11 November 2013

Flybe Group plc

('Flybe' or 'the Group')

Flybe turnaround gains momentum

Results for the six months to 30 September 2013

Flybe announces a significantly improved financial performance under its new management team. In addition, a new phase of efficiency improvements announced today will secure a strong base for future growth.

Key financial highlights

	H1 2013/14 £m	H1 2012/13 £m	Change %
Total revenue under management *	**477.3**	396.3	20.4
Less: joint venture revenue	**(126.2)**	(55.5)	127.4
Group revenue	**351.1**	340.8	3.0
Adjusted profit/(loss) before tax, restructuring and surplus capacity costs and revaluation on USD aircraft loans ** +	**12.2**	(2.3)	N/M
Adjusted profit/(loss) before tax and restructuring *** +	**17.1**	(1.6)	N/M
Profit/(loss) before tax +	**13.8**	(1.6)	N/M
Profit/(loss) after tax +	**13.6**	(1.6)	N/M

* Includes Flybe's joint venture, Flybe Finland.

** Adjusted profit/(loss) before tax, restructuring and surplus capacity costs and revaluation on USD aircraft loans defined as profit/(loss) before tax, restructuring and surplus capacity costs of £4.1m (2012/13: £nil) and revaluation gains on USD aircraft loans of £5.7m (2012/13: £0.7m). Surplus capacity costs represent the costs incurred in H1 2013/14 relating to capacity that is considered by management to be surplus as a result of the restructuring decisions.

*** Adjusted profit/(loss) before tax and restructuring defined as profit/(loss) before tax and restructuring costs of £3.3m (2012/13: £nil).

\+ H1 2012/13 has been restated for the impact of adopting the revised requirements of IAS 19 Employee Benefits as detailed further in Note 2 to the condensed financial statements. The replacement of the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability led to a £0.3m increase in the reported loss for that period.

Results summary

- → First two phases of the Turnaround Plan on track to deliver savings of £40m this year and £45m in 2014/15.
- → 20.4% increase to £477.3m (H1 2012/13: £396.3m) in revenue under management (including Flybe Finland, the joint venture with Finnair) largely driven by increased contract flying activity in Finland.
- → 3.0% increase in group revenue to £351.1m.
- → £13.8m profit before tax (H1 2012/13: loss of £1.6m).
- → £10.5m operating cash inflow before increase in restricted cash and restructuring costs (H1 2012/13: £1.6m).

Operational highlights (H1 2013/14)

→ UK Airline:

- 6.2 million scheduled seats flown, in line with last year.
- 5.6% increase in passengers to 4.3 million.
- 3.6ppts increase in load factor to 68.6%.
- 0.9% increase in passenger revenue per scheduled seat to £50.35 (H1 2012/13: £49.92).
- 1.3% increase in total revenues to £328.2m.
- 1.3% decrease in costs per seat to £51.30. On a constant currency and fuel price basis, costs per seat decreased by 3.1%.
- 4.7% increase in UK regional sector share for the Flybe brand to 55.1%.

→ Flybe Finland:

- 26.4% of Flybe's revenue under management (H1 2013/14: £126.2m; H1 2012/13: £55.5m).
- £110.6m contract flying revenue (H1 2012/13: £36.7m)
- 84.6% increase to 2.4 million in total seats flown, of which white label flying totalled 2.0 million (H1 2012/13: 0.8 million).

Turnaround update

→ Flybe aims to become the best local airline in Europe delivering unrivalled regional connectivity.

→ Flybe will have two engines of growth:

- A regional branded airline giving a nimble and customer-friendly, scheduled service for both business and families. This brings people together within a country and connects people in the regions to international carriers at metropolitan airports.
- A regional white label model where Flybe will become the leading regional provider for mainstream European airlines.

→ The already announced Phase 1 and 2 cost savings are being successfully implemented.

→ Major management and organisational change: new Chairman and Chief Executive Officer have been appointed. Senior executive appointments well advanced, including a new Chief Commercial Officer already in place.

→ Flybe's operations have been reorganised into a single management structure.

→ An Immediate Action plan is being announced today and is already being implemented with three elements:

1. **Optimise configuration**: rationalise route network, review fleet mix, remove surplus capacity and improve aircraft and crew utilisation.
2. **Reduce costs further**: all aspects of the business are being reviewed to drive further savings.
3. **Improve commercialisation**: optimise pricing and revenue management, refocus network development, strengthen route management, step change marketing impact and develop trading partnerships.

This will deliver further benefit of £7m this year and £26m next year with around 500 proposed redundancies and estimated one-off and surplus capacity costs of £14m this year plus a further £27m in 2014/15.

→ Finnair JV is now profitable; further improvements are being targeted by enhancing operational delivery, reducing scheduled risk flying losses and embedding 'lean manufacturing' techniques.

Saad Hammad, Chief Executive Officer, commented:

"I joined Flybe in August this year. It was clear to me that the existing Phase 1 and 2 cost savings were necessary, but we simply needed to do more and to do it immediately. The business needed action now and so today we are explaining our next phase which encompasses a review of everything we do and how we do it. Most of the immediate actions are completed, being implemented or already being consulted on. Unfortunately there is a proposal for further redundancies. We will consult with the trade unions and employees to ensure that this is done fairly and delivers the right outcome for the business.

While the economic environment remains challenging, the Board is confident that the actions announced today will provide a firm basis for future growth.

We will make Flybe the best local airline in Europe. This is ambitious, but achievable provided that we can transform our cost base and efficiency now."

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Business review

Immediate Action plan:

1. **Optimise configuration:** We are reviewing unprofitable routes and bases, removing surplus capacity, reviewing the fleet mix and improving both aircraft and crew utilisation.

2. **Reduce cost further:** We have already eliminated the divisional structure in the UK and are establishing an integrated organisation. We are engaging vigorously with all our key suppliers, including aircraft manufacturers, aircraft lessors, airports and ground-handling agents, to review trading arrangements and reduce costs.

3. **Improve commercialisation:** This will involve not only filling critical management gaps, but also a rigorous, analytical approach across all commercial activity including pricing optimisation and revenue management, network development, route management, marketing activity and trading partnerships.

These Immediate Actions are expected to provide a further benefit of £7m this year and £26m per annum from next year on. We will incur £5m of one-off costs and an estimated £9m of surplus capacity costs in 2013/14. The cost of surplus capacity is expected to rise to around £27m next year, but will reduce significantly in each year thereafter.

This will require tough decisions to be taken over the coming months and, regrettably, this proposal may result in the loss of around 500 jobs spread across the business. Consultation with trade union and staff association representatives on these proposals will start shortly.

Our joint venture in Finland is on track to be profitable for the full year. We intend to enhance further operational delivery in white label flying; while reducing and eventually eliminating the losses in our scheduled risk flying. We also plan to embed lean manufacturing principles to maximise process effectiveness and deliver sustainable cost, productivity and quality improvements.

Group results

Revenue under management grew by 20.4% to £477.3m compared to £396.3m in H1 2012/13. Group revenues increased to £351.1m (H1 2012/13: £340.8m) and the Group reported a profit before tax of £13.8m (H1 2012/13: restated loss of £1.6m[+]).

In H1 2013/14 the Group reported an operating cash outflow before restructuring costs of £3.2m compared to an outflow of £4.8m in H1 2012/13. This was largely driven by the increase in operating profit in the period of £8.9m compared to a loss of £1.0m in H1 2012/13, offset by a net increase in restricted cash in the period of £13.7m (H1 2012/13: £6.4m) predominantly as security for the Group's card acquiring facilities.

The Group's balance sheet held total cash, including restricted funds, of £64.2m at 30 September 2013 (31 March 2013: £54.7m). This included £19.1m of unrestricted cash (31 March 2013: £23.3m).

[+] H1 2012/13 has been restated for the impact of adopting the revised requirements of IAS 19 Employee Benefits as detailed further in Note 2 to the condensed financial statements. The replacement of the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability led to a £0.3m increase in the reported loss for that period.

UK Airline

The Group's UK-based airline increased revenue by 1.3% to £328.2m (H1 2012/13: £324.0m). Operating profit before restructuring was £10.1m (H1 2012/13: £1.9m) which included £0.8m of surplus capacity costs. In addition £3.3m of restructuring costs were incurred in H1 2013/14 (of which £1.0m were group costs). When combined with the surplus capacity costs, this brought total Phase 1 and 2 restructuring and surplus capacity costs in the UK Airline to £4.1m. The full year Phase 1 and 2 costs are expected to be some £6m.

Passenger numbers increased by 5.6% to 4.3 million, resulting in a 3.6ppt increase in load factor to 68.6%. Passenger yield decreased by 4.5% to £73.36, but increased load factor resulted in passenger revenue per seat increasing by 0.9% to £50.35 (H1 2012/13: £49.92).

Flybe Finland

Flybe's share of the joint venture result for Flybe Finland was a profit of £0.2m (H1 2012/13: loss of £2.1m). Overall, Flybe Finland generated revenue of £126.2m (H1 2012/13: £55.5m) and costs of £125.8m (H1 2012/13: £60.0m), £32.3m of which was fuel (H1 2012/13: £11.3m). Flybe Finland generated a profit before tax of £0.4m (H1 2012/13: loss before tax of £4.5m). At 30 September 2013, 28 aircraft were in the Flybe Finland fleet compared to 16 a year previously, with the increase coming from the expanded contract flying arrangements on behalf of Finnair.

Other Flybe businesses

White label flying for Brussels Airlines generated revenues of £8.2m for the provision of four crewed Q400 turboprops in arrangements lasting up to two years (H1 2012/13: £4.5m). These are contracted to expire in April and October 2014, with two aircraft scheduled to return to Flybe on each date.

The MRO (Aviation Services) and the Training Academy support both Flybe's UK and Finnish activities but also serve third-party customers. MRO revenue improved from £19.1m in H1 2012/13 to £20.0m, of which £13.6m was for third party customers (H1 2012/13: £11.7m). Man hours decreased from 274,800 hours in H1 2012/13 to 213,200 hours as a result of the restructuring of this business.

The Training Academy maintained its revenue at £2.6m, compared to H1 2012/13 of £2.5m, and achieved a break-even position, compared to a small loss of £0.2m in H1 2012/13.

Board and senior management

There have been several changes at Board and senior management level:

→ Saad Hammad became Chief Executive Officer on 1 August 2013 bringing considerable airline experience having formerly been Chief Commercial Officer of easyJet plc, where he was a driving force behind the airline's commercial transformation.

→ Jim French stood down as Chairman on 5 November 2013. The Board would like to thank him for his significant contribution over many years to Flybe's development.

→ Simon Laffin was appointed as non-executive Chairman on 5 November 2013. He is the Chairman of Assura Group Limited and of the Audit Committee of Quintain Estates and Development PLC. He was Group Finance and Property Director at Safeway plc until 2004, and has since served as a non-executive Director at Aegis Group Plc, Mitchells & Butlers plc, Northern Rock plc (as part of the rescue team), as well as Chairman of Hozelock Group.

→ Andrew Knuckey, Chief Financial Officer since 2007, announced his intention to step down from the Board and will leave the Company as soon as a successor can be appointed and a suitable handover period has been completed. Andrew has been CFO for over six years and will leave with the best wishes of the Board.

→ In future the business will adopt a unified low cost operational approach, and so all UK operations were integrated into a single functional unit. As a result of this reorganisation, Andrew Strong, Managing Director of Flybe UK, Mike Rutter, Managing Director of Flybe Outsourcing Solutions, and Mark Chown, Director of Corporate Strategy, left their positions with Flybe on 13 September 2013.

→ As previously announced, Paul Simmons joined Flybe as Chief Commercial Officer on 28 October 2013, having previously been Director of easyJet's UK market, responsible for the commercial programme and revenue delivery across its 11 bases and 110 aircraft in the country.

Summary and outlook

The economic environment continues to be challenging, and any airline has risks and uncertainties. But the turnaround of Flybe is gaining momentum and the initial two phases are already delivering significant savings.

The further immediate actions announced today will incur significant transitional costs, but also deliver a full payback over the next two years. The Board is confident that these initiatives will put the group on a firm foundation for performance improvement and future growth.

Financial review

Summary

	H1 2013/14 £m	H1 2012/13 £m	Change %
Revenue under management	**477.3**	396.3	20.4
Group revenue	**351.1**	340.8	3.0
Adjusted EBITDAR before restructuring and surplus capacity costs *	**61.9**	46.7	32.5
Adjusted EBITDAR before restructuring **	**61.1**	46.7	30.8
Adjusted profit/(loss) before tax, restructuring and surplus capacity costs and revaluation on USD aircraft loans *** +	**12.2**	(2.3)	N/M
Adjusted profit/(loss) before tax and restructuring**** +	**17.1**	(1.6)	N/M
Profit/(loss) before tax +	**13.8**	(1.6)	N/M
Profit/(loss) after tax +	**13.6**	(1.6)	N/M

* Adjusted EBITDAR before restructuring and surplus capacity costs defined as operating profit or loss before joint venture results after adding back restructuring and surplus capacity costs of £4.1m, depreciation, amortisation and aircraft rental charges. Surplus capacity costs represent the costs incurred in H1 2013/14 relating to capacity that is considered by management to be surplus as a result of the restructuring decisions.

** Adjusted EBITDAR before restructuring defined as operating profit or loss before joint venture results after adding back depreciation, amortisation, aircraft rental charges and restructuring costs of £3.3m.

*** Adjusted profit/(loss) before tax, restructuring and surplus capacity costs and revaluation on USD aircraft loans defined as profit/(loss) before tax, restructuring and surplus capacity costs of £4.1m (2012/13: £nil) and revaluation gains on USD aircraft loans of £5.7m (2012/13: £0.7m). Surplus capacity costs represent the costs incurred in H1 2013/14 relating to capacity that is considered by management to be surplus as a result of the restructuring decisions.

**** Adjusted profit/(loss) before tax and restructuring defined as profit/(loss) before tax and restructuring costs of £3.3m (2012/13: £nil).

\+ H1 2012/13 has been restated for the impact of adopting the revised requirements of IAS 19 Employee Benefits as detailed further in Note 2 to the condensed financial statements. The replacement of the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability led to a £0.3m increase in the reported loss for that period.

Flybe's results for the six months to 30 September 2013 reflect the successful implementation of Phases 1 and 2 of its cost reduction plans, together with improvements on operating performance in all its business segments. Adjusted EBITDAR before restructuring and surplus capacity costs increased to £61.9m, up 32.5% from H1 2012/13's adjusted EBITDAR of £46.7m. Reported EBITDAR was also up 23.8% to £57.8m from H1 2012/13's £46.7m. Adjusted profit before tax and restructuring improved year on year by £18.7m, from a loss of £1.6m in H1 2012/13 (restated) to a profit of £17.1m in H1 2013/14. Reported profit after tax was £13.6m, compared with a restated loss after tax of £1.6m in H1 2012/13.

At 30 September 2013, Flybe had net assets of £50.6m, total cash of £64.2m, unrestricted cash of £19.1m and net debt (i.e. total borrowings less total cash) of £34.0m.

Revenue under management has grown 20.4% to £477.3m from £396.3m largely due to increased contract flying in the Group's joint venture with Finnair, Flybe Finland. Group revenue has increased by £10.3m (3.0%) to £351.1m.

EBITDAR and profit measures

Set out below is a reconciliation from operating profit/(loss) to the adjusted EBITDAR figures. All EBITDAR metrics are non-GAAP measures***. EBITDAR is a common airline profit measure which is used for making comparisons between airlines. Adjusted EBITDAR removes restructuring costs reported in the income statement.

	H1 2013/14 £m	H1 2012/13 £m	Change %
Operating profit/(loss) – unadjusted	**8.9**	(1.0)	N/M
Joint venture results *	**(0.2)**	2.1	N/M
Depreciation and amortisation **	**6.9**	6.9	-
Aircraft rental charges	**42.2**	38.7	9.0
EBITDAR – unadjusted	**57.8**	46.7	23.8
Restructuring costs reported in the income statement	**3.3**	-	N/M
Adjusted EBITDAR before restructuring costs ***	**61.1**	46.7	30.8

* The results of Flybe Finland, our 60:40 joint venture relationship with Finnair, are equity accounted rather than included in the line-by-line consolidated figures.
** Excludes depreciation on maintenance assets set up in accordance with IFRS requirements.
*** 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 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.

The adjusted EBITDAR before restructuring costs is further adjusted to remove surplus capacity costs within the business during H1 2013/14. This measure demonstrates how EBITDAR might have appeared if it had been possible to remove these identified surplus costs.

	H1 2013/14 £m	H1 2012/13 £m	Change %
Adjusted EBITDAR before restructuring costs	**61.1**	46.7	30.8
Surplus capacity costs	**0.8**	-	N/M
Adjusted EBITDAR before restructuring and surplus capacity costs	**61.9**	46.7	32.5

The table below sets out a reconciliation from profit/(loss) before tax to adjusted profit/(loss) before tax which adjusts the result for restructuring costs reported in the Income statement. The adjusted profit/(loss) before tax figures given are non-GAAP measures***.

	H1 2013/14 £m	H1 2012/13 £m	Change %
Profit/(loss) before tax – unadjusted	**13.8**	(1.6)	N/M
Restructuring costs reported in the income statement	**3.3**	-	N/M
Adjusted profit/(loss) before tax and restructuring	**17.1**	(1.6)	N/M

Adjusted profit/(loss) before tax and restructuring is further adjusted to remove the revaluation gains on USD aircraft loans and the surplus capacity costs within the business during H1 2013/14. This measure demonstrates how adjusted profit/(loss) before tax and restructuring might have appeared if it had been possible to remove these surplus capacity costs.

	H1 2013/14 £m	H1 2012/13 £m	Change %
Adjusted profit/(loss) before tax and restructuring	**17.1**	(1.6)	N/M
Revaluation gains on USD aircraft loans	**(5.7)**	(0.7)	N/M
Surplus capacity costs	**0.8**	-	N/M
Adjusted profit/(loss) before tax, restructuring and surplus capacity costs	**12.2**	(2.3)	N/M

Restructuring the business

Phases 1 and 2

Costs incurred in restructuring Flybe's business have been as follows:

	Total incurred in H1 2013/14 £m	Total incurred in 2012/13 £m	Total incurred since Turnaround Plan announced £m
Redundancies	**2.4**	5.5	**7.9**
Legal, professional and other support costs	**0.9**	1.2	**2.1**
Other restructuring costs	**-**	1.3	**1.3**
Restructuring costs reported in the income statement	**3.3**	8.0	**11.3**
Surplus capacity costs	**0.8**	4.8	**5.6**
Restructuring and surplus capacity costs	**4.1**	12.8	**16.9**

Of restructuring costs reported in the income statement, £2.3m are for the UK Airline and £1.0m are Group costs. All surplus capacity costs were incurred by the UK Airline.

Under Phase 2, 100 people left the business in H1 2013/14 adding to the 490 people who left Flybe in 2012/13 during Phase 1 of the Turnaround Plan. This was achieved through a mix of redundancy, resignation and TUPE measures.

The restructuring provision brought forward from 31 March 2013 was £6.6m. At 30 September 2013 this stood at £3.0m, with the movements during the period being an increase in the provision of £3.3m offset by £6.9m being utilised.

These restructuring costs set out above and the related actions are targeted to deliver the following cost savings:

	Generated in 2012/13 £m	Generated annualised expected savings in 2013/14 £m	Targeted annualised savings from 2014/15 onwards £m
Staff cost reductions	-	22	25
Business efficiency and outsourcing	1	8	8
Supplier costs	2	10	12
Total	**3**	**40**	**45**

Fleet

Two Bombardier Q400 turboprops left the fleet in H1 2013/14, at sale prices broadly in line with book values.

Flybe's total fleet under management at 30 September 2013 totalled 96 aircraft with an average age of 5.5 years (31 March 2013: 98 aircraft, average age 5.1 years), as summarised below:

		Number of aircraft		
	Number of seats	At 31 March 2013	Net movements in period	**At 30 September 2013**
UK Airline				
Embraer E195 regional jet	118	14	-	**14**
Embraer E175 regional jet	88	9	-	**9**
Bombardier Q400 turboprop	78	47	(2)	**45**
		70	(2)	**68**
Flybe Finland				
ATR 42 turboprop	48	2	-	**2**
ATR 72 turboprop	68-72	12	-	**12**
Embraer E170 regional jet	76	2	-	**2**
Embraer E190 regional jet	100	12	-	**12**
		28	-	**28**
Total		**98**	(2)	**96**
Held on operating lease		88	-	**88**
Owned and debt financed		10	(2)	**8**
Total		**98**	(2)	**96**
Total seats in fleet		8,390		**8,234**
Average seats per aircraft		85.6		**85.8**
Average age of fleet (years)		5.1		**5.5**

Two Embraer E175s will enter UK Airline service in H2 2013/14 and three Q400s are due to be handed back to their lessors. No aircraft are contracted to be delivered in 2014/15.

UK Airline

	H1 2013/14 £m	H1 2012/13 £m	Change %
Revenue	**328.2**	324.0	1.3
Operating costs (excluding restructuring and surplus capacity costs)	**(317.3)**	(322.1)	1.5
	10.9	1.9	N/M
Net finance costs	**(1.0)**	(1.5)	32.7
Revaluation gains on USD aircraft loans	**5.7**	0.7	N/M
Restructuring and surplus capacity costs	**(3.1)**	-	N/M
Business profit before tax	**12.5**	1.1	N/M

Revenue

	H1 2013/14		H1 2012/13	
	£m	**£ per seat**	£m (restated)	£ per seat (restated)
Passenger revenue	**312.3**	**50.35**	310.3	49.92
Other revenue	**15.9**		13.7	
Total revenue – UK Airline	**328.2**		324.0	

Revenue improved to £328.2m in H1 2013/14, versus the £324.0.m reported in H1 2012/13.

The UK Airline's seat capacity remained stable at 6.2 million in H1 2012/13 with sectors flown increasing to 73,100 from the 72,700 flown in H1 2012/13. Passenger numbers improved by 5.6% to 4.3 million, representing a 3.6ppt increase in load factor to 68.6%. This is in line with the capacity management theme announced with Phase 2 of the Turnaround Plan in May 2013.

Total passenger yield was down 4.5% to £73.36 from £76.79 in H1 2012/13. This decline in yield per passenger has been more than offset by the improved load factor, highlighted above, resulting in passenger revenue per seat increasing to £50.35 (H1 2012/13: £49.92), and total passenger revenue improving by 0.6% at £312.3m (from £310.3m).

Revenue from other activities, including charter and cargo revenue and income from the Loganair franchise in H1 2013/14, totalled £15.9m, an increase of £2.2m on H1 2012/13's revenues of £13.7m, due primarily to increased charter revenue.

Operating costs, excluding restructuring and surplus capacity costs

	H1 2013/14		H1 2012/13			
	£m	**£ per seat**	£m	£ per seat	£m at constant currency and fuel price*	£ per seat at constant currency and fuel price*
Staff costs	**36.8**	**5.94**	45.0	7.26	45.0	7.26
Fuel	**69.4**	**11.19**	68.6	11.06	69.5	11.21
Net airport costs, en route charges and ground operations	**113.6**	**18.32**	111.3	17.95	112.8	18.19
Aircraft ownership and maintenance costs	**75.9**	**12.24**	72.8	11.74	75.6	12.19
Marketing and distribution costs	**11.5**	**1.85**	12.7	2.05	12.9	2.08
Other operating costs	**10.1**	**1.63**	11.7	1.89	11.7	1.89
Operating costs – UK Airline	**317.3**	**51.17**	322.1	51.95	327.5	52.82

* Constant currency is calculated for the H1 2012/13 period by applying the effective exchange rates that prevailed for reporting the H1 2013/14 results of $1.53 and €1.19 and constant fuel price is calculated for the H1 2012/13 period by applying the effective blended rate paid for jet fuel per tonne in H1 2013/14.

Operating costs decreased by 1.5% from £322.1m to £317.3m largely as a result of decreased staff costs following Phases 1 and 2 of the Turnaround Plan.

Operating costs per seat decreased by 1.5% from £51.95 to £51.17. On a constant currency and fuel basis, this unit cost measure decreased by 3.1% to £51.17 (H1 2012/13: £52.82).

Operating costs, including restructuring and surplus capacity costs

	H1 2013/14		H1 2012/13			
	£m	**£ per seat**	£m	£ per seat	£m at constant currency and fuel price*	£ per seat at constant currency and fuel price*
Staff costs	**38.2**	**6.16**	45.0	7.26	45.0	7.26
Fuel	**69.4**	**11.19**	68.6	11.06	69.5	11.21
Net airport costs, en route charges and ground operations	**113.6**	**18.32**	111.3	17.95	112.8	18.19
Aircraft ownership and maintenance costs	**76.7**	**12.37**	72.8	11.74	75.6	12.19
Marketing and distribution costs	**11.5**	**1.85**	12.7	2.05	12.9	2.08
Other operating costs	**11.0**	**1.77**	11.7	1.89	11.7	1.89
Operating costs – UK Airline	**320.4**	**51.66**	322.1	51.95	327.5	52.82

* Constant currency is calculated for the H1 2012/13 period by applying the effective exchange rates that prevailed for reporting the H1 2013/14 results of $1.53 and €1.19 and constant fuel price is calculated for the H1 2012/13 period by applying the effective blended rate paid for jet fuel per tonne in H1 2013/14.

Fuel

The UK Airline's results are subject to significant change as a result of movements in the price of fuel which forms a significant variable cost for this business. Although H1 2013/14 initially saw a reduction in fuel prices, they rose steadily towards the latter end of the period. Brent crude has been in the $98 to $117 a barrel range for the period, with the average price being $107, while the price of jet fuel has traded between $883 and $1,047 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 2013/14, the UK Airline used some 100,500 tonnes of jet fuel, a small reduction on H1 2012/13's 101,000 tonnes, and fuel burn was stable at 16.2 kgs per seat for both H1 2013/14 and H1 2012/13. The average market price during the period was $964 per tonne (H1 2012/13: $1,008), with the Group paying a blended rate (net of hedges) of $975 per tonne (H1 2012/13: $1,008). Including 'into plane' costs, the UK Airline's fuel costs in H1 2013/14 of £69.4m (H1 2012/13: £68.6m) represent an all-in cost of $1,057 per tonne (H1 2012/13: $1,094).

The UK Airline 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 7 November 2013, 73.3% of the fuel burn for H2 2013/14 was hedged at an average price of $992 per tonne, and 75.7% of the UK Airline's expected fuel burn on H1 2014/15 was hedged at an average price of $959 per tonne.

Other operating costs

Staff costs, before restructuring costs, of £36.8m were lower by 18.2%. The majority of this reduction was achieved through reducing headcount by 20% as a result of the restructuring of the Flybe businesses.

Net airport costs, en route charges and ground operations increased by 2.1% due to unfavourable volumes and foreign exchange in part offset by Turnaround Plan savings achieved at airports.

Aircraft ownership and maintenance increased by 4.3% as a result of change in aircraft mix from H1 2012/13 and overall maintenance charges escalating in line with the contractual terms.

Marketing and distribution costs decreased by 9.4% as a direct result of changes made as part of the Turnaround Plan.

Other operating costs, before restructuring and surplus capacity costs, decreased to £10.1m from £11.7m in H1 2012/13 since H1 2013/14 benefited from favourable foreign exchange rates on currency transactions than in the prior period.

Net finance costs

Net finance costs decreased by £5.5m largely due to the £5.7m of non-cash gains (H1 2012/13: £0.7m) arising on the retranslation of US Dollar denominated debt used to fund the acquisition of aircraft, particularly the newer E175 regional jets. The movement in this US Dollar liability cannot be naturally offset against the value of the aircraft as the latter are recorded in UK Sterling at date of acquisition in order to comply with the requirements of International Financial Reporting Standards. This income statement gain has therefore been adjusted in arriving at adjusted profit before tax.

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. The UK Airline 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 7 November 2013, 72.9% of our anticipated US Dollar requirements for H2 2013/14 were hedged at an average exchange rate of $1.56, and 67.9% of its forecast US dollar requirements for H1 2014/15 were hedged at an average exchange rate of $1.53. All existing derivative financial instruments are forward swap arrangements.

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 2013	Calendar year (actual) 2012
Anticipated carbon allowances required, tonnes	562,200	566,800
Free allowance allocation, tonnes	259,800	274,900
Proportion forward purchased	88%	100%
Effective carbon rate	€3.63	€6.17

Anticipated carbon allowances required for calendar year 2014 amount to 518,500 tonnes, with the free allowance allocation being maintained at calendar year 2013's level of 259,800 tonnes. As at 7 November 2013, 80% of our anticipated requirement including free allowances for calendar year 2014 had been purchased at an average effective rate of €4.37.

Flybe Finland

With revenue of £126.2m (H1 2012/13: £55.5m) and costs of £125.8m (H1 2012/13: £60.0m), £32.3m of which was fuel, Flybe Finland generated a profit before tax of £0.4m (H1 2012/13: loss before tax of £4.5m). A deferred tax charge of £0.1m relating to profits generated was also reported, resulting in a profit after tax for Flybe Finland of £0.3m (H1 2012/13: loss after tax credit was £3.4m), of which Flybe's 60% share was a profit of £0.2m (H1 2012/13: loss of £2.1m).

Contract flying for Finnair accounted for 1.4 million passengers (H1 2012/13: 0.5 million). In addition, Flybe Finland's passenger numbers on commercial flying represented 0.2 million passengers (in line with H1 2012/13) with a load factor of 44.7% (H1 2012/13: 42.2%). Contract flying dominates this business and is expected to continue to do so.

Central overhead costs, net of interest, amounted to £0.2m (2012: £0.3m).

	H1 2013/14 £m	H1 2012/13 £m	Change %
Flybe Finland joint venture			
Revenue			
Contract flying	**110.6**	36.7	201.4
Passenger revenue	**13.5**	16.4	(17.7)
Other revenue	**2.1**	2.4	(12.5)
	126.2	55.5	127.4
Costs			
Fuel	**(32.3)**	(11.3)	(185.8)
Other operating costs	**(93.5)**	(48.7)	(92.0)
	(125.8)	(60.0)	(109.7)
Profit/(loss) before tax	**0.4**	(4.5)	N/M
Tax (charge)/credit	**(0.1)**	1.1	N/M
Profit/(loss) after tax	**0.3**	(3.4)	N/M
60% share of Flybe Finland joint venture profit/(loss)	**0.2**	(2.1)	N/M
Other net costs including interest	**(0.2)**	(0.3)	N/M
Joint venture result	**-**	(2.4)	N/M

Other Flybe businesses

The main business within this segment is the maintenance, repair and overhaul ('MRO') based in Exeter.

	H1 2013/14 £m	H1 2012/13 £m	Change %
Revenue			
Contract flying	**8.2**	4.5	82.2
Maintenance, repair and overhaul ('MRO')	**20.0**	19.1	4.7
Training Academy	**2.6**	2.5	4.0
	30.8	26.1	18.0
Operating costs	**(28.5)**	(26.4)	(8.0)
Profit/(loss) before tax	**2.3**	(0.3)	N/M

Contract flying represents the provision of four crewed Q400 turboprops to Brussels Airlines in arrangements lasting up to two years and which expire in April and October 2014.

The MRO's revenue in H1 2013/14 improved slightly to £20.0m (H1 2012/13: £19.1m) due to increased sales to third party customers of £13.6m (H1 2012/13: £11.7m). The MRO's man hours showed a 22.4% decrease from 274,800 hours in H1 2012/13 to 213,200 hours as a result of the restructuring of this business. Reduction revenue from reduced man hours was more than offset by sales of parts in the period of £4.2m (H1 2012/13: £1.3m).

The Training Academy maintained its revenue at £2.6m and reduced losses from the £0.2m reported in H1 2012/13 to a break-even position in H1 2013/14.

Group costs

Group costs of £2.7m (H1 2012/13: £1.8m) include Group Board salary and restructuring costs coupled with group legal and professional fees. The main reason for the increase is the £1.0m accrued in compensation for loss of office in respect of three former Directors of Flybe Group plc.

Group – overall results

The Group made an operating profit before restructuring costs but after joint venture results of £12.2m (2012/13: operating loss of £1.0m). After restructuring costs, the Group's operating profit was £8.9m (H1 2012/13: operating loss of £1.0m).

The Group incurred net finance costs of £0.6m (H1 2012/13: £0.6m) and other gains and losses of £5.5m (H1 2012/13: nil), the latter being largely the gain on translation of USD aircraft loans of £5.7m. Other gains and losses in H1 2012/13 have been previously reported as £0.3m, however, due to the adoption of IAS 19 (revised), the actuarial gain of £0.2m has been restated to report a £0.1m actuarial loss. Profit before tax for the same period has therefore changed to become a restated loss of £1.6m (previously reported as a loss of £1.3m, see Note 2 to the condensed financial statements).

Profit before tax for the period was £13.8m (H1 2012/13: loss of £1.6m, restated). There was no movement on current tax and only a small movement arising from the reduction in the corporation tax rate on deferred tax resulting in a charge of £0.2m (H1 2012/13: £nil). As a result, the Group reported a profit after tax for H1 2013/14 of £13.6m (H1 2012/13: restated loss of £1.6m).

EPS and dividends

Basic and diluted earnings per share for H1 2013/14 was 18.1p, compared with a restated loss per share of 2.0p in H1 2012/13 (see note 8 to the condensed financial statements). Adjusted basic and diluted earnings per share was 14.9p, compared with adjusted loss per share of 3.0p for H1 2012/13.

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

Cash flow

	H1 2013/14 £m	H1 2012/13 £m	Change £m
Net cash inflow from operating activities before restructuring and increase in restricted cash	**10.5**	1.6	8.9
Increase in restricted cash	**(13.7)**	(6.4)	(7.3)
Cash flows associated with restructuring activities	**(6.9)**	-	(6.9)
Net cash outflow from operating activities	**(10.1)**	(4.8)	(5.3)
Net capital expenditure after disposal proceeds	**23.2**	(22.2)	45.4
Net (repayment of borrowings)/proceeds from new loans	**(16.7)**	12.9	(29.6)
Acquisition of joint venture interest	**-**	(0.3)	0.3
Net interest paid	**(0.6)**	(0.6)	-
Net decrease in cash and cash equivalents	**(4.2)**	(15.0)	10.8
Cash and cash equivalents at beginning of period	**23.3**	42.9	(19.6)
Cash and cash equivalents at end of period	**19.1**	27.9	(8.8)
Restricted cash	**45.1**	31.2	13.9
Total cash	**64.2**	59.1	5.1

In H1 2013/14 the Group reported an operating cash inflow before restructuring and increase in restricted cash of £10.5m compared with £1.6m in H1 2012/13. This was largely driven by the increase in operating profit in the period of £8.9m compared to a loss of £1.0m in H1 2012/13,

After payments for restructuring costs of £6.9m (H1 2012/13: £nil) and increases in restricted cash, primarily as security with merchant card acquirers, of £13.7m (H1 2012/13: £6.4m), operating cash outflow for the period was £10.1m (H1 2012/13: £4.8m).

The activities of Flybe have been restructured in order to return the Group to both operating profit and cash generation in H1 2013/14. Costs incurred on restructuring largely relate to redundancies.

The largest movements in net capital expenditure were the disposal of two Q400 aircraft for £12.3m and receipt of the first instalment of £7.5m on the sale of slots to easyJet. Net repayment of borrowings were in relation to the repayment of £7.6m of loans associated with these two aircraft disposed of during the period as well as £9.0m of other aircraft financing payments.

As at 30 September 2013, there were four aircraft pre-delivery deposits in place totalling £9.6m against four contracted deliveries due in H2 2013/14 (four such deposits were in place at 30 September 2012, totalling £9.3m).

Balance sheet

	30 Sept 2013 £m	31 Mar 2013 £m	Change £m
Airport landing slots	**8.5**	8.5	-
Aircraft	**131.8**	140.4	(8.6)
Other property, plant and equipment	**24.3**	25.0	(0.7)
Interest in joint ventures	**13.2**	13.2	-
Net debt	**(34.0)**	(66.3)	32.3
Derivative financial instruments	**(8.0)**	4.2	(12.2)
Other working capital – net	**(97.2)**	(81.5)	(15.7)
Deferred taxation	**3.5**	2.0	1.5
Other non-current assets and liabilities	**8.5**	2.6	5.9
Net assets	**50.6**	48.1	2.5

The value of airport landing slots at London Gatwick remained unchanged with no additions, disposals or impairments at 30 September 2013. Sale of the landing slots to easyJet for £20.0m in cash was approved by shareholders on 2 August 2013, with £7.5m of cash deposit received on that day. £10.0m is contracted to be received in November 2013 with the balance of £2.5m in June 2014. The sale will be recognised in the income statement when Flybe ceases to operate slots at the end of each IATA season in line with the terms agreed with easyJet.

The £131.8m of net book value of aircraft represents owned aircraft, engines and aircraft modifications. The carrying value of the interest in joint ventures at 30 September 2013 stood at £13.2m.

Net debt at 30 September 2013 of £34.0m decreased from the position at 31 March 2013 of £66.3m due to improved operating cash flows and a reduction in borrowings by £22.8m to £98.2m. The latter was due to the repayment in full of the loans on the two Q400 aircraft sold during the period and other, mainly aircraft-related, financing payments. Net debt at 30 September 2013 included restricted cash of £45.1m (£31.4m at 31 March 2013) which represents, predominantly, cash held with the Group's bankers to facilitate guarantee arrangements with merchant card acquirers (which has increased by £15m since March 2013), cash deposits held in favour of aircraft owners to secure operating lease arrangements and cash held with the Group's bankers to facilitate guarantee arrangements with other suppliers.

Shareholders' equity increased by £2.5m, as the profit in the period of £13.6m was offset by the reduction in the fair value of derivatives of £12.2m. The balance sheet does not include the defined benefit pension scheme surplus of £0.5m at 30 September 2013 (31 March 2013: £1.5m). The scheme is closed to future benefit accrual and the surplus has not been recognised as the assets cannot be recovered by the Group.

Related party transactions

Related party transactions are disclosed in note 17 to the condensed financial statements. Other than the compensation for loss of office accrued in relation to three former Directors of the Group, 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 Business review on pages 4 to 5. The financial position of the Group, its cash flows and liquidity position, and events since the balance sheet date are discussed in the Financial review above. In addition, note 36 of the Group's annual report for the year ended 31 March 2013 covers Flybe's financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

As part of their regular assessment of the business working capital and financing position, 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. In assessing the forecast, the Directors have considered:

- → trading risks presented by current economic conditions in the aviation sector, particularly in relation to passenger volumes, yields and routes, and the delivery of cost reduction plans;
- → the impact of certain macro-economic factors, specifically fluctuations in fuel prices and foreign exchange rates;
- → the status of the Group's financial arrangements including the provision of card-acquiring services and the related level of collateral required, the investment in and financing of new aircraft, other sources of finance, the Group's covenant obligations under existing finance arrangements or operating leases and the management of working capital; and
- → progress made against the Turnaround Plan and impact of the immediate actions from the new management's review of the business.

The progress made against the Group's plans for cost reduction are set out in the Financial review above. Not all of the planned cost reductions are secured, although there are both targets and firm plans in place as to how they will be achieved.

Under the terms of the provision of card-acquiring services, collateral is required to be made available by the Group in order to provide security against the amounts that would be repayable to ticket purchasers should the Group be unable to provide the relevant flights (see note 12 of the condensed financial statements). These collateral arrangements are regularly reviewed with the card-acquiring service provider using information on the trading performance of the Group. A significant increase in the level of collateral required would require the Group to consider the need to obtain additional finance or to take other mitigating actions. The Directors maintain a regular dialogue with the card-acquiring service provider as part of the process to manage the risk of variations in collateral requirements.

The Group has new aircraft on order for delivery in 2013/14. An export credit loan facility is already in place which will allow the Group to finance up to 85% of the purchase price. Should the Directors determine not to finance the remaining equity stake, they would need to secure alternative finance arrangements either for the remaining equity stake, or for the whole aircraft under operating leases. Discussions are in progress with potential lenders or lessors and the Directors consider, on the basis of these discussions, that suitable facilities would be available if necessary.

The Group is developing fleet management plans to address surplus aircraft capacity created by the plan of Immediate Actions, which includes aircraft disposals, sub-leases and lease exits. The Group will actively engage in conversations with third parties to secure arrangements to reduce the ongoing aircraft ownership costs of the Group in line with these plans.

The Directors note that significant adverse movements in any of the above trading, macro-economic and financing areas could lead to a significant deterioration in profitability, working capital, cash generation and free cash flow compared to the amounts that the Directors believe that the Group will achieve.

Flybe had free cash balances of £19.1m at 30 September 2013, and has met all of its operating lease commitments and debt repayments as they have fallen due during the year.

The forecasts indicate that Flybe will be able to trade using operating cash flows for at least 12 months from the date of signing these accounts and will be able to meet its operating lease commitments and debt repayments as they become due.

The Directors, having considered the forecasts, the risks and the associated mitigating actions, 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.

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 continue to be the principal risks and uncertainties facing the Group for the remaining six months of the financial year. Pages 30 to 33 of the Group's Annual report for the financial year ended 31 March 2013, and 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

- → Failure to prevent a safety or security-related incident including terrorist threat, or attacks from either internal or external sources or to respond adequately to a safety or security-related event.

External risks

Macroeconomic environment

- → Flybe is exposed to sustained deterioration in general economic conditions.
- → Flybe is exposed to a reduction in UK and Finnish domestic air travel.

Competition

- → Flybe operates in highly competitive transport, MRO and training markets.

Regulation

- → 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.
- → Flybe is exposed to various regulators across its network.

Duties and taxes

- → Airlines may be adversely affected by increases in Air Passenger Duty in the UK and its equivalent in other countries.

Environment

- → Airlines may be adversely affected by any future amendment with regard to regulation of emissions trading and other environmental laws and regulations.
- → Flybe is exposed to negative environmental perception of the airline industry.

Implementing strategy

- → Flybe may not be successful in implementing its long-term strategy.
- → Flybe's ongoing joint venture arrangement is not successful.

Reputation

- → Flybe is exposed to an event damaging its fleet reputation, company reputation or brand.
- → Flybe is exposed to the effects of extraneous events, such as epidemics, natural occurrences or disasters (such as severe weather or ash cloud disruption).

IT systems and the Internet

- → Flybe is heavily dependent on its information technology systems, the ongoing development of those systems, and the internet to operate its business.
- → Flybe contracts with third parties for the provision of IT services and solutions where the service is subject to disruption or could be lost entirely.
- → 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 its sales.
- → Flybe operates an e-commerce business and deals with a significant amount of personal and business information.

People

- → Flybe is exposed to shortages of key personnel.
- → Flybe is dependent on good industrial relations, across all its regions, with a workforce that is, in part, unionised.

Supplier

- → Flybe is exposed to the failure or non-performance of commercial counterparties as well as requiring the services of key suppliers such as airports, air traffic control systems and fuel supply companies.

Financial risks

- → Flybe is exposed to risks associated with fluctuations in fuel prices and foreign exchange rates.
- → Flybe is exposed to the unavailability of suitable financing.
- → Flybe is reliant on the continuing performance of counter-parties.
- → The residual value of assets could be materially less than budgeted disposal costs.

Statement of Directors' responsibilities

Six months ended 30 September 2013

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

10 November 2013

Andrew Knuckey
Chief Financial Officer

10 November 2013

Independent review report to Flybe Group plc

Six months ended 30 September 2013

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 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 17. 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 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 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 six months ended 30 September 2013 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

10 November 2013

Consolidated income statement

Six months ended 30 September 2013

		Six months ended 30 September (unaudited)			
	Note	**2013 Before restructuring costs £m**	**2013 Restructuring costs (note 5) £m**	**2013 Total £m**	2012 (restated) £m
Total revenue under management	3	**477.3**	**-**	**477.3**	396.3
Less: Joint venture revenue		**(126.2)**	**-**	**(126.2)**	(55.5)
GROUP REVENUE		**351.1**	**-**	**351.1**	340.8
Consisting of:					
Passenger revenue		**312.3**	**-**	**312.3**	310.3
Contract flying revenue		**8.2**	**-**	**8.2**	4.5
Revenue from other activities		**30.6**	**-**	**30.6**	26.0
		351.1	**-**	**351.1**	340.8
Staff costs		**(49.3)**	**(2.4)**	**(51.7)**	(63.2)
Fuel		**(69.4)**	**-**	**(69.4)**	(68.6)
Net airport and en route charges		**(70.0)**	**-**	**(70.0)**	(68.1)
Ground operations		**(44.2)**	**-**	**(44.2)**	(43.4)
Maintenance		**(24.3)**	**-**	**(24.3)**	(20.6)
Depreciation and amortisation		**(6.9)**	**-**	**(6.9)**	(6.9)
Aircraft rental charges		**(42.2)**	**-**	**(42.2)**	(38.7)
Marketing and distribution costs		**(11.7)**	**-**	**(11.7)**	(12.9)
Other operating gains		**2.5**	**-**	**2.5**	1.3
Other operating expenses		**(23.6)**	**(0.9)**	**(24.5)**	(18.6)
Operating profit before joint venture results		**12.0**	**(3.3)**	**8.7**	1.1
Share of joint venture profit/(loss)		**0.2**	**-**	**0.2**	(2.1)
OPERATING PROFIT/(LOSS)		**12.2**	**(3.3)**	**8.9**	(1.0)
Investment income		**0.3**	**-**	**0.3**	0.5
Finance costs		**(0.9)**	**-**	**(0.9)**	(1.1)
Other gains		**5.5**	**-**	**5.5**	-
PROFIT/(LOSS) BEFORE TAX		**17.1**	**(3.3)**	**13.8**	(1.6)
Tax charge	6	**(0.2)**	**-**	**(0.2)**	-
PROFIT/(LOSS) FOR THE PERIOD		**16.9**	**(3.3)**	**13.6**	(1.6)
Earnings/(loss) per share:					
Basic and diluted	8			**18.1p**	(2.0)p

Consolidated statement of comprehensive income

Six months ended 30 September 2013

	Six months ended 30 September (unaudited)	
	2013 £m	2012 (restated) £m
Profit/(loss) for the financial period	**13.6**	(1.6)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme	**0.2**	0.1
Items that may be reclassified subsequently to profit or loss:		
Losses arising during the period on cash flow hedges	**(12.9)**	(3.0)
Reclassification of losses on cash flow hedges included in the income statement	**(0.8)**	(2.6)
Deferred tax arising on cash flow hedges	**2.8**	1.7
Foreign exchange translation differences	**(0.7)**	1.2
	(11.6)	(2.7)
Other comprehensive loss for the period	**(11.4)**	(2.6)
Total comprehensive income/(loss) for the period	**2.2**	(4.2)

Consolidated statement of changes in equity

Six months ended 30 September 2013

	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 2013	**0.7**	**60.6**	**3.6**	**6.7**	**22.5**	**(46.0)**	**48.1**
Profit for the period	-	-	-	-	-	13.6	13.6
Other comprehensive (loss)/income for the period	-	-	(11.6)	-	-	0.2	(11.4)
Equity-settled share-based payment transactions	-	-	-	-	-	0.3	0.3
Balance at 30 September 2013 (unaudited)	**0.7**	**60.6**	**(8.0)**	**6.7**	**22.5**	**(31.9)**	**50.6**

	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 2012	0.7	60.6	3.5	6.7	22.5	(4.6)	89.4
Loss for the period	-	-	-	-	-	(1.6)	(1.6)
Other comprehensive (loss)/income for the period (restated)	-	-	(2.7)	-	-	0.1	(2.6)
Equity-settled share-based payment transactions	-	-	-	-	-	0.2	0.2
Balance at 30 September 2012 (unaudited)	0.7	60.6	0.8	6.7	22.5	(5.9)	85.4

Consolidated balance sheet

At 30 September 2013

	Note	**30 September 2013 £m (Unaudited)**	31 March 2013 £m (Audited)
NON-CURRENT ASSETS			
Intangible assets		**13.7**	13.2
Property, plant and equipment	9	**156.1**	165.4
Interests in joint ventures		**13.2**	13.2
Other non-current assets		**39.8**	42.5
Restricted cash		**5.6**	7.2
Deferred tax asset		**4.4**	4.6
		232.8	246.1
CURRENT ASSETS			
Inventories		**6.6**	6.8
Trade and other receivables		**89.9**	87.8
Cash and cash equivalents		**19.1**	23.3
Restricted cash		**39.5**	24.2
Derivative financial instruments		**0.4**	5.7
Assets held for sale		**-**	11.9
		155.5	159.7
TOTAL ASSETS		**388.3**	405.8
CURRENT LIABILITIES			
Trade and other payables		**(99.3)**	(97.9)
Deferred income		**(55.8)**	(63.2)
Borrowings	10	**(12.5)**	(18.7)
Provisions		**(38.6)**	(26.9)
Derivative financial instruments		**(8.3)**	(1.5)
		(214.5)	(208.2)
NON-CURRENT LIABILITIES			
Borrowings	10	**(85.7)**	(102.3)
Deferred tax liabilities		**(0.9)**	(2.6)
Provisions		**(26.3)**	(33.8)
Deferred income		**(10.2)**	(10.8)
Derivative financial instruments		**(0.1)**	-
		(123.2)	(149.5)
TOTAL LIABILITIES		**(337.7)**	(357.7)
NET ASSETS		**50.6**	48.1
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	11	**0.7**	0.7
Share premium account		**60.6**	60.6
Hedging reserve		**(8.0)**	3.6
Other reserves		**6.7**	6.7
Capital redemption reserve		**22.5**	22.5
Retained deficit		**(31.9)**	(46.0)
TOTAL EQUITY		**50.6**	48.1

Consolidated cash flow statement

Six months ended 30 September 2013

	Six months ended 30 September (unaudited)	
	2013 **£m**	2012 (restated) £m
Cash flows from operating activities		
Profit/((loss) for the period	**13.6**	(1.6)
Adjustments for:		
Restructuring costs	**3.3**	-
Unrealised losses on derivative contracts	**(1.2)**	-
Depreciation, amortisation and impairment	**8.8**	6.9
Investment income	**(0.3)**	(0.5)
Finance costs	**0.9**	1.1
Other net gains	**(5.5)**	(1.4)
Profit on assets held for sale	**(0.4)**	-
Equity-settled share-based payment expenses	**0.3**	0.2
Share of joint venture (profit)/loss	**(0.2)**	2.1
Taxation	**0.2**	-
	19.5	6.8
Cash paid in respect of restructuring costs	**(6.9)**	-
Increase in restricted cash	**(13.7)**	(6.4)
(Increase)/decrease in trade and other receivables	**(2.9)**	10.0
Decrease/(increase) in inventories	**0.2**	(1.2)
Decrease in trade and other payables	**(14.1)**	(13.7)
Increase/(decrease) in provisions and employee benefits	**7.8**	(0.3)
	(29.6)	(11.6)
Tax paid	**-**	-
Net cash flows from operating activities	**(10.1)**	(4.8)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**0.9**	10.6
Proceeds from sale of intangible landing slots	**7.5**	-
Proceeds from sale of asset held for sale	**12.3**	-
Decrease in pre-delivery deposits	**3.5**	4.2
Interest received	**0.3**	0.5
Acquisition of property, plant and equipment	**(0.2)**	(36.5)
Capitalised computer software expenditure	**(0.8)**	(0.5)
Acquisition of joint venture interest	**-**	(0.3)
Net cash flows from investing activities	**23.5**	(22.0)
Cash flows from financing activities		
Proceeds from new loans	**0.9**	27.8
Interest paid	**(0.9)**	(1.1)
Repayment of borrowings	**(17.6)**	(14.9)
Net cash flows from financing activities	**(17.6)**	11.8
Net decrease in cash and cash equivalents	**(4.2)**	(15.0)
Cash and cash equivalents at beginning of period	**23.3**	42.9
Cash and cash equivalents at end of period	**19.1**	27.9

Notes to the condensed set of financial statements

Six months ended 30 September 2013

1. GENERAL INFORMATION

The information for the year ended 31 March 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: 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 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.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements. Further detail is contained in the Financial review on pages 15 to 16.

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, with the adoption of IAS 19 (revised 2011) Employee Benefits and IFRS 13 (May 2011) Fair value measurement, as noted below.

IAS 19 (revised 2011) Employee Benefits and the related consequential amendments have impacted the accounting for the Group’s defined benefit scheme, by replacing the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability. For the current period, the profit and other comprehensive income is in line with what would have been prior to the adoption of IAS 19 (revised 2011). For the comparative period, the restated loss is £0.3m higher, giving a loss before tax of £1.6m (previously a loss of £1.3m), and other comprehensive loss is £0.3m lower than previously reported at £2.6m (previously a loss of £2.9m). There is no impact on the net assets or reserves position at either 31 March 2013 or 31 March 2012.

IFRS 13 has impacted Flybe by introducing fair value disclosure for financial instruments, as set out in note 16.

A number of other amended standards and interpretations are effective for the current financial year but none of them has had any material impact on the condensed financial information:

Amendments to IFRS 7 (December 2011)	Financial instruments – Disclosures
IFRS 10 (May 2011)	Consolidation
IFRS 11 (May 2011)	Joint Ventures
IFRS 12 (May 2011)	Disclosure of Interests in Other Entities
IAS 27 revised (May 2011)	Separate Financial Statements
IAS 28 revised (May 2011)	Investments in Associates and Joint Ventures

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:

UK Airline	This business segment comprises the Group's main scheduled UK domestic and UK-Europe passenger operations and revenue ancillary to the provision of those services.
Flybe Finland	This business segment comprises the Group's scheduled Finnish contract flying and scheduled passenger operations and revenue ancillary to the provision of those services.
Other Flybe businesses	This segment aims to provide aviation services to customers, largely in Western Europe. It comprises three business activities: Contract Flying, Aviation Services (the 'MRO') and the Training Academy. The MRO and the Training Academy support both Flybe's UK and Finnish activities as well as serving third-party customers.

In a change from the 31 March 2013 presentation, Flybe Finland has been separated out from the Other Flybe businesses due to its size and to reflect the dissolution of the previous management structure, the two segments, Flybe UK and Flybe Outsourcing Solutions have been renamed as UK Airline and Other Flybe businesses, respectively. A full review of the presentation of segments will be undertaken with changes put in place to reflect the new management structure in the 31 March 2014 financial statements.

Segment revenues and results

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

	Six months ended 30 September	
	2013 £m	2012 (restated)* £m
Segment revenues:		
UK Airline	**328.2**	324.0
Flybe Finland	**126.2**	55.5
Other Flybe businesses	**30.8**	26.1
Inter-segment sales	**(7.9)**	(9.3)
Revenue under management	**477.3**	396.3
Less: Revenue from Flybe Finland joint venture	**(126.2)**	(55.5)
Group revenue (excluding investment income)	**351.1**	340.8
Segment results:		
UK Airline (including net finance income of £4.7m in 2013 and £0.8m in 2012)	**11.5**	1.1
Flybe Finland (including investment income of £0.2m in both 2013 and 2012)	**-**	(2.4)
Other Flybe businesses	**2.3**	(0.3)
Profit/(loss) before tax+	**13.8**	(1.6)

* Segment revenues for the UK Airline, Flybe Finland and Other Flybe businesses in H1 2012/13 have been restated to correspond with the H1 2013/14 structure. At September 2012, three divisions existed: Flybe UK, Flybe Europe and Flybe Aviation Support. On 23 January 2013, Flybe Europe and Flybe Aviation Support were combined to form one segment Flybe Outsourcing Solutions. At the same time contract flying activity within Flybe UK transferred into Flybe Outsourcing Solutions. On 13 September 2013, Flybe UK was renamed the UK Airline and Flybe Outsourcing Solutions became Other Flybe businesses with the operations in Finland being separated into the segment Flybe Finland. Other than the separation of Flybe Finland mentioned above, the activities within the segments did not change.

+ H1 2012/13 has been restated for the impact of adopting the revised requirements of IAS 19 Employee Benefits as detailed further in Note 2 to the condensed financial statements. The replacement of the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability led to a £0.3m increase in the reported loss for that period.

The UK Airline segment includes group costs of £2.7m (H1 2012/13 £1.8m), revaluation gains on USD aircraft loans of £5.7m (H1 2012/13: £0.7m) and restructuring costs of £2.3m (H1 2012/13: £nil).

The segment Flybe Finland includes both the appropriate share of joint venture results derived from Flybe Finland, and other costs of running this business.

4. SEASONALITY

Flybe's results of operations vary significantly from quarter to quarter within the financial year and the first half of the year is generally stronger than the second half of the year. The airline industry is highly seasonal and demand and yields are significantly higher during the summer. Flybe generates more than 50% of its passenger revenues during the summer season.

5. RESTRUCTURING COSTS

	30 September 2013 £m
Staff costs - Redundancy costs	**2.4**
Other operating expenses - Legal, professional and support costs	**0.9**
Total restructuring costs	**3.3**

6. TAX

Current tax for the six-month period is charged at 0% (six months ended 30 September 2012: 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 apportioned between the interim periods based on the expected pattern of profit generation. The tax charge of £0.2m (H1 2012/13: £nil) reported in the H1 2013/14 results from the derecognition of previously recognised deferred tax assets as a result of the change in the enacted corporation tax rate in the UK.

7. DIVIDENDS

No dividends have been paid or proposed either during the six months ended 30 September 2013 or during the comparative accounting period.

8. EARNINGS 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	
	2013 £m	2012 (restated) £m
Earnings/(loss) for the purposes of unadjusted earnings per share being net loss attributable to owners of the Group[+]	**13.6**	(1.6)
Add back:		
Restructuring costs	**3.3**	-
Revaluation gains on USD aircraft loans	**(5.7)**	(0.7)
Earnings/(loss) for the purposes of adjusted earnings per share	**11.2**	(2.3)

	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**75,152,881**	75,152,881
Earnings/(loss) per ordinary share – basic and diluted[*]	**18.1p**	(2.0)p
Adjusted earnings/(loss) per ordinary share – basic and diluted[*]	**14.9p**	(3.0)p

[*] Diluted profit per share is the same as basic loss per share in the six months ended 30 September 2013 because the average market price of ordinary shares during the period was less than the exercise price of the potentially issuable shares. For the six months ended 30 September 2012 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.

[+] H1 2012/13 has been restated for the impact of adopting the revised requirements of IAS 19 Employee Benefits as detailed further in Note 2 to the condensed financial statements. The replacement of the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability led to a £0.3m increase in the reported loss for the period.

9. PROPERTY, PLANT AND EQUIPMENT

	30 September 2013 £m	31 March 2013 £m
Opening cost as at 1 April	**234.5**	246.8
Additions	**0.2**	39.4
Disposals	**(1.2)**	(27.7)
Reclassified as held for sale	**-**	(24.0)
Closing cost at 30 September / 31 March	**233.5**	234.5
Accumulated depreciation	**(77.4)**	(69.1)
Closing net book value as at 30 September / 31 March	**156.1**	165.4

See note 13 for capital commitments.

10. BORROWINGS

Additional loans of £0.9m were drawn down and repayments of other bank loans amounting to £17.6m were made during the period, including the repayment of debt on two Q400s sold in May 2013.

11. SHARE CAPITAL

	30 September 2013 £000	31 March 2013 £000
Issued and fully paid		
75,152,881 ordinary shares of 1p each	**752**	752

In the six months ended 30 September 2013 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 2013 £m	31 March 2013 £m
Credit card arrangements	**29.0**	14.0
Bonds	**7.9**	8.7
Total	**36.9**	22.7
Cash deposited to secure the above arrangements	**36.9**	22.7

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 2013 £m	31 March 2013 £m
Embraer E-Series aircraft	**596.5**	636.2

It is intended that these aircraft will be financed partly though cash flow and partly through external financing and operating lease arrangements. 26 aircraft were covered by these arrangements at 30 September 2013 (31 March 2013: 26).

14. SHARE-BASED PAYMENTS

Performance Share Plan ('PSP'), Share Incentive Plan ('SIP') and Save As You Earn ('SAYE')

No shares were awarded under these plans in the six months to 30 September 2013 and the charge for the period in relation to them was £0.3m.

15. EMPLOYEE BENEFITS

Defined benefit scheme

The defined benefit obligation as at 30 September 2013 is calculated on a year-to-date basis, using the latest actuarial valuation as at 31 March 2010. There have not been any significant fluctuations or one-time events since that time which would require adjustment to the actuarial assumptions made at 31 March 2010. A valuation at 31 March 2013 is underway, but is not yet complete.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a new interest charge on the net defined benefit liability. For further detail see note 2.

16. FINANCIAL INSTRUMENTS' FAIR VALUE DISCLOSURES

	30 September 2013 £m	31 March 2013 £m
Current assets		
Forward foreign currency contracts/options	**-**	5.3
Fuel contracts/options	**0.4**	0.4
Derivative instruments that are designated and effective as hedging instruments carried at fair value	**0.4**	5.7
Total derivative financial assets held as current assets	**0.4**	5.7
Current liabilities		
Forward foreign currency contracts/options	**(7.2)**	(0.2)
Fuel contracts/options	**(1.1)**	(1.3)
Derivative instruments that are designated and effective as hedging instruments carried at fair value	**(8.3)**	(1.5)
Total derivative financial liabilities held as current liabilities	**(8.3)**	(1.5)
Non-current liabilities		
Forward foreign currency contracts/options that are designated and effective as hedging instruments carried at fair value	**(0.1)**	-
Total derivative financial liabilities held as non-current liabilities	**(0.1)**	-
Net derivative financial (liabilities)/assets	**(8.0)**	4.2

Carrying amounts and fair values

	30 September 2013		31 March 2013	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Financial assets				
Cash, cash equivalents and restricted cash	**64.2**	**64.2**	54.7	54.7
Loans and receivables:				
Trade and other receivables	**93.4**	**93.4**	90.2	90.2
Derivative instruments in designated accounting relationships	**0.4**	**0.4**	5.7	5.7
Financial liabilities				
Liabilities held at amortised cost:				
Trade and other payables	**(39.6)**	**(39.6)**	(35.7)	(35.7)
Debt	**(98.2)**	**(100.6)**	(121.0)	(126.8)
Derivative instruments in designated hedge accounting relationships	**(8.4)**	**(8.4)**	(1.5)	(1.5)

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.

→ 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.

Financial instruments recorded at fair value at 30 September 2013

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

→ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

→ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

→ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of the Group's financial instruments, all of which are grouped into Level 2:

	30 September 2013 £m	31 March 2013 £m
Foreign exchange derivatives	**(7.3)**	5.1
Fuel derivatives	**(0.7)**	(0.9)
	(8.0)	4.2

17. RELATED PARTIES

At 30 September 2013, the Group is 48.1% (unchanged from 31 March 2013) owned by Rosedale Aviation Holdings Limited, incorporated in Jersey.

Group companies entered into the following transactions with related parties which are not members of the Group:

	Sales of services	
	Six months ended 30 September	
	2013 £m	2012 £m
Flybe Finland	**1.1**	1.9
Preston Travel (CI) Limited	**1.2**	0.4

	Amounts owed by related parties	
	30 September 2013 £m	31 March 2013 £m
Flybe Finland	**1.2**	0.5
Preston Travel (CI) Limited	**0.4**	0.4

The Group provided services to its 60.0% owned operations, Flybe Finland. At 30 September 2013, £6.3m (31 March 2013: £6.3m) was owed in respect of revenue collected on behalf of Flybe Finland.
The Group also provided services to Preston Travel (CI) Limited which, together with Rosedale Aviation Holdings Limited, is a subsidiary of Rosedale (J.W.) Investments Limited.

	Purchases of services	
	Six months ended 30 September	
	2013 £m	2012 £m
Edenfield Investments Limited	**0.2**	0.2
Downham Properties Limited	**0.2**	0.2

No amounts were owed to related parties at 30 September 2013 or 31 March 2013.

The transactions with Edenfield Investments Limited and Downham Properties Limited are disclosed although there is no holding or subsidiary company relationship between these two companies and Rosedale Aviation Holdings Limited. These two companies are owned and controlled by the EJ Walker 1964 settlement, established by the former wife of the late Mr Jack Walker; this trust is separate for tax purposes from the Jack Walker Settlement which controls Rosedale Aviation Holdings Limited. The Group also purchased property services from Edenfield Investments Limited and from Downham Properties Limited.

Transactions with key management personnel

Details of the compensation paid to the Directors (including £1.0m of compensation for loss of office) will be disclosed in the Group's annual report for the year ending 31 March 2014.

Glossary

advanced seat assignment	a product offered by the Group allowing passengers to pre-select their seats on an aircraft for an additional charge
Air Operator's Certificate	an air operator's certificate issued by the national regulator – the Civil Aviation Authority in the UK and the Transport Safety Agency, Trafi, in Finland
Air Passenger Duty ('APD')	an excise duty which is charged by the UK government on the carriage of passengers flying from a United Kingdom airport
CAA	the UK Civil Aviation Authority
codeshare	an arrangement whereby multiple airlines sell seats on the same flights and multiple flight designators and flight numbers are used for the same flight
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 (including the Channel Islands and the Isle of Man) or Finnish airport to another UK (including the Channel Islands and the Isle of Man) or Finnish airport 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 markets
ETS	Emissions Trading Scheme
Flybe Finland	Flybe Finland Oy (formerly Finnish Commuter Airlines Oy) which is wholly-owned by the joint venture between Flybe (60%) and Finnair Oyj (40%), Flybe Nordic
IATA	International Air Transport Association
IPO	the admission, through an Initial Public Offering, of the Company's shares to the Official List of the London Stock Exchange on 15 December 2010
line maintenance	minor or scheduled maintenance carried out on an aircraft that is in service to ensure that the aircraft is fit for its next flight (including defect rectification, daily checks, visual inspections, minor repairs and modifications which do not require extensive disassembly)
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
passenger	a person with an issued ticket where the ticket has charged a fare and/or a passenger surcharge and tax (if applicable)
passenger yield	total ticket and ancillary revenue per passenger (after the deduction of government taxes and levies)
purchase rights	the right to purchase additional aircraft under the same terms and conditions as for firm and option aircraft. Such rights to be exercised within a finite time
regional aircraft	turboprop aircraft and regional jets
regional airline	an airline that flies predominantly regional aircraft
regional UK	an airport or destination in the UK (including the Channel Islands and the Isle of Man) but excluding London
route	a scheduled service flown by an airline other than any franchise 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
sector length	the distance, typically in kilometres, of a flown sector
slot	an authorisation to arrive at or depart from a stand at a particular airport at a specific time on a particular day
summer season	the last Saturday in March until the last Saturday in October in any particular year
Trafi	the Finnish Transport Safety Agency
UK domestic routes	routes where both the departure and destination airports are within the United Kingdom, the Isle of Man or the Channel Islands
under management	figures presented for revenue, passengers and seats flown 'under management' include both Group and joint venture activity but exclude contract flying
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)