FLYBE CONTINUES TO MAKE PROGRESS DESPITE TOUGH CONDITIONS

News / Airlines

Flybe reports a solid start to the year, with sustained passenger and revenue growth, in a challenging revenue environment with significant yield pressure across the sector driven by a slow-down in demand growth, accelerating industry wide capacity growth and repeated industrial unrest in France which accounts for c12% of Flybe's seat capacity.

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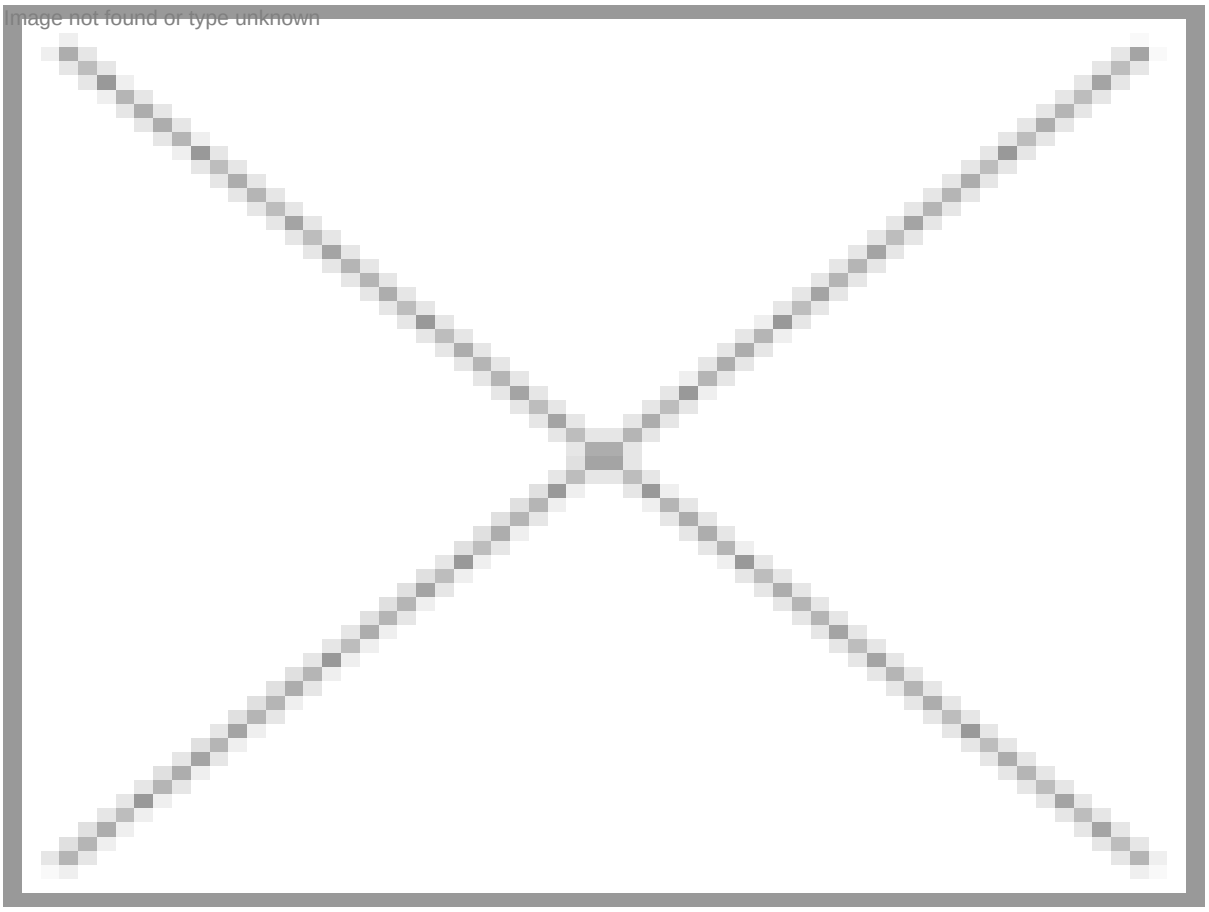

Revenue growth continued
· 15.5% increase in seat1 capacity to 3.2m seats (Q1 2015/16: 2.8m seats)
· 9.2% growth in passenger2 numbers to 2.3 million (Q1 2015/16: 2.1m passengers)
· 5.0% growth in passenger revenue3 to £155.8m (Q1 2015/16: £148.4m)
· This growth is delivered despite a slow start in April and demand headwinds stemming from continued fear of terrorism, concerns about macro-economic volatility and uncertainty around the EU referendum vote.

Route network enhanced and expanded
· Improved schedule quality on 52 existing routes via frequency increases
· 24 new routes launched
· New codeshares launched with Virgin Atlantic and Air India
· New franchising arrangement launched with Blue Islands

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Unit revenue erosion contained
· 3.9% decrease in passenger yield4 to £68.39 (Q1 2015/16: £71.15)
· 4.1ppts decrease in load factor5 to 70.0% (Q1 2015/16: 74.1%)
· 9.1% decrease in revenue per seat6 to £47.95 (Q1 2015/16: £52.73)

Continued reduction in unit costs
· 3.2% reduction in UK cost per seat (including fuel) from £53.24 to £51.52
· 0.3% reduction in UK cost per seat (excluding fuel)

New three year pay deal for all employees after successful union ballots (pilots, cabin crew and engineers)
· Pay increases agreed at an average of 2% per annum for the next three years
· Employee alignment with shareholders through a proposed 5% of salary share grant that will be implemented by September, subject to AGM and court approvals

Recognition for strong and improved punctuality
· Flybe was ranked by the CAA as the UK's most punctual airline last year for the second consecutive year. The CAA's punctuality statistics for airlines operating more than 30k flights a year showed that 84% of Flybe's flights were on time, ahead of Ryanair (82.1%), British Airways (72.7%) and easyJet (71.7%).
· Flybe's performance also improved year-on-year from 82% to 84%, while overall industry performance was reported to have dropped from 79% to 76.6% over 2014.
· In Q1 2016/17 Flybe's On Time Performance (OTP) has been impacted by ATC strikes and poor weather in line with other UK airlines and declined 5 ppts to 82.4% (arrivals within 15 minutes).

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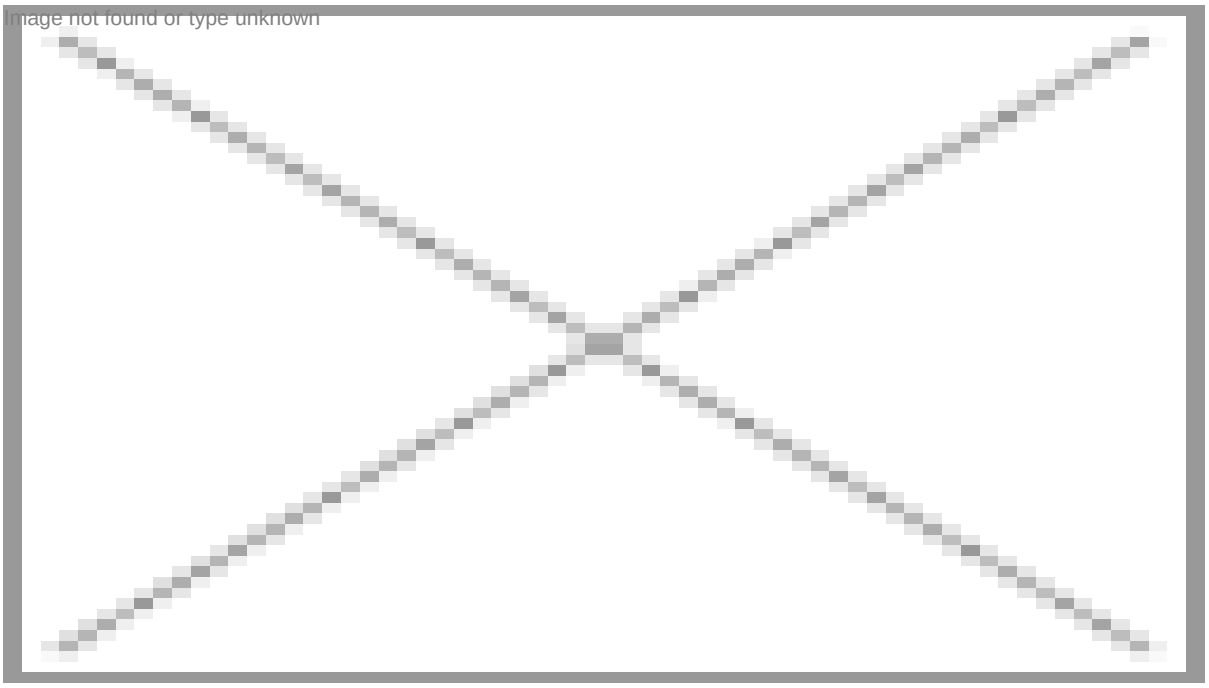

Q2 2016/17 current trading (capacity and bookings as at 25th July)
· 14% increase in seat capacity vs. prior year
· 1% increase in passenger revenue vs. prior year
· 48% of seats sold vs. 51% in the prior year
· 5% decrease in yield vs. prior year
· 11% decrease in revenue per seat vs. prior year

Impact of Brexit vote and other external developments
Whilst it is too early to judge the impact of the Brexit vote on Flybe, in the long run, Flybe's mission is unlikely to be affected in a significant manner by the form of the UK's new arrangements with the EU. The UK remains geographically part of Europe with continuing important cultural, social and economic links with the mainland. Flybe connects regional communities increasingly underserved by other airlines and alternative modes of transport, fulfilling a vital social and economic need, independent of political arrangements.

In the near term, however, consumer uncertainty about Brexit, its economic impact and repeated terrorist incidents could have a materially adverse impact on Flybe. Travel demand may weaken further if consumer and business confidence suffers, not least against a weaker pound.

Although Flybe has hedged 90% of its USD and fuel requirements for this financial year, the impact of a stronger USD since the EU referendum vote will have a negative impact of £2.5m on full year profit, if rates remain at current levels, all things being equal.

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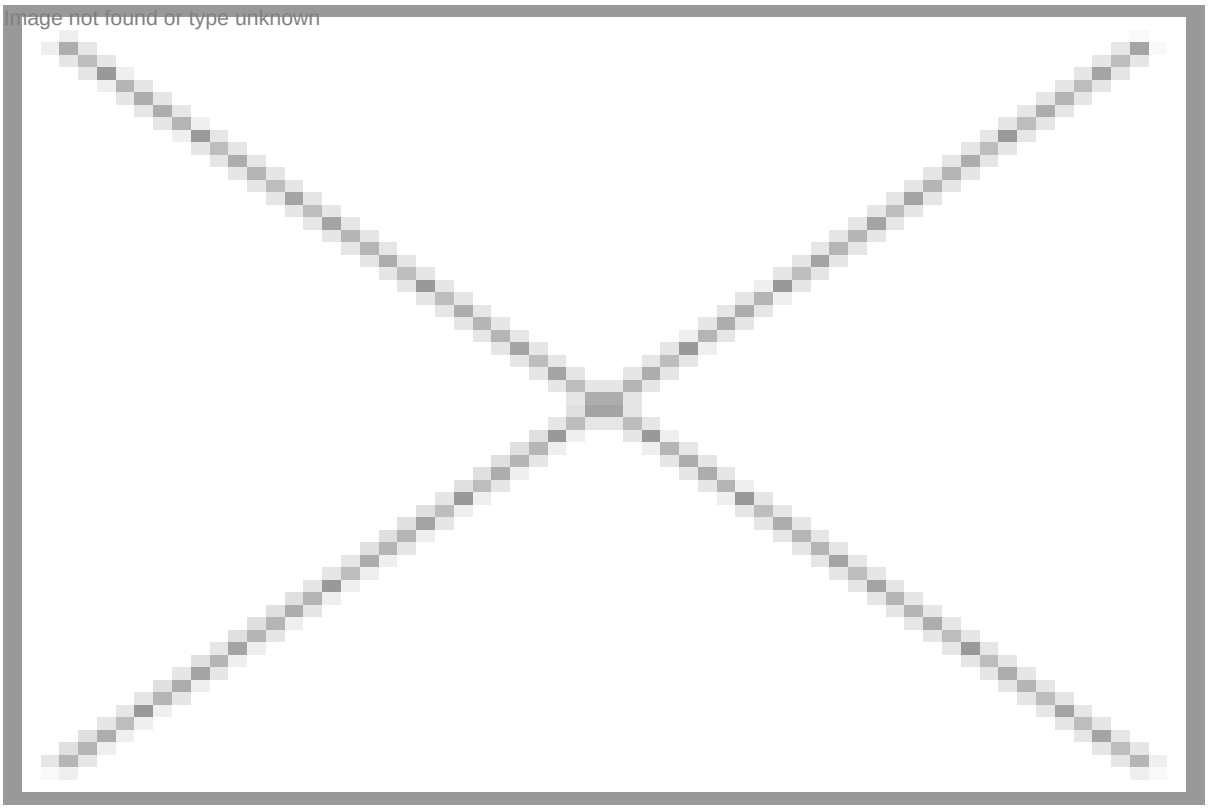

Saad Hammad, Chief Executive Officer, said:

“Flybe continues to make progress despite significant external challenges. We delivered a solid quarter through vigorous commercial execution and enhanced operational delivery.

“The current outlook is very uncertain and we have limited forward visibility due to our late booking profile. We are yet to see the full impact on demand of the devaluation of sterling and the heightened consumer uncertainty after the Brexit vote. It is also too early to assess the potential demand impact of recent terrorist attacks.

“We are continuing to take action to reduce unit costs and moderate our seat capacity growth, as demonstrated by our recent deal with NAC to cancel a contractual obligation to lease an incremental 9 aircraft. While we currently face significant external risks, we have a strong balance sheet and cash position as well as a disciplined and resilient organisation to take us forward.”

27 JULY 2016

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