Flybe – An Introduction

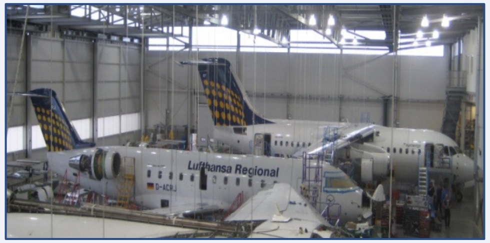
Presentation to Analysts
17th January 2011

A £570m Turnover European Regional Aviation Group

UK's Largest Domestic Airline(1) and Europe's Largest Regional Airline(2)

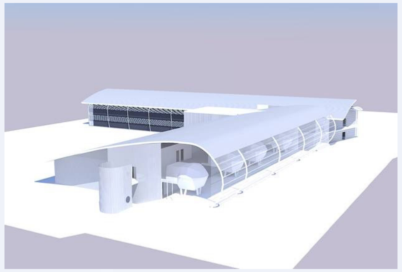
- 96% of group turnover
- 215 routes(3) serving 73 airports(3)
- 68 aircraft (54 Q400, 14 E195, average fleet age 3.8 years)
- Largest airline(4) at 9 UK airports
- 7.2m passengers flown(5)
- 94% prompted brand awareness

A Leading European Regional Aircraft MRO Business



- c.680,000 man hours(5)
- 204 aircraft maintained(5)
- Third party hours 67%(5)

Developing a Training Academy



- Opening Q1 2011
- Replicating successful MRO business
- Leveraging existing customer base

(1) By passengers carried within the UK (including the Channel Islands and the Isle of Man) in the 2010/11 First Half Year (Source: CAA)
(2) By passengers carried within Europe on aircraft with 100 seats or less in the 2009 Calendar Year (Source: ATI)
(3) Includes routes flown by Loganair under Flybe brand; (4) By number of flights in 2010/11 First Half Year; (5) In the 2009/10 Financial Year

Flybe's Progress

2002-2003
Delivering the Business Turnaround

- Clear strategy
  - Retail brand
  - Realign T&Cs
  - Focus network
  - 2 type fleet
  - Broaden shareholder base

2003-2007
Managing Growth

- Expanded routes
- Passenger growth
- Revenue growth
- Built £12m MRO facility

2007-2008
Transformational Acquisition of BA Connect

- Consolidation of UK regional airlines
- Focused integration and delivering synergies
- Negotiated £129m of funding from BA
- Major aircraft substitution

FLIGHT INTERNATIONAL
Best Management Team 2007

2008-2010
Managing Through the Recession

- Airline reported profit throughout
- Managed capacity vs. demand
- Removed surplus fixed costs – Olympic Air

ATW Air Transport World
2009 REGIONAL AIRLINE OF THE YEAR

2011+
Continuing Growth as a Public Company

- Fund fleet expansion
- Support European growth
- Flexibility in acquisition financing
- Attracted new shareholders
- Incentivise key staff

BUSINESS TRAVEL AWARDS WINNER 2010

Best Short-Haul Airline
Best Environmental Contribution

Strong and experienced management team through all phases of the cycle

Experienced and Stable Management Team

		Flybe Experience	Previous Experience
Jim French *Chairman & CEO*		20 Years	• BCAL Airways • Air UK
Andrew Knuckey *Chief Financial Officer*		5 Years	• KPMG
Mike Rutter *Chief Commercial Officer*		8 Years	• ICI • Maytag/Hoover
Andrew Strong *Chief Operating Officer*		15 Years	• Engineering Graduate Entry
Mark Chown *Deputy Chairman (Rosedale Nominee)*		14 Years	• Deloitte • 3i

The Non-Executive Directors

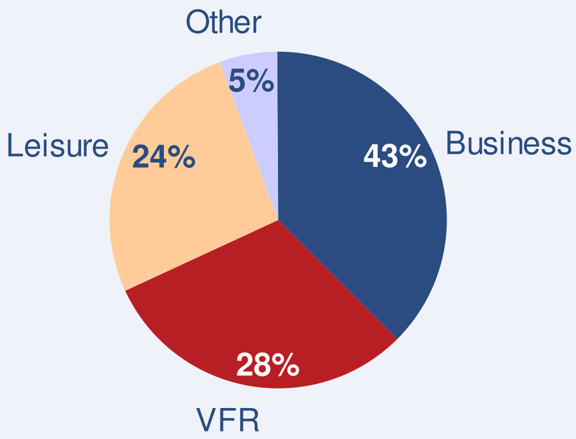
- Since 2006, plc style governance including 4 independent non-execs:
- **Charlie Scott** – (SID)
  - Chairman of Audit Committee
- **David Longbottom**
  - Chairman of Remuneration Committee
- **Peter Smith**
  - Chairman of Safety Committee
- **Alan Smith**
- **Anita Lovell (Rosedale Nominee)**

Stable second tier 36-strong management team

Flybe Model - High Frequency Services from Convenient Regional Airports

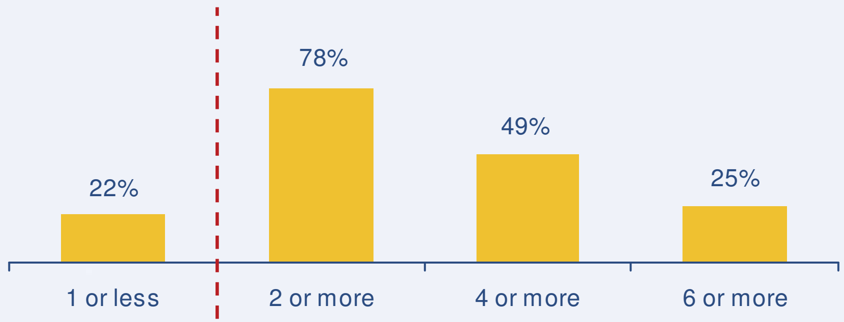
Our Market Segmentation[1]

% of Pax	Classification	Main Driver	Frequency of Travel	Revenue Generation per Customer
71%	Business	Business need	High	High
	VFR/Second Home	Social or family ties		
	Leisure	Serious hobby, Annual holiday, Short break, Spontaneous travel		



Our Customers Demand Frequency

Route Frequency - Per Day[2]



- High level of repeat travel - approximately 10% travelled 20 plus times a year
- Average passenger takes 5.5 trips per year with us
- Product offering for Business/VFR (lounges, pre-assigned seats, Frequent Flyer Programme, GDS)
- Low fares for leisure component

Flybe business model drives high yields

(1) Management assessment of target market
(2) % of Total Capacity, unaudited management information

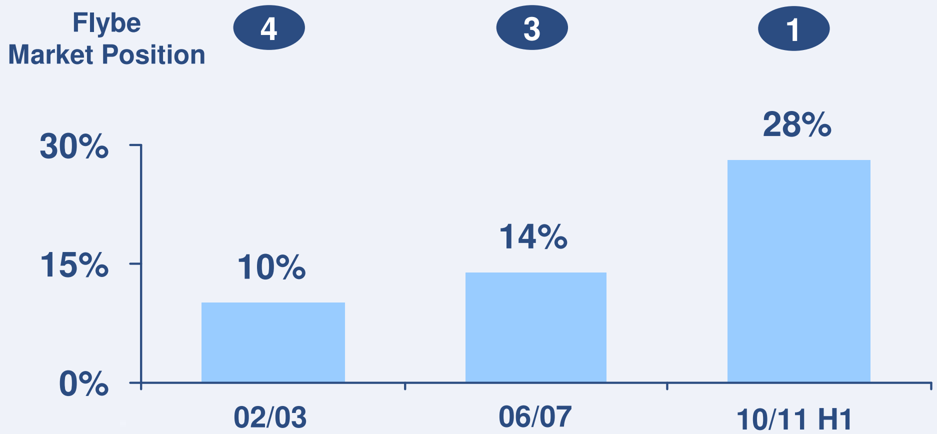
Flybe's Network and Markets

Flybe Network

Competes successfully with ground transport

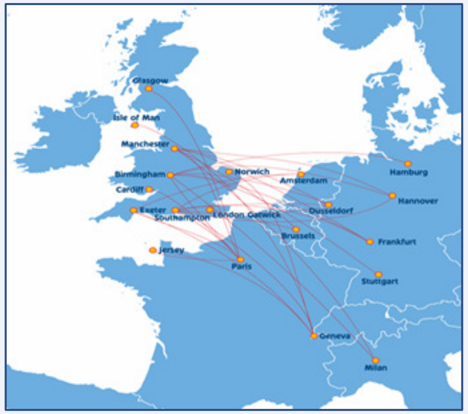
- 82% of all routes cross water[(1)]
- No routes with a drive time of less than 3.5 hours
- Regional network seeks to avoid conflict with high speed rail

UK Domestic Market Share Evolution[(2)]

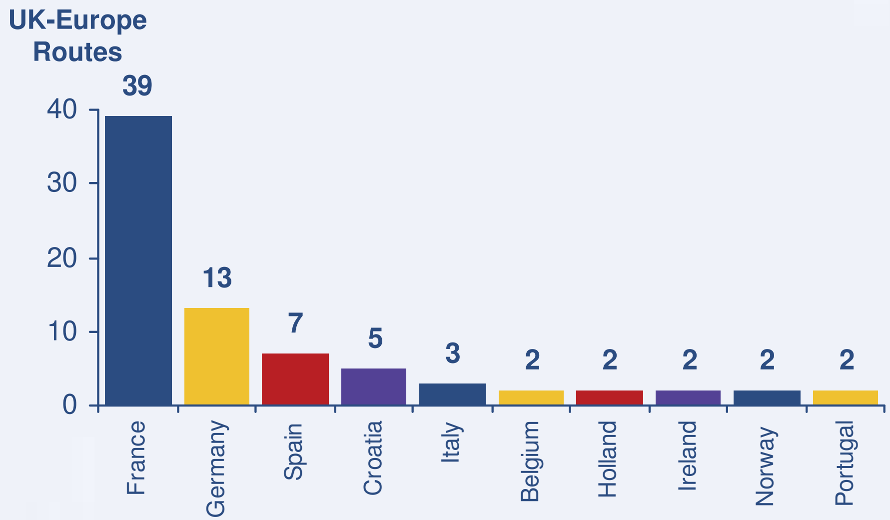


UK Regions to European Business Cities[(3)]

A Significant Presence in the UK to Europe Business Cities Market



Serving 10 European Countries[(4)]



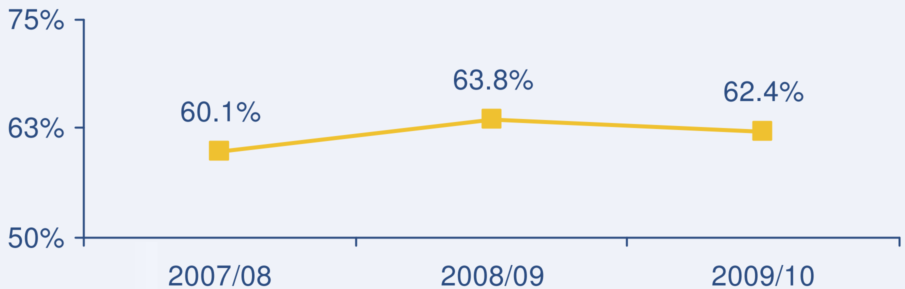
(1) *Includes routes flown by Loganair under the Flybe brand*
(2) *CAA data, Flybe brand (including Loganair in respect of 10/11 H1)*
(3) *UK to European Business City Regional Airline Market characterised as flights from regional UK airports to AMS, ARN, BCN, BRU, CDG,CPH, DUS, FCO, FRA, LIN, LIS, LUX, MAD, MUC, MXP, ORY, OSL, STR, TXL, VIE*
(4) *2010/11 First Half Year*

Right Aircraft Choice Delivers Competitive Advantage

- Right sized for Flybe network (average of 85 seats)
  - Embraer 195 and Bombardier Q400
- Lower cost per sector for Flybe network
  - 8 one hour flights for the cost of c.5 on a Boeing 737 or Airbus 319/320 – frequency wins
  - Lowers the cost of route development
  - Reduced fuel consumption – 16% in last 2 years
- Attractive customer proposition
  - 2x2 seating
  - Minimum seat pitch of 30"[1]
- Average fleet age of 3.8 years

Combination of high yields and right fleet economics drives low break even load factor

Break-Even Load Factor[2]



(1) Excludes Loganair

(2) Defined as passenger occupancy rate on an aircraft expressed as a percentage where at an assumed passenger ticket yield and ancillary revenue figure per passenger, the revenues equal the expenses

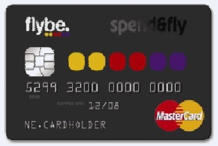
Proven Ancillary Revenue Generation

Turning Costs into Revenues

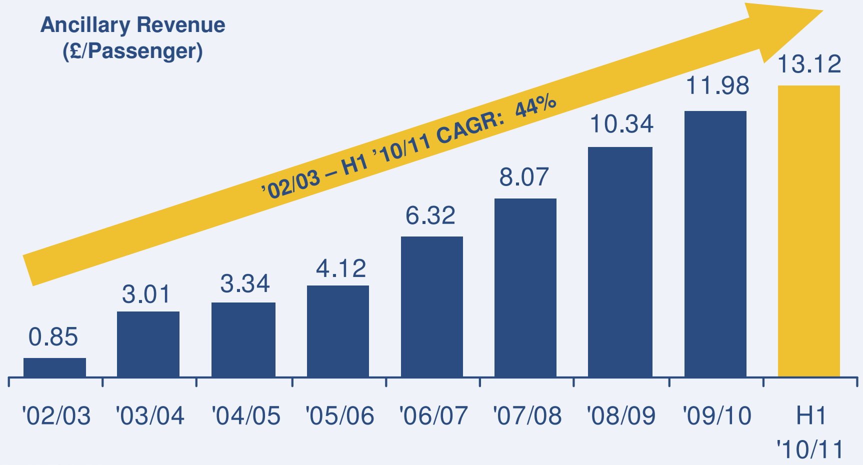
1. ***Unbundled product offering***
   - Baggage
   - Credit/debit card charges
   - Advance seat assignment
   - Ticket changes
   - On board sales

2. ***Travel related ancillaries***
   - Revenue earned from complementary travel products (e.g. car hire, insurance)

3. ***Brand leverage***
   - Brand profile and database facilitates new revenue streams such as credit card deals (Partner: BNP Paribas)
   - New FFP programme in 2007 ("Rewards4all") - 1.4m members as at Sep-2010; future monetisation opportunities



Track Record of Ancillary Revenue Growth



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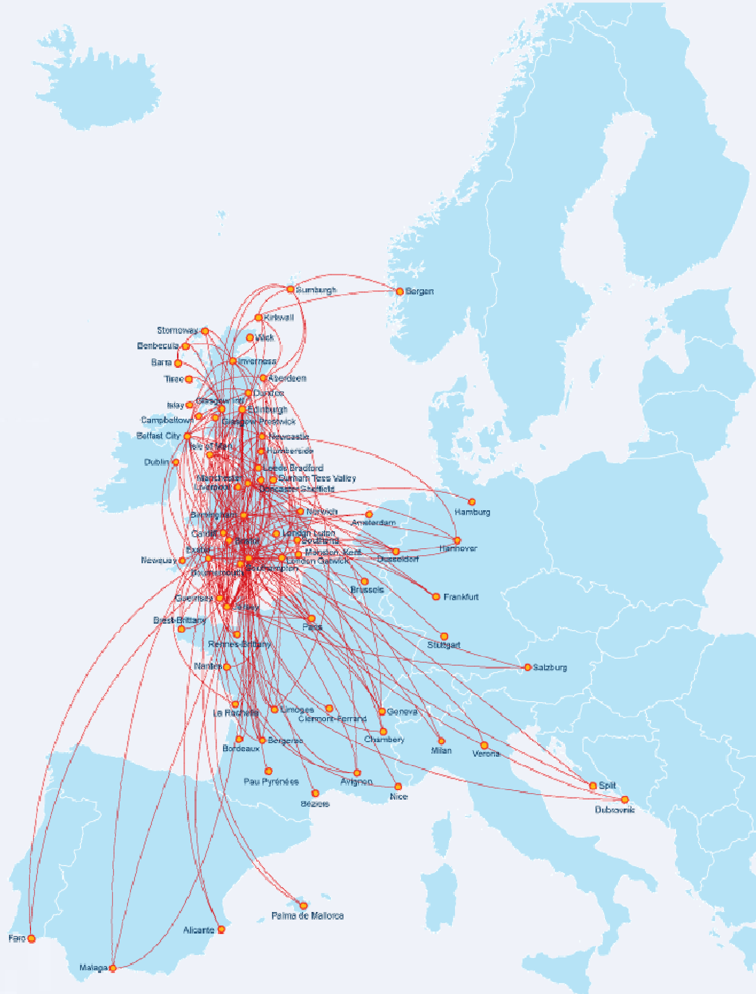
Growth Strategy – Capitalise on Sector Recovery

UK Growth Strategy

- Capitalise on sector recovery as volume, yield and frequency return
- Increasing capacity on existing routes
- Develop new ancillary revenue streams
- Additional franchise opportunities
- Substitution of existing carriers

Flybe Current Network



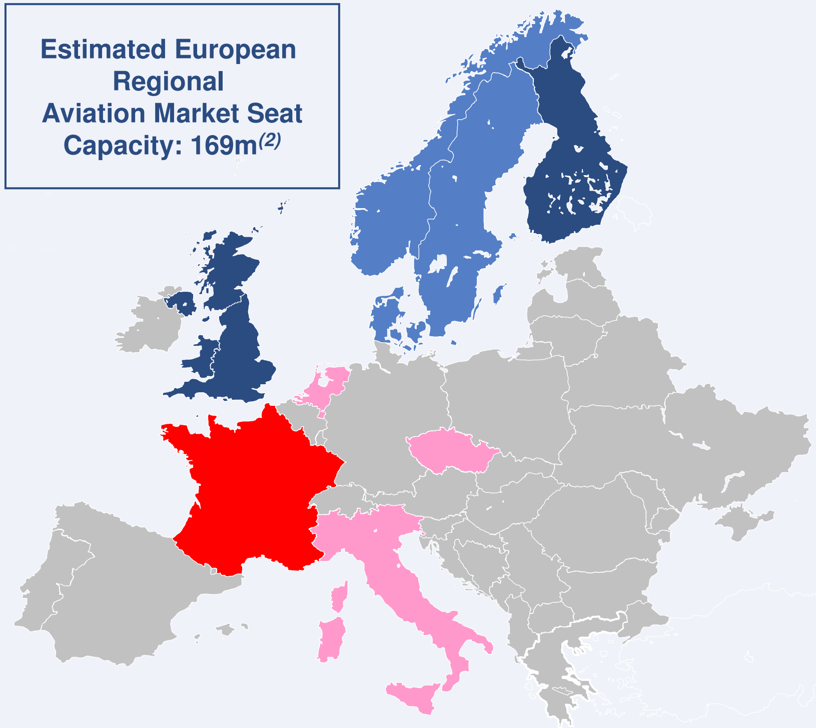
European Growth Strategy

Flybe – Already Europe's Largest Regional Airline[1]

New Strategic Arrangements

- New strategic arrangements with legacy carriers to provide economic feed from the regions into primary hubs
  - Codeshares and capacity shares
  - Contract flying
  - Joint ventures
- Acquisitions
- Organic base development
- Developing the Flybe brand and business model across Europe

Establishing Flybe's European Relationships



(1) By passengers carried within Europe on aircraft with 100 seats or less in the 2009 Calendar Year (Source: ATI)
(2) Management estimates

Air France Codeshare

Strategic Fit

- Sales commenced Sept 2010, operations Oct 2010
- Supports strategy of exporting business model to Europe
- Provides a solution to Air France's operations from UK regions to Paris
- Opportunity for further partnership within Air France/KLM Group

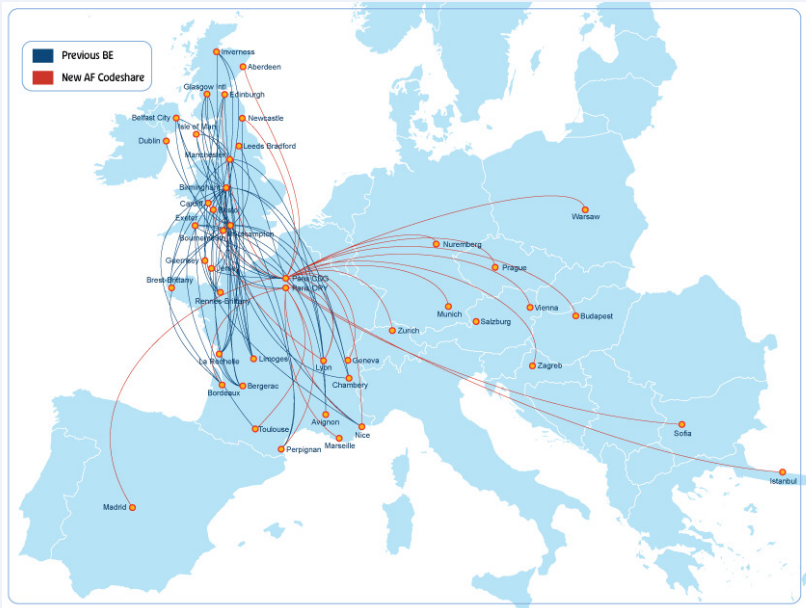
Structure / Details

- Capacity purchase codeshare on four major regional routes to Paris
- Freeflow codeshare on a range of routes: UK–France and connecting to domestic France and other European cities
- Total route relationship: 61

Impact

- Positive earnings impact expected in FY2010/11 onwards
- Improves recognition of Flybe brand in France
- Creates a platform for further expansion in Europe

AIRFRANCE



"This partnership is dealing with all the routes between UK and France… The idea is to **combine the commercial strengths of both airlines**, but also to improve the feeding of the Charles de Gaulle hub… **The first two weeks went very well, and there is no reason not to expand in the future on this cooperation**"

Bruno Matheu, Executive Vice President Network, Revenue Management, and Marketing
Air France – KLM, 18 November 2010

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Embraer E-175 Fleet Expansion Rationale

E-175 Aircraft Deal Provides Flexible Growth Options

- Seat capacity growth between 24%(1) and 120%(2) *at Flybe's option* through October 2016
- Directors expect that operating E-175 jet will give similar cost advantages to Q400
- Jet aircraft product and reduced flying time for longer routes
- Maintains two-type fleet model, improves crew efficiencies
- 2x2 seating

> "Sharing more than 86% commonality with the Embraer 195, the E-175 will continue meeting Flybe's stringent requirements for cost efficiency and high levels of comfort and functionality"
>
> *Paulo Cesar de Souza e Silva, Embraer Executive Vice President*
> *20 July 2010*

Highly Attractive Deal Terms

- 35 firm aircraft, 65 options, 40 purchase rights
- Flexibility to acquire any E-series aircraft (78-122 seats) on these terms
- 85% loan to value financed at attractive interest rates

(1) *Assuming delivery of 35 88-seat E-Series aircraft and 4 78-Seat Q400 currently on firm order*
(2) *Assuming delivery of aircraft on firm order per above, exercise of options to acquire 77 further E-Series jets and 12 Q400 turboprops, and extension of current operating leases for a secondary term up to a maximum of 15 years*

Group Summary Financials

Financial Highlights

FYE 31-Mar, £m	2007/08	2008/09	2009/10	H1 2009/10	H1 2010/11
Revenue	535.9	573.1	570.5	302.8	321.0
Adj. EBITDAR(1)	104.6	89.4	91.3	52.6	60.7
- Margin	*19.5%*	*15.6%*	*16.0%*	*17.4%*	*18.9%*
Adj. EBIT(2)	38.2	16.4	10.8	12.4	11.3
- Margin	*7.1%*	*2.9%*	*1.9%*	*4.1%*	*3.5%*
Tax credit/(charge)	2.2	5.7	(2.4)	(1.7)	5.4

Revenues showed resilience during recession and sector downturn

Volcanic ash impact estimated by Directors as £(11.6m):

- Adjusted EBITDAR of £72.3m, *margin of 22.5%*

- Adjusted EBIT of £22.9m, *margin of 7.1%*

No cash tax payable in period. Unrecognised deferred tax asset of £10.4m at 30th Sept 2010

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(1) EBITDAR is generally defined as the profit (or loss) before tax charge (or credit), interest (investment income, finance costs and other gains and losses), depreciation, amortisation and aircraft rental charges. The Group's definition of EBITDAR further adjusts for unrealised gains and losses on fuel and foreign exchange hedges, integration costs (including any asset impairments), and IPO expenses. The Group calculates Adjusted EBITDAR as EBITDAR adjusted for the impact of seat compensation. The Group calculates EBITDAR margin and Adjusted EBITDAR margin, respectively, as EBITDAR and Adjusted EBITDAR for the relevant period divided by the Group's revenue for the same period. These are not measures defined by, or presented in accordance with, IFRS and should not be considered as an alternative to profit, or other measures, determined in accordance with IFRS

(2) EBIT is generally defined as the profit (or loss) before tax charge (or credit) and interest (investment income, finance costs and other gains and losses). The Group's definition of EBIT further adjusts for unrealised gains and losses on fuel and foreign exchange hedges, integration costs (including any asset impairments), and initial public offering ("IPO") expenses. The Group calculates Adjusted EBIT as EBIT adjusted for the impact of seat compensation. These are not measures defined by, or presented in accordance with, IFRS and should not be considered as an alternative to profit, or other measures, determined in accordance with IFRS

Group Summary Financials

FYE 31-Mar, £m

Summary Balance Sheet	2007/08	2008/09	2009/10	H1 2009/10	H1 2010/11
Unrestricted Cash and Cash Equivalents	59.4	44.7	46.1	26.0	24.7
Total Assets	350.6	363.5	330.1		302.2
Total Equity	31.3	3.6	21.5		34.9
Total Liabilities	319.3	359.9	308.6		267.3
Net Debt[(1)]	70.6	54.7	21.4		30.3

Reduction in assets in period due to operating lease strategy

Net debt[(1)] reduced from £70.6m at March 2008 to £21.4m at March 2010

Summary Cash Flows	2007/08	2008/09	2009/10	H1 2009/10	H1 2010/11
Cash Flows from Operations	(2.7)	19.0	40.2	16.4	(8.0)
Cash Flows from Investing	8.4	13.6	(12.4)	(54.6)	(1.4)
Cash Flows from Financing	(79.0)	(47.3)	(26.4)	19.5	(12.0)

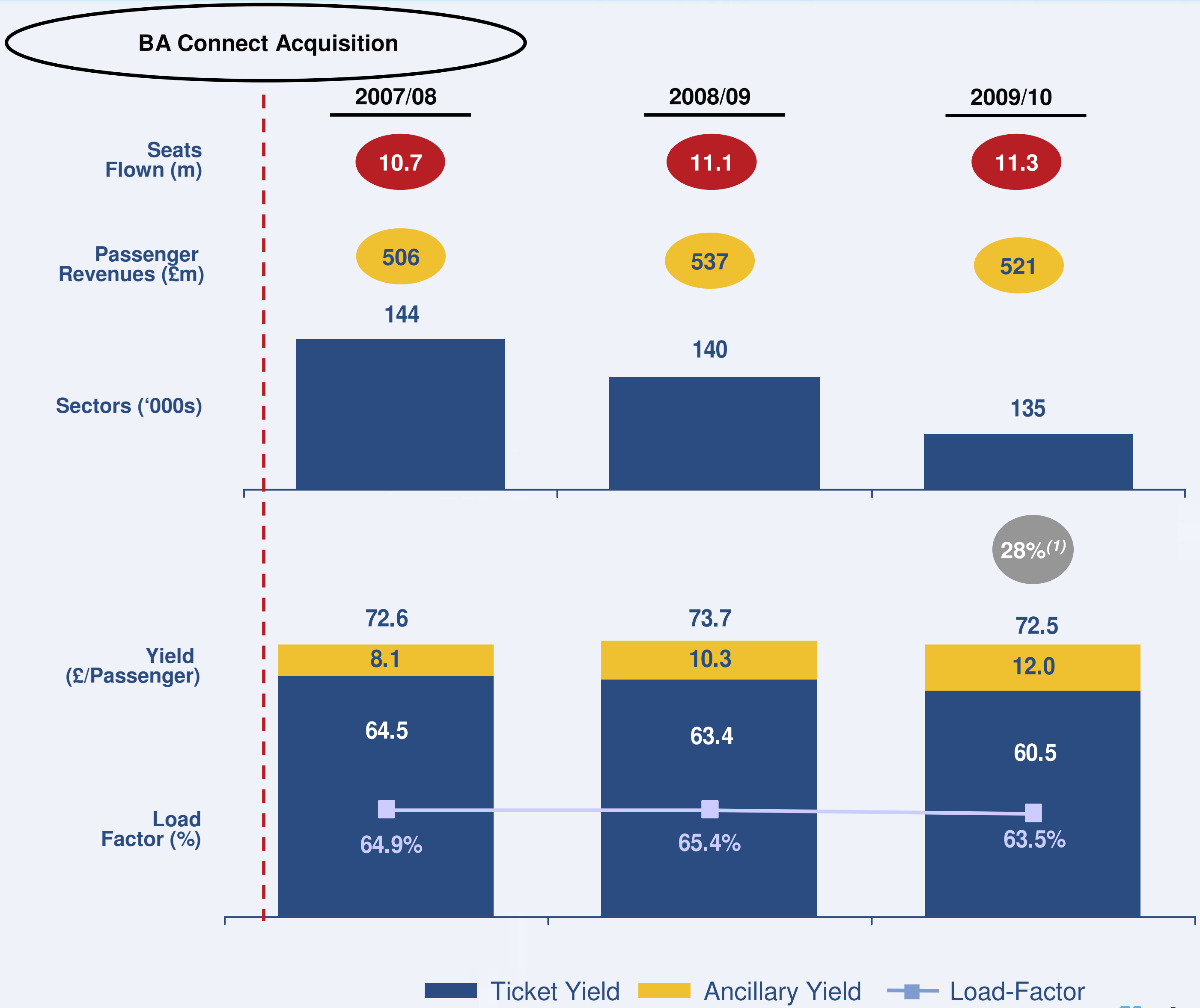
Strong operating cash flow

Seasonal cash outflow in H1 – 09/10 H1 included £25.8m of PDP repayments

(1) Borrowings less cash and restricted cash

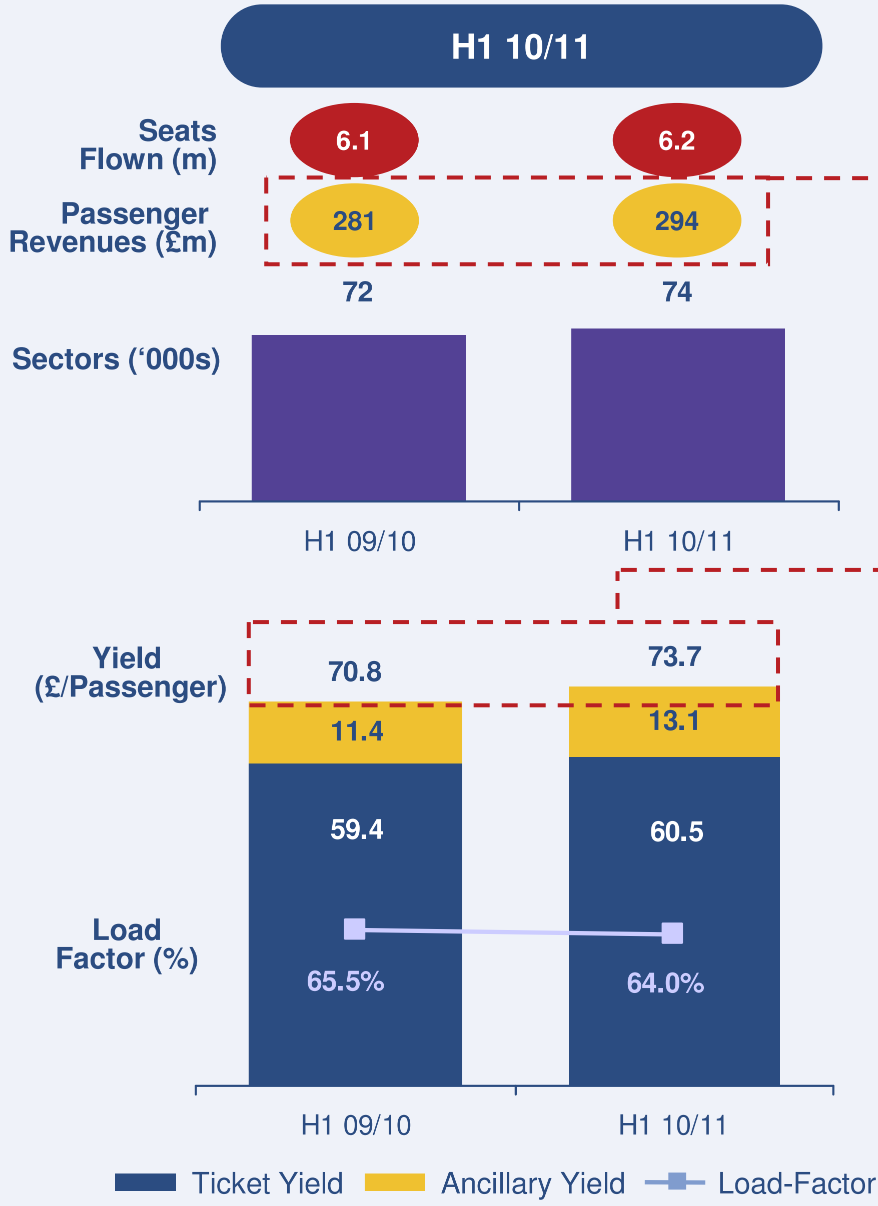
Growth, Acquisition and Resilience

- Fleet substitution – average seats up from 73 to 86
- Passenger revenues grew during recession
- Reduced frequency during recession, saving variable costs
- Market share grew to 28%[1]
- Ticket yield decline fully offset by ancillary growth



(1) CAA data, Flybe brand including Loganair

Strong Recent Performance



H1 10/11 growth in pax revenues of 4.6%, impacted by volcanic ash

Q2 10/11 growth in pax revenues of 8.7% (Q2 09/10 £144m, Q2 10/11 £157m)

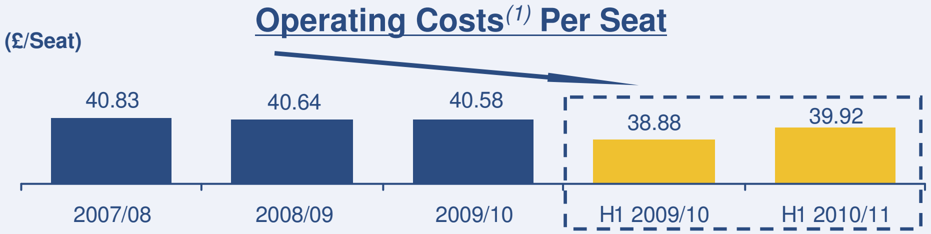
H1 10/11 increase in passenger yields of 4.1%, also impacted by volcanic ash

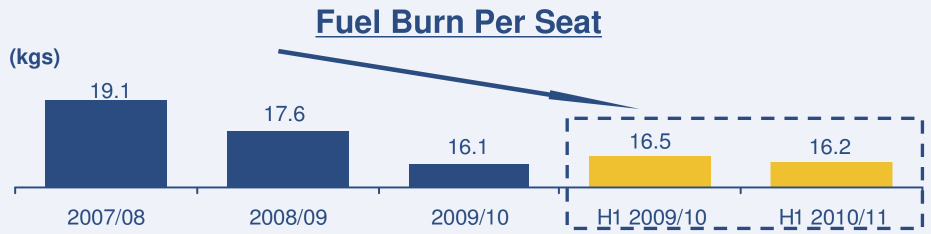
Q2 10/11 increase in passenger yields of 5.8% (Q2 09/10 £69.2, Q2 10/11 £73.2)

Q2 10/11 ticket yield still 5.3% behind 07/08 FY

Financials – Strong Focus on Operating Costs

- In 2009/10 and H1 2010/11, 61% of Flybe's Airline costs were variable
- Operating costs per seat[1] decreased during the period
- Fleet substitution has reduced fuel consumption
- Formal fuel and USD hedge policy
- Fuel and USD hedge books
  - Fuel - 90% hedged Q4 10/11 at $748 per tonne, 67% hedged for 11/12 at $784 per tonne
  - USD - 90% hedged Q4 10/11 at $1.59, 58% hedged for 11/12 at $1.57





Airline Operating Costs[2]

FYE 31-Mar, £m	2008	2009	2010	H1 2009/10	H1 2010/11
Operating costs (exc seat compensation and fuel)	(418.1)	(441.7)	(449.9)	(231.3)	(246.5)
Seat compensation	25.2	17.2	0.4	0.4	-
Fuel	(85.1)	(118.7)	(86.6)	(47.1)	(51.0)
Total Airline Costs	(478.0)	(543.2)	(536.1)	(277.6)	(299.6)
Fuel burn (000s tonnes)	205.2	195.5	182.4	100.0	101.2
Effective fuel price (per tonne)	$730	$1,069	$799	$783	$749

	2008	2009	2010	H1 2009/10	H1 2010/11
USD Spend	$305m	$369m	$338m	$175m	$178m
Effective GBP/USD exchange rate	$1.92	$1.84	$1.86	$1.84	$1.64

(1) *Constant currency basis, excluding fuel and seat compensation*
(2) *The Group reports its segment results under UK Generally Accepted Accounting Practices, and does not allocate certain items to such results that are either managed at Group level or that the Group does not consider as indicative of operational performance*

Weather Disruption

- Widely reported weather conditions across UK through to end of December 2010
- Severe and prolonged disruption to significant proportion of Flybe's network
- Some airports closed or seriously disrupted for up to 30% of time available
  - Scotland, Northern Ireland and South of England worst affected
  - Knock-on affect – eg Birmingham
- 1,980 cancelled flights due to weather – 16% of planned flying programme
  - Passengers also down 16% against forecast
- One-off financial impact estimated by Directors at c£6m
  - Loss of revenue on cancelled flights, offset by savings in variable costs
  - Additional costs - eg delay and diversion, and de-icing
  - Reviews ongoing with airports
- Underlying performance in line with Board expectations

Flybe Highlights

A Leader in the European Regional Aviation Market

Strong and Experienced Management Team

Differentiated Business Model and Passenger Mix

Flexible Fleet Growth Options with Attractive Financing

Building a Pan-European Regional Aviation Brand and Grow Shareholder Value

Competitive Route and Fleet Economics

Clearly Defined UK and European Growth Strategies

Widely Recognised Brand and Successful Business Model

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