



EXCHANGE OF GATWICK SLOTS

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Flybe Group PLC

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Flybe Group plc ("Flybe" or "the Group")

Proposed Exchange of London Gatwick slots to easyJet PLC for £20 million

Flybe announces that it has reached a conditional agreement to transfer its 25 pairs of arrival and departure slots ("Slots") at London Gatwick airport ("LGW") to easyJet PLC ("easyJet") for consideration totalling £20.0m (the "Exchange"). The Slots represent all Flybe's slots at LGW. Flybe currently operates seven routes into and from LGW and, in the year to 31 March 2013, Flybe flew 550,000 passengers on routes departing from LGW.

The consideration will be satisfied by: an initial amount of £7.5 million paid on the date that the approval of Flybe's shareholders to the Exchange is obtained; £10.0 million to be paid in November 2013 after the summer slots are exchanged following the IATA slot conference; and the remaining £2.5 million to be paid in June 2014 after the winter slots are exchanged following the IATA slot conference.

As at 30 September 2012, a proportion of the Slots were recorded on Flybe's consolidated balance sheet as a non-current intangible asset with a net book value of £8.5 million. The remainder of the Slots have been built up through historical usage, and (as required by IFRS) have no balance sheet value attributed to them.

The proceeds from the proposed Exchange will reduce the indebtedness of the Group and be used to help finance the restructuring plan announced on 23 January 2013 and for general working capital purposes.

It is anticipated that under the agreement with easyJet, Flybe will continue to operate all of the Slots until March 2014, during which time there will be no changes to flights, frequencies or timings to or from LGW. Flybe would then intend to exit its seven routes operated to and from the LGW market.

The decision to sell the Slots follows a discriminatory pricing regime applied by the airport's owners to the operators of smaller, regional aircraft which, in Flybe's case, has resulted in a 102% increase in charges over the last five years. This means Flybe has a significant per seat cost penalty at LGW against the operators of larger, 150+ seat aircraft, such as easyJet and IAG. It is the view of the Board that the increase in charges, combined with the penalistic levels of Air Passenger Duty imposed on UK domestic airlines by successive Governments, have resulted in Flybe's services to and from Gatwick becoming unsustainable in the long-term.

The proposed Exchange forms part of Phase 2 of the Group's continuing "Delivery and Future Direction" restructuring plan, further details of which along with an update on Phase 1 are contained in a separate announcement also made today. As a result of the Exchange, Flybe will receive cash proceeds significantly above the book value for this asset, thereby increasing shareholders' funds. It also enables the Group to realise value for these Slots which are currently being used by Flybe for routes on which it is not earning a satisfactory operating return on the assets deployed.

The Exchange is subject to approval by Flybe's shareholders and is expected to complete in July 2013.

A circular will be sent to shareholders in due course giving details of the proposed Exchange and notice of a general meeting at which a resolution to approve the Exchange will be proposed.

-Ends-

23 May 2013

Enquiries:

Flybe

Tel: +44 20 7457 2020

Jim French, Chairman & Chief Executive Officer

Andrew Knuckey, Chief Financial Officer

College Hill

Tel: +44 20 7457 2020

Mark Garraway

Helen Tarbet

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