11th November 2015

Flybe Group plc

Registered number 1373432

Our turnaround is on course

Flybe Group plc

Half-yearly financial report for the six months ended 30th September 2015

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Responsibility Statement

For the six months ended 30th September 2015

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Saad Hammad **Chief Executive Officer**	**Philip de Klerk** **Chief Financial Officer**
11th November 2015	11th November 2015

Flybe Group plc

Interim management report

To the shareholders of Flybe Group plc

Cautionary statement
This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose. This preliminary announcement contains certain forward-looking statements. Such statements are made by the directors in good faith based on information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Flybe Group plc and its subsidiary undertakings when viewed as a whole.

11th November 2015

Flybe turnaround on course: Results for the six months to 30th September 2015

Flybe, Europe's largest regional airline, announces continued progress in its turnaround with revenue growth in its core business and a return to profitability. This complements last week's announcement that Flybe has resolved its last major legacy issue with the completion of Project Blackbird concerning surplus E195 jets, and positions Flybe well for future profitable growth.

Financial summary	H1 2015/16	H1 2014/15	Change
Group revenue	£339.6m	£307.8m	£31.8m
Adjusted total cost	£318.5m	£308.8m	£(9.7)m
Adjusted profit / (loss) before tax	£21.1m	£(1.0)m	£22.1m
Revaluation of USD loans	£1.8m	£(2.3)m	£4.1m
Profit / (loss) before tax	£22.9m	£(3.3)m	£26.2m
Discontinued business	£nil	£(12.0)m	£12.0m
Total Cash	£197.2m	£171.0m	£26.2m

Financial highlights - Group

- Group revenue up 10.3% to £339.6m
- Profit before tax of £22.9m (H1 2014/15: loss of £3.3m), driven by Flybe UK improvement
- Cash generation improved in H1 with overall net inflow from operating activities of £21.3m (H1 2014/15: £6.5m)
- At 30th September 2015, the Group's balance sheet remained strong with net assets of £172.8m, including total cash of £197.2m and net funds of £86.3m, up £9.6m vs. prior year end

Flybe UK

- 11.2% increase in revenue to £330.9m driven by 13.1% increase in seat capacity to 5.9 million seats and improved commercial execution
- 10.2% increase in passenger numbers to 4.5 million passengers
- UK regional sector share up 0.4ppts to 51.2%
- Encouraging passenger revenue per seat development, given seat capacity growth, with 0.3% decrease to £54.56 driven by:
    - 1.6% increase in yield to £72.05
    - 2ppts decrease in load factor to 76.3%
- 7% reduction in cost per seat (including fuel) at constant currency benefitted from:
    - Lower surplus aircraft cost with the mitigations from flying three E195 aircraft in H1
    - Non-recurrence of one-time charge of £4m for historic EU261 liabilities
    - Lower costs in aircraft ownership and marketing
- Investment in new routes supported by positive performance on like-for-like routes
- On-Time-Performance within 15 minutes of scheduled arrival time in H1 maintained at over 84% and schedule reliability maintained at over 99%

Flybe Aviation Services (FAS, previously MRO)

- FAS provides maintenance, repair and overhaul (MRO) services to Flybe UK and third-party customers.
- FAS's revenue in H1 2015/16 decreased to £18.5m (H1 2014/15: £19.3m).
- Hours produced were impacted by deferral of third party work into H2 and therefore decreased to 244k hours (H1 2014/15: 261k hours). The deferral of third party work enabled FAS to prepare the return to service of the surplus E195 fleet. These effects, together with more competitive pricing, produced a loss of £(0.3)m (2014/15: profit £1.5m).

Board

- At the AGM on 22nd July 2015, Charlie Scott stepped down from the Board and David Kappler took over the role of Senior Independent Director and Chair of the Audit Committee.

Interim management report (continued)

Long-term Strategy and Business Objectives

- Flybe's long-term business objective is to become the best local airline in Europe delivering superior returns. To achieve this, Flybe will continue to operate high frequency services on thin regional routes which mainstream airlines are unable to operate profitably and offer regional customers, especially those travelling on business, a better alternative to rail, road and other airlines in time-saving connectivity
- Flybe continues to make solid progress towards achieving this vision. It has completed Chapters 1-3 of its four chapter transformation. It has concluded its restructuring (Chapter 1), relaunched as a business with a strengthened balance sheet and a modernised brand (Chapter 2), and dealt with all of its major legacy issues while returning to growth (Chapter 3). Flybe is now focused on profitable growth (Chapter 4) and will increasingly deploy capacity on European routes

Q3 Trading Update (as at 9th November 2015).

Flybe UK's current forward booking profile for Q3 2015/16 shows the following % changes vs. prior year:

- Seat capacity up by c13%
- c51% of seats sold vs. c56% in the prior year
- Yield up c4%
- Passenger revenue per seat down by c6%

Saad Hammad, Chief Executive Officer, commented:

"Our turnaround is on course with a very encouraging performance in the first half. We have returned to profit by delivering significant revenue growth through capacity investment and improved commercial execution, while reducing unit cost. We are also pleased to have resolved all our key legacy issues with the completion of Project Blackbird. The benefits from this will start to come through next financial year.

Competitive pressures are expected to grow in the second half with industry-wide benefit from lower fuel costs and growth in seat capacity. Against this backdrop, we are remaining disciplined in cost control and our capacity growth plans. Our focus will be on building service frequency on our established routes to maximise our appeal to time-sensitive business travellers.

While there are still a number of challenges ahead, Flybe enters the winter season with solid momentum".

Enquiries:

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There will be an analyst presentation at 09.00 BST on 11th November 2015 at Andaz Hotel, 40 Liverpool Street, London, EC2M 7QN.

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

Interim management report (continued)

Detailed Results for the six months ended 30th September 2015

	H1 2015/16 £m	H1 2014/15 £m	Change £m
Group revenue	**339.6**	307.8	31.8
EBITDAR [1]	**70.5**	47.0	23.5
Adjusted profit/(loss) before tax and USD loan revaluations [2]	**21.1**	(1.0)	22.1
Profit/(loss) before tax	**22.9**	(3.3)	26.2
Profit/(loss) after tax	**26.8**	(3.4)	30.2
Net cash inflow from operating activities	**21.3**	6.5	14.8

1. EBITDAR defined as operating profit/(loss) after adding back depreciation, amortisation and aircraft rental charges.
2. Adjusted profit/(loss) before tax and USD loan revaluation gains of £1.8m (H1 2014/15: revaluation losses of £(2.3)m). 2014/15 disclosures have been represented to exclude discontinued operations of (£(12.0)m) and include surplus capacity costs of £14.5m. Surplus capacity costs are superseded by the impact of project Blackbird as they are now part of the operating costs.

EBITDAR and profit measures

Set out below is a reconciliation from operating profit/(loss) to the EBITDAR figures. All EBITDAR metrics are non-GAAP measures[1].

EBITDAR is a common airline profit measure which is used for making comparisons between airlines.

	H1 2015/16	H1 2014/15	Change
	£m	£m	£m
Operating profit/(loss)	**21.9**	(0.6)	22.5
Depreciation and amortisation [3]	**11.5**	6.7	4.8
Aircraft rental charges	**37.1**	40.9	(3.8)
EBITDAR	**70.5**	47.0	23.5

Unadjusted profit/(loss) before tax is adjusted to remove the revaluation loss/(gain) on USD aircraft loans.

	2015	2014	Change
	£m	£m	£m
Profit/(loss) before tax – unadjusted[2]	**22.9**	(3.3)	26.2
Revaluation (gain)/loss on USD aircraft loans	**(1.8)**	2.3	4.1
Adjusted profit/(loss) before tax	**21.1**	(1.0)	22.1

The adjusted profit/(loss) before tax figures given above are non-GAAP measures[1].

1. Non-GAAP measures exclude amounts that are included in the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. The reconciliations above describe how the non-GAAP measure is determined from the most directly comparable measure calculated and presented in accordance with IFRS. The non-GAAP measures are not regarded as a substitute for, or to be superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-GAAP measures described may not be directly comparable with similarly-titled measures used by other companies.
2. H1 2014/15 disclosures have been represented to include surplus capacity costs of £14.5m. H1 2014/15 excludes discontinued operations operating loss of £(12.2)m for Finland.
3. The increase in depreciation in H1 2015/16 is the depreciation on maintenance assets.

Flybe Group plc

Interimmanagement report (continued)

Fleet

Flybe's total fleet under management at 30th September 2015 totalled 70 aircraft with an average age of 7.3 years (31st March 2015: 66 aircraft, average age 7.0 years), as summarised below:

		Number of aircraft		
	Number of seats	At 31 March 2015	Net movements in period	**At 30 September 2015**
Flybe UK				
Embraer E195 regional jet	118	10	(1)	9
Embraer E175 regional jet	88	11	-	11
Bombardier Q400 turboprop	78	45	4	49
ATR72-600 turboprop	70	-	1	1
		66	4	70
Total		**66**	**4**	**70**
Held on operating lease		52	4	56
Owned[1]		14	-	14
Total		**66**	**4**	**70**
Total seats in fleet		5,658		5,894
Average seats per aircraft		85.7		84.2
Average age of fleet (years)		7.0		7.3

1. Six aircraft are owned in a finance lease structure. Eight aircraft are owned by Flybe Limited and have loan financing secured against them.

An E195 was returned early to the lessor on the 28th May 2015. The four incremental Q400 aircraft in the period are the first of the 10 Republic aircraft expected to be delivered during 2015/16. Two of the Q400 aircraft operate in support of the SN Brussels white label operation. The ATR 72-600 is the first aircraft supporting the SAS white label operation which started in October.

Interim management report (continued)

Business results

Flybe's results analysed by segment are summarised below:

	H1 2015/16 £m	H1 2014/15 £m
Business revenues:		
Flybe UK	**330.9**	297.5
FAS/MRO	**18.5**	19.3
Inter-segment sales	**(9.8)**	(9.0)
Group revenue	**339.6**	307.8
Finland*	**-**	117.2
Revenue under management	**339.6**	425.0

* Finland was discontinued in H2 2014/15.

	H1 2015/16 £m	H1 2014/15 £m
Business profit/(loss) before tax:		
Flybe UK[1]	**23.5**	(0.7)
FAS/MRO	**(0.3)**	1.5
Group costs	**(2.1)**	(1.8)
Group adjusted profit/(loss) before tax [2]	**21.1**	(1.0)
Finland [3]	**-**	(12.0)
Revaluation gain/(loss) on USD aircraft loans	**1.8**	(2.3)
Group reported profit/(loss) before tax	**22.9**	(15.3)

1. Flybe UK profit before tax is the segment profit of £23.5m (H1 2014/15: loss of £(0.7)m) after adding back Group costs of £2.1m (H1 2014/15: £1.8m), and revaluation gains on USD aircraft loans of £1.8m (H1 2014/15: losses of £(2.3)m). H1 2014/15 disclosures have been represented to include surplus capacity costs of £14.5m.
2. Group adjusted profit/(loss) before tax and revaluation on USD aircraft loans is defined as profit/(loss) before tax and revaluation gains on USD aircraft loans of £1.8m (H1 2014/15: losses of £(2.3)m).
3. Finland was discontinued in H2 2014/15.

Flybe UK

Revenue

	H1 2015/16		H1 2014/15	
	£m	**£ per seat**	£m	£ per seat
Passenger revenue	**320.0**	**54.56**	283.9	54.75
Contract flying revenue	**5.0**		7.3	
Other revenue	**5.9**		6.3	
Total revenue – Flybe UK	**330.9**	**56.42**	297.5	57.36

Flybe UK's seat capacity[1] increased by 13.1% to 5.9 million in H1 2015/16 (H1 2014/15: 5.2 million) with scheduled sectors increased by 14.2% to 72,132 (H1 2014/15: 63,164). Passenger numbers[2] increased 10.2% to 4.5 million (H1 2014/15: 4.1 million). Load factor[3] decreased to 76.3%, down 2.0ppts (H1 2014/15: 78.2%), while passenger yield[4] increased by 1.6% to £72.05 (H1 2014/15: £70.89). There was a resulting 0.3% fall in passenger revenue per seat[5] to £54.56.

Change in definitions:

1. Seats represent the number of scheduled seats flown.
2. Passengers are people with an issued ticket where the ticket has charged a fare and/or a passenger surcharge and tax (if applicable). This includes people who purchase a ticket and do not show up for the flight where, as is usually the case, the ticket is non-refundable.
3. Load factor is the number of passengers divided by seats flown.
4. Passenger yield represents passenger revenue per passenger.
5. Passenger revenue represents total ticket and ancillary revenue including unflown APD less refunds (Passenger revenue per seat represented total ticket and ancillary revenue per seat in 2014/15).

Operating costs

	H1 2015/16		H1 2014/15		
	£m	**£ per seat**	£m	£ per seat	£ per seat at constant currency[1]
Fuel and aircraft operations	**156.6**	**26.70**	145.2	28.01	27.33
Aircraft ownership and maintenance	**77.5**	**13.22**	78.7	15.18	14.75
Staff and other net operating expenses	**74.5**	**12.71**	75.5	14.56	14.53
Operating costs	**308.7**	**52.63**	299.5	57.76	56.60

1. Constant currency is calculated for the H1 2014/15 year by applying the effective exchange rates that prevailed for reporting the H1 2015/16 results of $1.53 and €1.37.

Operating costs increased by 3.1% from £299.5m to £308.7m, driven by an increase in capacity of 13.1% to 5.9 million seats. This was partially offset by the reduction in fuel price. The operating costs also include on-board sales cost (£4.0m) in H1 2015/16 vs. (£nil) in H1 2014/15 which in prior year was included net of revenue in Passenger Revenue.

Cost per seat on a constant currency basis, excluding fuel, reduced by 5.8% vs. prior year. Non-fuel cost per seat benefitted from lower surplus aircraft cost with the mitigations from flying three E195 aircraft in H1, non-recurrence of one-time charge for historic EU 261 liabilities and lower costs in aircraft ownership and marketing. Total cost per seat on a constant currency basis reduced by 7%, from £56.60 to £52.63.

H1 2014/15 operating costs included £4.0m in respect of historical EU 261 passenger compensation provision.

Fuel

Flybe UK's results are impacted by movements in the price of fuel which forms a significant variable cost for the business. Although H1 2015/16 initially saw an increase in fuel prices, they declined over the last few months. Brent crude has been in the USD48 to USD67 a barrel range for the majority of the period, although in the last two months prices have fallen with the average price being USD49. The price of jet fuel has traded between USD443 and USD642 per tonne. Aviation fuel prices remain capable of large and unpredictable movements due to a variety of external factors, such as changes in supply and demand for oil and oil-related products, and the role of speculators and funds in the futures markets.

During H1 2015/16, Flybe UK used some 92,300 tonnes of jet fuel, an increase on the 83,600 tonnes used in H1 of the prior year. Fuel burn improved to 15.7kg per seat for H1 2015/16 (H1 2014/15: 16.1kg). The average market price during the period was USD551 per tonne (H1 2014/15: USD954), with the Group paying a blended rate (net of hedges) of USD835 per tonne (H1 2014/15: USD959). Including 'into plane' costs, Flybe UK's fuel costs in H1 2015/16 of £52.7m (H1 2014/15: £55.5m) represent an all-in cost of USD933 per tonne (H1 2014/15: USD1055).

Flybe UK operates a policy of managing fuel price volatility by entering into derivative contracts representing a portion (between 60% and 90%) of its aviation fuel requirements up to 12 months forward. The intention of this programme is to provide a significant element of certainty over its fuel costs for any forthcoming IATA season. As at 9th November 2015, 86.1% of the fuel requirement for H2 2015/16 was hedged at an average price of USD855 per tonne, and 70.1% of Flybe UK's expected fuel requirement in H1 2016/17 was hedged at an average price of USD668 per tonne.

Foreign exchange

The Group foreign currency hedging policy has an objective to reduce the volatility of costs. Flybe manages its foreign exchange positions based on its net foreign currency exposure, being foreign currency expenditure less associated revenue. Flybe UK currently has a relatively small net exposure to the Euro, but has significant US Dollar costs in relation to fuel, maintenance, aircraft operating leases and loan repayments. The Group generates no significant US Dollar revenue and actively manages its US Dollar position through a foreign exchange forward purchase programme similar to that outlined for fuel. As at 9th November 2015, 76.1% of our anticipated US Dollar requirements for H2 2015/16 were hedged at an average exchange rate of USD1.57, and 64.7% of its forecast US Dollar requirements for H1 2016/17 were hedged at an average exchange rate of USD1.54. All existing derivative financial instruments are forward swap arrangements.

The main increase in other operating losses in H1 2015/16 is the net foreign exchange revaluation of cost of sales and revenue at £(1.9)m.

Carbon emissions

The Group is required to purchase carbon allowances for all flights departing from and arriving into the EU in order to offset its carbon footprint in each calendar year. Flybe manages its exposure by purchasing carbon emissions allowances through a forward purchase programme to top up the free allowances awarded to it under the scheme.

	Calendar year 2016	Calendar year 2015
Anticipated carbon allowances required, tonnes	581,253	543,529
Free allowance allocation, tonnes	222,800	222,800
Proportion forward purchased at beginning of period	67%	100%
Effective carbon rate	€6.76	€5.44

Following the EU ETS regulation update in April 2014, the fuel emissions for calendar years 2013 to 2016 are subject to reduced scope; therefore the number of free allowances to be issued to aircraft operators each year from 2013 to 2016 was reduced in proportion to the reduced scope. Anticipated carbon allowances required for calendar year 2015 amount to 543,529 tonnes, with the free allowance allocation being maintained at the calendar year 2013's level of 222,800 tonnes. As at 9th November 2015, 100% of our anticipated requirement including free allowances for calendar year 2015 had been purchased at an average effective rate of €5.39. 99% of the anticipated requirement for calendar year 2016 had been purchased at an average effective rate of €7.87.

Flybe Aviation Services/MRO

The main business within this segment is based in Exeter. In addition, FAS provides MRO services to the Royal Air Force fleet of A400M aircraft at RAF Brize Norton.

	H1 2015/16 £m	H1 2014/15 £m	Change %
Revenue	**18.5**	19.3	(4.1)
Operating costs	**(18.8)**	(17.8)	(5.6)
(Loss)/ Profit before tax	**(0.3)**	1.5	(120.0)

FAS's revenue in H1 2015/16 decreased to £18.5m (H1 2014/15: £19.3m). Hours produced were impacted by delays of third party work from H1 to H2 and a focus on E195 solution preparation. Hours produced therefore decreased to 244k hours (H1 2014/15: 261k hours), which together with more competitive pricing produced a loss of £(0.3)m (2014/15: profit of £1.5m).

Interim management report (continued)

Group costs

Group costs of £2.1m (H1 2014/15: £1.8m) include Group Board salaries and Group legal and professional fees.

Group – overall results

The Group's operating profit of £21.9m compared to H1 2014/15 operating loss of £(0.6)m.

The Group incurred net finance costs of £0.9m (H1 2014/15: £0.2m) and other gains of £1.8m (H1 2014/15: other losses of £2.3m), the latter being due to the gains/ (losses) on translation of US dollar aircraft loans.

Profit before tax for the period was £22.9m (H1 2014/15: loss of £(3.3)m). There was a current tax credit of £3.9m arising from a significant reduction in the pension deficit and recognition of capital allowances (H1 2014/15: charge £0.1m). As a result, the Group reported a profit after tax for H1 2015/16 of £26.8m (H1 2014/15: loss of £(3.4)m).

EPS and dividends

Basic and diluted earnings/(loss) per share for H1 2015/16 was 12.3p, compared to a loss of (7.1)p in H1 2014/15 (see note 7 to the Condensed Financial Statements). Adjusted basic and diluted earnings per share (see note 7) was 11.5p, compared to (6.0)p for H1 2014/15. 2014/15 EPS disclosures have been represented to include surplus capacity costs of £14.5m.

No dividends were paid or proposed in either the current or prior financial periods.

Cash flow

	H1 2015/16 £m	H1 2014/15 £m	Change £m
Net cash inflow from operating activities after restructuring	**21.3**	6.5	14.8
Net capital expenditure after disposal proceeds	**(12.7)**	(30.1)	17.4
Net repayment of borrowings	**(6.4)**	(5.1)	(1.3)
Net interest paid	**(0.9)**	(0.2)	(0.7)
Net increase/(decrease) in cash and cash equivalents	**1.3**	(28.9)	30.2
Cash and cash equivalents at beginning of period	**177.9**	177.9	-
Cash and cash equivalents at end of period	**179.2**	149.0	30.2
Restricted cash	**18.0**	22.0	(4.0)
Total cash	**197.2**	171.0	26.2

Net cash inflows from operating activities before restructuring were £21.3m (H1 2014/15: inflow of £6.5m).

Interim management report (continued)

Balance sheet

	30 Sept 2015 £m	31 Mar 2015 £m	Change £m
Aircraft	**163.7**	166.4	(2.7)
Other property, plant and equipment	**23.7**	22.7	1.0
Net funds	**86.3**	76.7	9.6
Derivative financial instruments	**(16.4)**	(7.2)	(9.2)
Other working capital – net	**(95.0)**	(115.6)	20.6
Deferred taxation	**13.1**	8.5	4.6
Other non-current assets and liabilities	**(2.5)**	(11.5)	9.0
Net assets	**172.8**	140.0	32.8

The £163.7m of net book value of aircraft represents owned aircraft, engines and aircraft modifications.

Net funds at 30th September 2015 of £86.3m increased from the position at 31st March 2015 of £76.7m in the main due to working capital management. Net funds at 30th September 2015 included restricted cash of £18.0m (£18.0m at 31st March 2015) which is predominantly cash held with the Group's bankers to facilitate guarantee arrangements with merchant card acquirers, cash deposits held in favour of aircraft owners to secure operating lease arrangements.

The main movement in other working capital is due to the seasonal change in deferred income. Other non-current assets and liabilities include the £9.7m favourable movement resulting in a defined benefit pension scheme deficit of £11.3m at 30th September 2015, partly offset by an increase in maintenance provisions of £3.6m. At 31st March 2015, the pension scheme, which is closed to future benefit accrual, had a deficit of £21.0m.

Shareholders' equity increased by £32.8m as a result of the profit after tax in the period of £26.8m and the reduction in the pension scheme deficit of £9.7m. This was partially offset by the movement in hedge reserves of £2.0m.

Related party transactions

Other than the Long-Term Incentive Plan activity made to key management personnel (disclosed in note 14), there have been no material related party transactions since the last annual report.

Going concern

Flybe's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Interim Management Report on pages 4 to 6. The financial position of the Group, its cash flows and liquidity position, and events since the balance sheet date are described on pages 7 to 14. In addition, note 36 of the Group's Annual Report for the year ended 31st March 2015 covers Flybe's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

Flybe had free cash balances of £179.2m at 30th September 2015, and has met all of its operating lease commitments and debt repayments as they have fallen due during the year.

Flybe faces trading risks presented by current economic conditions in the aviation sector, particularly in relation to passenger volumes and yields and the associated profitability of individual routes. In addition, the Group is exposed to fluctuations in fuel prices and foreign exchange rates. The Group's policy is to hedge between 60% and 90% of estimated exposures 12 months in advance. As of 9th November 2015, Flybe had purchased 77.6% of its anticipated fuel requirements and 70.2% of its anticipated US Dollar requirements for the following 12 months.

Going concern (continued)

The directors have prepared a detailed trading budget and cash flow forecast for a period which covers at least 12 months after the date of approval of these financial statements. Having considered the forecasts and making other enquiries, the directors have a reasonable expectation that Flybe has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these condensed financial statements.

Flybe Group plc

Interim management report

Risks and uncertainties

This section describes the principal risks and uncertainties which may affect Flybe's business, financial results and prospects. The Board has determined that these are the principal risks and uncertainties facing the Group for the remaining six months of the financial year. Pages 28 to 31 of the Group's Annual Report for the financial year ended 31st March 2015, which is available for download from its website at http://www.flybe.com/en/corporate/investors, contains further details on the principal risks, uncertainties and mitigations.

Safety and security

Flybe is exposed to the risk of a safety or security-related incident including a terrorist threat, or attacks from either internal or external sources as well as the risk of adequately responding to a safety or security-related event.

Commercial and operational

- Flybe is exposed to sustained deterioration in general economic conditions, and reduction in domestic and regional air travel, particularly in the UK;
- Flybe operates in a highly competitive aviation market;
- Flybe is exposed to the effects of extraneous events, such as epidemics, natural occurrences or disasters (e.g. severe weather or ash cloud disruption);
- Flybe is heavily dependent on its information technology systems, the ongoing development of those systems, and the internet to operate its business. Future scalability and resilience of such key systems are an issue to the business maintaining a competitive advantage;
- The incidence of cyber-attacks has increased worldwide and Flybe is exposed to this as a result of its reliance on the internet for a high proportion of delivery of sales; and
- Flybe depends on good industrial relations, across all its regions, with a workforce that is, in significant part, unionised and is exposed to recruitment lags as it returns to growth.

Reputational

Flybe operates an e-commerce business and deals with a significant amount of personal and business information.

Regulatory

- Regulatory changes in the airline industry may have an adverse impact on an airline's costs, operational flexibility, marketing strategy, business model and ability to expand; and
- Airlines may be adversely affected by increases in Air Passenger Duty in the UK and its equivalent in other countries, and by any future amendment with regard to regulation of emissions trading and other environmental laws and regulations, or negative environmental perception of the airline industry.

Financial risks

Flybe is exposed to risks associated with:

- Fluctuations in fuel prices and foreign exchange rates;
- Continuing performance of counterparties; and
- Failure or non-performance of commercial counterparties.

Independent review report to Flybe Group plc

For the six months ended 30th September 2015

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30th September 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30th September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

11th November 2015

Flybe Group plc

Consolidated income statement

For the six months ended 30 September 2015 (unaudited)

	Note	Six months ended 30 September 2015 £m	2014 £m
Group revenue		**339.6**	307.8
Consisting of:			
Passenger revenue		**320.0**	283.9
Contract flying revenue		**5.0**	7.3
Revenue from other activities		**14.6**	16.6
		339.6	307.8
Staff costs		**(51.4)**	(43.6)
Fuel		**(53.0)**	(55.5)
Net airport and en route charges		**(62.6)**	(56.7)
Ground operations		**(41.0)**	(33.1)
Maintenance		**(19.4)**	(22.4)
Depreciation and amortisation		**(11.5)**	(6.7)
Aircraft rental charges		**(37.1)**	(40.9)
Marketing and distribution costs		**(12.9)**	(15.9)
Other operating (losses)/gains		**(2.8)**	0.1
Other operating expenses		**(26.1)**	(33.7)
Operating profit/(loss)		**21.9**	(0.6)
Investment income		**0.4**	0.4
Finance costs		**(1.3)**	(0.8)
Other gains/(losses)		**1.8**	(2.3)
Profit/(loss) before tax		**22.9**	(3.3)
Tax credit/(charge)	5	3.9	(0.1)
Profit/(loss) after tax of continuing operations		**26.8**	(3.4)
Loss on discontinued operations		**-**	(12.0)
Profit/(loss)		**26.8**	(15.4)
Earnings/(loss) per share:			
Basic and diluted	7	**12.3p**	(7.1)p

Flybe Group plc

Consolidated statement of comprehensive income

For the six months ended 30 September 2015 (unaudited)

	Six months ended 30 September	
	2015 **£m**	2014 £m
Profit/(loss) for the period	**26.8**	(15.4)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme	**9.7**	(8.8)
Deferred tax arising on defined benefit pension scheme	**(1.9)**	1.7
Items that may be reclassified subsequently to profit or loss:		
(Losses)/gains arising during the period on cash flow hedges	**(14.0)**	4.3
Reclassification of gains on cash flow hedges included in the income statement	**9.8**	1.2
Deferred tax arising on cash flow hedges	**2.6**	(1.1)
Foreign exchange translation differences	**(0.4)**	(3.1)
Other comprehensive income/(loss) for the period	**5.8**	(5.8)
Total comprehensive income/(loss) for the period	**32.6**	(21.2)

Consolidated statement of changes in equity

For the six months ended 30 September 2015 (unaudited)

	Share capital £m	**Share premium £m**	**Hedging reserve £m**	**Other reserves £m**	**Capital redemp-tion reserve £m**	**Retained (deficit)/ earnings £m**	**Total equity £m**
Balance at 1 April 2015	**2.2**	**209.3**	**(11.7)**	**6.7**	**22.5**	**(89.0)**	**140.0**
Profit for the period	-	-	-	-	-	26.8	26.8
Other comprehensive (loss)/income for the period	-	-	(2.0)	-	-	7.8	5.8
Equity-settled share-based payment transactions	-	-	-	-	-	0.2	0.2
Balance at 30 September 2015	**2.2**	**209.3**	**(13.7)**	**6.7**	**22.5**	**(54.2)**	**172.8**

	Share capital £m	**Share premium £m**	**Hedging reserve £m**	**Other reserves £m**	**Capital redemp-tion reserve £m**	**Retained (deficit) £m**	**Total equity £m**
Balance at 1 April 2014	**2.2**	**209.2**	**(7.4)**	**6.7**	**22.5**	**(39.1)**	**194.1**
Loss for the period	-	-	-	-	-	(15.4)	(15.4)
Other comprehensive income/(loss) for the period	-	-	1.3	-	-	(7.1)	(5.8)
Equity-settled share-based payment transactions	-	-	-	-	-	0.2	0.2
Balance at 30 September 2014	**2.2**	**209.2**	**(6.1)**	**6.7**	**22.5**	**(61.4)**	**173.1**

Flybe Group plc

Consolidated balance sheet

As at 30 September 2015

	Note	30 September 2015 (unaudited) £m	31 March 2015 £m
NON-CURRENT ASSETS			
Intangible assets		**8.0**	8.8
Property, plant and equipment	8	**187.4**	189.1
Other non-current assets		**36.9**	38.0
Restricted cash		**8.0**	7.1
Deferred tax asset		**13.1**	8.8
Derivative financial instruments		**0.5**	0.2
		253.9	252.0
CURRENT ASSETS			
Inventories		**7.0**	7.1
Trade and other receivables		**87.1**	98.3
Cash and cash equivalents		**179.2**	177.9
Restricted cash		**10.0**	10.9
Derivative financial instruments		**4.5**	14.1
		287.8	308.3
TOTAL ASSETS		**541.7**	560.3
CURRENT LIABILITIES			
Trade and other payables		**(89.3)**	(96.3)
Deferred income		**(56.6)**	(77.1)
Borrowings	9	**(12.4)**	(13.0)
Provisions	10	**(43.1)**	(51.9)
Derivative financial instruments		**(19.4)**	(18.9)
		(220.8)	(257.2)
NON-CURRENT LIABILITIES			
Borrowings	9	**(98.5)**	(106.2)
Deferred tax liabilities		**-**	(0.3)
Provisions	10	**(27.9)**	(24.3)
Deferred income		**(7.8)**	(8.3)
Employee benefits	15	**(11.3)**	(21.0)
Liability for share-based payments	14	**(0.6)**	(0.4)
Derivative financial instruments		**(2.0)**	(2.6)
		(148.1)	(163.1)
TOTAL LIABILITIES		**(368.9)**	(420.3)
NET ASSETS		**172.8**	140.0
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Called up share capital	11	**2.2**	2.2
Share premium account		**209.3**	209.3
Hedging reserve		**(13.7)**	(11.7)
Other reserves		**6.7**	6.7
Capital redemption reserve		**22.5**	22.5
Retained deficit		**(54.2)**	(89.0)
TOTAL EQUITY		**172.8**	140.0

Flybe Group plc

Consolidated cash flow statement

For the six months ended 30 September 2015 (unaudited)

	Six months ended 30 September	
	2015	2014
	£m	£m
Cash flows from operating activities		
Profit/(loss) for the period	**26.8**	(3.3)
Adjustments for:		
Unrealised gains/ (losses) on derivative contracts	**5.0**	(2.1)
Depreciation, amortisation and impairment	**11.5**	7.0
Investment income	**(0.4)**	(0.6)
Finance costs	**1.3**	0.8
Other net (gains)/losses	**(2.3)**	2.3
Loss on disposal of intangible fixed assets	**1.3**	0.3
Loss on sale of property, plant and equipment	**2.3**	-
Equity-settled share-based payment expenses	**0.4**	1.0
Taxation	**(3.9)**	0.1
	41.9	5.5
Cash paid in respect of restructuring costs	**-**	(4.2)
Cash paid for defined benefit pension funding	**(0.5)**	(0.5)
Decrease in restricted cash	**-**	18.5
Decrease/ (increase) in trade and other receivables	**12.4**	(3.1)
Decrease/ (increase) in inventories	**0.1**	(0.3)
Decrease in trade and other payables	**(26.9)**	(22.7)
(Decrease)/ increase in provisions and employee benefits	**(5.7)**	13.3
	(20.6)	1.0
Tax paid	**-**	-
Net cash flows from operating activities	**21.3**	6.5
Cash flows from investing activities		
Interest received	**0.4**	0.6
Acquisition of property, plant and equipment	**(11.4)**	(29.0)
Capitalised computer software expenditure	**(1.3)**	(1.1)
Net cash flows from investing activities	**(12.3)**	(29.5)
Cash flows from financing activities		
Interest paid	**(1.3)**	(0.8)
Repayment of borrowings	**(6.4)**	(5.1)
Net cash flows from financing activities	**(7.7)**	(5.9)
Net increase/(decrease) in cash and cash equivalents	**1.3**	(28.9)
Cash and cash equivalents at beginning of period	**177.9**	177.9
Cash and cash equivalents at end of period	**179.2**	149.0

Flybe Group plc

Notes to the condensed set of financial statements

For the six months ended 30th September 2015

1. GENERAL INFORMATION

The information for the year ended 31st March 2015 does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. A copy of the statutory financial statements for that year has been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

Basis of accounting

The annual financial statements of Flybe Group plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union.

Going concern

The directors have prepared a detailed trading budget and cash flow forecast for a period which covers at least 12 months after the date of approval of these financial statements. Having considered the forecasts and making other enquiries, the directors have a reasonable expectation that Flybe has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Changes in accounting policy

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

No material new standards, amendments to standards or interpretations are effective in the period ending 31st March 2016.

IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have been published, but not yet applied. The Group will apply these standards by year ending 31st March 2019, subject to EU endorsement. The assessment has not yet been finalised by management as to whether the impact of the above standards is likely to have a material impact on the reported results of the Group or its financial position.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The chief operating decision maker responsible for resource allocation and when assessing performance of operating segments has been identified as the Operating Board. Operating segments are reported in a manner which is consistent with internal reporting provided to the chief operating decision maker:

Flybe UK	This business segment comprises the Group’s main scheduled UK domestic and UK to Europe passenger operations and revenue ancillary to the provision of those services along with White Label operations
FAS/MRO	This segment aims to provide aviation services to Flybe and third party customers, largely in Western Europe. FAS also provides services to the Royal Air Force’s fleet of A400M aircraft in partnership with Airbus Military UK.
Flybe Finland	No longer a segment as discontinued and sold in H2 2014/15.

Under IFRS 8, Flybe reports two business segments in order to comply with accounting standards. The presentation of segments is consistent with the published financial statements for year ended 31st March 2015.

Flybe Group plc

Notes to the condensed set of financial statements (continued)

BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)
Segment revenues and results

Transfer prices between business segments are set on an arm's length basis.

	Six months ended 30 September	
	2015 £m	2014 £m
Segment revenues:		
Flybe UK	**330.9**	297.5
FAS/MRO	**18.5**	19.3
Inter-segment sales	**(9.8)**	(9.0)
Group revenue	**339.6**	307.8
Finland *	**-**	117.2
Revenue under management	**339.6**	425.0

* Finland was discontinued in H2 2014/15.

Segment results:		
Flybe UK (including net finance income/(costs) of £1.0m in 2015 and £(2.7)m in 2014)[1]	**23.2**	(4.9)
Finland [2]	**-**	(12.0)
FAS/MRO	**(0.3)**	1.5
Profit/(loss) before tax	**22.9**	(15.4)

[1] H1 2014/15 disclosures have been represented to include surplus capacity costs of £14.5m.
[2] Finland was discontinued in H2 2014/15.

Flybe UK segment includes Group costs of £2.1m (H1 2014/15: £1.8m), revaluation gains on US dollar aircraft loans of £1.8m (H1 2014/15: losses of £(2.3)m).

Operating costs for H1 2014/15 included Finland £119.2m and historical EU 261 passenger compensation provision of £4.0m.

4. SEASONALITY

Flybe's operating results vary significantly from quarter to quarter within the financial year and the first half of the year is generally significantly stronger than the second half of the year. The airline industry is highly seasonal and demand and yields are significantly higher during the summer.

5. TAX

Current tax for the six month period is charged at 0% (six months ended 30th September 2014: 0%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period. Deferred tax is calculated based on the expected annual outturn. The tax credit of £3.9m represents the capital allowances expected to be claimed in 2016/17. The tax charge of £0.1m reported in the H1 2014/15 results from the revaluation of previously recognised deferred tax assets as a result of the change enacted in the corporation tax rate in the UK.

Flybe Group plc
Notes to the condensed set of financial statements (continued)

6. DIVIDENDS

No dividends have been paid or proposed either during the six months ended 30th September 2015 or during the comparative accounting period.

7. EARNINGS/ (LOSS) PER SHARE

The calculation of the basic, diluted, adjusted basic and adjusted diluted earnings per share is based on the following data:

	Six months ended 30 September	
	2015 £m	2014 £m
Earnings/ (loss) for the purposes of unadjusted earnings per share being net profit/ (loss) attributable to owners of the Group	**26.8**	(15.4)
Add back:		
Revaluation (gains)/ losses on US dollar aircraft loans	**(1.8)**	2.3
Earnings/ (loss) for the purposes of adjusted earnings per share [1]	**25.0**	(13.1)

	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	**216,656,776**	216,654,801
Earnings/ (loss) per ordinary share – basic and diluted [2]	**12.3p**	(7.1)p
Adjusted earnings/ (loss) per ordinary share – basic and diluted [1]	**11.5p**	(6.0)p

1. H1 2014/15 disclosures have been represented to include surplus capacity costs of £14.5m.
2. For the six months ended 30th September 2014 diluted loss per share is the same as basic loss per share because the Group recorded a loss and as such none of the potentially issuable shares are dilutive. Diluted profit per share is the same as basic profit per share in the six months ended 30th September 2015 because the average market price of ordinary shares during the period was less than the exercise price of the potentially issuable shares.

8. PROPERTY, PLANT AND EQUIPMENT

	30 September 2015 £m	31 March 2015 £m
Opening cost as at 1 April	**282.7**	251.5
Additions	**11.4**	32.3
Disposals	**(10.0)**	(1.1)
Closing cost at 30 September / 31 March	**284.1**	282.7
Accumulated depreciation	**(96.7)**	(93.6)
Closing net book value as at 30 September / 31 March	**187.4**	189.1

See note 13 for capital commitments.

9. BORROWINGS

Repayments on bank loans amounting to £6.4m were made during the period. No additional amounts were drawn down.

10. PROVISIONS

	30 September 2015 £m	31 March 2015 £m
Leased aircraft maintenance	**67.1**	68.8
Flight delay provision	**3.9**	6.7
Onerous lease provisions	**-**	0.7
	71.0	76.2
Current	**43.1**	51.9
Non-current	**27.9**	24.3
	71.0	76.2

The Group's provisions are as follows:

	Leased aircraft maintenance £m	**Flight delay provision £m**	**Onerous lease provisions £m**	**Total £m**
At 1 April 2015	68.8	6.7	0.7	76.2
Additional provision	6.8	1.4	-	8.2
Release of provision	-	-	(0.7)	(0.7)
Utilisation of provision	(8.5)	(4.2)	-	(12.7)
At 30 September 2015	**67.1**	**3.9**	**-**	**71.0**

Aircraft maintenance provisions are made in respect of contractual obligations to maintain aircraft under operating lease contracts. The amount and timing of the maintenance costs are dependent on future usage of the relevant aircraft. The additional provision in the period is included within maintenance charges shown in the consolidated income statement.

Recent decisions around EU 261 in the UK's Supreme Court have confirmed passenger rights in the case of technical delays caused to travel that are deemed to be within the airline's control. As a consequence, the management of Flybe UK have looked to assess what would be a reasonable and reliable provision based on the current level of claims experience, and a provision for compensation in relation to flight delays of £3.9m has been recorded as at 30th September 2015. This is being reviewed to ensure that the provision is in line with actual claims that are being processed and paid on a monthly basis.

The onerous lease provision at year end was due to an early termination agreement for aircraft FBEE. The aircraft was returned to the lessor in May 2015 and therefore this provision has been released.

Flybe Group plc

Notes to the condensed set of financial statements (continued)

11. CALLED UP SHARE CAPITAL

	30 September 2015 £000	31 March 2015 £000
Issued and fully paid		
216,656,776 ordinary shares of 1p each	**2,167**	2,167

In the six months ended 30th September 2015 no shares were issued. The Company has one class of ordinary shares which carry no right to fixed income.

12. CONTINGENCIES

The Group has entered into arrangements to guarantee the Group's credit card arrangements and has placed bonds in favour of various aircraft lessors, handling agents, fuel suppliers and customs offices as follows:

	30 September 2015 £m	31 March 2015 £m
Credit card arrangements	**10.0**	10.0
Bonds	**7.1**	7.9
Total	**17.1**	17.9
Cash deposited to secure the above arrangements	**-**	5.8

The reduction in guarantees is due to having fewer guarantees and there is now no cash cover on the guarantees.

13. CAPITAL COMMITMENTS

The Group has, over time, contractually committed to the acquisition of aircraft with a total list price before escalations and discounts as follows:

	30 September 2015 £m	31 March 2015 £m
Embraer E-Series aircraft	**98.1**	100.1

Four aircraft were covered by these arrangements at 30th September 2015 (31st March 2015: four). Embraer has agreed to defer delivery of the four remaining E175s until calendar year 2018, in line with current fleet planning needs. It is intended that these aircraft will be financed partly though cash flow and partly through external financing and operating lease arrangements.

Notes to the condensed set of financial statements (continued)

14. SHARE-BASED PAYMENTS

The company has a share award scheme under which employees of the Group maybe granted awards. Awards are exercisable at nil consideration.

July 2015 Award
Eligible employees were granted awards of 2,430,337 shares under the PSP with a grant date of 29th July 2015. The awards were in the form of an option over a number of Flybe shares with strike price of 1p per share, which vests subject to TSR and EPS performance conditions. 50% is subject to EPS, a non-market related condition, so the fair value of this portion does not take into account the performance condition. The charge taken each year will use an estimated level of vesting.

The performance period is over 3 years, commencing 1st April 2015. 50% of the award vesting is subject to TSR exceeding the median of the constituents of the FTSE SmallCap Index (excluding Investment Trusts and Flybe Group) at the commencement of the Performance Period. If any options vest, they will have an exercise price of 1p.

To the extent the award vests, 50% of the shares under option will vest on the third anniversary of grant (28th July 2018), 25% will vest on the fourth anniversary of grant (28 July 2019), and the final 25% on the fifth anniversary of grant (28th July 2020).

September 2015 Award
Eligible employees were granted awards of 92,879 shares under the PSP with a grant date of 29th September 2015. The awards were in the form of an option over a number of Flybe shares with strike price of 1p per share, which vests subject to TSR and EPS performance conditions. 50% is subject to EPS, a non-market related condition, so the fair value of this portion does not take into account the performance condition. The charge taken each year will use an estimated level of vesting.

The performance period is over 3 years, commencing 1st April 2015. 50% of the award vesting is subject to TSR exceeding the median of the constituents of the FTSE SmallCap Index (excluding Investment Trusts and Flybe Group) at the commencement of the Performance Period. If any options vest, they will have an exercise price of 1p.

To the extent the award vests, 50% of the shares under option will vest on the third anniversary of grant (28th September 2018), 25% will vest on the fourth anniversary of grant (28th September 2019), and the final 25% on the fifth anniversary of grant (28th September 2020).

15. EMPLOYEE BENEFITS

Defined benefit scheme

The defined benefit obligation as at 30th September 2015 is calculated on a year-to-date basis, using the latest actuarial valuation as at 30th September 2015. There have not been any significant fluctuations or one-time events since that time which would require adjustment to the actuarial assumptions made at 31st March 2015. The defined benefit scheme liability as at 30th September 2015 has been updated to reflect the scheme cash flows and asset valuation movements which have occurred in the period, although the scheme's liabilities and membership numbers have not been updated for half year purposes.

Flybe Group plc

Notes to the condensed set of financial statements (continued)

16. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

Carrying amounts and fair values

	30 September 2015		31 March 2015	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets				
Cash, cash equivalents and restricted cash	**197.2**	**197.2**	195.9	195.9
Loans and receivables:				
Trade and other receivables	**101.1**	**101.1**	111.8	111.8
Derivative instruments in designated accounting relationships:				
Current assets – forward foreign currency contracts/options	**4.5**	**4.5**	14.1	14.1
Non current assets – forward foreign currency contracts/options	**0.5**	**0.5**	0.2	0.2
Financial liabilities				
Liabilities held at amortised cost:				
Trade and other payables	**(38.1)**	**(38.1)**	(48.6)	(48.6)
Debt	**(110.9)**	**(113.7)**	(119.2)	(122.5)
Derivative instruments in designated hedge accounting relationships:				
Current liabilities – forward foreign currency contracts/options	**(0.1)**	**(0.1)**	-	-
Current liabilities – fuel contracts/options	**(22.6)**	**(22.6)**	(27.2)	(27.2)
Current liabilities - margin calls	**3.3**	**3.3**	8.3	8.3
Non-current liabilities – fuel contracts/ options	**(2.0)**	**(2.0)**	(2.6)	(2.6)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Notes to the condensed set of financial statements (continued)

FINANCIAL INSTRUMENTS’ FAIR VALUE DISCLOSURES (continued)

FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES

The following table provides an analysis of the Group’s financial instruments, all of which are grouped into Level 2 in the fair value measurement hierarchy:

	30 September 2015 £m	31 March 2015 £m
Foreign exchange derivatives	**4.9**	14.3
Fuel derivatives	**(24.6)**	(29.8)
Margin calls	**3.3**	8.3
Total financial instruments	**(16.4)**	(7.2)

17. RELATED PARTIES

Transactions with key management personnel

Details of the compensation paid to the Directors will be disclosed in the Group’s annual report for the year ending 31st March 2016.

18. POST BALANCE SHEET EVENTS

Project Blackbird: Flybe announced on 2nd November 2015 the resolution of the last major legacy issue. All of the remaining six E195s will be redeployed effective from end March 2016:

- One aircraft will replace a Q400 aircraft at Newquay under a redefined Public Service Obligation (PSO) agreement with Cornwall Council to satisfy increased demand on the Newquay-London Gatwick route already operated by Flybe
- Two will be based at Doncaster Sheffield Airport, flying to key cities and regional centres across Mainland Europe, under a long-term agreement with the Airport to provide much needed regional connectivity to the people of South Yorkshire and the surrounding area
- Three aircraft will operate at Birmingham and Manchester Airports. Two of these will provide additional capacity on high load factor routes and the third E195 will provide Ejet standby cover across Flybe’s network

Flybe Group plc

Glossary

Adjusted total cost	Total costs less revaluation of USD loans
Adjusted profit before tax	Reported profit before tax less revaluation of USD loans
codeshare	an arrangement whereby multiple airlines sell seats on the same flight with different flight designators
contract flying	a leasing agreement whereby an aircraft (together with its operating crew), maintenance, support and insurance are provided from one party to another, otherwise known as an ACMI agreement
domestic	passengers from one UK airport (including the Channel Islands and the Isle of Man) to another UK airport (including the Channel Islands and the Isle of Man) as appropriate
effective exchange rate	the cost of currency for a period implicit through the weighted average cost of (i) currency acquired through forward contracts and (ii) currency bought in the spot market
ETS	Emissions Trading Scheme
EU 261	Regulation 261/2004 is a regulation establishing common rules among the EU member states on compensation and assistance to passengers in the event of denied boarding, flight cancellations, or long flight delays.
Flybe	Flybe Group plc
FAS	Flybe Aviation Services Limited
the Group	Flybe Group plc
load factor	the number of scheduled seats sold divided by seat capacity (and 'flown' load factor, the number of seats flown divided by seat capacity)
MRO	maintenance, repair and overhaul
net funds	total cash less borrowings
passenger	a person with an issued ticket where the ticket has a fare and/or a passenger surcharge and tax (if applicable)
Passenger revenue	total ticket and ancillary revenue including unflown APD less refunds
passenger revenue per seat	passenger revenue generated divided by seat capacity
passenger yield	passenger revenue per passenger (after the deduction of government taxes and levies)
route	a scheduled service flown by an airline other than on a franchised route
scheduled sectors flown	the total number of aircraft flights per annum, excluding contract flying, positioning, charter and training flights
seat capacity	the average number of seats per aircraft multiplied by the number of scheduled sectors flown
sector	a flight between an originating airport and a destination airport, typically with no intervening stops
Summer season	the last Saturday in March until the last Saturday in October in any particular year
white label	flying operated by Flybe on behalf of another airline, on which Flybe takes operational risk, but the revenue and cost risks remain with the airline for whom Flybe is operating
Winter season	the first Sunday following the last Saturday in October to the Friday before the last Saturday in March in any particular year
yield	total ticket revenue per passenger (after the deduction of government taxes and levies)