the prior year. Passengers travelling with easyJet on business increased by almost one million to 9.5 million
- Total revenue per seat up 4.1% (3.4% on a constant currency basis) to £55.27 as capacity investments made in FY'10 and the first half of FY'11 matured, combined with a strong performance from ancillary revenue, up 12.9% to £11.52 per seat following decisive management action in the second quarter
- Underlying cost per seat (excluding fuel and currency movement) fell by 1.3% for the full year and was flat on a reported basis with strong performances in ground handling, maintenance and disruption related costs

easyJet delivered ROCE of 12.7% in the year and generated cash from operations of £424m resulting in net cash as at 30 September 2011 of £100 million.

Returns to shareholders

In light of the strong performance of the business over the past 12 months, management's current medium term expectations for easyJet's financial performance and a prudent approach to maintaining balance sheet strength, the Board has recommended a one-off return to shareholders, structured as a special dividend, of £150 million or 34.9 pence per share. Taken together with the ordinary dividend of 10.5 pence per share this provides an estimated total cash return to shareholders for the year of £195 million or 45.4 pence per share to be paid on 23 March 2012 to those shareholders on the register at the close of business on 2 March 2012 with an ex dividend date of 29 February 2012. The special dividend will be accompanied by an associated share consolidation. The consolidation factor will be announced in due course.

Operational performance

Investment in operational robustness has delivered a strong improvement in easyJet's On Time Performance (OTP) with a 13 percentage point improvement across the network across the year with an increase of 25% in the fourth quarter and our performance is now in line or ahead of our key competitors.

OTP % arrivals within 15 minutes	Q1	Q2	Q3	Q4	Full year
2010	75%	66%	64%	60%	66%
2011	65%	81%	84%	85%	79%

The focus of the operations team in the coming financial year will be on maintaining the current performance whilst at the same time reducing cost through standardisation and simplification.

Customer satisfaction

The improvement in operational performance has been reflected in increased customer satisfaction. Overall satisfaction was up by six percentage points to 79% compared with the same period last year.

easyJet continues to develop its end to end customer proposition and today announced that it will start trialling allocated seating on selected routes from Spring 2012.

Engagement

At easyJet people are at the heart of delivering for our customers and executing the strategy to create value for shareholders. Consequently improving communication and engagement have been given a high priority this year as the whole of the Executive Management Team have travelled extensively across the network.

europe by easyJet

easyJet has made good progress implementing its new European structure. Country managers are now in place in each of our key European markets and are focused on improving the end to end customer proposition driving better route decisions and better engagement and lobbying with key regulatory and governmental agencies.

In September easyJet launched its new advertising campaign "europe by easyJet". We have seen promising initial results from the campaign with a 250 percent increase[2] in customers describing themselves as "much more likely to buy from easyJet"

Note: 2: source - Gfk Brand tracking

STRATEGIC POSITION

easyJet business strengths

easyJet is the fourth largest short haul carrier in Europe with a market share of 7.6%[3]. easyJet derives its competitive advantage from the following attributes:

- leading short-haul network in Europe with the highest number of market pairs within Europe's top 100 market pairs[3] and strong market shares in valuable markets such as London Gatwick, Paris, Milan Malpensa, Amsterdam and Geneva
- low cost and efficient business model derived from scale and cost advantage, high asset utilisation, a young efficient fleet with low cost of ownership and industry leading load factors
- financial and balance sheet strength

Note 3: Market share data from OAG

Competitive and regulatory environment

In the past year, capacity in European short haul grew by 2.8%, and by 3.1% on easyJet's routes[3]. It is expected that due to higher fuel costs, rising airport costs, taxation on air travel and a weak economic environment that over the coming year capacity growth will be at lower rate as carriers seek to rebuild margins.

A significant proportion of easyJet's cost base is determined by governments and regulators and easyJet continues to constructively engage with them on a number of issues that will impact easyJet's cost base in the future.

easyJet remains concerned that monopoly infrastructure providers across Europe, of both airports and airspace, continue to impose higher charges, despite the uncertain economic climate. Consequently there is now an increased focus on regulated airport charges, and easyJet has actively participated in the regulatory dialogue for Spanish; French; UK; Dutch; German; and Italian airports in 2011. Monopoly airports need to become more efficient, with infrastructure and associated charges built around the needs of passengers on point-to-point carriers such as easyJet. This will bring wider economic benefits by promoting tourism and trade.

The UK government has reversed its election promise to turn Air Passenger Duty in to a per plane tax. Instead it is proposing to lower the tax on long-haul flights and increase it on short-haul flights. Evidence shows this is both economically and environmentally damaging. Aviation's entry into the European Union Emissions Trading System means that there is no longer any environmental case for taxes on aviation.

Pleasingly the European Commission is planning in 2012 to propose reforms to the consumer rules that govern aviation. easyJet welcomes this announcement and will be working to ensure the proposals give passengers the rights they deserve, but do not expose airlines to unmanageable risks of the type we saw arising from the ash clouds of 2010. The Commission will also be working on a reform of the slot regulation. We hope this will give a renewed opportunity to ensure that slots are allocated to airlines such as easyJet which will use them efficiently.

Capacity planning and capital allocation

The Board is focused on driving returns for Shareholders and consistent with this focus has outlined a clear set of financial objectives and metrics, shown in Appendix A.

The Board's objective is to achieve returns in excess of the cost of capital and this will be measured by the ROCE achieved within a financial year. The Board has set a target of 12% ROCE through the five years planning cycle and for the financial year ended 30 September 2011 easyJet achieved a ROCE of 12.7%

After providing appropriate returns for shareholders, capital is allocated to support the network. Capital expenditure will be principally allocated to the following activities:

- maintaining fleet size through the replacement of leased aircraft as they exit the fleet and the maintenance, repair and overhaul of engines (an overhaul being required when an aircraft has operated for between eight and nine years in easyJet service in accordance with the manufacturer's maintenance programme)
- new network opportunities where the Board is satisfied that they can deliver on-target returns within a tight and defined timescale

In the past year, easyJet has implemented a new and more rigorous approach to assessing network returns. Routes are measured on the returns they are delivering against the Company's 12% ROCE target. Capacity on underperforming routes is reallocated, or performance managed and profitability improved, to deliver an appropriate return. In a dynamic market place, profitability of routes can change over time and by ensuring that route returns are continually monitored the Company is most effectively able to drive ROCE.

Capacity is also principally deployed on routes which operate on a year round basis, with less than 5% of easyJet's capacity allocated to summer-only routes, all of which are intended to deliver upper quartile ROCE (on average delivering ROCE above 12%).

Fleet plan and growth

easyJet has built flexibility into its fleet planning arrangements such that it can increase or decrease capacity deployed, subject to the opportunities available and prevailing economic conditions. The Company also has flexibility to move aircraft between routes and markets to improve ROCE.

During the past financial year, the Company took advantage of the agreement signed with Airbus in 2002 and converted 15 A320-family aircraft that had been under option to the Company since June 2007 into firm orders for 15 A320 aircraft, primarily to replace existing aircraft that will be retiring from the fleet in FY'13.

In the year, easyJet took delivery of 13 A319 aircraft and 12 A320 aircraft under the terms of the Airbus easyJet agreement. The two remaining Boeing 737-700s have been withdrawn from service and will be returned to their lessors in the first half of FY'12.

The total fleet at 30 September 2011 comprised 204 aircraft.

Fleet as at 30 September 2011:

	Owned	Operating leases	Finance leases	**Total**	Changes in year	Future committed deliveries[5]	Unexercised purchase rights and options[6]
easyJet A319	105	56	6	**167**	8	-	-
easyJet A320	24	6	5	**35**	12	35	73
Boeing 737-700	-	2	-	**2**	-6	-	-
GB Airways A320 family	-	-	-	**-**	-6	2[4]	-
	129	64	11	**204**	8	37	73

Note 4: To be delivered as part of a GB Airways commitment

Note 5: The 35 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years; 20 in 2012, 12 in 2013 and 5 in 2014.

Note 6: Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.

A further 35 easyJet specification aircraft deliveries are currently planned for arrival over the next three years, which will be offset by 24 planned exits from the fleet

The high cost of jet fuel and uncertain consumer demand across Europe means that easyJet is taking a cautious approach to capacity, utilising the flexibility in its fleet planning arrangements to ensure the fleet is held constant for the next two winters at 204 aircraft, as announced on 10 May 2011.

Thereafter, the Company has sufficient flexibility in its fleet planning arrangements to adapt to market and economic conditions, which the Board continues to keep under review.

The current contracted fleet plan over the period to 30 September 2013 is as set out below:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family[2]	Total contracted aircraft
At 30 September 2011	202	2	-	204
At 30 September 2012	213	-	-	213
At 30 September 2013	216	-	2[4]	218

Note 4: To be delivered as part of a GB Airways commitment

STRATEGY IMPLEMENTATION

easyJet has continued to make excellent progress in executing the strategy as outlined in November 2010 to drive sustainable margin improvement and capital discipline such that the company can deliver a ROCE of 12% throughout the five year planning cycle. An update against the pillars of the programme is set out below.

Network optimisation

easyJet's goal is to improve the underlying ROCE of the network through optimisation of the schedule and route portfolio.

Progress in FY'11

- Strong growth in mainland Europe with seats flown up 18.6%
- Valuable peak time slots obtained at London Gatwick, Paris Charles de Gaulle, and Amsterdam
- Clinical approach to reviewing route performance e.g. dropping Gothenburg from the network
- New capital allocation framework introduced focusing on return on capital metrics by route
- Supporting business traveller strategy

Passengers travelling on business

easyJet's goal is to drive additional contribution of £100 million from passengers travelling on business through delivering improvements in product and distribution

Progress in FY'11

- Frequency increased on key business routes such as Gatwick to Milan Malpensa up from four to five times a day
- Rollout of flexifare on easyJet.com
- Sales force starting to deliver, significant enterprise contracts signed
- Agreements reached with travel management companies
- Key business to business deals negotiated with pipeline of corporate growth deals
- New commercial freedom in Global Distribution System (GDS) contracts

easyJet lean

easyJet's lean projects are set up under the sponsorship of the Chief Financial Officer and the goal is to maintain its cost advantage by ensuring below inflation non-fuel cost per seat increases. This will be achieved by driving cost efficiencies through best in class procurement, leveraging our scale, tight control of overhead costs, greater crew flexibility and improved operational performance.

Progress in FY'11

- Unit costs (excluding fuel) fell by 1.3% at constant currency with strong performances in ground handling, maintenance and disruption related costs
- Process re-engineering to deliver cost optimisation e.g. de-icing in Malpensa; ground handling contracts
- Implemented plans to increase proportion of lower unit cost A320 in the fleet
- Improvement in operational resilience. OTP improved by 13 percentage points to 79%
- £92 million of savings identified in FY'12 which will partially offset inflationary increases and investment in initiatives such as allocated seating

MARKET REVIEW

The **UK** macro-economic environment remains difficult, especially in the travel and tourism sector as the number of UK residents taking an overseas holiday over the three months to August 2011 fell by 4% compared to the same period in 2010. The competitive environment remained tough with capacity increases in 2011. Against this backdrop easyJet performed well with total revenue per seat growth of mid single digits. At London Gatwick easyJet significantly increased frequency on many of the busiest business routes such as Madrid, Milan, Rome and Amsterdam. easyJet also increased its market share at bases such as Bristol as carriers such as Ryanair retreated, and in Glasgow after BMI withdrew services to Heathrow from the airport.

Despite the Euro-crisis **German** consumer confidence remained positive. However, the introduction of APD in Germany in January 2011 has damaged profitability across all airlines operating in Germany. easyJet's focus in 2011 has been on maintaining our market leadership on key city routes from Berlin with increased frequencies on routes to London Gatwick, Copenhagen, Basel and Barcelona. easyJet has gained share on routes to London, Milan and Madrid as competitors have retreated. **Switzerland** has also seen a stable economic environment and easyJet's focus in 2011 has been on defending its leading position at Basel and Geneva whilst increasing its focus on passengers travelling on business.

Spain continues to be one of the most competitive markets in Europe. In 2011 easyJet refocused capacity to enable the network to improve profitability and attract more passengers travelling on business. In Spain more than 60% of air travel is purchased in offline channels and consequently easyJet is implementing measures to improve its presence in these areas.

Despite a difficult economic environment in **Italy** the short haul intra-European market remains buoyant, easyJet grew capacity by around 11% as it built its presence in selected key Italian markets of Milan, Rome, Naples and Venice. At Milan Malpensa easyJet further consolidated its leading share as Lufthansa announced the closure of its base.

easyJet consolidated its position as the number two airline in **France** and increased its capacity by 29% as it continued with its strategy to build its position as the alternative airline to Air France in major French airports. easyJet's share of the French shorthaul market is now 12%. easyJet also announced that it intends to open bases in 2012 at Toulouse and Nice. easyJet already has a 20% market share at these airports.

LOOKING FORWARD TO FY'12

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the following 12 months anticipated requirements. Details of our current hedging arrangements are set out below:

Percentage of anticipated requirement / surplus hedged	Fuel requirement	US Dollar requirement	Euro surplus sale
Six months ending 31 March 2012	80%	80%	76%
Rate / $ per MT	$950 per MT	$1.60	€1.13
Full year ending 30 September 2012	73%	69%	71%
Rate / $ per MT	$956 per MT	$1.59	€1.13
Full year ending 30 September 2013	48%	46%	50%
Rate / $ per MT	$979 per MT	$1.61	€1.14

Sensitivities

- A $10 movement per metric tonne impacts the FY'12 fuel bill by $5m.
- A one cent movement in £/$ impacts the FY'12 profit before tax by £3m.

Outlook

The macro-economic environment remains challenging for all airlines as weak consumer confidence across Europe slows the rate at which higher fuel prices and increased taxation can be passed onto passengers. Against this backdrop easyJet is taking a cautious approach to capacity deployment. As a result, capacity in the first half of the year is planned to be flat (adjusting for disruption in the first part of the prior year), with growth of around 4% for the full year.

With around 45% of winter seats now sold, in line with the prior year, first half passenger revenue per seat is expected to grow by mid-single digits with planned improvement in yields, bag charges and other ancillary revenues.

Cost per seat excluding fuel and currency[7] impact is expected to grow by 2% to 3% for the full year and by 4% in the first half of the year, assuming normal levels of disruption, driven by price increases at regulated airports and investments in new revenue streams.

At current fuel[7] and exchange rates easyJet's fuel bill is anticipated to increase by £220 million in FY'12 compared to FY'11.

Despite the headwinds of higher fuel costs and a weak and uncertain economic outlook, our focus on customers, robust operational performance, the strength of easyJet's network combined with cost control and capital discipline means that easyJet is well placed to succeed.

Note 7: Rates as at 14 November 2011: US$1.59/£, €1.17/£ and US$1,075 per metric tonne.

Finance review

Introduction

	2011			2010		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Total revenue	3,452	55.27	4.98	2,973	53.07	4.72
Profit before tax (underlying)	248	3.97	0.36	188	3.36	0.30
Profit before tax (reported)	248	3.97	0.36	154	2.75	0.24
Profit after tax (reported)	225	3.60	0.32	121	2.17	0.19

During 2011 easyJet continued to grow its network successfully with an increase in seats flown of 11.5%, principally in London Gatwick, France and Switzerland. Load factor was marginally higher at 87.3% and passengers increased by 11.8% to 54.5 million.

Total revenue grew by 16.1% to £3,452 million resulting in growth of 4.1% in revenue per seat, driven by increases in ancillary revenue and maturing of capacity investments made in previous years. This was achieved despite a significant increase in passenger taxes, and continuing economic uncertainty across Europe.

Excluding the impact of volcanic ash disruption and the loss on the sale of four A321 aircraft in 2010, profit before tax increased by £60 million (£0.61 per seat) to £248 million. With the exception of external industrial action in the first quarter and a period of severe winter weather around Christmas, the business benefited from significantly lower levels of operational disruption than last year, with on the day cancellations and overnight delays reducing by 46%.

ROCE increased by 3.9 percentage points to 12.7%, driven by the improved levels of profit. Gearing remains low at 28% and the business had cash and money market deposits totalling £1.4 billion at 30 September 2011.

After taking into consideration the level of liquidity in the business, and contracted commitments to acquire further aircraft, the Board is proposing to pay an ordinary dividend of £45 million (10.5 pence per share) and a special dividend of £150 million (34.9 pence per share], and resolutions to this effect will be tabled at the Annual General Meeting in February next year.

Exchange rates

Of capacity growth in the year of 6.5 million seats flown, around two-thirds was deployed in bases outside the UK, resulting in the following exposures to foreign currency:

	Revenue		Costs	
	2011	2010	2011	2010
Sterling	47%	48%	24%	27%
Euro	44%	44%	35%	34%
US dollar	-	-	35%	33%
Other (principally Swiss franc)	9%	8%	6%	6%

Average exchange rates	2011	2010	Change
Euro	€1.15	€1.15	nil
US dollar (sterling weaker)	$1.61	$1.64	(1.8)%
Swiss franc (sterling weaker)	CHF 1.45	CHF 1.64	(11.6)%

Although a substantial proportion of both revenue and costs is denominated in Euros, there was no change year on year in the Euro exchange rate, and hence no impact on the reported result. The impact of changes in the Swiss franc and US dollar were:

Favourable / (adverse)	Swiss franc	US dollar	Total
	£ million	£ million	£ million
Revenue	24	-	24
Fuel	-	(17)	(17)
Costs excluding fuel	(21)	(8)	(29)
Total	3	(25)	(22)

Revenue

	2011			2010		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Passenger revenue	2,733	43.75	3.94	2,402	42.87	3.81
Ancillary revenue	719	11.52	1.04	571	10.20	0.91
Total revenue	3,452	55.27	4.98	2,973	53.07	4.72

Revenue per seat improved by 4.1% compared with last year reflecting a strong summer performance from the UK and the steady maturing of significant capacity investments made in mainland Europe during the last few years.

Passenger revenue contributed 2% of this increase, held back by significant increases in APD, VAT and similar taxes levied on passengers. Overall these taxes, driven by a further increase in UK APD and the introduction of APD in Germany, increased by 19.8% to £6.26 per seat.

We remain convinced that taxes of this nature are a blunt instrument that does not achieve their stated objective and will continue to press our case for such taxes to be levied on aircraft and not passengers.

Ancillary revenue grew strongly, up by 12.9% to £11.52 per seat. This improvement was driven by the introduction of higher charges for hold baggage on longer sectors, and revised speedy boarding and booking fees.

Costs

	2011			2010		
Underlying costs *	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Operating costs excluding fuel	2,067	33.10	2.98	1,852	33.04	2.94
Fuel	917	14.68	1.32	733	13.09	1.17
Ownership costs	220	3.52	0.32	200	3.58	0.32
Total costs	3,204	51.30	4.62	2,785	49.71	4.43
Total costs excluding fuel	2,287	36.62	3.30	2,052	36.62	3.26

**Underlying measures exclude (in 2010) costs of £27 million relating to the volcanic ash cloud and a loss of £7 million on disposal of four A321 aircraft. There are no underlying adjustments made in 2011.*

Total cost per seat increased by 3.2% to £51.30; however excluding fuel, cost per seat was flat at £36.62, and down by 1.3% at constant currency. This result was driven by savings from renegotiation of key contracts with ground handlers and lower levels of operational disruption, offset by some significant price increases at regulated airports and planned investment in crew standby levels.

Operating costs excluding fuel

	2011			2010		
Underlying costs *	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Ground operations	923	14.79	1.33	805	14.36	1.28
Crew	407	6.51	0.58	336	6.00	0.53
Navigation	285	4.56	0.41	256	4.57	0.41
Maintenance	179	2.86	0.26	177	3.16	0.28
Selling and marketing	102	1.64	0.15	92	1.64	0.14
Other costs	171	2.74	0.25	186	3.31	0.30
	2,067	33.10	2.98	1,852	33.04	2.94

Operating costs per seat excluding fuel increased by 0.2% to £33.10. At constant currency, operating costs per seat excluding fuel fell by 0.9% to £32.75 per seat.

Ground operations cost per seat increased by 3.0% of which around half was due to changes in exchange rates. Good progress was made in renegotiating contracts with ground handlers and reducing the use of optional services at airports, however this was more than offset by price increases at regulated airports, notably London Gatwick and the AENA airports in Spain. Successful delivery of easyJet's strategy requires the use of more expensive, often regulated, primary airports, and we will continue to develop more efficient ways of working to contain cost per seat in this area.

Crew cost per seat increased by 8.6%, driven by continued growth of crew based in mainland Europe and an overall increase in crew numbers of 19%. This increase in headcount allowed us to increase the number of standby crews and made the operation more resilient during the summer, contributing to lower disruption costs and significant improvements in on time performance and customer satisfaction.

Navigation costs were flat at £4.56 per seat despite regulated cost increases averaging 2%.

Continuing the improvement shown last year, maintenance costs declined by 9.5% to £2.86 per seat, with further cost initiatives offsetting supplier price increases. However the benefits seen in prior years from the reduction in the number of leased aircraft in the fleet have now run their course, and it is likely that cost savings will now level off.

Other costs were down 17.2% at £2.74 per seat, mainly due to significantly reduced levels of operational disruption.

Fuel

		2011			**2010**	
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Fuel	917	14.68	1.32	733	13.09	1.17

The market price for jet fuel rose sharply over the year. Our hedging activities shielded us from the full impact of this rise and the average price paid increased by $86 to $818 per tonne; in sterling terms an increase of £63 to £508. Of the total increase in fuel costs of £184 million, £100 million (£1.59 per seat) is due to this increase in fuel prices.

For the coming financial year we have hedged 73% of our anticipated fuel requirements at $956 per tonne.

Ownership costs

		2011			**2010**	
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Aircraft dry leasing	109	1.75	0.16	102	1.82	0.16
Depreciation	83	1.33	0.12	72	1.29	0.12
Amortisation	7	0.12	0.01	6	0.11	0.01
Interest receivable	(9)	(0.15)	(0.01)	(7)	(0.13)	(0.01)
Interest payable and other financing charges	24	0.38	0.03	20	0.36	0.03
Net exchange losses	6	0.09	0.01	7	0.13	0.01
	220	3.52	0.32	200	3.58	0.32

Ownership costs declined slightly to £3.52 per seat; continuing recent strong performance. This is particularly pleasing given that changes in average exchange rates increased total ownership cost per seat by £0.13.

The benefits seen in recent years from the move away from more expensive leased Boeing aircraft are now virtually all realised. The last two Boeing aircraft have been withdrawn from service and returned to their lessors during the first half of the coming year. We have therefore now reached the objective of a standardised fleet with two gauges of Airbus aircraft. Going forward we will increase the proportion of A320 aircraft in the fleet which will deliver an overall reduction in depreciation and aircraft dry leasing cost per seat.

Interest rates continue at historically low levels; while this adversely impacts interest income, we also benefit from lower interest payable and, to an extent, lower lease payments as 20 aircraft are subject to floating rate lease arrangements. There is no immediate end in sight to this period of exceptionally low interest rates.

Exchange losses arise from changes in the value of monetary assets and liabilities denominated in currencies other than sterling.

Earnings per share, tax and profit after tax

Profit after tax was £225m (2010: £121m) resulting in basic earnings per share of 52.5 pence (2010: 28.4 pence), an increase of 84.9%. The tax charge was £23 million resulting in an effective tax rate of 9% (2010: charge of £33 million and effective tax rate of 21%.

The difference between the effective tax rate and standard UK rate is principally driven by the reduction in the UK deferred tax rate to 25% and the resolution and reassessment of various tax matters following discussions with the UK and European tax authorities.

Summary consolidated statement of cash flows

	2011 **£ million**	2010 £ million	Change £ million
Net cash generated from operating activities	**424**	363	61
Net capital expenditure *	**(478)**	(482)	4
Net loan and lease finance drawdown	**357**	177	180
Net (increase) / decrease in money market deposits	**(38)**	31	(69)
Other including the effect of exchange rates	**(77)**	34	(111)
Net increase in cash and cash equivalents	**188**	123	65
Cash and cash equivalents at beginning of year	**912**	789	123
Cash and cash equivalents at end of year	**1,100**	912	188
Money market deposits at end of year	**300**	260	40
Cash and money market deposits at end of year	**1,400**	1,172	228

* stated net of disposal proceeds of £75 million in 2011

In line with prior years, easyJet generated strong operating cash flow in the year principally driven by growth in forward bookings and revenue per seat.

Net capital expenditure principally comprises the acquisition of 25 aircraft (thirteen A319 and twelve A320) and payments in connection with the new order for aircraft announced in January 2011; net of proceeds received for the disposal of the remaining four A321 aircraft acquired with GB Airways.

Net loan and lease drawdown comprised proceeds received from the sale and leaseback of eighteen aircraft (three on finance leases), and the mortgage of nine aircraft, net of repayments on mortgages and finance leases.

At 30 September 2011 easyJet had £1.4 billion of cash and money market deposits. Board policy is to hold a cash reserve of £4 million per aircraft, so £584 million is available to finance committed aircraft orders and pay the proposed ordinary and special dividends.

Summary consolidated statement of financial position

	2011	2010	Change
	£ million	£ million	£ million
Goodwill	**365**	365	-
Property, plant and equipment	**2,149**	1,928	221
Net working capital	**(765)**	(590)	(175)
Restricted cash	**123**	56	67
Net cash / (debt)	**100**	(40)	140
Current and deferred taxation	**(188)**	(176)	(12)
Other non-current assets and liabilities	**(79)**	(42)	(37)
Net assets	**1,705**	1,501	204
Opening shareholders' equity	**1,501**	1,307	194
Profit for the year	**225**	121	104
Change in hedging reserve	**(21)**	59	(80)
Other movements	**-**	14	(14)
	1,705	1,501	204

Net assets increased by £204 million over the year driven by the profit for the year offset by a small net change in the hedging reserve.

The net book value of property plant and equipment increased by £221 million driven principally by the acquisition of a net 10 owned A320 family aircraft, and advance payments under the new aircraft order announced in January 2011.

Net working capital improved by £175 million to a net negative £765 million. Passengers pay for their flights in full when booking, therefore the key component of this balance is unearned revenue, which increased by £115 million. The increase in restricted cash is connected with this increase due to contractual arrangements with certain card acquirers.

	2011	2010	Change
	£ million	£ million	£ million
Cash and cash equivalents	**1,100**	912	188
Money market deposits	**300**	260	40
	1,400	1,172	218
Bank loans	**(1,079)**	(1,057)	(22)
Finance lease obligations	**(221)**	(155)	(66)
	(1,300)	(1,212)	(88)
Net cash / (debt)	**100**	(40)	140

easyJet ends the year with £1,400 million in cash and money market deposits; an increase of £218 million compared with 30 September 2010. Net borrowings increased by £88 million. The majority of bank loans and finance leases and all money market deposits are denominated in US dollars and the sterling value of this net liability increased by £8 million during the year as a consequence of exchange rate changes.

Net cash at 30 September 2011 were £100 million compared with net debt of £40m at 30 September 2010. Strong operating cash flow and the increase in net assets delivered a reduction in gearing of five percentage points to 28% at 30 September 2011.

Appendix A. Financial objectives and metrics

	Objectives	Measures
Return Targets	• Earn returns in excess of cost of capital through the cycle • Invest in growth opportunities where returns are attractive	• After tax ROCE of 12% through the cycle • Improve profit before tax per seat to £5
Capital Structure And Liquidity	• Ensure robust capital structure • Maintain sufficient liquidity to manage through the cycle and industry shocks • Return excess capital to Shareholders	• Maximum gearing of 50% (gearing meaning debt plus seven times annual lease payments less cash) divided by (Shareholders' equity plus debt plus seven times annual lease payments less cash) • Cap of £10 million adjusted net debt per aircraft • Target £4 million cash per aircraft
Dividend Policy	• Target consistent and continuous dividend payout	• Five times cover, subject to meeting gearing and liquidity targets • Annual payment based on full year profits after tax; introduced for year ended 30 September 2011, payable 2012 • Consider returns over five times cover to reduce excess capital
Aircraft Ownership	• Maintain flexibility around fleet deployment and size	• Target of 70% owned aircraft, 30% leased aircraft
Fuel Hedging	• Insulate short term operating performance against adverse movements in fuel price and exchange rates	• 65%-85% of the next 12 months' anticipated requirements • 45%-65% of the following 12 months' anticipated requirements

Appendix B. Key statistics

Operational measures	2011	2010	Change
Seats flown (millions)	62.5	56.0	11.5%
Passengers (millions)	54.5	48.8	11.8%
Load factor	87.3%	87.0%	+0.3ppt
Available Seat Kilometres (ASK) (millions)	69,318	62,945	10.1%
Revenue Passenger Kilometres (RPK) (millions)	61,347	56,128	9.3%
Average sector length (kilometres)	1,110	1,123	(1.2)%
Sectors	393,147	353,080	11.3%
Block hours	761,708	689,316	10.5%
Number of aircraft owned/leased at end of year	204	196	4.1%
Average number of aircraft owned/leased during year	198.8	187.9	5.8%
Number of aircraft operated at end of year	197	186	5.9%
Average number of aircraft operated during year	185.4	174.9	6.0%
Operated aircraft utilisation (hours per day)	11.3	10.8	4.2%
Number of routes operated at end of year	547	509	7.5%
Number of airports served at end of year	123	125	(1.6)%

Financial measures	2011	2010	Change
Return on equity	14.0%	8.6%	+5.4ppt
Return on capital employed	12.7%	8.8%	+3.9ppt
Underlying measures			
Profit before tax per seat (£)	3.97	3.36	17.9%
Profit before tax per ASK (pence)	0.36	0.30	20.9%
Revenue			
Revenue per seat (£)	55.27	53.07	4.1%
Revenue per seat at constant currency (£)	54.87	53.07	3.4%
Revenue per ASK (pence)	4.98	4.72	5.4%
Revenue per ASK at constant currency (pence)	4.94	4.72	4.7%
Costs			
Per seat measures			
Total cost per seat (£)	51.30	49.71	3.2%
Total cost per seat excluding fuel (£)	36.62	36.62	Flat
Total cost per seat excluding fuel at constant currency (£)	36.15	36.62	(1.3)%
Operational cost per seat (£)	47.78	46.13	3.6%
Operational cost per seat excluding fuel (£)	33.10	33.04	0.2%
Operational cost per seat excluding fuel at constant currency (£)	32.75	33.04	(0.9)%
Ownership cost per seat (£)	3.52	3.58	(1.6)%
Per ASK measures			
Total cost per ASK (pence)	4.62	4.43	4.2%
Total cost per ASK excluding fuel (pence)	3.30	3.26	1.2%
Total cost per ASK excluding fuel at constant currency (pence)	3.26	3.26	Flat
Operational cost per ASK (pence)	4.30	4.11	4.7%
Operational cost per ASK excluding fuel (pence)	2.98	2.94	1.3%
Operational cost per ASK excluding fuel at constant currency (pence)	2.95	2.94	0.3%
Ownership cost per ASK (pence)	0.32	0.32	Flat

Appendix C. Extract from annual report and accounts

CONSOLIDATED INCOME STATEMENT

Year ended 30 September	Notes	**2011 £ million**	2010 £ million
Passenger revenue		**2,733**	2,402
Ancillary revenue		**719**	571
Total revenue		**3,452**	2,973
Ground operations		**(923)**	(805)
Fuel		**(917)**	(733)
Crew		**(407)**	(336)
Navigation		**(285)**	(256)
Maintenance		**(179)**	(177)
Selling and marketing		**(102)**	(92)
Aircraft wet leasing		**-**	(14)
Volcanic ash disruption		**-**	(27)
Royalty		**(4)**	-
Other costs		**(167)**	(172)
EBITDAR		**468**	361
Aircraft dry leasing		**(109)**	(102)
Depreciation		**(83)**	(72)
Amortisation of intangible assets		**(7)**	(6)
Loss on disposal of assets held for sale		**-**	(7)
Operating profit		**269**	174
Interest receivable and other financing income		**9**	7
Interest payable and other financing charges		**(30)**	(27)
Net finance charges	3	**(21)**	(20)
Profit before tax		**248**	154
Tax charge	4	**(23)**	(33)
Profit for the year		**225**	121
Earnings per share, pence			
Basic	5	**52.5**	28.4
Diluted	5	**52.0**	28.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September	Notes	2011 £million	2010 £million
Profit for the year		**225**	121
Other comprehensive income			
Cash flow hedges			
Fair value gains in the year		**122**	91
Gains transferred to income statement		**(152)**	(9)
Related tax	4	**9**	(23)
		(21)	59
Currency translation differences		**-**	1
Total comprehensive income for the year		**204**	181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September	Notes	2011 £ million	2010 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**86**	87
Property, plant and equipment	6	**2,149**	1,928
Derivative financial instruments		**24**	8
Loan notes		**11**	13
Restricted cash		**33**	33
Other non-current assets		**63**	54
		2,731	2,488
Current assets			
Assets held for sale		**-**	73
Trade and other receivables		**165**	194
Derivative financial instruments		**83**	53
Restricted cash		**90**	23
Money market deposits		**300**	260
Cash and cash equivalents		**1,100**	912
		1,738	1,515
Current liabilities			
Trade and other payables		**(916)**	(829)
Borrowings		**(155)**	(127)
Derivative financial instruments		**(52)**	(10)
Current tax liabilities		**(9)**	(28)
Maintenance provisions		**(45)**	(71)
		(1,177)	(1,065)
Net current assets		**561**	450
Non-current liabilities			
Borrowings		**(1,145)**	(1,085)
Derivative financial instruments		**(27)**	(4)
Non-current deferred income		**(59)**	(56)
Maintenance provisions		**(177)**	(144)
Deferred tax liabilities		**(179)**	(148)
		(1,587)	(1,437)
Net assets		**1,705**	1,501
Shareholders' equity			
Share capital		**108**	107
Share premium		**654**	652
Hedging reserve		**14**	35
Translation reserve		**1**	1
Retained earnings		**928**	706
		1,705	1,501

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2010	107	652	35	1	706	1,501
Total comprehensive income	-	-	(21)	-	225	204
Share incentive schemes						
Proceeds from shares issued	1	2	-	-	-	3
Value of employee services	-	-	-	-	6	6
Related tax (note 4)	-	-	-	-	(1)	(1)
Purchase of own shares	-	-	-	-	(8)	(8)
At 30 September 2011	**108**	**654**	**14**	**1**	**928**	**1,705**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2009	106	642	(24)	-	583	1,307
Total comprehensive income	-	-	59	1	121	181
Share incentive schemes						
Proceeds from shares issued	1	10	-	-	(1)	10
Value of employee services	-	-	-	-	5	5
Related tax (note 4)	-	-	-	-	(1)	(1)
Purchase of own shares	-	-	-	-	(1)	(1)
At 30 September 2010	**107**	**652**	**35**	**1**	**706**	**1,501**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September	Notes	2011 £ million	2010 £ million
Cash flows from operating activities			
Cash generated from operations	7	**449**	365
Net interest and other financing charges (paid) / received		**(23)**	12
Net tax paid		**(2)**	(14)
Net cash generated from operating activities		**424**	363
Cash flows from investing activities			
Purchase of property, plant and equipment		**(550)**	(472)
Proceeds from sale of assets held for sale		**75**	-
Purchase of other intangible assets		**(6)**	(11)
Redemption of loan notes		**3**	1
Net cash used by investing activities		**(478)**	(482)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**3**	10
Purchase of own shares for employee share schemes		**(8)**	(1)
Proceeds from drawdown of bank loans		**172**	213
Repayment of bank loans		**(154)**	(188)
Proceeds from drawdown of finance leases		**71**	47
Repayment of capital elements of finance leases		**(6)**	(4)
Net proceeds from sale and operating leaseback of aircraft		**273**	109
Net (increase) / decrease in money market deposits		**(38)**	31
(Increase) / decrease in restricted cash		**(67)**	16
Net cash generated from financing activities		**246**	233
Effect of exchange rate changes		**(4)**	9
Net increase in cash and cash equivalents		**188**	123
Cash and cash equivalents at beginning of year		**912**	789
Cash and cash equivalents at end of year		**1,100**	912

NOTES TO THE ACCOUNTS

1. Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2011 but is extracted from the 2011 Annual report and accounts.

The Annual report and accounts for 2010 have been delivered to the Registrar of Companies.

The Annual report and accounts for 2011 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

2. Significant judgements, estimates and critical accounting policies

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

The following three accounting policies are considered critical accounting policies as they require a significant amount of management judgment and the results are material to easyJet's accounts.

Goodwill and landing rights

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network.

The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long term economic growth rates for the principal countries in which it operates and its pre-tax weighted average cost of capital.

Aircraft maintenance provisions

easyJet incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, easyJet will also normally need to carry out one heavy maintenance check on each of the engines and the airframe during the lease term.

A charge is made in the income statement based on hours or cycles flown to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services.

Tax

In drawing up the accounts, estimates are made of current and deferred tax assets and liabilities for each jurisdiction in which easyJet operates. These estimates are affected by transactions and calculations where the ultimate tax determination was uncertain at the time the accounts were finalised. The issues involved are often complex and may take an extended period to resolve. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

3. Net finance charges

	2011 £ million	2010 £ million
Interest receivable and other financing income		
Interest income	**(9)**	(7)
	(9)	(7)
Interest payable and other financing charges		
Interest payable on bank loans	**20**	21
Interest payable on finance lease obligations	**5**	3
Other interest payable	**(1)**	(4)
Net exchange losses	**6**	7
	30	27
	21	20

Other interest payable includes a credit of £1 million (2010: £6 million) reversing previous interest accruals

4. Tax charge

Tax on profit on ordinary activities

	2011 £ million	2010 £ million
Current tax		
United Kingdom corporation tax	**5**	-
Foreign tax	**9**	5
Prior year adjustments	**(30)**	(18)
Total current tax credit	**(16)**	(13)
Deferred tax		
Temporary differences relating to property, plant and equipment	**54**	15
Other temporary differences	**(5)**	19
Prior year adjustments	**7**	15
Change in tax rate	**(17)**	(3)
Total deferred tax charge	**39**	46
	23	33
Effective tax rate	9%	21%

The prior year adjustments in 2011 and 2010 reflect the resolution and reassessment of various tax matters following discussions with the UK and European tax authorities. This has resulted in the net credits to the prior year current tax and debits to prior year deferred tax referred to above.

Current tax liabilities at 30 September 2011 amounted to £9 million (2010: £28 million), substantially all of which relates to years prior to 2011 which remain open with the relevant tax authorities. As in prior years a significant portion of this balance may not be settled in cash but accounted for as a movement in the deferred tax liability. During the year ended 30 September 2011, net cash tax paid amounted to £2 million (2010: £14 million), which principally comprises foreign taxes paid.

4. Tax charge (continued)

Tax on items recognised directly in other comprehensive income or shareholders' equity

	2011 £ million	2010 £ million
Credit / (charge) to other comprehensive income		
Deferred tax credit / (charge) on fair value movements of cash flow hedges	**9**	(23)
Charge to shareholders' equity		
Current tax credit on share-based payments	**-**	2
Deferred tax charge on share-based payments	**(1)**	(3)
	(1)	(1)

5. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee share trusts.

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares.

Earnings per share is based on:

	2011 £ million	2010 £ million
Profit for the year	**225**	121

	2011 million	2010 million
Weighted average number of ordinary shares used to calculated basic earnings per share	429	427
Weighted average number of dilutive share options	4	6
Weighted average number of ordinary shares used to calculated diluted earnings per share	**433**	433

Earnings per share	**2011 pence**	2010 pence
Basic	**52.5**	28.4
Diluted	52.0	28.0

A dividend in respect of the year ended 30 September 2011 of £195 million is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this dividend payable.

6. Property, plant and equipment

	Aircraft and spares	Leasehold improvements	Other	Total
	£ million	£ million	£ million	£ million
Cost				
At 1 October 2010	2,129	13	29	2,171
Additions	519	-	9	528
Aircraft sold and leased back	(228)	-	-	(228)
Transfer to intangible assets	-	-	(6)	(6)
Disposals	(10)-	(5)	(13)	(28)
At 30 September 2011	2,410	8	19	2,437
Depreciation				
At 1 October 2010	216	8	19	243
Charge for the year	80	1	2	83
Aircraft sold and leased back	(20)	-	-	(20)
Disposals	-	(5)	(13)	(18)
At 30 September 2011	276	4	8	288
Net book value				
At 30 September 2011	**2,134**	**4**	**11**	**2,149**
At 1 October 2010	1,913	5	10	1,928

The net book value of aircraft includes £164 million (2010: £153 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £1,206 million (2010: £1,108 million) were mortgaged to lenders as loan security.

Aircraft with a net book value of £159 million (2010: £105 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 37 (2010: 47) Airbus A320 family aircraft, with a total list price of US$1.9 billion (2010: US$2.2 billion) before escalations and discounts for delivery in the period to March 2014.

7. Reconciliation of operating profit to cash generated from operations

	2011 £ million	2010 £ million
Operating profit	269	174
Adjustments for non-cash items:		
Depreciation	83	72
Loss on disposal of property, plant and equipment	-	2
Loss on disposal of assets held for sale	-	7
Amortisation of intangible assets	7	6
Share-based payments	6	5
Unrealised foreign exchange differences	-	(3)
Changes in working capital and other items of an operating nature:		
Decrease in trade and other receivables	27	43
Increase in trade and other payables	92	45
Decrease in provisions	(5)	(1)
(Increase) / decrease in other non-current assets	(9)	9
(Increase) / decrease in derivative financial instruments	(2)	2
(Increase) / decrease in non-current deferred income	(19)	4
	449	365

8. Reconciliation of net cash flow to movement in net cash / (debt)

	1 October 2010 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2011 £ million
Cash and cash equivalents	912	(4)	-	192	1,100
Money market deposits	260	2	-	38	300
	1,172	(2)	-	230	1,400
Bank loans	(1,057)	(5)	1	(18)	(1,079)
Finance lease obligations	(155)	(1)	-	(65)	(221)
	(1,212)	(6)	1	(83)	(1,300)
Net (debt) / cash (non-GAAP measure)	**(40)**	**(8)**	**1**	**147**	**100**

9 Related party transactions

On 11 October 2010, easyJet announced that it had reached an agreement on its dispute with easyGroup IP Licensing Ltd ('easyGroup') and Sir Stelios Haji-Ioannou over the terms and operation of the easyJet brand licence.

Under the agreement an annual royalty of 0.25% of total revenue (fixed at £3.95 million for the year ended 30 September 2011 and £4.95 million for the year ending 30 September 2012) is payable for a minimum term of ten years.

A new brand protection protocol was also agreed. easyJet must meet the costs to protect the 'easy' and 'easyJet' brands alongside easyGroup on a ratio of 10:1 respectively up to a combined cost of £1.1 million per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A separate agreement has been entered in to with Sir Stelios Haji-Ioannou, for two years, where for an annual fee of £300,000 he will not licence the 'easy' brand to an ATOL holder in relation to the sale of airline seats, not to sell the shares in easyGroup or the easyJet brand or to acquire an interest in any other airline for two years.

Further details of the agreement can be found in easyJet's Annual report and accounts 2010.

The amounts included in the income statement for the year ended 30 September 2011 for these items were as follows:

	2011 £ million	2010 £ million
Annual royalty	4.0	-
Brand protection (legal fees paid through easyGroup to third parties)	0.7	-
Agreement with Sir Stelios Haji-Ioannou	0.3	-
	5.0	-