

Finncomm Acquisition

1 July 2011

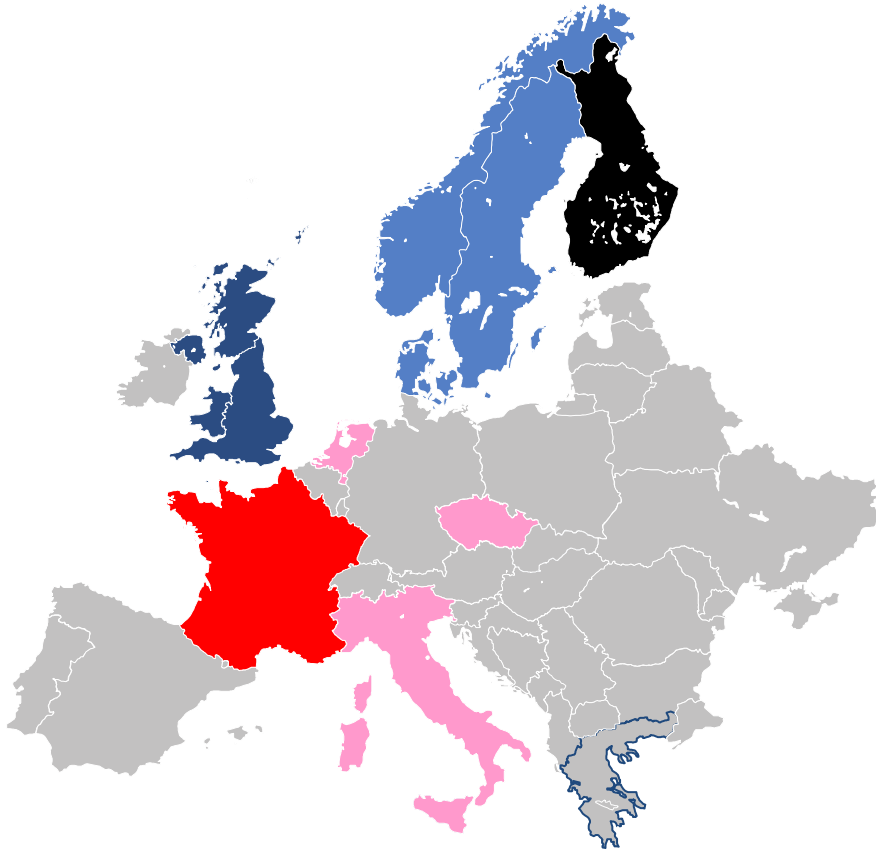


European Strategy Outlined at IPO



Target markets

- France – Air France/KLM relationship
- Nordic/Baltic – Finnair



Nordic/Baltic market

- Fragmented regional airline market place
- Legacy carriers' business model under pressure in regional sector
- Baltic region has good economic growth prospects

Finland

- High propensity for air travel
- Higher yields
- Attractive geography for Flybe
 - Significant percentage of flights cross water
 - Limited road and rail competition
 - Short, high frequency sectors

Flybe and Finnair – Partnership Vision

“To create the largest and most profitable regional airline in the Nordic and Baltic States”

- **Finncomm currently carries 34% of Finland domestic market**
- **Flybe’s role as 60% JV partner**
 - Strengthen Finnair’s Helsinki hub by developing feeder services
 - Introduce Flybe’s:
 - regional airline business model to Nordic and Baltic states
 - ancillary revenue model
 - retail brand with high level of direct distribution
 - Expand ‘point to point’ flying to Nordic and Baltic states
- **Finnair’s role as 40% JV partner**
 - Assets help smooth entry – brand, distribution, loyalty programme
 - Reduce risk through contract flying c50%
 - Aircraft provided at market rates

Transaction Headlines

- **60%:40% joint venture between Flybe and Finnair**

- **Acquisition of Finncomm**

- 100% of Finnish Commuter Airlines ('FCA')
- 46% of Finnish Aircraft Maintenance ('FAM')
- Will be equity accounted, not consolidated

- **Acquisition price €25m plus net cash**

- Flybe €12m, Finnair €13m, completion subject to competition clearance
- Total Flybe investment up to €23.6m, including net cash and loan repayment

- **Business plan**

- Flybe share of loss in year of acq'n c€(3m)
- Break-even in 1st full year, then 15%+ return on investment in 2nd year, JV turnover c€100m

Comparison to BA Connect

Finncomm (2011)		BA Connect (2007)
23	Routes	50
0.9m	Passengers	3.2m
€90m	Turnover	£325m
15	Aircraft	39
400	Employees	1,600

Why Acquisition?



- Lower risk entry than organic development
- Avoids significant start-up losses on new routes
- Operational infrastructure already in place
- Substantial support from Finnair

Flybe Nordic

- Joint venture - 60% Flybe and 40% Finnair
- Flybe brand on all JV aircraft
- Dimensions – 2012/13 first full year
 - circa 40k sectors (Flybe 140k)
 - circa 1.5m passengers (Flybe 7.2m)
- Risk profile
 - c50% scheduled
 - c50% contract flying
- Aircraft
 - 15 leased aircraft (9 ATR 72s, 4 ATR 42s, 2 E170s), plus 3 delivery positions on ATR 72s

Flybe. Luo lisää lentäviä suomalaisia.
Flybe, Euroopan suurin lähialueiden lentoyhtiö on saapunut Suomeen.

Yhteistyössä Finnairin kanssa **flybe.fi**

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The Turnaround Plan

- **Apply Flybe business model**
 - Retail branding, internet distribution, ancillary revenues
- **Revised route network**
- **Revised commercial terms for aircraft**
- **Revised contract flying terms (50%) of activity**
- **Reduce costs by applying volume discounts, for fuel, aircraft insurance etc**