

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT CONTAINS PROPOSALS WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING OF THE FLYBE SHARES ON THE OFFICIAL LIST AND THE TRADING OF THE FLYBE SHARES ON THE MAIN MARKET OF THE LONDON STOCK EXCHANGE.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your Flybe Shares, please forward this document, together with the accompanying documents (other than the documents or forms personal to you), to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. However, neither this document nor any accompanying document should be forwarded to, or transmitted into, any jurisdiction where to do so may constitute a violation of local securities laws or regulations. If you sell or have sold or otherwise transferred only part of your registered holding of Flybe Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and/or the accompanying documents into jurisdictions other than the United Kingdom may be restricted by law and therefore this document and/or the accompanying documents may not be distributed or published in any jurisdiction except under circumstances which result in compliance with applicable laws and regulations. Therefore, persons into whose possession this document and/or the accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws and regulations of any such jurisdiction.

Neither this document nor any of the accompanying documents do or are intended to constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. This document is not a prospectus. None of the securities referred to in this document shall be sold, issued, exchanged or transferred in any jurisdiction in contravention of applicable law.

Recommended proposals for the acquisition of

Flybe Group plc

by

Connect Airways Limited

(a company jointly-owned by DLP Holdings S.à.r.l., Stobart Aviation Limited and Virgin Travel Group Limited, a wholly-owned subsidiary of Virgin Atlantic Limited)

**to be effected by means of a scheme of arrangement
under Part 26 of the Companies Act 2006**

and

Notices of Court Meeting and General Meeting

Flybe Shareholders should read the whole of this document (including all information incorporated into this document by reference to another source) and the accompanying forms of proxy documents.

Your attention is drawn to the letter from the Chairman set out in Part 1 of this document, which contains the unanimous recommendation of the Board that you vote in favour of the Scheme at the Court Meeting and the GM Scheme Resolution to be proposed at the General Meeting. A letter from Evercore explaining the Scheme appears in Part 2 of this document.

ACTION TO BE TAKEN

Notices of the Court Meeting and the General Meeting, each of which are expected to be held at the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA on 4 March 2019, are set out in Parts 9 and 10 of this document. The Court Meeting will start at 11.00 am and the General Meeting at 11.15 am (or as soon thereafter as the Court Meeting has concluded). The action to be taken by Flybe Shareholders in respect of the Meetings is further set out in paragraph 19 of Part 2 of this document.

Flybe Shareholders will find accompanying this document a pink Form of Proxy for use in connection with the Court Meeting and a blue Form of Proxy for use in connection with the General Meeting. **Whether or not you intend to attend the Meetings in person, please complete and sign each of the accompanying Forms of Proxy in accordance with the instructions printed on them and return them to the Registrars at the address indicated on the Forms of Proxy as soon as possible but, in any event, so as to be received by no later than 48 hours (excluding any part of such 48 hour period falling on a non-Business Day) before the appointed time for the relevant Meeting.** If the pink Form of Proxy for the Court Meeting is not returned by the relevant time, it may be handed to the chairman of the Court Meeting or the Registrars before the taking of the poll and will still be valid. However, in the case of the General Meeting, unless the blue Form of Proxy is returned by the relevant time, it will be invalid.

Flybe Shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournment(s) thereof may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Proxies submitted via CREST must be received by the Registrars by no later than 48 hours (excluding any part of such 48 hour period falling on a non-Business Day) before the appointed time for the relevant Meeting.

Forms of Proxy may alternatively be submitted electronically by logging on to www.flybe-shares.com and following the instructions there. For an electronic proxy to be valid, the appointment must be received not later than 11.00 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned Meeting).

The completion and return of a Form of Proxy or CREST proxy instruction will not prevent you from attending and voting in person at the Meetings or any adjournment thereof if you so wish and are so entitled.

NOTICES

Application will be made to the London Stock Exchange, conditional on the Scheme becoming effective, for the cancellation of the admission to trading of Flybe Shares on the Standard List of the London Stock Exchange and on the Official List. If the Scheme proceeds as envisaged, it is expected that such cancellation will take effect on the Scheme Effective Date.

Evercore, which is authorised and regulated by the FCA in the United Kingdom, is acting solely for Flybe as financial adviser in relation to the matters referred to in this document and for no one else. Evercore will not be responsible to anyone other than Flybe for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or any arrangement referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore by FSMA, or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the regulatory regime would be illegal, void or unenforceable, neither Evercore, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person other than Flybe in connection with this document, any statement contained herein or otherwise, and no

representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this document, including its accuracy, completeness or verification of any other statement made or purported to be made by it, or on its behalf in relation to Flybe or the matters contained in this document. To the fullest extent permitted by applicable law, Evercore and its affiliates accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any statement contained in it. Evercore has given, and not withdrawn, its consent to the inclusion in this document of the references to its name and the advice it has given to Flybe in the form and context in which they appear.

Barclays, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser to Stobart Group and Connect Airways and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Stobart Group and Connect Airways for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this document. Neither Barclays, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not their client in connection with this document, any statement contained herein or otherwise. Barclays has given, and not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they appear.

Rothschild, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser to Virgin Atlantic and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Virgin Atlantic for providing the protections afforded to its clients or for providing advice in relation to the matters referred to in this document. Neither Rothschild, nor any of its affiliates, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not their client in connection with this document, any statement contained herein or otherwise. Rothschild has given, and not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they appear.

Neither the SEC nor any US state securities commission or regulatory authority has reviewed or approved this document or the Scheme. Any representation to the contrary is a criminal offence in the United States.

OVERSEAS JURISDICTIONS

The release, publication or distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves about, and observe, any applicable restrictions. Flybe Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document has been prepared for the purposes of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

The statements contained in this document are not to be construed as legal, business, financial or tax advice.

NOTES TO US INVESTORS IN FLYBE

Shareholders in the United States should note that the Acquisition relates to the shares of an English company and is proposed to be made by means of a scheme of arrangement provided for under, and governed by, English law. Neither the proxy solicitation nor the tender offer rules under the US Securities Exchange Act of 1934, as amended, will apply to the Scheme. Moreover the Scheme will be subject to the disclosure requirements and practices

applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. Financial information included in or referred to in this document has been or will be prepared in accordance with accounting standards applicable in the UK and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Flybe and Connect Airways are each organised under the laws of England. All of the officers and directors of Flybe and Connect Airways are residents of countries other than the United States. It may not be possible to sue Flybe and Connect Airways in a non-US court for violations of US securities laws. It may be difficult to compel Flybe, Connect Airways and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Connect Airways or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase Flybe Shares outside of the United States, other than pursuant to the Acquisition, until the date on which the Acquisition becomes Effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be available from the Regulatory Information Service of the London Stock Exchange available at <http://www.londonstockexchange.com>.

IMPORTANT INFORMATION

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

This document and the accompanying documents have been prepared in connection with proposals in relation to a scheme of arrangement pursuant to and for the purpose of complying with English law, the Takeover Code and the Listing Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this document or the accompanying documents should be relied on for any other purpose.

The distribution of this document in jurisdictions outside the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. All Shareholders or other persons (including nominees, trustees and custodians) who would otherwise intend to, or may have a contractual or legal obligation to, forward this document and the accompanying Forms of Proxy to a jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

No person has been authorised to make any representations on behalf of Connect Airways or any member of the Flybe Group concerning the Acquisition which are inconsistent with the statements contained in this document and such representations, if made, may not be relied upon as having been so authorised.

The summary of the principal provisions of the Scheme contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part 3 of this document. Each Scheme Shareholder is advised to read and consider carefully the text of the Scheme itself. This document, and in particular, the Chairman's Letter (Part 1 of this document) and Explanatory Statement (Part 2 of this document) have been prepared solely to assist Shareholders in respect of voting on the Scheme.

Shareholders should not construe the contents of this document as legal, taxation or financial advice, and should consult with their own advisers as to the matters described in this document.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Connect Airways or the Flybe Group except where otherwise stated.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This document contains statements about Connect Airways and the Flybe Group which are, or may be deemed to be, "forward-looking statements" and which are prospective in nature. All statements other than statements of historical fact included in this document may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "anticipates", "believes", "targets", "aims", "projects", "future-proofing" or words or terms of similar substance or the negative of such words or terms, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Connect Airways or the Flybe Group's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on Connect Airways or the Flybe Group's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of Connect Airways or the Flybe Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These factors include changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Flybe Group, refer to the annual report and accounts of the Flybe Group for the financial year ended 31 March 2018. Each of Connect Airways and the Flybe Group, and each of their respective members, directors, officers, employees, advisers and persons acting on their behalf expressly disclaims any intention or obligation to update or revise any forward-looking or other statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable law.

Neither Connect Airways, nor any member of the Flybe Group, nor any of their respective associates, directors, officers, employees or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of Connect Airways or the Flybe Group. All subsequent oral or written forward-looking statements attributable to Connect Airways or any member of the Flybe Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

DEALING DISCLOSURE REQUIREMENTS

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being

any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Takeover Code applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the Announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8 of the Takeover Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Takeover Code applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Takeover Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Takeover Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

ELECTRONIC COMMUNICATIONS

Please be aware that addresses, electronic addresses and certain information provided by Shareholders, persons with information rights and other relevant persons for the receipt of communications from Flybe may be provided to Connect Airways during the Offer Period as requested under Section 4 of Appendix 4 of the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

PUBLICATION ON WEBSITE

A copy of this document (together with any document incorporated by reference) is and will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Flybe's website at www.flybe.com/investors during the course of the Offer Period. The contents of Flybe's website are not incorporated into, and do not form part of, this document.

CREDIT RATINGS AND OUTLOOKS

There are no current ratings or outlooks accorded to Flybe or Connect Airways by ratings agencies.

RIGHT TO RECEIVE COPIES IN HARD COPY FORM

Any person entitled to receive a copy of documents, announcements and information relating to the Acquisition is entitled to receive such documents (including information incorporated by reference into such documents by reference to another source) in hard copy form. Such person may request that all future documents, announcements and information in relation to the Acquisition are sent to them in hard copy form.

A hard copy form will not be sent to any person unless requested from Link Asset Services by way of either written request to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or request by telephone on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:30am and 5:30pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

DEFINITIONS AND INTERPRETATION

Definitions used in this document are as defined in Part 8 unless defined elsewhere herein or the context requires otherwise.

Unless otherwise indicated, all references in this document to "**sterling**", "**pounds sterling**", "**£**", "**pence**", "**penny**" or "**p**" are to the lawful currency of the UK.

Words importing the singular shall include the plural and vice versa. Words importing the masculine gender shall include the feminine or neutral gender and vice versa.

The terms "**parent undertaking**" and "**subsidiary undertaking**" shall have the same meanings as defined in section 1162 of the Companies Act and references to "**parent**" and "**subsidiary**" shall be interpreted accordingly.

All references to a statutory provision or law or to any order or regulation shall be construed as a reference to that provision or law, order or regulation as extended, modified, replaced or re-enacted from time to time.

This document is dated 7 February 2019.

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COMPANY AND ADVISER INFORMATION

Company name	Flybe Group plc
Company number	01373432
Directors	Simon Laffin Heather Lawrence Elizabeth McMeikan Christine Ourmières-Widener Ian Milne
Company secretary	Catherine Ledger
Registered office	New Walker Hangar Exeter International Airport Clyst Honiton Exeter EX5 2BA
Website	www.flybe.com
Financial adviser to Flybe	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN
Financial adviser to Stobart Group and Connect Airways	Barclays Bank plc, acting through its Investment Bank 1 Churchill Place Canary Wharf London E14 5HP
Financial adviser to Virgin Atlantic	Rothschild & Co New Court St Swithin's Lane London EC4N 8AL
Legal adviser to Flybe	Bryan Cave Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Legal adviser to Cyrus and Connect Airways	Morgan, Lewis & Bockius UK LLP Condor House 5-10 St. Paul's Churchyard London EC4M 8AL
Legal adviser to Stobart Group and Connect Airways	Hill Dickinson LLP No 1 St Paul's Square Liverpool Merseyside L3 9SJ
Legal adviser to Virgin Atlantic	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG

Receiving Agent

Link Asset Services
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of circulation of this document	7 February 2019
Latest time for lodging Form of Proxy for the Court Meeting (pink form)	11.00 am on 28 February 2019 ⁽¹⁾
Latest time for lodging Form of Proxy for the General Meeting (blue form)	11.15 am on 28 February 2019 ⁽²⁾
Voting Record Time for the Court Meeting and the General Meeting	6.00 pm on 28 February 2019 ⁽³⁾
Court Meeting	11.00 am on 4 March 2019
General Meeting	11.15 am on 4 March 2019 ⁽⁴⁾
Court hearing to sanction the Scheme	8 March 2019 ⁽⁵⁾
Last day of dealings in, and for registration of transfers of, Flybe Shares	8 March 2019 ⁽⁵⁾
Scheme Record Time	6.00 pm on 8 March 2019 ⁽⁵⁾
Scheme Effective Date	11 March 2019 ⁽⁵⁾
Cancellation of the admission to trading of Flybe Shares	11 March 2019 ⁽⁵⁾
Latest date for despatch of cheques or settlement through CREST (as appropriate)	25 March 2019 ⁽⁵⁾
Longstop Date	30 September 2019 ⁽⁶⁾

Notes:

References to times are to London time. If any of the dates and/or times in this expected timetable change, the revised dates and/or times will be notified to Flybe Shareholders by announcement through a Regulatory Information Service.

- (1) The **PINK** Form of Proxy for the Court Meeting not returned by the time stated above may be handed to the Registrars or to the chairman of the Court Meeting before the taking of the poll.
- (2) The **BLUE** Form of Proxy for the General Meeting must be lodged by the time stated above in order to be valid or, if the General Meeting is adjourned, not later than 48 hours (excluding any day that is not a Business Day) before the time fixed for the holding of the adjourned meeting.
- (3) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time of the adjourned meeting(s) will be 6.00 pm on the second Business Day before the day fixed for the adjourned meeting.
- (4) The General Meeting will commence at 11.15 am on the day of the Court Meeting or as soon as possible after the Court Meeting has been concluded or adjourned.
- (5) These dates are indicative only and will depend, among other things, on the date upon which (i) the Conditions are satisfied or (if capable of waiver) waived; (ii) the Court sanctions the Scheme; and (iii) the Court Order is delivered to the Registrar of Companies.
- (6) The Longstop Date is the latest date by which the Scheme may become effective. However, the Longstop Date may be extended to such later date as the Company and Connect Airways may agree in writing (with the Panel's consent and as the Court may approve (should such approval(s) be required)).

ACTION TO BE TAKEN

The Court Meeting and the General Meeting will be held at **the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA**, on 4 March 2019 at 11.00 am and 11.15 am, respectively (or, in the case of the General Meeting, as soon thereafter as the Court Meeting has been concluded or adjourned). The Scheme requires approval at both of these meetings.

1. Documents

Please check you have received the following with this document:

- a pink Form of Proxy for use in respect of the Court Meeting;
- a blue Form of Proxy for use in respect of the General Meeting; and
- a prepaid envelope for use in the United Kingdom.

If you have not received all of these documents, please contact Link Asset Services on the telephone number set out in the paragraph under the section heading "Helpline" below.

2. To vote on the Scheme proposals

Flybe Shares held in certificated form

Whether or not you plan to attend the Meetings, **PLEASE COMPLETE AND SIGN** both the enclosed blue and pink Forms of Proxy and return them in accordance with the instructions provided thereon, as soon as possible, but in any event so as to be received by no later than 11.00 am on 28 February 2019 in the case of the pink Form of Proxy in respect of the Court Meeting and by no later than 11.15 am on 28 February 2019 in the case of the blue Form of Proxy in respect of the General Meeting. This will enable your votes to be counted at the Meetings in the event of your absence. If the pink Form of Proxy for use at the Court Meeting is not lodged by 11.00 am on 28 February 2019, it may be handed to the Registrars, Link Asset Services, on behalf of the chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the blue Form of Proxy is lodged so as to be received by 11.15 am on 28 February 2019 (or, in the case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any day that is not a Business Day)), it will be invalid. Both Forms of Proxy should be returned in the prepaid envelope provided for use in the United Kingdom for your convenience in returning them.

You may also submit your Forms of Proxy electronically by logging on to www.flybe-shares.com and following the instructions there. For an electronic proxy appointment to be valid, the appointment must be received no later than 11.00 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned Meeting).

The completion and return of a Form of Proxy will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

Flybe Shares held in uncertificated form

If you hold your Flybe Shares in CREST you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notices of the Meetings and the accompanying notes to the notice of the General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant RA10) must be received by the Registrars not later than 11.00 am on 28 February 2019 in the case of the Court Meeting and by 11.15 am on 28 February 2019 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting (excluding any day that is not a Business Day)).

The submission of a proxy via CREST will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST (WHETHER IN PERSON OR BY PROXY) SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT AN ELECTRONIC OR CREST PROXY AS SOON AS POSSIBLE.

Helpline

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call the Registrars, Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

This section should be read in conjunction with the rest of this document.

PART 1

LETTER FROM THE CHAIRMAN

Directors:

Simon Laffin
Heather Lawrence
Elizabeth McMeikan
Christine Ourmières-Widener
Ian Milne

Registered Office:

New Walker Hangar
Exeter International Airport
Clyst Honiton
Exeter
EX5 2BA

7 February 2019

To: Flybe Shareholders and, for information only, persons with information rights and holders of awards and options under the Flybe Share Schemes

Dear Sir or Madam

Recommended proposals for the Acquisition of Flybe by Connect Airways

1. Introduction

On 11 January 2019, the boards of Flybe and Connect Airways announced that they had reached agreement on the terms of a recommended cash offer to be made by Connect Airways to acquire all of the issued and to be issued share capital of Flybe.

This letter sets out the background to the Acquisition and the reason why the Board considers the Acquisition to be fair and reasonable, and why it is unanimously recommending that Shareholders vote in favour of the Scheme at the Court Meeting and the GM Scheme Resolution to be proposed at the General Meeting (as all of the Flybe Directors who own or control Flybe Shares have irrevocably undertaken to do in respect of their own holdings, as set out in paragraph 8 of this letter below).

This document also contains notices of the Meetings at which the Scheme will be put to Flybe Shareholders.

2. The Acquisition

Under the terms of the Acquisition, which is subject to the Conditions and further terms set out in Part 4 of this document, Scheme Shareholders whose names appear on the register of members of Flybe at the Scheme Record Time will be entitled to receive:

For each Flybe Share 1 pence in cash

The Acquisition values the issued and to be issued ordinary share capital of Flybe at approximately £2.2 million on the basis of the fully diluted share capital of 216,656,776 Flybe Shares.

The Acquisition is being effected by a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

3. Recommendation of the Acquisition

The Flybe Directors, who have been so advised by Evercore (who are providing independent financial advice to the Flybe Directors for the purposes of Rule 3 of the Takeover Code) as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing its financial advice to the Flybe Directors, Evercore has taken into account the commercial assessments of the Flybe Directors.

Accordingly, the Flybe Directors believe that the terms of the Acquisition are in the best interests of Flybe Shareholders as a whole and **unanimously recommend that Flybe Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the**

General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure the acceptance of such Takeover Offer).

Each Flybe Director who holds Flybe Shares has irrevocably undertaken to vote in favour of the Scheme and the GM Scheme Resolution in respect of their own beneficial holdings of Flybe Shares, amounting to, in aggregate, 871,664 Flybe Shares representing approximately 0.40% of Flybe's share capital in issue on 5 February 2019 (being the latest practicable date before the publication of this document).

4. Background to, and reasons for, the Scheme proposals

Background to the Scheme

Since the appointment of Christine Ourmières-Widener as CEO, Flybe had implemented a clear strategy focused on tighter fleet management, improving revenue per seat performance and increasing load factors. Flybe's pursuit of operational excellence had led to a significant reduction in maintenance lead-times and higher customer satisfaction. Delivering this new strategy required management to address several material legacy issues such as engine and aircraft contracts, which significantly increased cash requirements.

The current broader market for air travel has been challenging for all parties. There have been a number of airlines who have gone out of business over the past year and several others have issued profit downgrades. While Flybe had made tangible progress in delivering its strategy, maintaining momentum had been hampered by the challenging market environment. Ongoing fuel and currency impacts presented particularly significant headwinds for Flybe as did the rapid and significant tightening on Flybe's liquidity from the card acquirer market. In addition, the general economic outlook and conditions had impacted the business leading to a further weakening in consumer demand, affecting cash, revenues and profit adversely.

On 17 October 2018, Flybe announced that, due to weak consumer demand in domestic and near-continent markets, together with higher fuel prices and a weaker sterling, the Company's profit performance would be lower than previously expected.

On 14 November 2018, Flybe announced its interim management report for the 6 month period to 30 September 2018, which made clear that if the Flybe Group's card acquirers were to choose to seek significantly higher cash collateral and the Flybe Group could not access sufficient additional liquidity, this would give rise to a material uncertainty which might cast significant doubt on its ability to continue as a going concern. The Company announced therefore that it was undertaking a comprehensive strategic review of its options, including a potential sale of the Company by way of the Formal Sale Process (also announced on 14 November 2018) and exploring a move to a Standard Listing to allow the Company more flexibility in carrying out asset divestments to generate cash. The latter move was subsequently approved by over 99% of Shareholder votes at a general meeting on 14 December 2018.

Flybe received a number of expressions of interest both before and after the announcement of the Formal Sale Process. These expressions of interest included proposals for the acquisition of Flybe as a whole and also for parts of the business or certain assets. After initial discussions with the interested parties, Flybe shortlisted a smaller number of potential offerors to conduct initial due diligence based on a range of criteria, including deliverability, financial capability and strategic fit. The selected potential offerors were asked to submit proposals for Flybe and subsequently Flybe entered into detailed discussions with a small number of parties.

These discussions led to the current offer from Connect Airways when two existing interested parties came together and informed Flybe of this fact shortly before the Announcement. In addition to Connect Airways making the offer to Flybe Shareholders, the Connect Lenders agreed to make available to Flybe and Flybe Limited a secured committed credit facility of up to £20 million, subject to a number of conditions. This facility was subsequently amended on 15 January 2019 in connection with the Subsidiary Sale, further details of which are set out below. Although the price per share offered by Connect Airways was disappointingly low, its proposal was ultimately the only proposal capable of immediate execution to enable Flybe and the Flybe Subsidiaries to continue to trade as going concerns.

Reasons for the recommendation of the Acquisition at the time of the Announcement

The Flybe Directors evaluated the offer by Connect Airways on behalf of the Flybe Shareholders as a whole. In deciding to recommend the Acquisition to the Flybe Shareholders at the time of the Announcement, the Flybe Directors took into account a range of factors, including those outlined below.

The Flybe Group's card acquirers normally pass on cash for credit card bookings for future flights, less a proportion retained as security. However, as highlighted in the interim management report released on 14 November 2018, they are contractually entitled to retain enough cash to ensure that they are fully secured. Flybe's principal credit card acquirer changed its collateral requirements and began to retain significantly more cash against their exposure. This change in position materially and rapidly weakened the Company's unrestricted cash position and raised concerns with the Flybe Group's banks.

The Flybe Directors saw a business combination with Connect Airways and the £20 million credit facility to be provided by the Connect Lenders as attractive to the Flybe Group's customers, employees, suppliers and the wider community, particularly against the backdrop of the hardening attitude of the credit card acquirers and banks. Flybe's access to increased scale and significant financial resources through such a combination were regarded as likely to deliver greater stability during times of market turbulence and enable the business to focus on profitable growth. The Flybe Directors believed that adding the long-haul network, greater economies of scale, connectivity experience, successful airline partnerships and the wet lease operations of the owners of Connect Airways would provide the opportunity to develop enhanced customer experience, optimise operational performance and accelerate partnerships with other airline operators. It also confirmed the Flybe Group's feeder capabilities at key airports including Manchester Airport and London Heathrow Airport.

The Flybe Directors took into careful consideration the risks inherent in the successful execution of Flybe's business plan given the developing adverse factors versus the opportunity that a cash offer and the offer of funding for the business provided. Such risks included further softening in demand in the short-haul market, potential for further cash flow challenges in the short-term (through credit card acquirer retention or otherwise), weather events and further adverse movements in fuel prices, sterling and customer sentiment.

In the absence of the Acquisition and the funding to be provided by the Connect Lenders, the Flybe Directors considered that neither Flybe nor the Flybe Subsidiaries would be able to continue to trade as going concerns. Even absent the Subsidiary Sale (described further below), were Flybe or the Flybe Subsidiaries to have been placed into administration, the Flybe Directors did not believe that an administrator would have been able to operate the business as a going concern and in such circumstances Flybe Shareholders would have been unlikely to have received any value in respect of their Flybe Shares.

The Flybe Directors therefore concluded that, taking into account Flybe's difficult financial position and the expectation that the pressure on Flybe's cash flow would continue to put at risk Flybe's and the Flybe Subsidiaries' ability to continue to trade as going concerns, the Acquisition and funding from the Connect Lenders represented the only available means of securing Flybe's and the Flybe Subsidiaries' futures. The Flybe Directors were advised both that the financial terms of the Acquisition were fair and reasonable with regard to Shareholders and also that the Acquisition, when considered together with the financial support to be made available under the Bridge Facility Agreement, represented the best prospect of enabling Flybe Limited to meet its obligations to employees, pension scheme members and other creditors and continue to trade and therefore enable the Flybe Directors to preserve the value of the Company for the benefit of its creditors and Shareholders.

Background to the Subsidiary Sale

Following the Announcement, despite significant efforts, Flybe was not able to satisfy the conditions to utilisation of the Bridge Facility Agreement because the credit card acquirers were unwilling to increase their exposure during the period to the expected effective date of the scheme; therefore Flybe was unable to draw any funds under it.

In order to enable Flybe Limited to continue to trade and thereby preserve the interests of Flybe's Shareholders and other stakeholders of the Flybe Group (including customers, employees, pension scheme members and other creditors) Flybe needed immediate funding and the ongoing support of the Flybe Group's credit card acquirers and banks. Because in the time available there were no other parties in a position to meet both Flybe's funding needs and the requirements of Flybe's banks and credit card acquirers, the Flybe Directors concluded, and were so advised, that the only way to avoid Flybe and Flybe Limited having to be placed into administration was to progress the transaction with Connect Airways and thereby preserve the interests of its Shareholders and stakeholders by accessing such funding and retaining its financiers' support was to enter into a new agreement to sell its operating subsidiaries. On 15 January 2019, Flybe therefore entered into the Subsidiary Sale SPA, agreeing to sell the Group's main trading company, Flybe Limited (including Flybe Aviation Services Limited), and the digital company Flybe.com Limited to Connect Airways for £2.8 million (payable to Flybe Group plc), subject only to a limited number of conditions. At the same time the Bridge Facility Agreement was revised and £10 million was utilised by Flybe Limited immediately to support the business with a further £5 million being utilised on 25 January 2019. In addition, to improve liquidity a number of improved arrangements with the Flybe Group's credit card acquirers and banks were also reached in conjunction with the Subsidiary Sale.

Flybe's move to a Standard Listing, previously approved by Flybe Shareholders on 14 December 2018, became effective on 17 January 2019. The conditions to the Subsidiary Sale SPA are currently being progressed by the parties with the expectation that they will be satisfied and that completion of the Subsidiary Sale will occur on or before the long stop date under the Subsidiary Sale SPA of 22 February 2019.

At the same time as entering into the Subsidiary Sale SPA, Flybe and Connect Airways ensured that the Acquisition would continue to be available to Flybe Shareholders through the Scheme so that Flybe Shareholders would continue to have the benefit of a cash offer for their Flybe Shares.

Reasons for continuing to recommend the Acquisition following the entry into of the Subsidiary Sale SPA

Following completion of the Subsidiary Sale, the Company will be a non-trading entity with no subsidiaries and no material assets other than the cash remaining from the consideration received under the Subsidiary Sale SPA, which will be required to cover transaction costs and residual and rundown costs of the Company. It is not anticipated that after meeting these costs there will be any remaining funds available for distribution to Flybe Shareholders.

Accordingly, following completion of the Subsidiary Sale, if the Scheme is not approved, the Flybe Directors intend to take steps to wind-up the Company and Shareholders are likely to receive no value for their shares in Flybe. Accordingly, the Flybe Directors believe that the terms of the Acquisition remain in the best interests of Flybe Shareholders as a whole and unanimously recommend that Flybe Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the General Meeting.

THE FLYBE DIRECTORS STRONGLY ADVISE THE FLYBE SHAREHOLDERS TO VOTE IN FAVOUR OF THE SCHEME AT THE MEETINGS IN ORDER TO RECEIVE THE CONSIDERATION OF 1P PER SHARE.

Recent very preliminary and highly conditional proposal from Mr Andrew Tinkler

On 1 February 2019 the Company received a very preliminary, short and highly conditional outline contingency proposal from Mr Andrew Tinkler which envisages a capital injection into Flybe and replacement of the funding provided by Connect Airways under the Bridge Facility Agreement (the "**Tinkler Proposal**"), but not an offer for the whole of Flybe or any other acquisition structure. The Flybe Board understands that a pre-condition to the Tinkler Proposal is the Subsidiary Sale not being completed. The Company is bound to complete the Subsidiary Sale if the conditions to completion in the Subsidiary Sale SPA are satisfied or are waived by Connect Airways.

The Board does not consider that the Tinkler Proposal offers the certainty required to secure the future of the Company and the Flybe Group. Accordingly, the Board emphasises to Shareholders that it continues to regard the arrangements entered into with Connect Airways as being the only viable option available to the Company and the Flybe Group which provides the security that the business needs to continue to trade successfully.

5. Hosking Partners LLP request that the Company convene a general meeting

On 1 February 2019, the Company received notices from the nominee shareholders of Hosking Partners LLP requesting, inter alia, that the Company convene a general meeting to consider resolutions to appoint Mr Eric Kohn as a director of the Company and remove Mr Simon Laffin as a director of the Company. The Company will comply with the requirements of the Companies Act in convening such meeting and further information will be sent to Flybe Shareholders in due course.

6. Connect Airways' future intentions for Flybe

Your attention is drawn to the statement of Connect Airways' intentions for the Flybe Group if the Scheme becomes Effective as set out in paragraph 5 of Part 2 of this document.

The Flybe Directors note Connect Airways' intentions for the Flybe Group and welcome in particular the intention to provide up to £80 million of further funding to the Combined Group to invest in its future business and support its growth.

7. Board, management, employees, benefits and locations

The Flybe Directors understand that:

- Connect Airways attaches great importance to the skills and experience of the Flybe Group's employees but acknowledges that the proposals will likely involve some headcount reduction where there are duplicate roles and functions between the Flybe Group and Stobart Air.
- The existing contractual and statutory employment rights, including in relation to pensions, of all the Flybe Group's employees will be honoured.
- Through the combination of Flybe Limited and Stobart Air, and partnering with Virgin Atlantic, Connect Airways intends to continue to operate Flybe Limited as an independent operating carrier with a separate UK AOC under a Virgin brand.
- Connect Airways and the trustee of the BRAL have agreed in principle to a package of measures which, from completion of the Subsidiary Sale, will increase employer contributions to the BRAL, and is designed to provide sustainable funding for the BRAL and eliminate the pension scheme's deficit over time. In particular it has been agreed in principle:
 - to bring forward the BRAL's actuarial valuation from 31 March 2019 to 31 December 2018 in order that a new schedule of contributions and recovery plan may be put in place within good time following completion of the Subsidiary Sale;
 - that contributions payable by Flybe Limited to the BRAL for the first three years following completion of the Subsidiary Sale will increase to £3 million per annum, with payments of at least £4.5 million per annum in the following years of the recovery plan (in both cases payable in equal monthly instalments);
 - that Connect Airways will guarantee the payment of the first three years of employer contributions into the BRAL following completion of the Subsidiary Sale; and
 - that the BRAL will have the benefit of a first ranking charge over a property owned by the Combined Group following completion of the Subsidiary Sale.

- There is no intention to make any changes to the contributions payable under the Flybe Group's money purchase pension scheme for current and new employees, other than as necessary to allow the arrangement to continue to be compliant with automatic enrolment requirements.
- Connect Airways intends to operate the Combined Group independently of Virgin Atlantic with only support functions having some overlap, maintaining separate teams for Flybe Limited's pilots and cabin crew. The Flybe Subsidiaries and Stobart Air will operate under a single management team, with commercial and back office support staff being integrated into a single team.
- Connect Airways will perform a review of how best to integrate the managerial, administrative and support services of the Flybe Subsidiaries into the Combined Group in order to achieve the expected benefits of the Acquisition. Connect Airways believes that there will be some element of duplication of some managerial, administrative and support services which will involve headcount reductions and/or changes in location in the Flybe Group's operations going forward.
- As part of the integration process, Connect Airways intends that the Combined Group will consider the most appropriate locations for the headquarters and engineering centre but expects that the Combined Group will maintain a material presence at each of Flybe Limited's existing Exeter headquarters and Stobart Air's Dublin headquarters.
- Connect Airways intends that the Combined Group maintain people and presence at the airports at which Flybe Limited, Stobart Air and Virgin Atlantic have operations, subject to changes arising from any alterations to the network.
- The network and route optimisation will likely include a limited reduction in the number of Flybe Limited's aircraft to right size the fleet for the Combined Group going forward.
- Upon completion of the Acquisition, the Non-Executive Directors will be asked to resign from the Board and will be replaced by directors appointed by Connect Airways.

The Flybe Directors welcome the statements made by Connect Airways regarding the great importance it attaches to the skills and experience of the Flybe Group's employees and its intention to honour the existing contractual and statutory employment rights, including in relation to pensions, of all the Flybe Group's employees.

The Flybe Directors also welcome the package of measures agreed in principle with the BRAL designed to provide sustainable funding for the BRAL and eliminate the pension scheme's deficit over time.

The Flybe Directors note that Connect Airways intends to integrate the managerial, administrative and support services of the Flybe Subsidiaries into the Combined Group in order to achieve the expected benefits of the Acquisition and that Connect Airways believes that there will be some element of duplication of some managerial, administrative and support services which will involve headcount reductions and/or changes in location in the Flybe Group's operations going forward. Because the detailed integration plans are not yet known, the Flybe Directors are not able to set out their opinion in relation to such plans in detail, but note the great importance which Connect Airways attaches to the skills and experience expertise of the Flybe Group employees and therefore hope that such headcount reductions and/or changes in location will be kept to a minimum and that affected employees will be offered appropriate roles across the Combined Group.

8. Irrevocable undertakings

To become Effective, the Scheme requires, amongst other things, the approval of Scheme Shareholders at the Court Meeting convened for 11.00 am on 4 March 2019. The Scheme also requires the sanction of the Court at the Scheme Court Hearing and the passing of the GM Scheme Resolution to be proposed at the General Meeting convened for 11.15 am on 4 March 2019

Connect Airways has received irrevocable commitments from those Flybe Directors who own or control Flybe Shares, together totalling 871,664 Flybe Shares, to vote (or procure the vote) in favour of the Scheme at the Court Meeting and the GM Scheme Resolution to be proposed at the General Meeting. The Flybe Shares in respect of which Connect Airways has received irrevocable commitments represent approximately 0.40% of the issued Flybe Shares as at 5 February 2019 (being the latest practicable date prior to the date of this document).

Details of these undertakings are as follows:

<i>Name</i>	<i>Number of Flybe Shares</i>	<i>% of Flybe Shares in issue</i>
Simon Laffin	479,404	0.221
Heather Lawrence	62,500	0.029
Elizabeth McMeikan	10,000	0.005
Christine Ourmières-Widener	219,760	0.101
Ian Milne	100,000	0.046
TOTAL	<u>871,664</u>	<u>0.40</u>

The irrevocable commitments given by the Flybe Directors will continue to be binding in the event that a higher competing offer is made for Flybe and will only cease to be binding if:

- this document is not published within 28 days of the day of release of the Announcement (or within such longer period as the Panel may agree); or
- the Scheme is withdrawn or lapses, save for where the Scheme is withdrawn or lapses solely as a result of Connect Airways exercising its right to implement the Acquisition by way of a Takeover Offer rather than the Scheme or where it is replaced by a new or revised scheme of arrangement.

9. De-listing of the Flybe Shares and re-registration of Flybe

The attention of Shareholders is drawn to paragraph 14 of Part 2 of this document in relation to the intentions of Connect Airways with regard to the cancellation of the listing of Flybe Shares on the Official List and of trading of Flybe Shares on the London Stock Exchange, and the re-registration of Flybe as a private company.

10. Flybe Share Schemes

Details of the arrangements proposed to be implemented in relation to the Flybe Share Schemes in connection with the Acquisition are set out in paragraph 12 of Part 2 of this document.

11. United Kingdom taxation

A summary of relevant UK taxation, which is intended as a general guide only, is set out in paragraph 14 of Part 7 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in any jurisdiction other than the UK, you are strongly advised to consult an appropriate independent professional adviser.

12. Action to be taken

Your attention is drawn to paragraph 19 of Part 2 and Page 12 of this document, which explains the actions to be taken in relation to the Scheme.

Overseas Shareholders holding Flybe Shares should refer to paragraph 15 of Part 2 of this document. Details relating to settlement are included in paragraph 17 of Part 2 of this document.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST (WHETHER IN PERSON OR BY PROXY) SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. YOU ARE

THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT AN ELECTRONIC OR CREST PROXY AS SOON AS POSSIBLE.

If you have any questions relating to this document or the completion and return of the pink Form of Proxy in relation to the Court Meeting or the blue Form of Proxy in relation to the General Meeting, please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

13. Further information

Please note that the information contained in this letter is not a substitute for reading the remainder of this document.

The attention of Flybe Shareholders is drawn to the letter from Evercore set out in Part 2 of this document (being the Explanatory Statement pursuant to section 897 of the Companies Act). The terms of the Scheme are set out in full in Part 3 of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the Scheme conditions in Part 4, the financial information on the Flybe Group in Part 5, the financial and other information on Connect Airways Group in Part 6 and the additional information in Part 7 (including the information on UK taxation in paragraph 14 of Part 7) of this document.

14. Recommendation

The Flybe Directors, who have been so advised by Evercore, consider the terms of the Acquisition to be fair and reasonable and unanimously recommend that Flybe Shareholders vote in favour of the Scheme at the Court Meeting and in favour of the GM Scheme Resolution to be proposed at the General Meeting as all those Flybe Directors who own or control Flybe Shares have irrevocably committed to do in respect of their own beneficial holdings of, in aggregate, 871,664 Flybe Shares, representing, in aggregate, approximately 0.40% of the Flybe Shares in issue on 5 February 2019 (being the latest practicable date prior to the date of this document).

In providing advice to the Flybe Directors, Evercore has taken into account the Flybe Directors' commercial assessments.

Yours faithfully

Simon Laffin
Chairman

PART 2

EXPLANATORY STATEMENT

(in compliance with section 897 of the Companies Act 2006)

Evercore Partners International LLP
15 Stanhope Gate
London
W1K 1LN

7 February 2019

To Flybe Shareholders and, for information only, persons with information rights and holders of awards and options under the Flybe Share Schemes

Dear Sir/Madam

1. Introduction

On 11 January 2019, the Boards of Flybe and Connect Airways announced that they had reached agreement on the terms of a recommended cash offer, to be made by Connect Airways, to acquire all of the issued and to be issued Flybe Shares for 1 pence each in cash by means of the Scheme.

The Flybe Directors have been given financial advice by Evercore in connection with the Scheme. Evercore has been authorised by the Flybe Directors to write to you and set out the terms of the Scheme and to provide you with other relevant information. In giving its financial advice, Evercore is advising the Flybe Directors in relation to the Scheme and is not acting for any Flybe Director in their personal capacity nor for any Flybe Shareholder in relation to the Scheme. Evercore will not be responsible to any such person for providing the protections afforded to its clients or for advising any such person in relation to the Scheme. In particular, Evercore does not owe any duties or responsibilities to any particular Flybe Shareholder concerning the Scheme. Please note that dates and timings set out in this document are indicative only and may be subject to change.

The Scheme is to be effected by means of a court sanctioned scheme of arrangement under section 899 of the Companies Act, which requires the approval of the Scheme Shareholders and the sanction of the Court. The terms of the Scheme are set out in full in Part 3 of this document.

Your attention is drawn to the Letter from the Chairman set out in Part 1 of this document which forms part of this explanatory statement. That letter contains, amongst other things, the background to and reasons for the recommendation of the Flybe Directors and states that the Flybe Directors, who have been so advised by Evercore, consider the terms in the Scheme to be fair and reasonable. In giving advice to the Flybe Directors, Evercore has taken into account the commercial assessment of the Flybe Directors. The Flybe Directors unanimously recommend that all Flybe Shareholders vote in favour of the resolution to approve and implement the Scheme to be proposed at the Court Meeting and in favour of the GM Scheme Resolution to be proposed at the General Meeting.

Statements made in this letter regarding (i) the background to the recommendation of the Flybe Directors; and/or (ii) the business of the Flybe Group, reflect the views of the Flybe Directors. Statements made in this letter regarding (i) the future plans for the Flybe Group; and/or (ii) the businesses of Stobart Group, Virgin Atlantic and Connect Airways, reflect the views of the Connect Airways Directors.

2. Summary of the Scheme

Under the terms of the Acquisition, which shall be subject to the Conditions and further terms set out in Part 4 of this document, Scheme Shareholders shall be entitled to receive:

for each Flybe Share 1 pence in cash

The Acquisition Price values the entire issued share capital of Flybe at approximately £2.2 million.

The Scheme Shares will be acquired under the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests and together with all rights attaching thereto including without limitation, the right to receive and retain in full any dividend and other distribution, announced, declared, made or payable on or after the Effective Date.

It is also proposed that, prior to the Scheme becoming Effective, application will be made to the London Stock Exchange for the cancellation of the listing of the Flybe Shares on the Official List and of trading of the Flybe Shares on the London Stock Exchange. It is also proposed that Flybe will be re-registered as a private company following the Scheme becoming Effective.

3. Structure of the Scheme proposals

The Scheme is an arrangement made between Flybe and the Scheme Shareholders under section 899 of the Companies Act subject to the approval of the Court, which involves an application by Flybe to the Court to sanction the Scheme. The purpose of the Scheme is to provide for Connect Airways to become the owner of all of the issued Flybe Shares. This is to be achieved by the transfer of the Scheme Shares to Connect Airways in consideration for which the Scheme Shareholders will receive cash on the basis set out in paragraph 2 above.

The Scheme is subject to the Conditions and to certain further terms referred to in Part 4 of this document. In particular, it requires the approval of Scheme Shareholders by the passing of a resolution at the Court Meeting, expected to be held at 11.00 am on 4 March 2019. The resolution must be approved by a majority in number of Scheme Shareholders present and voting, either in person or by proxy, representing not less than 75% in value of the Scheme Shares held by such holders.

Implementation of the Scheme will also require the passing at the General Meeting (which will be held immediately after the Court Meeting) of the GM Scheme Resolution. In respect of the GM Scheme Resolution, each Flybe Shareholder will be entitled to cast one vote for each Flybe Share held.

Following the Meetings, the Scheme must be sanctioned by the Court and will only become Effective upon delivery to the Registrar of Companies of the Scheme Court Order. Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted, or whether they voted in favour or against the Scheme or the resolution at the Court Meeting or whether they voted in favour or against the GM Scheme Resolution at the General Meeting.

Flybe will not issue or register the transfer of any shares after the Scheme Record Time until the Scheme has become Effective.

4. Irrevocable undertakings

Connect Airways has received irrevocable commitments from those Flybe Directors who own or control Flybe Shares, together totalling 871,664 Flybe Shares, to vote (or procure the vote) in favour of the Scheme at the Court Meeting and the GM Scheme Resolution to be proposed at the General Meeting. The Flybe Shares in respect of which Connect Airways has received irrevocable commitments represent approximately 0.40% of the issued Flybe Shares as at 5 February 2019 (being the latest practicable date prior to the date of this document).

Further details of these undertakings, including details of the circumstances in which they will cease to be binding, are set out in paragraph 4 of Part 7 of this document.

5. Future plans for the Flybe Group

Sale of Flybe Limited and Flybe.com

On 15 January 2019, Flybe agreed to sell Flybe Limited and Flybe.com Limited and certain assets of Flybe to Connect Airways for an aggregate consideration of £2.8 million. Completion

of the Subsidiary Sale is due to occur, subject to the satisfaction or waiver of the Subsidiary Sale SPA conditions, on or before 22 February 2019, prior to the Meetings.

Connect Airways will proceed with the Acquisition regardless of whether the Subsidiary Sale completes, and therefore the following intentions of Connect Airways will apply and be relevant to the Flybe Group's business regardless of whether the Subsidiary Sale completes.

Intentions with respect to the Flybe Group business

Connect Airways intends to focus on three principal areas, in relation to the business of the Flybe Group:

- simplifying and focusing on improving the performance of Flybe Limited's core network whilst recognising the importance of regional connectivity;
- adjusting Flybe Limited's network to improve connectivity with Virgin Atlantic's long-haul network, particularly at London Heathrow Airport and Manchester Airport, bringing more choice to customers; and
- operating the Combined Group as an independent company, and optimising the combined commercial, operational and functional expertise and scale of Virgin Atlantic and the Stobart Group.

Optimising the Network and Improving Connectivity

Connect Airways plans to optimise Flybe Limited's network and operations to focus on key routes with the aim of continuing to enhance regional connectivity across the UK and Ireland.

Connect Airways also intends to bring benefits for customers through linking an enhanced Flybe regional network with Virgin Atlantic's long-haul operations particularly at Manchester Airport and London Heathrow Airport.

Rebranding

All flying operations except Stobart Air will operate under a Virgin brand to the extent possible. This will be timed to coincide with a refurbishment programme for Flybe Limited's fleet to provide a seamless customer experience in keeping with Virgin Atlantic's heritage.

There will be no change to the brands under which Stobart Air flies today which will continue to be maintained and operated separately.

Interim funding

Concurrently with announcing the Acquisition, the Connect Lenders made available a £20 million secured bridge loan facility to support Flybe Limited's ongoing working capital and operational requirements. Concurrently with the entering into of the Subsidiary Sale SPA, this bridge loan facility was amended and £10 million of the revised £20 million secured facility was immediately utilised by Flybe Limited (with an additional £5 million being utilised on 25 January 2019).

Directors

Upon completion of the Acquisition, the Non-Executive Directors will be asked to resign from the Board and will be replaced by directors appointed by Connect Airways.

Whilst very limited discussions have taken place, Connect Airways has made no decision as to whether it would be appropriate to put in place management incentivisation arrangements and, if so, the form such arrangements may take. It is Connect Airways intention to consider this only once the Acquisition has completed.

Leveraging the expertise of Flybe, Stobart Group and Virgin Atlantic

Through the combination of Flybe and Stobart Air, and partnering with Virgin Atlantic, Connect Airways intends to continue as an independent operating carrier with a separate UK AOC under the Virgin Atlantic brand. Stobart Air is intended to continue under a separate Irish Air Operator Certificate with its franchise and aircraft leasing operations as exists today.

Connect Airways intends to operate independently of Virgin Atlantic with only support functions having some overlap. Connect Airways intends to maintain separate teams for Flybe Limited's pilots and cabin crew. Flybe Limited and Stobart Air will operate under a single management team, with commercial and back office support staff being integrated into a single team. This will include reducing or removing any unnecessary overlap, including any operating costs associated with being a listed company. The detailed plans for such integration are not yet known but the planning exercise will commence immediately after the Acquisition and will include plans to retain the best talent across the Combined Group. Connect Airways attaches great importance to the skills and experience of Flybe Limited's and Stobart Air's employees but acknowledges that the proposals will likely involve some headcount reduction where there are duplicate roles and functions.

There are no plans to materially change the overall balance of skills and functions across the Combined Group. There is no research and development function at either Flybe or Stobart Air and Connect Airways does not intend to create one following the Acquisition. There is a limited research and development function at Virgin Atlantic; however no impact is expected on it as a result of the Acquisition.

Connect Airways confirms that, following implementation of the Acquisition, the existing contractual and statutory employment rights, including in relation to pensions, of all Flybe's and Stobart Air's employees will be honoured.

Defined benefit pensions scheme

Flybe operates the BRAL which is a defined benefit occupational pension scheme. The BRAL is closed to all new members with no employees accruing further benefits under the BRAL. The scheme is currently administered by the Trustee.

Connect Airways and the Trustee have agreed in principle to a package of measures which will, from completion of the Subsidiary Sale, increase employer contributions to the BRAL, and is designed to provide sustainable funding for the BRAL and eliminate the Scheme's deficit over time. In particular it has been agreed in principle:

- to bring forward the BRAL's actuarial valuation from 31 March 2019 to 31 December 2018 in order that a new schedule of contributions and recovery plan may be put in place within good time following completion of the Subsidiary Sale;
- that contributions payable by Flybe Limited to the BRAL for the first three years following completion of the Subsidiary Sale will increase to £3 million per annum, with payments of at least £4.5 million per annum in the following years of the recovery plan (in both cases payable in equal monthly instalments);
- that Connect Airways will guarantee the payment of the first three years of employer contributions into the BRAL; and
- that the Scheme will have the benefit of a first ranking charge over a property owned by the Combined Group following completion of the Subsidiary Sale.

Money purchase pension scheme

Flybe operates a money purchase pension arrangement for current and new employees in compliance with automatic enrolment legislation. There is no intention to make any changes to the contributions payable under this arrangement other than to allow the arrangement to continue to be compliant with automatic enrolment requirements.

Locations for the Combined Group

As part of the integration process, Connect Airways will consider the most appropriate locations for the headquarters and engineering centre. However, it is expected that the Combined Group will maintain a material presence at each of Flybe's existing Exeter headquarters and Stobart Air's Dublin headquarters.

In addition, Connect Airways intends to maintain people and presence at the airports at which Flybe Limited, Stobart Air and Virgin Atlantic have operations, subject to changes arising from any alterations to the network.

The network and route optimisation will likely include a limited reduction in the number of Flybe Limited's aircraft to right size the fleet for the Combined Group going forward.

Intentions with respect to Flybe Group plc if the Subsidiary Sale is completed prior to the Acquisition becoming Effective

Following completion of the Subsidiary Sale, Flybe will be a non-trading entity with no subsidiaries and no material assets other than the cash remaining from the consideration received under the Subsidiary Sale SPA, which will be required to cover transaction costs and residual and rundown costs of Flybe.

Once such costs have been met and other post-Acquisition administrative arrangements have been attended to, Connect Airways intends that Flybe will either remain a dormant company or be wound-up in an orderly fashion in due course.

If, following completion of the Subsidiary Sale, the Scheme does not become Effective, the Flybe Directors' intentions regarding the Company are set out under "Reasons for continuing to recommend the Acquisition following the entry into of the Subsidiary Sale SPA" in paragraph 4 of Part 1 of this document.

6. Information about the Flybe Group

Flybe Limited is the UK's largest regional airline and flies more UK domestic flights than any other airline: 54.9% of all UK flights within mainland Britain (excluding London). Flybe currently operates 190 routes serving 12 countries from 73 departure points in the UK (29) and Europe (44) (flown under the Flybe brand including all routes on sale November 2018 – August 2019) and is the largest scheduled airline by air traffic movements at Aberdeen, Anglesey, Belfast City, Birmingham, Cardiff, Doncaster Sheffield, Exeter, Glasgow, Isle of Man, Jersey, Manchester, Newquay, Southampton, Southend and Wick airports. Flybe operates a fleet of 76 aircraft and was recognised as the joint most punctual UK-based airline in the latest report on 'Best and Worst Airlines' issued by leading consumer watchdog Which? in January 2019.

As well as its scheduled passenger regional airline services, charter and cargo transport services and white-label flying for third party airlines, Flybe Limited's training academy provides pilot, crew, engineering and other training services in-house and to third parties and Flybe Aviation Services Limited owns a maintenance, repair and overhaul facility servicing both internal and third party customers.

Flybe has agreed to sell Flybe Limited to Connect Airways under the Subsidiary Sale SPA for an aggregate consideration of £2.8 million with completion of the Subsidiary Sale expected to occur, subject to the satisfaction or waiver of the Subsidiary Sale SPA conditions, on or before 22 February 2019, prior to the Court Meeting.

7. Information about Connect Airways

Connect Airways is an English limited company the share capital of which is owned 30% by Virgin Travel Group Limited, a wholly owned subsidiary of Virgin Atlantic, 30% by Stobart Aviation, a wholly-owned subsidiary of Stobart Group and 40% by DLP Holdings, a company wholly-owned by funds managed by Cyrus.

It is also expected that, immediately prior to completion of the Acquisition, Connect Airways will acquire Stobart Air's regional airline and aircraft leasing business. The Combined Group is expected to bring benefits to customers, suppliers and employees, providing stability in a tough trading environment.

The ownership of entities in the Connect Airways Group will be structured in a manner which ensures compliance with applicable European and UK aviation regulations with respect to ownership and effective control of Stobart Air (which holds an air operator certificate issued

by the government of the Republic of Ireland) and Flybe (which holds an air operator certificate issued by the government of the United Kingdom).

Further information relating to the Connect Airways Group is contained in Part 6 of this document.

8. Information about Stobart Group

Stobart Group is listed on the London Stock Exchange under ticker STOB. It is focused on delivering growth in its Aviation, Energy and Rail & Civils divisions. Stobart Group also holds a portfolio of infrastructure assets and investments, and aims to add value to this portfolio, selling when appropriate.

Stobart Group's Aviation division invests in, develops and operates a number of aviation-related businesses focused on meeting the growing demand for airport capacity in London and improved customer experience. The Aviation division comprises London Southend Airport, the Stobart Jet Centre, Stobart Aviation Services, and Stobart Air's wet lease operations and aircraft leasing business (until Stobart Air is acquired by Connect Airways).

9. Information about Virgin Atlantic

Virgin Atlantic is the ultimate holding company of Virgin Atlantic Airways Limited and Virgin Holidays Limited. Virgin Travel Group Limited is a wholly-owned subsidiary of Virgin Atlantic and the immediate parent company of Virgin Atlantic Airways Limited and Virgin Holidays Limited.

Virgin Atlantic was founded by entrepreneur Sir Richard Branson 35 years ago with innovation and customer service at its core. Today Virgin Atlantic carries over 5 million customers annually, and was named the UK's favourite long haul carrier by Skytrax, Best Transatlantic Airline at the British Travel Awards 2017 and one of the Top 5 Airlines in the World by Airline Ratings.

Headquartered in Crawley, Virgin Atlantic employs around 10,000 people worldwide and operates a fleet of 46 aircraft serving 25 destinations across four continents. Alongside joint venture partner Delta Air Lines it operates a leading transatlantic network offering around 40 flights per day between the UK and US with onward connections to over 200 US and international cities. In 2019 Virgin Atlantic Airways Limited will take delivery of its first Airbus A350-1000 aircraft – helping to transform the fleet into one of the quietest and most fuel efficient in the sky.

On 15 May 2018 Air France-KLM, Delta Air Lines and Virgin Atlantic signed definitive agreements to combine their existing trans-Atlantic joint ventures. This transaction is in the process of regulatory clearance. Upon completion the airlines' expanded joint venture will become the preferred choice for customers travelling across the Atlantic offering the most comprehensive route network, convenient flight schedules, competitive fares and reciprocal frequent flyer benefits, including the ability to earn and redeem miles across all carriers. Customers will also benefit from the co-location of facilities at key airports to improve connectivity and access to each carrier's airport lounges for premium passengers.

10. Information about Cyrus

Cyrus was founded in 1999 and has offices in New York and London, managing over \$4.4 billion on a global basis in securities and loans issued by corporates and sovereigns. Its client base is predominantly endowments, foundations and family offices with a significant portion of the assets under management being partner and employee capital.

11. The Directors and the effect of the Scheme on their interests

The names of the Directors and the details of their interests (for the purposes of sections 820 to 825 of the Companies Act) in Flybe Shares are set out in paragraph 3 of Part 7 of this document. Save as disclosed in this document, the effect of the Scheme on such interests of the Directors does not differ from its effect on the like interests of any other holder of Scheme Shares. In common with the other participants in the PSP, Flybe Directors who are holders of

the PSP awards will be treated in accordance with the rules of the PSP, as described in paragraph 12 of this Part 2.

12. Flybe Share Schemes

Participants in the Flybe Share Schemes will be contacted separately regarding the effect of the Scheme on their rights under the Flybe Share Schemes and with the details of Connect Airways's proposals. A summary of the effect of the Scheme on awards and options under the Flybe Share Schemes is set out below.

September 2016 awards under the PSP

Holders of options granted in September 2016 as top up awards will be invited to exercise their options immediately upon the Scheme being sanctioned by the Court with a view to the Flybe Shares acquired being subject to the Scheme. In accordance with the terms on which these options were granted, no scaling back will be applied.

Vesting PSP awards shall be satisfied by the trustee of Flybe's employee benefit trust.

Awards under the PSP subject to performance conditions

The performance conditions attaching to all remaining awards under the PSP will not be satisfied and these options will not therefore become exercisable. Participants will be notified of their lapse accordingly.

SIP

All Flybe Shares held pursuant to the SIP will be subject to the Scheme in the same manner as Flybe Shares held by other Flybe Shareholders.

Participants under the SIP will be invited to confirm how they wish the trustee of the SIP to exercise their voting rights in respect of their SIP shares in relation to the Scheme. Where no instruction is given, the trustee of the SIP will not exercise any voting or other rights in respect of such shares.

13. Information on the financing of the Acquisition

The cash consideration payable by Connect Airways to Flybe Shareholders under the Acquisition will be financed through cash resources of Connect Airways, raised through an issue of shares in Connect Airways to DLP Holdings, Stobart Aviation and Virgin Travel Group prior to completion of the Acquisition.

Barclays, as financial adviser to Connect Airways, is satisfied that resources available to Connect Airways are sufficient to satisfy in full the cash consideration payable to Flybe Shareholders under the terms of the Acquisition.

14. Connect Airways' intentions regarding de-listing and re-registration of Flybe

It is intended that the last day of dealings in, and for registration of transfers of, Flybe Shares (other than the registration of the transfer of the Scheme Shares to Connect Airways pursuant to the Scheme) will be the last Business Day prior to the Effective Date, following which all of Flybe's Shares will be suspended from the Official List and from trading on the London Stock Exchange's Main Market for listed securities, and Flybe Shares will be disabled in CREST.

After the Scheme Record Time and before the Scheme becomes Effective, entitlements to Flybe Shares in CREST will be cancelled and such entitlements materialised. On the Effective Date, all share certificates in respect of Flybe will cease to be valid and should be destroyed.

Flybe Shares are currently listed on the Official List and admitted to trading on the London Stock Exchange.

Subject to the Scheme becoming Effective, application will be made to the UK Listing Authority for the cancellation of the standard listing of the Flybe Shares on the Official List and to the London Stock Exchange for the cancellation of the admission to trading of Flybe Shares

on the London Stock Exchange's Main Market for listed securities. It is expected that such de-listing and cancellation of admission to trading would take effect on the Business Day after the Effective Date.

If the Scheme is sanctioned, any Flybe Shares held in treasury will be cancelled prior to the Scheme becoming Effective.

It is intended that as soon as possible after the Effective Date, Flybe will be re-registered as a private limited company under the relevant provisions of the Companies Act and Flybe Shareholders will be asked to approve this during the General Meeting.

15. Overseas Shareholders

The implications of the Scheme for Overseas Shareholders may be affected by the laws of their relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for shares in any jurisdiction in which such offer or solicitation is unlawful.

This document has been prepared for the purposes of complying with English law, the Takeover Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.

16. United Kingdom taxation

A summary of relevant UK taxation, which is intended as a general guide only, is set out in paragraph 14 of Part 7 of this document. If you are in any doubt as to your tax position, or you are subject to taxation in a jurisdiction other than the United Kingdom, you are strongly advised to consult an appropriate independent professional adviser.

17. Settlement

Subject to the Scheme becoming Effective, settlement of the cash consideration to which any Scheme Shareholder is entitled under the Scheme will be effected in the manner set out below.

Except with the consent of the Panel, settlement of cash consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous rights to which Connect Airways may otherwise be, or claim to be, entitled against such Scheme Shareholder.

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto.

(a) Scheme Shares held in certificated form

On the Effective Date, share certificates in respect of Scheme Shares will be cancelled and share certificates for such Scheme Shares will cease to be valid and should be destroyed.

Where Scheme Shareholders hold Scheme Shares in certificated form, cheques for cash entitlements due under the Scheme will be despatched no later than 14 days after the applicable date, by first-class post (or by such other method as may be approved by the Panel) to such Scheme Shareholders at the addresses appearing in the register of members of Flybe as at the Scheme Record Time or, in the case of joint holders, to the

holder whose name appears first in such register in respect of the joint holding concerned or in accordance with any special instructions regarding communications. All such payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

(b) **Scheme Shares held in uncertificated form through CREST**

As soon as possible after the Effective Date, and in any event no later than 14 days thereafter, entitlements to Scheme Shares held within CREST will be cancelled and Scheme Shareholders who hold their Scheme Shares in CREST will have their cash entitlements paid via CREST by Connect Airways procuring the creation of a CREST payment obligation in favour of the Scheme Shareholder's payment bank in respect of the amount due, in accordance with CREST payment arrangements.

As from the Effective Date, each holding of Scheme Shares credited to any stock account in CREST will be disabled and all Scheme Shares will be removed from CREST in due course thereafter.

Connect Airways reserves the right to settle any consideration due to any Scheme Shareholders holding their Flybe Shares in CREST in the manner referred to in the above paragraph "Scheme Shares held in certificated form" if, for any reason, it wishes to do so.

18. Shareholder Meetings and the Scheme Court Hearing

Before the Court's approval of the Scheme can be sought, the Scheme will require approval by the Scheme Shareholders at the Court Meeting and the passing of the GM Scheme Resolution by Flybe Shareholders to implement the Scheme at the General Meeting. Notices of the Meetings are set out in Parts 9 and 10 of this document. Shareholders' entitlement to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to the register of members of Flybe at the Scheme Voting Record Time or, if such Meetings are adjourned, on the register of members at 6:00 pm on the day that is two Business Days before the relevant adjourned Meeting. If the Scheme becomes Effective, it will be binding on all Scheme Shareholders including those who did not vote or who voted against it.

(a) **The Court Meeting**

You will find set out in Part 9 of this document the notice of the Court Meeting of the Scheme Shareholders which has been convened at the direction of the Court for the purpose of the Scheme Shareholders considering and, if thought fit, approving the Scheme.

The Court Meeting has been convened for 11.00 am on 4 March 2019 at **the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London EC4R 9HA**. At the Court Meeting, voting will be by way of poll and not a show of hands and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders present and voting, whether in person or by proxy, at the Court Meeting representing not less than 75% of the Scheme Shares held by such Scheme Shareholders.

Scheme Shareholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST (WHETHER IN PERSON OR BY PROXY) SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT AN ELECTRONIC OR CREST PROXY AS SOON AS POSSIBLE, AND, IN ANY EVENT SO AS TO BE RECEIVED BY 11.00 AM ON 4 MARCH 2019 FOR THE COURT MEETING. A FORM OF PROXY FOR THE COURT MEETING NOT LODGED AT THE RELEVANT TIME MAY BE HANDED IN TO THE CHAIRMAN OF THE COURT MEETING BEFORE THE TAKING OF THE POLL.

(b) ***The General Meeting***

In addition to the Court Meeting, the General Meeting has been convened for the same date as the Court Meeting at **the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London EC4R 9HA** on 11.15 am on 4 March 2019 (or as soon thereafter as the Court Meeting is concluded or adjourned) to consider and, if thought fit, pass the GM Scheme Resolution (which requires a vote in favour of not less than 75% of the votes cast in person, or in the event of a poll, by proxy on such resolution at the General Meeting) to approve:

- the Scheme and authorise the Flybe Directors to take all actions as they may consider necessary or appropriate to give effect to the Scheme;
- certain amendments to the Articles in accordance with the Scheme as described below; and
- the re-registration of Flybe as a private company.

Voting at the General Meeting will be on a show of hands unless a poll is demanded. The chairman of the meeting reserves his right to demand that the vote be held by way of a poll and, in such event, each Flybe Shareholder present in person or by proxy will be entitled to one vote for every ordinary share held.

You will find the notice of the General Meeting set out in Part 10 of this document. The quorum for the General Meeting will be two or more Flybe Shareholders present in person or by proxy.

(c) ***The Scheme Court Hearing***

Under the Companies Act, the Scheme also requires the sanction of the Court. The Scheme Court Hearing to sanction the Scheme is currently expected to be held on 8 March 2019 subject to the prior satisfaction or waiver of the other Conditions set out in Part 4 of this document.

All Scheme Shareholders are entitled to attend the Scheme Court Hearing in person or to be represented by counsel to support or oppose the sanctioning of the Scheme.

Connect Airways has agreed to appear by counsel at the Scheme Court Hearing and to consent to the Scheme and to undertake to the Court to be bound thereby and to execute and to do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to the Scheme.

The Scheme will become Effective in accordance with its terms on delivery of the Scheme Court Order to the Registrar of Companies.

(d) ***Modifications to the Scheme***

The Scheme contains a provision for Flybe and Connect Airways to consent on behalf of all persons affected to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which might be material to the interests of the Scheme Shareholders unless Scheme Shareholders were informed of any modification, addition or condition.

It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances. Similarly, if a modification, addition or condition is put forward which in the opinion of the Directors is of such a nature or importance that it requires the consent of Scheme Shareholders to a further meeting, the Directors will not take the necessary steps to enable the Scheme to become Effective unless and until such consent is obtained.

(e) **Alternative means of implementing the Acquisition**

Connect Airways has reserved the right to implement the Acquisition by way of a Takeover Offer, in which case additional documents will be despatched to Flybe Shareholders. In such event:

- such a Takeover Offer will (unless otherwise agreed) be implemented on the same terms (subject to appropriate amendments, including the inclusion of an acceptance condition set at 75% of the Flybe Shares to which such offer relates), so far as applicable as those which would apply to the Scheme; and
- Connect Airways must not take any action which would cause the Takeover Offer not to proceed, to lapse or to be withdrawn, in each case for non-fulfilment of the 75% acceptance condition referred to above, prior to the 60th day after publication of the circular to Flybe Shareholders making the Takeover Offer, and the Takeover Offer must remain open for acceptances until such time.

(f) **Conditions of the Scheme**

The implementation of the Scheme in full is conditional upon satisfaction or waiver of the Conditions, which are set out in full in Part 4 of this document. These include, amongst others:

- the Court Meeting and General Meeting being held on or before the 22nd day after the expected date of the Meetings or such later date (if any) as Flybe and Connect Airways may agree;
- the Scheme Court Hearing being held on or before the later of (i) the 22nd day after the expected date of such hearing as set out in this document and (ii) seven days after the date on which the conditions relating to regulatory clearance in Part 4 are satisfied, or such later date (if any) as Flybe and Connect Airways may agree and (if required) the Court may allow;
- its approval by a majority in number of the holders of Scheme Shares who are on the register of members of Flybe and present, entitled to vote and voting at the Court Meeting, or at any adjournment thereof, either in person or by proxy, representing not less than 75% in value of the Scheme Shares held by such holders;
- all resolutions required to approve and implement the Scheme (including, without limitation, to amend Flybe's articles of association) being duly passed by the requisite majority or majorities of the Flybe Shareholders at the Flybe General Meeting, or at any adjournment thereof;
- the sanction of the Scheme by the Court (with or without modifications, on terms reasonably acceptable to Flybe and Connect Airways);
- delivery of a copy of the Scheme Court Order for registration to the Registrar of Companies;
- receipt by Connect Airways or Flybe of the necessary or expedient merger and other regulatory clearances;
- Flybe not becoming insolvent;
- the Scheme becoming unconditional and becoming Effective by no later than the Longstop Date or such later date (if any) as Flybe and Connect Airways may agree and (if required) the Court may allow;

- in the event that Flybe Group ceases to be able to maintain its operating licence issued pursuant to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 as a result of the UK ceasing to be a member state of the European Union, that Flybe Group is able to obtain any operating licence or any equivalent authorisation in the United Kingdom; and
- the Civil Aviation Authority not revoking or not suspending Flybe Group's operating licence issued pursuant to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 or any equivalent or replacement authorisation in the United Kingdom.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the GM Scheme Resolution at the General Meeting. If the Scheme does not become Effective by the Longstop Date (or such later date (if any) as Flybe and Connect Airways may agree and the Court may allow), the Scheme will lapse and will not proceed.

19. Action to be taken

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST (WHETHER IN PERSON OR BY PROXY) SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF THE OPINION OF THE SCHEME SHAREHOLDERS. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT AN ELECTRONIC OR CREST PROXY AS SOON AS POSSIBLE.

(a) *Sending forms of Proxy by post or by hand*

You will find enclosed with this document:

- a pink Form of Proxy for use in respect of the Court Meeting;
- a blue Form of Proxy for use in respect of the General Meeting; and
- a prepaid envelope for use in the United Kingdom.

Whether or not you plan to attend either or both of the Meetings, please complete the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon, as soon as possible, but in any event, so as to be received by post or by hand (during normal business hours) to the Registrars, **Link Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU** by 11.00 am on 28 February 2019 in the case of the Court Meeting and by 11.15 am on 28 February 2019 in the case of the General Meeting (or, in the case of adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any day that is not a Business Day)). If the pink Form of Proxy for use at the Court Meeting is not lodged by 11.00 am on 28 February 2019, it may be handed to the Registrars on behalf of the Chairman at the Court Meeting before the taking of the poll. However, in the case of the General Meeting, unless the blue Form of Proxy is lodged so as to be received by 11.15 am on 28 February 2019, it will be invalid. A Shareholder may appoint more than one proxy in respect of the General Meeting and/or the Court Meeting provided that in respect of each Meeting each proxy is appointed to exercise the rights attached to different shares held by that Shareholder. Shareholders' attention is drawn to the fact that where they return Forms of Proxy without denoting their voting preference, the proxy will vote or abstain from voting in his or her discretion. The completion and return of a Form of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

(b) *Electronic appointment of proxies through CREST*

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meetings and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by not later than 48 hours before the time fixed for the holding of the meeting or the adjourned meeting (excluding any day that is not a Business Day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CREST does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(c) **Electronic appointment of proxies via website**

Forms of Proxy may alternatively be submitted electronically by logging on to www.flybe-shares.com and following the instructions there. For an electronic proxy appointment to be valid, the appointment must be received not later than 11.00 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned Meeting).

(d) **Shareholder Helpline**

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

20. Further information

The terms of the Scheme are set out in full in Part 3 of this document. Your attention is also drawn to the letter from your Chairman set out in Part 1 of this document and the Additional Information set out in Part 7 of this document.

Yours faithfully,

Julian Oakley
Senior Managing Director
Evercore Partners International LLP

PART 3

SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
COMPANIES COURT (ChD)

CR-2018-011067

IN THE MATTER OF FLYBE GROUP PLC

– and –

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

between

FLYBE GROUP PLC

and

THE HOLDERS OF THE SCHEME SHARES

(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“**Business Day**” means a day on which banks are generally open for business in London (apart from Saturdays, Sundays and bank holidays);

“**Cash Consideration**” means the cash consideration payable by Connect Airways to the Scheme Shareholders for the Scheme Shares under Clause 2 (*Consideration for the transfer of the Scheme Shares*) of this Scheme;

“**certificated**” or “**in certificated form**” means, in relation to a share or other security, a share or other security which is not in uncertificated form (i.e. not in CREST);

“**Clause**” means a clause of this Scheme;

“**Companies Act**” means the Companies Act 2006, as amended from time to time;

“**Company**” or “**Flybe**” means Flybe Group plc, a public limited company incorporated in England and Wales and registered with number 01373432 and whose registered office is at New Walker Hangar, Exeter International Airport, Clyst Honiton, Exeter, United Kingdom EX5 2BA;

“**Connect Airways**” means Connect Airways Limited, a private limited company incorporated in England and Wales with company number 11732177, whose registered address is 4 Cork Street, 1st Floor, London, United Kingdom, W1S 3LB;

“**Connect Airways Group**” Connect Airways and its parent and subsidiaries and parent undertakings and subsidiary undertakings from time to time;

“**Court**” means Her Majesty’s High Court of Justice in England and Wales;

“**Court Hearing**” means the hearing by the Court of the application to sanction the Scheme under Part 26 of the Companies Act;

"Court Meeting" means the meeting of the Scheme Shareholders to be convened by an order of the Court pursuant to section 896 of the Companies Act, to be held at the offices of Bryan Cave Leighton Paisner LLP at Adelaide House, London Bridge, London EC4R 9HA on 4 March 2019 at 11.00 am, for the purpose of considering, and if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention thereof;

"Court Order" means the order of the Court sanctioning the Scheme under section 899 of the Companies Act;

"CREST" the relevant system (as defined in the CREST Regulations in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form;

"CREST Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time;

"Euroclear" means Euroclear UK & Ireland Limited;

"Flybe Shares" means ordinary shares of 1 pence each in the capital of Flybe;

"Flybe Share Schemes" means:

- (i) the Flybe Performance Share Plan;
- (ii) the Flybe Share Incentive Plan;
- (iii) the Flybe Share Save Scheme;

"Holder" means, in respect of Flybe Shares, a registered holder of such Flybe Shares (and **"Holder"** includes any person entitled by transmission);

"Longstop Date" means 30 September 2019, or such later date (if any) as Connect Airways and Flybe may agree, with the consent of the Panel, and the Court may allow;

"Panel" means the UK Panel on Takeovers and Mergers;

"Registrar of Companies" means the Registrar of Companies in England and Wales;

"Scheme" means this scheme of arrangement under Part 26 of the Companies Act between the Company and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the Company and Connect Airways;

"Scheme Effective Date" means the date on which this Scheme becomes effective in accordance with its terms;

"Scheme Record Time" means 6.00 pm (London time) on the Business Day immediately preceding the date of the Court Hearing;

"Scheme Shareholders" means Holders of Scheme Shares;

"Scheme Shares" means the Flybe Shares:

- (i) in issue at the date of this document and which remain in issue at the Scheme Record Time;
- (ii) (if any) issued after the date of this document and before the Voting Record Time and which remain in issue at the Scheme Record Time; and
- (iii) (if any) issued at or after the Voting Record Time but at or before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time,

excluding, in each case, any Flybe Shares held by or on behalf of Connect Airways or the Connect Airways Group at the Scheme Record Time.

"Takeover Code" means the UK's City Code on Takeovers and Mergers;

"uncertificated" or **"in uncertificated form"** means, in relation to a share or other security, a share or other security the title to which is recorded as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;

"Voting Record Time" means 6.00 pm on the day two days before the date of the Court Meeting or any adjournment thereof (as the case may be), in each case excluding any day that is not a Business Day; and

"£", "pence" or "sterling" means the lawful currency of the United Kingdom from time to time.

- (B) The issued share capital of Flybe at the date of this Scheme is £2,166,567.76 divided into 216,656,776 ordinary shares of 1 pence each, all of which are credited as fully paid.
- (C) At the date of this Scheme, options to acquire up to 11,754,293 Flybe Shares are outstanding under the PSPs. Those which are or will become capable of exercise will be satisfied by Flybe Shares already held by the trustee of Flybe's employee benefit trust.
- (D) Connect Airways was incorporated in England and Wales on 18 December 2018 with registered number 11732177.
- (E) The purpose of this Scheme is to provide for the transfer of the Scheme Shares to Connect Airways in consideration for payment of the Cash Consideration to the Scheme Shareholders.
- (F) As at the date of this Scheme no member of Connect Airways Group is the Holder of or beneficially owns any Flybe Shares.
- (G) Connect Airways has agreed to appear by counsel at the Court Hearing, to consent to the Scheme, to undertake to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts and things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

THE SCHEME

1. Transfer of Scheme Shares

- (a) On the Scheme Effective Date, Connect Airways shall acquire all the Scheme Shares fully paid up with full title guarantee and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights and interests whatsoever and together with all rights existing at the Scheme Effective Date or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Scheme Effective Date in respect of the Scheme Shares.
- (b) The Scheme Shares shall be transferred to Connect Airways and such transfer shall be effected by means of a form or forms of transfer or instrument or instruction of transfer and, to give effect to such transfers, any person may be appointed by Connect Airways as attorney and/or agent and/or otherwise, and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the relevant Holder of Scheme Shares to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST, of such Scheme Shares and every form, instrument or instruction of transfer so executed shall be as effective as if it had been executed by the Holder or Holders of the Scheme Shares thereby transferred.

- (c) With effect from the Scheme Effective Date and pending the registration of Connect Airways as the Holder of the Scheme Shares pursuant to Clauses 1(a) and 1(b) of this Scheme, each Scheme Shareholder irrevocably:
- (i) appoints Connect Airways (or its nominee(s)) as its/his/her attorney to exercise any voting rights attached to the Scheme Shares and any or all rights and privileges attaching to the Scheme Shares;
 - (ii) appoints Connect Airways (or its nominee(s)) as its/his/her attorney to sign any consent to short notice of any general meeting of the Company or any separate class meeting of Flybe Shares and on their behalf to execute a form of proxy in respect of such Scheme Shares appointing any person nominated by Connect Airways to attend general meetings of the Company and any separate class meetings of Flybe Shareholders; and
 - (iii) authorises the Company to send to Connect Airways any notice, circular, warrant or other document or communication which the Company sends to its shareholders.

2. Consideration for the transfer of the Scheme Shares

- (a) In consideration for the transfer of the Scheme Shares to Connect Airways and/or its nominee(s) referred to in Clause 1 of this Scheme, Connect Airways shall, subject as hereinafter provided, pay or procure that there shall be paid to or for the account of each Scheme Shareholder as appearing on the register of members of Flybe at the Scheme Record Time:

for each Scheme Share 1 pence in cash

- (b) If any dividend or other distribution or return of value is proposed, declared, made, paid or becomes payable by Flybe in respect of a Flybe Share on or after 11 January 2019 and prior to the Scheme Effective Date, Connect Airways will have the right to reduce the value of the consideration payable for each Scheme Share by up to the amount per Scheme Share of such dividend, distribution or return of value except where the Scheme Share is or will be acquired pursuant to the Scheme on a basis which entitles Connect Airways to receive the dividend, distribution or return of value and to retain it.
- (c) If Connect Airways exercises the right referred to in Clause 2(b) of this Scheme to reduce the consideration payable by Connect Airways for each Scheme Share by all or part of the amount of dividend (or other distribution or return of value):
- (i) Scheme Shareholders will be entitled to receive and retain that dividend (or other distribution or return of value) in respect of the Scheme Shares they hold;
 - (ii) any reference in this Scheme and this document to the consideration payable under the Scheme shall be deemed a reference to the consideration as so reduced; and
 - (iii) the exercise of such rights shall not be regarded as constituting any revision or variation of the terms of the Scheme.
- (d) To the extent that any such dividend and/or distribution and/or other return of value is announced, declared or paid and it is:
- (i) transferred pursuant to the Scheme on a basis which entitles Connect Airways to receive the dividend or distribution and to retain it; or
 - (ii) cancelled;

the consideration will not be subject to change in accordance with Clause 2(b) or Clause 2(c) of this Scheme.

3. Settlement

- (a) Within 14 days after the Scheme Effective Date, Connect Airways shall deliver or procure delivery to all Scheme Shareholders of the Cash Consideration due to them as follows:
- (i) in the case of Scheme Shares which at the Scheme Record Time are in certificated form, Connect Airways shall deliver or procure delivery to each of the relevant Holders cheques for the sums payable to them in accordance with Clause 2; or
 - (ii) in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, Connect Airways shall procure the creation of a CREST assured payment obligation in accordance with the CREST payment arrangements in respect of the Cash Consideration due to the relevant Holder, provided that Connect Airways may (if, for any reason, it wishes to do so) make payment of the said sums by cheque in accordance with Clause 3(a)(i) above.
- (b) All cheques required to be delivered under this Scheme shall be payable to Scheme Shareholders or, in the case of joint Holders of Scheme Shares, to the joint Holder whose name stands first in the register of members of the Company at the Scheme Record Time. All such cash payments shall be made in pounds sterling by cheque drawn on a branch of a clearing bank in the United Kingdom. The cashing of any such cheques or the creation of any such assured payment obligation as is referred to in clause 3(a) shall be a complete discharge to Connect Airways for the money represented thereby.
- (c) All cheques required to be despatched by this Scheme shall be despatched by first-class post by Connect Airways in prepaid envelopes or by international standard post if overseas (or by such method as may be approved by the Panel) addressed to the relevant Holders entitled thereto at their respective addresses as appearing in the register of members of the Company at the Scheme Record Time (or such other address as may be notified by the relevant Scheme Shareholders to the Company before such time), or, in the case of joint Holders, at the registered address of the joint Holder whose name stands first in such register (except, in their case, as otherwise directed in writing).
- (d) Neither Connect Airways, the Company nor their nominees shall be responsible for any loss or delay in the transmission of cheques sent in accordance with this Scheme which shall be sent at the risk of the addressee, provided always that if within six months of the despatch any cheque has been lost or destroyed, Connect Airways will issue or procure the issue of a replacement cheque or otherwise tender payment.
- (e) The provisions of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. Certificates representing Scheme Shares and cancellation of CREST entitlements

- (a) With effect from and including the Scheme Effective Date:
- (i) all certificates representing Scheme Shares shall cease to have effect as documents of title to the shares represented thereby and each Scheme Shareholder shall be bound at the request of the Company to deliver up the same to the Company or to any person nominated by the Company for cancellation, or as it may direct, to destroy the same;
 - (ii) in respect of Scheme Shareholders holding their shares in uncertificated form, Euroclear shall be instructed to cancel such Holders' entitlements to such Scheme Shares; and
 - (iii) following the cancellation of the entitlements to Scheme Shares of Scheme Shareholders in uncertificated form, the Company's registrars shall be authorised to rematerialise entitlements to such Scheme Shares.
- (b) On or as soon as reasonably practicable after the Scheme Effective Date and subject to the completion of such transfers, forms, instruments or instructions as may be required in accordance with Clause 4(a) and the payment of any stamp duty thereon

appropriate entries will be made in the register of members of the Company to reflect the transfer of the Scheme Shares to Connect Airways and/or its nominee(s).

5. Effective Date

- (a) This Scheme shall become effective in accordance with its terms as soon as a copy of the Court Order has been delivered to the Registrar of Companies for registration.
- (b) Unless this Scheme has become effective on or before 6.00 pm (London time) on the Longstop Date or such later date, if any, as Flybe and Connect Airways may agree with the consent of the Panel and the Court may allow, it shall lapse and no part of this Scheme shall ever become effective.

6. Modification

Flybe and Connect Airways may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose. Any such modification or addition may require the consent of the Panel.

7. Governing Law

This Scheme is governed by English law and is subject to the exclusive jurisdiction of the courts of England and Wales. The rules of the Takeover Code apply to this Scheme.

Dated: 7 February 2019

PART 4

CONDITIONS TO THE IMPLEMENTATION OF THE SCHEME AND TO THE ACQUISITION

1. CONDITIONS TO THE SCHEME AND THE ACQUISITION

1.1 The Scheme will be conditional upon:

- (a) the Court Meeting and the General Meeting being held on or before the 22nd day after the expected date of such meetings as set out in this document or such later date (if any) as Flybe and Connect Airways may agree;
- (b) the Scheme Court Hearing being held on or before the later of (A) the 22nd day after the expected date of such hearing as set out in this document and (B) seven days after the date on which the conditions relating to regulatory clearance in this Part 4 are satisfied, or such later date (if any) as Flybe and Connect Airways may agree and (if required) the Court may allow; and
- (c) the Scheme becoming unconditional and becoming Effective by no later than the Longstop Date or such later date (if any) as Flybe and Connect Airways may agree and (if required) the Court may allow.

1.2 The Scheme will also be subject to the following conditions:

- (a) its approval by a majority in number of the holders of Scheme Shares who are on the register of members of Flybe and present, entitled to vote and voting at the Court Meeting, or at any adjournment thereof, either in person or by proxy, representing not less than 75% in value of the Scheme Shares held by such holders;
- (b) all resolutions required to approve and implement the Scheme (including, without limitation, to amend Flybe's articles of association) being duly passed by the requisite majority or majorities of the Flybe Shareholders at the General Meeting, or at any adjournment thereof;
- (c) the sanction of the Scheme by the Court (with or without modifications, on terms reasonably acceptable to Flybe and Connect Airways); and
- (d) delivery of a copy of the Scheme Court Order for registration to the Registrar of Companies.

1.3 The Scheme is also conditional on the following conditions having been satisfied or, where applicable, waived prior to the Scheme Court Hearing and accordingly the delivery of an office copy of the Scheme Court Order shall not be delivered to Companies House unless such conditions have been so satisfied or waived:

Merger Clearance

- (a) insofar as the Acquisition constitutes a relevant merger situation for the purpose of the Enterprise Act 2002, the CMA issuing a decision in terms satisfactory to Connect Airways that it is not the CMA's intention to make a Phase 2 CMA Reference, such decision being either unconditional or conditional on the CMA's acceptance of undertakings in lieu under Section 73 Enterprise Act 2002 which are satisfactory to Connect Airways (or the applicable time period for the CMA to issue either decision having expired without it having done so and without it having made a Phase 2 CMA Reference);
- (b) insofar as the Acquisition constitutes a concentration with a Union dimension within the meaning of the EU Merger Regulation, or is otherwise subject to notification to the European Commission under the EU Merger Regulation, the European Commission: (i) issuing a decision in terms satisfactory to Connect Airways not to initiate Phase 2 European Commission Proceedings (or having been deemed to do

so under the EU Merger Regulation); and (ii) not having referred (or having been deemed to have referred) any part of the Acquisition to the Merger Control Authority of one or more Member States of the European Union under Article 9 of the EU Merger Regulation;

- (c) any other necessary or expedient merger control filings and notifications identified by Connect Airways having been made to the competent Merger Control Authority in each relevant jurisdiction and all approvals, consents or clearances necessary or appropriate having been obtained from such competent Merger Control Authorities in terms satisfactory to Connect Airways (in each case within the relevant preliminary review period ('phase 1' or equivalent) without the relevant Merger Control Authority having initiated further in-depth proceedings ('phase 2' or equivalent));

Brexit

- (d) in the event that the Flybe Group ceases to be able to maintain its operating licence issued pursuant to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 as a result of the UK ceasing to be a member state of the European Union, Flybe Group is able to obtain any operating licence or any equivalent authorisation in the United Kingdom;

Insolvency

- (e) no steps having been taken or legal proceedings started by or threatened against a member of the Wider Flybe Group, for its winding-up or dissolution or for it to enter into any arrangement or composition for the benefit of its creditors, or for the appointment of a receiver, administrator, trustee or similar officer of it or any material part of its assets (or any analogous proceedings or appointment in any overseas jurisdiction);

Loss of licence

- (f) the Civil Aviation Authority not revoking or suspending Flybe Group's operating licence issued pursuant to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 or any equivalent or replacement equivalent authorisation in the United Kingdom;

General third party clearances

- (g) no Relevant Authority having decided, threatened or given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
 - (i) make the Acquisition, or the acquisition of any Flybe Shares or control of Flybe by Connect Airways void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, prevent or prohibit, restrict, restrain or delay or otherwise interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge, impede, interfere or require material amendment to the terms of the Acquisition;
 - (ii) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider Connect Airways Group or by any member of the Wider Flybe Group of all or any part of their respective businesses, assets, property or any shares or other securities (or the equivalent) in any member of the Wider Flybe Group or any

member of the Wider Connect Airways Group or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their respective assets or properties (or any part thereof);

- (iii) impose any limitation on, or result in a delay in, the ability of any member of the Wider Connect Airways Group, directly or indirectly, to acquire, hold or exercise effectively all or any rights of ownership in respect of shares or loans or securities convertible into shares or other securities (or the equivalent) in Flybe or on the ability of any member of the Wider Flybe Group or any member of the Wider Connect Airways Group, directly or indirectly, to hold or exercise effectively all or any rights of ownership in respect of shares or loans or any other securities (or the equivalent) in, or to exercise voting or management control over, the Wider Flybe Group;
- (iv) except pursuant to sections 974 to 991 of the Companies Act in the event that Connect Airways elects to implement the Acquisition by way of a Takeover Offer, require any member of the Wider Connect Airways Group or the Wider Flybe Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Flybe Group owned by any Relevant Authority (other than in connection with the implementation of the Acquisition);
- (v) result in any member of the Wider Flybe Group or any member of the Wider Connect Airways Group ceasing to be able to carry on business under any name under which it currently does so in any jurisdiction;
- (vi) impose any limitation on, or result in any delay in, the ability of any member of the Wider Connect Airways Group or any member of the Wider Flybe Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider Connect Airways Group and/or the Wider Flybe Group;
- (vii) require any member of the Wider Flybe Group to terminate or amend in any material way any material contract to which any member of the Wider Flybe Group is a party; or
- (viii) otherwise materially adversely affect all or any of the business, assets, liabilities, profits, financial or trading position or prospects of any member of the Wider Flybe Group or any member of the Wider Connect Airways Group,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Relevant Authority could institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Acquisition having expired, lapsed or been terminated;

Notifications, waiting periods and authorisations

- (h) all necessary notifications, filings or applications which are necessary having been made in connection with the Acquisition and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with, in each case, in respect of the Scheme, the Acquisition, and the acquisition of any Flybe Shares, or of control of Flybe, by Connect Airways and all Authorisations deemed reasonably necessary by Connect Airways in any jurisdiction for or in respect of the Scheme, the Acquisition, and the acquisition of any Flybe Shares, or of control of Flybe, by Connect Airways having been obtained in terms and in a form reasonably satisfactory to Connect Airways from all appropriate third parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider Flybe Group or

the Wider Connect Airways Group has entered into contractual arrangements and all such Authorisations necessary to carry on the business of any member of the Wider Flybe Group in any jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Acquisition becomes otherwise wholly unconditional and there being no notice of an intention to revoke or not to renew such Authorisations;

Flybe Shareholder resolution

- (i) except with the consent or the agreement of Connect Airways, no resolution of Flybe Shareholders in relation to any acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings (or in relation to any merger, demerger, consolidation, reconstruction, amalgamation or scheme) being passed at a meeting of Flybe Shareholders after the date of the Announcement other than in relation to the Acquisition or the Scheme and, other than with the consent or the agreement of Connect Airways, no member of the Wider Flybe Group after the date of the Announcement having taken (or agreed or proposed to take) any action that requires, or would require, the consent of the Panel or the approval of Flybe Shareholders in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code;

Certain matters arising as a result of any arrangement, agreement etc.

- (j) except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Wider Flybe Group is a party or by or to which any such member of the Wider Flybe Group or any of its assets is or may be bound, entitled or subject, or any event or circumstance which, as a consequence of the Acquisition or the acquisition or proposed acquisition of any Flybe Shares, or control of Flybe, by Connect Airways or otherwise would or might reasonably be expected to result in (in each case to an extent or in a manner which is material in the context of the Wider Flybe Group taken as a whole):
 - (i) any monies borrowed by, or any other indebtedness or liabilities, actual or contingent, of, or any grant available to, any such member of the Wider Flybe Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) the creation, save in the ordinary and usual course of business, or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of such member or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
 - (iii) any assets of any such member being disposed of, or right arising under which any such asset could be required to be disposed of, other than in the ordinary course of business;
 - (iv) any such arrangement, agreement, lease, licence, franchise, permit or other instrument or the rights, liabilities, obligations or interests of any such member in or with any other person (or any arrangement or arrangements relating to any such interests or business) being adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
 - (v) the rights, liabilities, obligations, interests or business of any such member or any member of the Wider Flybe Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any such member or any member of the Wider Flybe Group in or with any

other person or body or firm or company (or any arrangement relating to any such interests or business) being terminated, or adversely modified or adversely affected or any onerous obligation or liability arising or any adverse action being taken thereunder;

- (vi) any such member ceasing to be able to carry on business under any name under which it presently carries on business;
- (vii) the creation or acceleration of any liability (actual or contingent) by any such member other than trade creditors or other liabilities incurred in the ordinary course of business;
- (viii) the financial or trading position or prospects of, any such member being prejudiced or adversely affected; or
- (ix) any liability of any such member to make any severance, termination, bonus or other payment to any of its directors or other officers,

and no event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Flybe Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in this paragraph 1.3(j);

Certain events occurring since 30 September 2018

- (k) except as Disclosed, no member of the Wider Flybe Group having since 30 September 2018:
 - (i) issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue, of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Flybe Shares out of treasury (except, where relevant, as between Flybe and wholly-owned subsidiaries of Flybe or between the wholly-owned subsidiaries of Flybe and except for the issue of or transfer out of treasury of Flybe Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the Flybe Share Schemes before the date of the Announcement) or redeemed, purchased or reduced any part of its share capital;
 - (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly-owned subsidiary of Flybe to Flybe or any of its wholly-owned subsidiaries;
 - (iii) other than pursuant to the Acquisition (and except for transactions between Flybe and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Flybe and transactions in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case to an extent which is material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition;

- (iv) except for transactions between Flybe and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Flybe and transactions in the ordinary course of business, disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any material asset or authorised, proposed or announced any intention to do so;
- (v) except for transactions between Flybe and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Flybe issued, authorised or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness which in any such case is material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition;
- (vi) except in the ordinary course of business, entered into or varied or authorised, proposed or announced its intention to enter into or vary any material contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, unusual or onerous nature or magnitude or which is or which involves an obligation of such a nature or magnitude;
- (vii) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary to a material extent the terms of any contract, service agreement, commitment or arrangement with any director or senior executive of any member of the Wider Flybe Group, otherwise than in the ordinary course of business;
- (viii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider Flybe Group, otherwise than in the ordinary course of business;
- (ix) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or made any other change to any part of its share capital (except, in each case, where relevant, as between Flybe and wholly-owned subsidiaries of Flybe or between the wholly-owned subsidiaries of Flybe and except for the issue or transfer out of treasury of Flybe Shares on the exercise of employee share options or vesting of employee share awards under the Flybe Share Schemes as Disclosed);
- (x) other than pursuant to the Acquisition (and except for transactions between Flybe and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Flybe and transactions entered into in the ordinary course of business) entered into or proposed or announced its intention to enter into or proposed any reconstruction or amalgamation;
- (xi) waived, compromised or settled any claim which is material in the context of the Wider Flybe Group as a whole or in the context of the Acquisition;
- (xii) (other than in respect of a member of the Wider Flybe Group which is dormant and was solvent at the relevant time) taken any action nor having had any steps taken or legal proceedings started or threatened against it for its winding-up or dissolution or for it to enter into any arrangement or composition for the benefit of its creditors, or for the appointment of a receiver, administrator, trustee or similar officer of it or any material part of its assets (or any analogous proceedings or appointment in any overseas jurisdiction), which in each case is material in the context of the Wider Flybe Group taken as a whole;

- (xiii) terminated or varied the terms of any agreement or arrangement between any member of the Wider Flybe Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Wider Flybe Group taken as a whole;
- (xiv) save as required in connection with the Acquisition, made any material alteration to its memorandum, articles of association or other incorporation documents or any material alteration to the memorandum, articles of association or other incorporation documents of any other member of the Wider Flybe Group;
- (xv) made or agreed or consented to any material change to:
 - a. the terms of the trust deeds and rules constituting the pension scheme(s) established by any member of the Wider Flybe Group for its directors, employees or their dependents other than at the request of Connect Airways in order to implement the terms of the agreement in principle between Connect Airways and the Trustee;
 - b. the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable, thereunder;
 - c. the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - d. the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made, agreed or consented to, to an extent which is in any such case material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition;
- (xvi) been unable, or admitted in writing that it is unable, to pay its debts generally or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness generally, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business, which in each case is material in the context of the Wider Flybe Group taken as a whole;
- (xvii) entered into, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities, which in any such case is material in the context of the Wider Flybe Group as a whole or in the context of the Acquisition;
- (xviii) waived, compromised or settled any claim which is material in the context of the Wider Flybe Group; or
- (xix) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition 1.3(k);

No adverse change, litigation, regulatory enquiry or similar

- (l) except as Disclosed, there having been:
 - (i) no adverse change and no circumstance having arisen which would reasonably be expected to result in any adverse change in the business, assets, liabilities, shareholders' equity, financial or trading position or profits, operational performance or prospects of any member of the Wider Flybe Group which is material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition;

- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Flybe Group is or may become a party (whether as a claimant, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of, any member of the Wider Flybe Group, in each case which would reasonably be expected to have a material adverse effect on the Wider Flybe Group taken as a whole or in the context of the Acquisition;
- (iii) no enquiry, review or investigation by, or complaint or reference to, any Relevant Authority against or in respect of any member of the Wider Flybe Group (or any person in respect of which any such member has or may have responsibility or liability) having been threatened, announced, implemented or instituted or remaining outstanding by, against or in respect of any member of the Wider Flybe Group, in each case, which would reasonably be expected to have a material adverse effect on the Wider Flybe Group taken as a whole or in the context of the Acquisition;
- (iv) no contingent or other liability having arisen, been incurred or become apparent or increased other than in the ordinary course of business which is reasonably likely to adversely affect the business, assets, financial or trading position or profits of any member of the Wider Flybe Group to an extent which is material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition; and
- (v) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Flybe Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and has had or would reasonably be expected to have a material adverse effect on the Wider Flybe Group taken as a whole or in the context of the Acquisition;

No discovery of certain matters regarding information and corruption

- (m) except as Disclosed, Connect Airways not having discovered that:
 - (i) any financial, business or other information concerning the Wider Flybe Group which has been publicly disclosed through RIS at any time by or on behalf of any member of the Wider Flybe Group, either is misleading, contains a misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, in any such case which is material in the context of the Wider Flybe Group taken as a whole or in the context of the Acquisition;
 - (ii) any past or present member, director, officer or employee of the Wider Flybe Group (in their capacity as such) or any person that performs or has performed services for or on behalf of the Wider Flybe Group (in performing such services) is engaging in or has at any time during the course of such person's employment with, or performance of services for or on behalf of, the Wider Flybe Group engaged in an activity, practice or conduct which would constitute an offence under, or has not otherwise complied with, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and any laws implementing the same, the UK Bribery Act 2010 and/or the US Foreign Corrupt Practices Act of 1977;
 - (iii) any material asset of any member of the Wider Flybe Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
 - (iv) any past or present member, director, officer or employee of the Wider Flybe Group (in their capacity as such), or any other person for whom any such

person may be liable or responsible, has engaged in any business with or made any investment in, or made any funds or assets available to or received any funds or asset from to: (A) any government, entity or individual in respect of which US or EU persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or EU laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Revenue & Customs, or (B) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States or the European Union or any of their respective member states; or

- (v) any member of the Flybe Group being engaged in any transaction which would cause Connect Airways to be in breach of any law or regulation upon its acquisition of Flybe, including the economic sanctions of the United States Office of Foreign Assets Control, or HM Revenue & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states;

- 1.4 The Conditions in paragraphs 1.3(a) to 1.3(m) above must be fulfilled, be determined by Connect Airways to be or remain satisfied, or (if capable of waiver) be waived by Connect Airways by no later than 11:59 pm on the date immediately preceding the date of the Scheme Court Hearing, failing which the Scheme will lapse or, if the Acquisition is implemented by way of a Takeover Offer, no later than as permitted by the Panel. The Conditions in paragraphs 1.3(a) to 1.3(c) are expected to be satisfied and fulfilled immediately upon completion of the Subsidiary Sale. Subject always to the foregoing sentence which shall take precedence in respect of the Conditions in paragraphs 1.3(a) to 1.3(b) over the following, Connect Airways shall be under no obligation to waive or treat as fulfilled any of the Conditions which are capable of being waived by a date earlier than the latest date specified above in paragraph 1.1 for the fulfilment or waiver thereof, notwithstanding that any such Condition or other Conditions of the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
- 1.5 To the extent permitted by law and subject to the requirements of the Panel, Connect Airways reserves the right in its sole discretion to waive (if capable of waiver) in whole or part all or any of the above Conditions set out above in paragraphs 1.3(a) to 1.3(m) (inclusive).
- 1.6 Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
- 1.7 The Scheme will not proceed if the CMA makes a Phase 2 CMA Reference in respect of the Acquisition or the European Commission either initiates Phase 2 European Commission Proceedings in respect of the Acquisition or makes a referral of any part of the Acquisition to a competent authority of the UK under Article 9(1) of the EU Merger Regulation and there is subsequently a Phase 2 CMA Reference in respect of the Acquisition before the date of the Court Meeting. In such event neither Flybe, Connect Airways nor any Flybe Shareholder will be bound by any term of the Scheme.

2. CERTAIN FURTHER TERMS OF THE SCHEME AND ACQUISITION

- 2.1 Connect Airways reserves the right to elect to implement the Acquisition by way of a Takeover Offer. In such event, such offer will be implemented on the same terms and conditions (or, if Connect Airways otherwise determines and subject to the consent of the Panel) as the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, which may include changing the consideration structure under the terms of the Acquisition and (without limitation and subject to the consent of the Panel) an acceptance condition set at 75% (or such lesser percentage,

- being more than 50% as Connect Airways may decide) of the voting rights then exercisable at a general meeting of Flybe, including, for this purpose, any such voting rights attaching to Flybe Shares that are unconditionally allotted or issued, and to any treasury shares which are unconditionally transferred or sold by Flybe, before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.
- 2.2 If Connect Airways is required by the Panel to make an offer for Flybe Shares under the provisions of Rule 9 of the Takeover Code, Connect Airways may make such alterations to the Conditions and certain further terms of the Scheme and the Acquisition as are necessary to comply with the provisions of that Rule.
 - 2.3 The Acquisition, the Scheme and the Forms of Proxy and any dispute or claim arising out of, or in connection with, them (whether contractual or non-contractual in nature) will be governed by English law and will be subject to the jurisdiction of the Courts of England.
 - 2.4 The Flybe Shares shall be acquired with full legal title and beneficial ownership by Connect Airways fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights and interests whatsoever and together with all rights existing at the Effective Date or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Effective Date in respect of the Flybe Shares. If any dividend or other distribution or return of value is proposed, declared, made, paid or becomes payable by Flybe in respect of a Flybe Share on or after the date of the Announcement and prior to the Effective Date, Connect Airways will have the right to reduce the value of the consideration payable for each Flybe Share by up to the amount per Flybe Share of such dividend, distribution or return of value except where the Flybe Share is or will be acquired pursuant to the Scheme on a basis which entitles Connect Airways to receive the dividend, distribution or return of value and to retain it. If any such dividend or distribution or return of value is paid or made after the date of the Announcement and Connect Airways exercises its rights described above, any reference in this document to the consideration payable under the Scheme shall be deemed to be a reference to the consideration as so reduced. Any exercise by Connect Airways of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Scheme.
 - 2.5 Under Rule 13.5 of the Takeover Code, Connect Airways may not invoke a Condition so as to cause the Acquisition not to proceed, or to lapse, or to be withdrawn, unless the circumstances which give rise to the right to invoke the Condition are of material significance to Connect Airways in the context of the Acquisition. The Conditions in paragraphs 1.1, 1.2, 1.3(a) and 1.3(b) of this Part 4 are not subject to this provision of the Takeover Code.
 - 2.6 Connect Airways reserves the right for any other entity directly or indirectly owned by Connect Airways from time to time to implement the Acquisition.
 - 2.7 The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom and any Flybe Shareholders who are not resident in the United Kingdom will need to inform themselves about and observe any applicable requirements.
 - 2.8 Unless otherwise determined by Connect Airways or required by the Takeover Code and permitted by applicable law and regulations, the Acquisition is not being, and will not be, made, directly or indirectly, in, into or by the use of the mails of, or by any other means or instrumentality (including, but not limited to, facsimile, email or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility

of a national, state or other securities exchange of, any Restricted Jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from or within any Restricted Jurisdiction.

PART 5

FINANCIAL INFORMATION ON THE FLYBE GROUP

The following sets out financial information in respect of Flybe as required by Rule 24.3 of the Takeover Code. The documents referred to below (or parts thereof), the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Takeover Code.

<i>Information incorporated by reference</i>	<i>Hyperlink</i>	<i>Page numbers</i>
Flybe Group plc Annual Report 2016/17	http://cdn.flybe.com/cdn/Flybe-Group-plc-Annual-Report-2016-17.pdf	102–157
Flybe Group plc Annual Report 2017/18	https://www.flybe.com/application/files/8915/3253/3125/Flybe_Annual_Report_2017-18.pdf	102–144
Flybe Group plc Interim Management Report to 30 September 2018	https://www.flybe.com/application/files/2615/4219/3954/Flybe_group_plc_-_September_2018_Half-year_report_2019.pdf	1–36

PART 6

INFORMATION ON THE CONNECT AIRWAYS GROUP

1. General information

Connect Airways was incorporated under the laws of England and Wales on 18 December 2018 under the name Wright Bidco Limited as a private company limited by shares, with the registered number 11732177. On 10 January 2019 the name of the company was changed to Connect Airways Limited.

2. Financial information

As Connect Airways was incorporated on 18 December 2019, no financial information is available or has been published in respect of it. Save for any costs incurred in connection with its incorporation and the Acquisition, and entry into and performance of the Subsidiary Sale SPA, Connect Airways has not, since its incorporation, traded prior to the date of this document.

The Connect Lenders have entered into the Bridge Facility Agreement with Flybe and Flybe Limited. Following completion under the Subsidiary Sale SPA, the borrower under the Bridge Facility Agreement will be a subsidiary of Connect Airways.

3. Directors

The directors of Connect Airways are Warwick Brady, Lucien Farrell and Shai Weiss.

4. Share capital

The issued share capital of Connect Airways as at the date of this document is £1.00 divided into 100 ordinary shares of £0.01 each, all of which are credited as fully paid. The Connect Airways Shares are owned as follows:

- DLP Holdings: 40 shares
- Stobart Aviation: 30 shares
- Virgin Travel Group: 30 shares

5. Financing of the Acquisition

The cash consideration payable by Connect Airways to Flybe Shareholders under the Acquisition will be financed through the cash resources of Connect Airways, raised through an issue of shares in Connect Airways to DLP Holdings, Stobart Aviation and Virgin Travel Group prior to completion of the Acquisition. The consideration under the Subsidiary Sale SPA will also be financed through the cash resources of Connect Airways, raised through an issue of shares in Connect Airways to DLP Holdings, Stobart Aviation and Virgin Travel Group.

The loans to Flybe Limited under the Bridge Facility Agreement were financed by the Connect Lenders.

6. Effect of the Acquisition

Connect Airways has no material assets or liabilities other than those described in this document in connection with its incorporation, the Acquisition and the Subsidiary Sale. With effect from the Effective Date, the earnings, assets and liabilities of Connect Airways will comprise the consolidated earnings, assets and liabilities of the Combined Group on the Effective Date.

PART 7

ADDITIONAL INFORMATION

1. Responsibility

- (a) The Flybe Directors, whose names are set out in paragraph 2 of this Part 7, accept responsibility for all the information contained in this document (including any expressions of opinion and all information in respect of the Flybe Group which has been incorporated by reference into this document), except for that information for which the Connect Airways Directors accept responsibility in accordance with paragraph 1(b) below. To the best of the knowledge and belief of the Flybe Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Connect Airways Directors whose names are set out in paragraph 2 of this Part 7, accept responsibility for (i) the information contained in this document relating to the Connect Airways Group the Connect Airways Directors, their close relatives, related trusts and other connected persons and persons acting in concert with Connect Airways (as such term is used in the Takeover Code) (including all information (if any) in respect of the Connect Airways Group which has been incorporated by reference into this document); (ii) the statements of intention of the Connect Airways Group; and (iii) the opinions of the Connect Airways Directors and the Connect Airways Group. To the best of the knowledge and belief of Connect Airways Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of that information.

2. Directors

- (a) The Flybe Directors and their respective functions are:

Simon Laffin	Non-Executive Chairman
Heather Lawrence	Non-Executive Director
Elizabeth McMeikan	Non-Executive Director
Christine Ourmières-Widener	Chief Executive Officer
Ian Milne	Chief Financial Officer

- (b) The registered office of Flybe, which is also the business address of each of the Flybe Directors, is New Walker Hangar, Exeter International Airport, Clyst Honiton, Exeter EX5 2BA.

- (c) The Connect Airways Directors and their respective functions are:

Warwick Brady	Director
Lucien Farrell	Director
Shai Weiss	Director

- (d) The registered office of Connect Airways, which is also the business address of the Connect Airways Directors, is 4 Cork Street, 1st Floor, London, United Kingdom, W1S 3LB.

3. Disclosure of interests and dealings

- (a) In this Part 7 the following definitions apply:

- (i) **“acting in concert”** has the meaning given in the Takeover Code;
- (ii) **“arrangement”** means any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant Flybe securities and/or relevant Connect Airways securities which may be an inducement to deal or refrain from dealing;

- (iii) “**derivative**” has the meaning given in the Takeover Code;
- (iv) “**Disclosure Date**” means 5 February 2019, being the latest practicable date prior to the publication of this document;
- (v) “**Disclosure Period**” means the period commencing on 14 November 2017, being the date twelve months prior to the commencement of the Offer Period and ending on the Disclosure Date;
- (vi) “**Immediate Relations**” means, in relation to a director, his spouse or civil partner and any child or step-child of his under the age of 18 years;
- (vii) “**Interested Persons**” means, in relation to a director, his Immediate Relations and other persons (including, without limit, bodies corporate) whose interests that director is taken or treated as having by virtue of the application of Part 22 of the Companies Act 2006;
- (viii) “**interests in securities**” has the meaning given in the Takeover Code, and references to a person having an interest in securities shall be construed accordingly;
- (ix) “**relevant Connect Airways securities**” means Connect Airways Shares, any other securities in the capital of Connect Airways which carry voting rights or which are equity share capital, and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, any of the foregoing;
- (x) “**relevant Flybe securities**” means Flybe Shares, any other securities in the capital of Flybe which carry voting rights or which are equity share capital, and securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, any of the foregoing; and
- (xi) “**short positions**” means short positions, whether conditional or absolute and whether in the money or otherwise, including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery.

Interests in relevant securities

- (b) At the close of business on the Disclosure Date, the Flybe Directors (together with their Interested Persons) were interested in, or had a right to subscribe for, the following relevant Flybe securities:

Interests other than options

<i>Registered holder</i>	<i>Owner or controller of interest</i>	<i>Nature of interest or right</i>	<i>Number of relevant Flybe Shares</i>
Simon Laffin	Simon Laffin and his close relatives	Flybe Shares	479,404
Heather Lawrence	Heather Lawrence and her close relatives	Flybe Shares	62,500
Elizabeth McMeikan	Elizabeth McMeikan	Flybe Shares	10,000
Christine Ourmières-Widener	Christine Ourmières-Widener	Flybe Shares	219,760
Ian Milne	Ian Milne	Flybe Shares	100,000

Options

<i>Name of holder</i>	<i>Date of grant</i>	<i>Share Scheme</i>	<i>Exercise price (pence)</i>	<i>Normal vesting date*</i>	<i>Number of relevant Flybe Shares</i>
Christine Ourmieres-Widener	9 February 2017	PSP	1 per share	9 February 2020	1,295,349
Christine Ourmieres-Widener	25 June 2018	PSP	1 per share	25 June 2021	1,470,588
Christine Ourmieres-Widener	25 June 2018	PSP	1 per share	25 June 2021	1,000,000
Ian Milne	25 June 2018	PSP	1 per share	25 June 2021	612,745
Ian Milne	25 June 2018	PSP	1 per share	25 June 2021	612,745

* Earliest vesting date for a percentage of the total number of relevant Flybe Shares listed.

- (c) The Flybe Directors intend, in respect of their own beneficial holdings, to vote in favour of the Scheme at the Court Meeting and in favour of the GM Scheme Resolution at the General Meeting.
- (d) At the close of business on the Disclosure Date, the following persons acting in concert with Connect Airways held interests, short positions and rights to subscribe (including directors' and other employee options) in Flybe Shares:

<i>Name</i>	<i>Owner or controller of interest</i>	<i>Nature of interest or right</i>	<i>Number of relevant Flybe Shares</i>
Warwick Brady	Warwick Brady and his close relatives	Flybe Shares	16,666

Dealings in relevant securities

- (e) During the Disclosure Period the Flybe Directors dealt in the following relevant Flybe securities:

<i>Name</i>	<i>Transaction type</i>	<i>Number of relevant Flybe securities</i>	<i>Dealing Date</i>	<i>Price per relevant Flybe security (p)</i>
Christine Ourmieres-Widener	Acquisition of Flybe Shares	100,000	13 August 2018	0
Christine Ourmieres-Widener	Award of options over Flybe Shares under the terms of the PSP	1,470,588	25 June 2018	1
Christine Ourmieres-Widener	Award of options over Flybe Shares under the terms of the PSP	1,000,000	25 June 2018	1
Ian Milne	Award of options over Flybe Shares under the terms of the PSP	612,745	25 June 2018	1
Ian Milne	Award of options over Flybe Shares under the terms of the PSP	612,745	25 June 2018	1
Heather Lawrence	Acquisition of Flybe Shares	62,500	25 June 2018	40.346
Ian Milne	Acquisition of Flybe Shares	100,000	25 June 2018	40.1

General

- (f) Save as disclosed above, none of Connect Airways, the Connect Airways Directors, nor any persons acting in concert with Connect Airways, nor any of the close relatives or related trusts or other Interested Persons of the Connect Airways Directors are interested in, or have a right to subscribe for, or holds a short position in relation to, any relevant Flybe securities, nor has any such person dealt in any relevant Flybe securities during the Disclosure Period.
- (g) Neither Flybe nor any of the Flybe Directors are interested in, or has a right to subscribe for, or holds a short position in relation to, any relevant Connect Airways securities, nor has any such person dealt in any relevant Connect Airways securities during the Disclosure Period.
- (h) No person with whom Connect Airways or any person acting in concert with Connect Airways has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature, relating to relevant Flybe securities which may be an inducement to deal or refrain from dealing, is interested in, or has a right to subscribe for, or holds a short position in relation to, any relevant Flybe securities, nor has any such person dealt in any relevant Flybe securities during the Disclosure Period.
- (i) Neither Connect Airways nor any person acting in concert with Connect Airways has borrowed or lent any relevant Flybe securities (save for any borrowed shares which have been either on-lent or sold).
- (j) Save as disclosed above, neither Flybe nor any of the Flybe Directors nor any person acting in concert with Flybe is interested in, or has a right to subscribe for, or holds a short position in relation to, relevant Flybe securities, nor has any such person dealt in any relevant Flybe securities during the Disclosure Period.
- (k) No person with whom Flybe or any person acting in concert with Flybe, has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature, relating to relevant Flybe securities which may be an inducement to deal or refrain from dealing, is interested in, or has a right to subscribe for, or holds a short position in relation to, any relevant Flybe securities, nor has any such person dealt in any relevant Flybe securities during the Disclosure Period.
- (l) Neither Flybe nor any person acting in concert with Flybe has borrowed or lent any relevant Flybe securities (save for any borrowed shares which have either been on-lent or sold).

4. Irrevocable commitments

- (a) Connect Airways or persons acting in concert with it have procured irrevocable commitments from the Flybe Directors to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the GM Scheme Resolution relating to the Acquisition at the General Meeting. Such irrevocable commitments are in respect of the following relevant Flybe securities:

<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Number of relevant Flybe Shares</i>	<i>% of existing Flybe Shares in issue (approx)</i>	<i>Number of relevant Flybe securities under option</i>
Simon Laffin	Simon Laffin and his close relatives	479,404	0.221	Nil
Heather Lawrence	Heather Lawrence and her close relatives	62,500	0.029	Nil

<i>Name of registered holder</i>	<i>Name of beneficial owner</i>	<i>Number of relevant Flybe Shares</i>	<i>% of existing Flybe Shares in issue (approx)</i>	<i>Number of relevant Flybe securities under option</i>
Elizabeth McMeikan	Elizabeth McMeikan	10,000	0.005	Nil
Christine Ourmières-Widener	Christine Ourmières-Widener	219,760	0.101	3,765,937
Ian Milne	Ian Milne	100,000	0.046	1,225,490

- (b) The irrevocable commitment to vote, or procure a vote, in favour of the Scheme at the Court Meeting and the GM Scheme Resolution relating to the Acquisition at the General Meeting given by the Flybe Directors extend to any Flybe Shares arising from the exercise of options held under the Flybe Share Option Schemes.
- (c) The irrevocable undertakings from the Flybe Directors will cease to be binding only if:
- (i) this document is not published within 28 days of the day of release of the Announcement (or within such longer period as the Panel may agree); or
 - (ii) the Scheme is withdrawn or lapses, save for where the Scheme is withdrawn or lapses solely as a result of Connect Airways exercising its right to implement the Acquisition by way of a Takeover Offer rather than the Scheme or where it is replaced by a new or revised scheme of arrangement.

5. Market quotations

The following table sets out the middle market quotations for Flybe Shares derived from the London Stock Exchange plc Daily Official List, for the first business day in each month from 1 October 2018 to 4 February 2019, for 13 November 2018 (the last business day before the commencement of the Offer Period) and for the Disclosure Date (the latest practicable date before the publication of this document):

<i>Relevant date</i>	<i>Flybe share price (p)</i>
5 February 2019	3.365
4 February 2019	3.375
2 January 2019	16.650
3 December 2018	18.700
13 November 2018	11.625
1 November 2018	11.125
1 October 2018	37.650
3 September 2018	41.550

6. Service contracts of Flybe Directors

- (a) Each of the Executive Directors has entered into a service contract with Flybe. Their respective salaries and notice periods (which may be given by either party) are as follows:

<i>Name</i>	<i>Date of service contract</i>	<i>Annual Salary</i> £	<i>Notice Period</i>
Christine Ourmières-Widener	19 December 2016	408,000	12 months
Ian Milne	10 October 2017	250,000	6 months

- (b) Each of the service contracts provide for the Executive Director's salary to be reviewed annually. The Executive Directors are also entitled to other benefits commensurate with their position including pension contributions, bonus, life assurance, income protection insurance, private and medical insurance and car allowance.

Service Agreement of Christine Ourmières-Widener

- (c) Christine Ourmières-Widener entered into a service agreement with Flybe dated 19 December 2016, subject to termination upon 12 months' notice by either party. The service agreement provides for an annual salary of £400,000 (increased to £408,000 per year by a letter of 9 April 2018) pension contributions in line with the Company's current policy at 10% of annual salary, bonus of up to 150% of salary, life assurance of up to four times salary and private medical expenses insurance for the benefit of the executive, her spouse/partner and dependent children in full time education. In addition, Christine received a relocation allowance of £120,000, repayable if she serves notice within two years. The service agreement contains post-termination restrictive covenants which (among other restrictions) restrict the executive from competing with Flybe for 12 months following the termination of her employment in any area/territory in which the executive worked or to which she was assigned during the 12 months prior to termination or, if earlier, the start of any period of garden leave.

Service Agreement of Ian Milne

- (d) Ian Milne entered into a service agreement with Flybe dated 10 October 2017, subject to termination upon 6 months' notice by either party. The service agreement provides for an annual salary of £250,000, pension contributions in line with Flybe's current policy at 10% of annual salary, bonus of up to 100% of salary, life assurance of up to four times salary, private medical expenses insurance for the benefit of the executive, his spouse/partner and dependent children in full time education and an annual car allowance of £10,000. The service agreement contains post-termination restrictive covenants which (among other restrictions) restrict the executive from competing with Flybe for 12 months following the termination of his employment in any area/territory in which the executive worked or to which he was assigned during the 12 months prior to termination or, if earlier, the start of any period of garden leave.
- (e) Each of the Non-Executive Directors has entered into letters of appointment with Flybe (or in the case of Simon Laffin, a service contract). Their respective salaries and days of service are as follows:

<i>Name</i>	<i>Annual fee</i>	<i>Number of days per annum</i>
Simon Laffin	£153,000	50
Heather Lawrence	£49,000	20-25
Elizabeth McMeikan	£57,000	20

- (f) Each of the Non-Executive Directors has been appointed on terms which can be terminated by either party on three months' notice, unless otherwise stated.
- (g) No contract of service between any Flybe Director and Flybe or any of its subsidiaries has been amended or replaced within the six months preceding the date of this document, save that Heather Lawrence became chair of the audit committee on 13 September 2018 and Elizabeth McMeikan became the senior independent director on the same date. Before 13 September 2018, the annual fee of Heather Lawrence was £43,000 and the annual fee of Elizabeth McMeikan was £49,000.

Agreement of Simon Laffin

- (h) Simon's services as Non-Executive Director are provided under the terms of a service contract with Flybe dated 5 November 2016. The appointment will terminate on 4 November 2019 unless terminated earlier by either party upon six months' notice.

Agreement of Heather Lawrence

- (i) Heather's services as a Non-Executive Director are provided under the terms of a letter of appointment dated 10 May 2018. The termination date for her appointment is 11 May 2021 unless terminated earlier by either party upon three months' notice.

Agreement of Elizabeth McMeikan

- (i) Elizabeth's services as Non-Executive Director are provided under the terms of a letter of appointment with Flybe dated 1 August 2014. The termination date for the appointment was 1 August 2017 but the appointment was extended in a letter of 17 May 2017 to end on 1 August 2020, unless terminated earlier by either party upon three months' notice.

7. Material contracts

- (a) Except as set out below, neither Flybe nor any of its subsidiaries has entered into any material contract outside the ordinary course of business since 14 November 2016 (the date two years before the commencement of the Offer Period):
 - (i) **Sale and Leaseback of Hangar 1, Exeter International Airport:** On 15 November 2018 Flybe and Flybe Limited entered into an agreement with Exeter & Devon Airport Limited for the sale and leaseback of Hangar 1 of the New Walker Hangar, Exeter International Airport, Devon ("**Property**"), which forms part of its headquarters. Under the terms of the agreement, the headlease and underlease of the Property were sold by Flybe Limited for £5 million (plus VAT) and a new lease of the Property was entered into between Flybe Limited (with Flybe acting as guarantor) and Exeter & Devon Airport Limited for a term of 25 years and an annual rent of £515,000 (plus VAT). The lease is subject to: (i) rent review every 5 years from the effective date of the lease; and (ii) the option for Flybe Limited to break the lease in 2028 by serving not less than 12 months' written notice.
 - (ii) **Slot Sale Agreement:** On 11 January 2019, Flybe Limited signed an agreement with Vueling Airlines S.A. (the "**Slot Sale Agreement**") to receive a total of £4,500,000, payable in two tranches, in respect of slots at London Gatwick Airport. The first tranche was paid immediately following the signing of the Slot Sale Agreement in respect of slots to be used during the summer season in 2019 and for subsequent summer seasons. The remainder is due in June 2019 in respect of slots to be used during the winter season in 2019/20 and subsequent winter seasons.
 - (iii) **Subsidiary Sale SPA:** On 15 January 2019 Flybe entered into an agreement with Connect Airways for the sale and purchase of the entire issued share capital of Flybe Limited and Flybe.com Limited and certain other assets from Flybe for total consideration of £2.8 million. Completion of the Subsidiary Sale SPA is conditional upon, amongst other things, agreement between Connect Airways and the Trustee as to funding of the BRAL and Connect Airways achieving a derogation from the standstill provisions of the EU Merger Regulation and Jersey merger control legislation, in each case by 22 February 2019. Completion is expected to occur, subject to the satisfaction or waiver of the Subsidiary Sale SPA conditions, on or before 22 February 2019, prior to the Meetings.
 - (iv) **Bridge Facility Agreement:** Flybe, Flybe Limited and the Connect Lenders entered into a secured bridge loan facility on 11 January 2019 pursuant to which the Connect Lenders agreed to make available a committed credit facility of up to £20 million to Flybe and Flybe Limited, utilization of which was subject to a number of conditions. As noted above, Flybe was not able to satisfy the conditions to utilisation of the facility prior to 15 January 2019. On 15 January 2019 the facility agreement between Flybe, Flybe Limited and the Connect Lenders was amended and, inter alia, Flybe resigned as a borrower (the facility agreement dated 11 January 2019, as amended on 15 January 2019, the "**Bridge Facility Agreement**"). £10 million was utilised immediately by Flybe Limited to support the business, with a further £5 million being utilised on 25 January 2019. The Bridge Facility Agreement contains a number of conditions including that a firm of

accountants is appointed as an independent monitor and granted full access to the systems and working capital information of Flybe and Flybe Limited. PricewaterhouseCoopers LLP was appointed as the independent monitor on 11 January 2019. No further utilisation may be requested under the Bridge Facility Agreement unless (amongst other conditions):

- Flybe Limited and its subsidiary have unrestricted cash of less than £5,000,000; and
- the independent monitor has confirmed to the Connect Lenders that the loan requested is required for working capital purposes.

The Bridge Facility Agreement also contains customary representations, undertakings and events of default for a transaction of this nature.

(v) **Bridge Facility Security Agreements**

As security for the payment and discharge of all obligations and liabilities under the Bridge Facility Agreement and the related finance documents:

- on 11 January 2019:
 - Flybe Limited, amongst other things, mortgaged certain aircraft engines and assigned its rights under related policies of insurance and reinsurance, manufacturer warranties, engine leases and any requisition proceeds by way of security to DLP Holdings (as security trustee) pursuant to a global engine mortgage and security agreement; and
 - each of Flybe Limited and Flybe entered into a security agreement with DLP Holdings (as security trustee) pursuant to which it granted fixed and floating security over all of its assets and undertaking other than those which: (i) it is at any time prohibited from creating a security interest over by reason of any contract or other arrangement with a third party; and (ii) if subject to any security interest or the provisions of the security agreement, would give a third party the right to terminate or otherwise adversely amend any rights, benefits and/or obligations of Flybe or Flybe Limited in respect of that asset or undertaking or require it to take any action materially adverse to the interests of the group or any member thereof; and
- on 25 January 2019 Flybe Limited entered into a security assignment of Flybe Limited's residual interest in certain aircraft financed by Norddeutsche Landesbank Girozentrale in favour of DLP Holdings (as security trustee),

(together, the "**Security Documents**")

It has been agreed that, with effect on and from Completion (as defined in the Subsidiary Sale SPA) Flybe will be released from all guarantees, covenants, liabilities and obligations of it under the Security Documents and the Bridge Facility Agreement and that the assets, undertaking and rights belonging to Flybe which are subject to security interests under the Security Documents shall be released from such security interests.

The Security Documents contain representations and undertakings which are customary for a transaction of this nature.

Material contracts of Connect Airways

Except as set out below, neither Connect Airways nor any of its subsidiaries has entered into any material contract outside the ordinary course of business since 14 November 2016 (the date two years before the commencement of the Offer Period).

(i) *Joint Bid Agreement*

DLP Holdings, Stobart Aviation, and Virgin Travel Group have entered into a joint bid agreement on 11 January 2019 (the "**Joint Bid Agreement**"), pursuant to which they agreed (among other things):

- to cooperate together with respect to, proceed with, and support Connect Airways in respect of its obligations to proceed with, the Acquisition (including the preparation of relevant documentation);
- to make decisions with respect to the Acquisition jointly;
- to cooperate together with respect to anti-trust and other regulatory clearances necessary or expedient for the purposes of the transaction;
- to share the administrative costs of proceeding with the Acquisition, up to a cap of £3 million plus VAT;
- not to pursue an alternative form of transaction to the Acquisition without the prior consent of the other parties.

The Joint Bid Agreement also records certain commercial terms with respect to the funding, structure and operations of the Combined Group which DLP Holdings, Stobart Aviation and Virgin Travel Group have agreed between them and which will be documented more fully prior to completion of the Acquisition.

The Joint Bid Agreement will terminate if:

- the Acquisition does not proceed;
- the Scheme lapses or terminates (if necessary, with the Panel's consent), unless DLP Holdings, Stobart Aviation, and Virgin Travel Group have elected prior to such time for Connect Airways to implement the Acquisition by way of a Takeover Offer;
- DLP Holdings, Stobart Aviation, and Virgin Travel Group elect for Connect Airways to implement the Acquisition by way of a Takeover Offer, the Takeover Offer is withdrawn or lapses (if necessary, with the Panel's consent); or
- DLP Holdings, Stobart Aviation, and Virgin Travel Group so agree in writing.

(ii) *Cooperation Agreement*

See below at paragraph 11(b) of this Part 7.

(iii) *Subsidiary Sale SPA*

See above at paragraph 7(iii) of this Part 7.

8. **Concert parties**

(a) The identity of those persons acting in concert with Connect Airways are set out below:

<i>Name</i>	<i>Type of company (if a company)</i>	<i>Registered office (if a company)</i>	<i>Relationship with the Offeree</i>
Connect Airways Directors	N/A	N/A	Directors of Connect Airways
Barclays Bank plc	Public listed company	1 Churchill Place, Canary Wharf, London, E14 5HP	Financial Adviser to Stobart Group and Connect Airways
Sir Richard Branson	N/A	N/A	Ultimate beneficial owner of Virgin Group Holdings Limited

<i>Name</i>	<i>Type of company (if a company)</i>	<i>Registered office (if a company)</i>	<i>Relationship with the Offeree</i>
Virgin Group Holdings Limited and its subsidiaries	Private Limited Company	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, Virgin Islands	Ultimate parent company of Virgin Investments Limited, a 51% shareholder in Virgin Atlantic
Delta Air Lines, Inc. and its subsidiaries	Public listed company	Delta Boulevard, Atlanta, GA 30320	49% shareholder in Virgin Atlantic
Air France-KLM S.A. and its subsidiaries	Public listed company	2, rue Robert Esnault-Pelterie 75007 Paris, France	Acting in concert with Virgin Atlantic with respect to Flybe
Cyrus Capital Partners, L.P. and funds managed by it	Limited Partnership	N/A	Investment manager of the shareholders of DLP Holdings
Stobart Group Limited and its subsidiaries	Public listed company	Old Bank Chambers, La Grande Rue, St. Martin's, Guernsey GY4 6RT	Parent company of Stobart Aviation

(b) The identity of those persons acting in concert with Flybe are set out below:

<i>Name</i>	<i>Type of company (if a company)</i>	<i>Registered office (if a company)</i>	<i>Relationship with Offeree</i>
The Flybe Directors	N/A	N/A	Directors of Flybe
The BRAL	N/A	N/A	Pension Scheme

9. Governing Law

The Scheme shall be governed by and construed in accordance with English law. The English courts shall have exclusive jurisdiction for determining any matter which may arise under or in connection with the Scheme.

10. Post-offer undertaking or post-offer intention statement

No statements in this document constitute "post-offer undertakings" for the purposes of Rule 19.5 of the Takeover Code.

11. Offer-related arrangements

(a) Confidentiality Agreements and Side Letters

- (i) Stobart Group and Cyrus (together) and Virgin Atlantic entered into confidentiality agreements with Flybe on 3 November 2018 and 8 November 2018 respectively (the "Confidentiality Agreements"), pursuant to which they have each undertaken, amongst other things, to keep information relating to Flybe confidential and not to disclose it to third parties (other than to permitted disclosees) unless required by law or regulation.
- (ii) The Confidentiality Agreements also restrict Stobart Group, Cyrus and Virgin Atlantic's ability to, amongst other things, acquire or offer to acquire any interest in Flybe securities and, for a period of 12 months from the respective dates of the Confidentiality Agreements, to solicit any senior person or pilot of Flybe, subject to customary carve outs.
- (iii) Stobart Group and Cyrus (together) and Virgin Atlantic entered into side letters to the Confidentiality Agreements on 9 January 2019 and 10 January 2019

respectively, pursuant to which the terms of the Confidentiality Agreements were amended to allow Stobart Group, Cyrus and Virgin Atlantic to share confidential information relating to Flybe with each other for the purpose of their coming together to formulate and make the Connect Airways offer.

(b) **Cooperation Agreement**

- (i) Flybe and Connect Airways have entered into a cooperation agreement (the "**Cooperation Agreement**") pursuant to which, among other things, they have agreed:
 - (A) to provide each other with such information as necessary for Flybe to prepare this document;
 - (B) to implement certain proposals with regards to the Flybe Share Schemes; and
 - (C) to cooperate with each other and to provide such information as may be necessary to obtain any required regulatory clearances.
- (i) The Cooperation Agreement records the intention of Flybe and Connect Airways to implement the Acquisition by way of the Scheme, subject to the ability of Connect Airways to proceed by way of a Takeover Offer in certain circumstances, subject to the consent of the Panel.
- (ii) The Cooperation Agreement will terminate in a number of customary circumstances, including if:
 - (A) the Flybe Directors withdraw or adversely modify their recommendation of the Acquisition; or
 - (B) the Meetings are not held on or before the 22nd day after the expected date of such meeting as set out in this document (or such later date as may be agreed in writing between the parties with the consent of the Panel and, if required, the approval of the Court);
 - (C) the Scheme Shareholders fail to pass by the required majority the resolutions to be proposed at the Meetings;
 - (D) the Court refuses to sanction the Scheme; or
 - (E) this document does not include a unanimous and unconditional recommendation from the Flybe Directors that Flybe Shareholders vote in favour of the resolutions to be proposed at the Court Meeting and the Flybe General Meeting.

12. Profit forecast, financial and trading position

The profit forecast made in the Company's announcement of 17 October 2018 is no longer valid. Since 30 September 2018 (the date to which the Company's most recent interim management report was prepared), as explained in the Announcement and in further detail in paragraph 4 of Part 1 of this document, the Company has seen both a further weakening in consumer demand, affecting its cash, revenues and profit adversely, and a rapid and significant tightening of its liquidity from the card acquirer market. These factors, combined with the Company's inability to satisfy the conditions to utilisation of the Bridge Facility Agreement and therefore draw any funds under it before its amendment, required the Company, in order to preserve the value in the Company for the benefit of Flybe Shareholders and creditors, to enter into the Subsidiary Sale SPA to sell its operating subsidiaries to Connect Airways. Completion of the Subsidiary Sale, subject to satisfaction of the Subsidiary Sale SPA's conditions, is due to occur on or before 22 February 2019 following which the Company will be a non-trading entity with no subsidiaries and no material assets other than the cash remaining from the consideration to be received under the Subsidiary Sale SPA, which will be required to cover transaction costs and residual and rundown costs of the Company. It is not anticipated

that after meeting these costs there will be any remaining funds available for distribution to Flybe Shareholders.

The amounts utilised under the Bridge Facility Agreement are repayable, inter alia, on the earlier of (i) Completion (as defined in the Subsidiary Sale SPA) and (ii) 22 February 2019. If the Subsidiary Sale does not complete on or before 22 February 2019, the Company will make further announcements as appropriate regarding its financial and trading position.

13. General

- (a) Each of Evercore, Rothschild & Co and Barclays have given and not withdrawn their written consent to the issue of this document with the reference to their name, and each of them has given and has not withdrawn their written consent to the inclusion of their reports and opinions, each in the form and context in which they are included.
- (b) Save as disclosed elsewhere in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Connect Airways or any party acting in concert with Connect Airways and any of the directors, recent directors, shareholders or recent shareholders of Flybe or any person interested or recently interested in Flybe Shares, having any connection with or dependence on the Acquisition.
- (c) Barclays, as financial adviser to Connect Airways, is satisfied that resources available to Connect Airways are sufficient to satisfy in full the cash consideration payable to Flybe Shareholders under the terms of the Acquisition. Total cash consideration of approximately £2.2 million will be payable to holders of the Scheme Shares on the Scheme becoming Effective.
- (d) There is no agreement, arrangement or understanding under which any securities acquired pursuant to the Acquisition will be transferred to any other person.
- (e) Save for the irrevocable commitments described in paragraph 4 of this Part 7 neither:
- (i) Connect Airways, nor any person acting in concert with Connect Airways; nor
 - (ii) Flybe, nor any person acting in concert with Flybe,
- has any arrangement (including any indemnity or option arrangement), agreement or understanding, formal or informal, of whatever nature relating to relevant Flybe securities or relevant Connect Airways securities, which may be an inducement to deal or refrain from dealing, with any other person.
- (f) The financial information on Connect Airways and Flybe contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2018 in the case of Flybe have been delivered to the Registrar of Companies for England and Wales. Flybe's auditors have made a report under section 495 of the Companies Act 2006 on each of those statutory accounts that was not qualified within the meaning of section 539 of the Companies Act 2006 and did not contain any statements made under section 498(2) or (3) of the Companies Act 2006.
- (g) The aggregate fees and expenses expected to be incurred by Connect Airways in connection with the Acquisition are £9,409,000 (exclusive of VAT). The following are estimates expected to comprise the aggregate figure (in each case exclusive of VAT):
- | | |
|---|------------|
| (i) Financing arrangements | Nil |
| (ii) Financial and corporate broking advice | £2,260,000 |
| (iii) Legal advice | £5,728,000 |
| (iv) Accounting advice | £929,000 |
| (v) Public relations advice | £80,000 |
| (vi) Other professional services | £410,000 |
| (vii) Other costs and expenses | £2,000 |

(h) The aggregate fees and expenses expected to be incurred by Flybe in connection with the Acquisition are £2,534,000 (exclusive of VAT). The following are estimates expected to comprise the aggregate figure (in each case exclusive of VAT):

(i)	Financing arrangements	Nil
(ii)	Financial and corporate broking advice	£1,290,000
(iii)	Legal advice	£830,000 ¹
(iv)	Accounting advice	£170,000
(v)	Public relations advice	£129,000
(vi)	Other professional services	£100,000
(vii)	Other costs and expenses	£15,000

(1) Variable uncapped fee to be calculated on a time cost basis.

14. Taxation

The summary information on taxation in this document is intended as a guide only and is not a substitute for detailed tax advice. Any Flybe Shareholders who are in any doubt about their tax position, or who are resident for tax purposes outside the UK, are strongly advised to contact an appropriate independent professional adviser immediately.

General

The following paragraphs, which are intended as a general guide only and not a substitute for detailed tax advice, are based on current legislation and on what is understood to be current HM Revenue & Customs practice at the date of this document (both of which are subject to change, possibly with retrospective effect). They summarise certain limited aspects of the UK taxation consequences of the Scheme and assume that the transaction is taking place for bona fide commercial reasons and is not taking place with the main purpose, or one of the main purposes, being the avoidance of tax.

Except where express reference is made to the position of non-UK residents, these paragraphs apply only to certain Scheme Shareholders who are resident in the UK for tax purposes, who currently hold their Flybe Shares directly as an investment (other than under individual savings accounts) and who are absolute beneficial owners of those shares (referred to in this paragraph 14 of Part 7 as "**UK Scheme Shareholders**").

Unless they expressly provide to the contrary, these paragraphs do not deal with certain types of Scheme Shareholders, such as persons who hold or who have acquired Flybe Shares (or options or rights in respect thereof) in the course of trade or by reason of their, or another's, employment, collective investment schemes, insurance companies, or persons who are resident in a jurisdiction other than the UK. Any holder of Flybe Shares who is in any doubt as to their taxation position should consult an appropriate professional adviser immediately.

UK taxation consequences of the Scheme

Liability to UK tax on chargeable gains will depend on the individual circumstances of each UK Scheme Shareholder. The receipt by a UK Scheme Shareholder of cash under the Scheme will be treated as consideration for a disposal, or part disposal, of its/his/her Scheme Shares which may, depending on the UK Scheme Shareholder's individual circumstances (including the availability of exemptions, reliefs and/or allowable losses), give rise to a liability to UK tax on chargeable gains or, alternatively, an allowable capital loss.

There are various reliefs which could apply to reduce or eliminate any chargeable gain which arises, including for UK Scheme Shareholders within the charge to UK corporation tax, an indexation allowance which may apply (which has been frozen from 1 January 2018) to reduce any chargeable gain (but not increase any allowable loss) arising on the disposal of the Scheme Shares.

Subject to available allowances and reliefs, a gain arising on the disposal of Scheme Shares by an individual UK Scheme Shareholder will be taxed at the rate of 10% except to the extent that the gain, when it is added to the individual Scheme Shareholder's other income and gains in the relevant tax year, exceeds the upper limit of the UK basic rate income tax band

(£46,350 for the tax year ending 5 April 2019 and £50,000 for the tax year ending 5 April 2020), in which case it will be taxed at the rate of 20%.

The capital gains tax annual exemption (£11,700 for the tax year ending 5 April 2019 and £12,000 for the tax year ending 5 April 2020) may be available to an individual UK Scheme Shareholder to offset against chargeable gains realised on the disposal of the UK Scheme Shareholder's Scheme Shares.

For a UK Scheme Shareholder which is a company, any gain on the disposal of its Scheme Shares will be subject to corporation tax (at 19% for the tax years ending 31 March 2019 and 31 March 2020) (subject to any available exemptions and reliefs).

No UK stamp duty or UK stamp duty reserve tax should be payable by Scheme Shareholders as a result of the transfer of their Scheme Shares under the Scheme.

15. Consent

Evercore has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which they are included.

Rothschild & Co has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which they are included.

Barclays has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which they are included.

16. Documents available on website

Copies of the following documents will be made available on the Company's website at www.flybe.com/investors during the period from the date on which this document is published up to and including the Scheme Effective Date (or the date on which the Scheme lapses):

- (i) this document and the Forms of Proxy;
- (ii) any announcements issued by the Company in connection with the Scheme;
- (iii) the articles of association of Flybe;
- (iv) the published audited consolidated accounts of Flybe for the two financial years ended 31 March 2018. These accounts have been incorporated into this document by reference to the above website in accordance with Rule 24.15 of the Takeover Code;
- (v) the interim management report of Flybe for the 6 month period ended 30 September 2018, which has been incorporated into this document by reference to the above website in accordance with Rule 24.15 of the Takeover Code;
- (vi) the letters of consent referred to in paragraph 15 of this Part 7;
- (vii) the material contracts referred to in paragraph 7 of this Part 7;
- (viii) the irrevocable commitments to referred to in paragraph 4 of this Part 7;
- (ix) the offer related arrangements or other agreements or commitments permitted under or excluded from Rule 21.2 referred to in paragraph 11 of Part 7 of this document; and
- (x) this document.

PART 8

DEFINITIONS

The following definitions apply throughout this document (other than in those parts of this document containing separate definitions), unless the context otherwise requires.

Acquisition	the proposed acquisition by Connect Airways of the entire issued and to be issued share capital of Flybe, to be effected by the Scheme as described in this document (or, should Connect Airways so elect, by means of a Takeover Offer).
Acquisition Price	1 pence per Flybe Share.
Air France-KLM S.A.	Air France-KLM S.A., a company incorporated in France with registered number 552,043,002 and whose registered office is at 2, rue Robert Esnault-Pelterie 75007 Paris, France.
Announcement	the announcement by Connect Airways of its firm intention to make an offer to acquire Flybe in accordance with Rule 2.7 of the Takeover Code.
AOC	air operator certificate.
Authorisations	authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions, determinations, exemptions or approvals.
Barclays	Barclays Bank plc, acting through its Investment Bank.
Board	as the context requires, the board of directors of Connect Airways or the board of directors of Flybe and the terms Connect Airways Directors and Flybe Directors shall be construed accordingly.
BRAL	British Regional Airlines Group Pension Scheme.
Business Day	a day on which banks are generally open for business in London (apart from Saturdays, Sundays and bank holidays).
certificated or in certificated form	in relation to a share or a security, a share or security which is not in uncertificated form (i.e. not in CREST).
CMA	the UK Competition and Markets Authority.
Combined Group	Connect Airways, Stobart Air and Flybe, and their respective subsidiary undertakings.
Companies Act	the Companies Act 2006, as amended from time to time.
Company	see Flybe .
Conditions	the conditions to the Acquisition as set out in Part 4 of this document.
Connect Airways	Connect Airways Limited, a company incorporated in England and Wales with company number 11732177.
Connect Airways Directors	the directors of Connect Airways as at the date of this document or, where the context so requires, the directors of Connect Airways from time to time.

Connect Airways Group	Connect Airways and its parent and subsidiaries and parent undertakings and subsidiary undertakings from time to time.
Connect Airways Shares	shares in the share capital of Connect Airways.
Connect Lenders	DLP Holdings, Stobart Aviation and Virgin Atlantic Airways.
Court	Her Majesty's High Court of Justice in England and Wales.
Court Meeting	the meeting(s) of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act, notice of which is set out in Part 9 of this document, for the purpose of considering, and if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention of such meeting.
Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act.
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form.
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time.
Cyrus	Cyrus Capital Partners L.P. a limited partnership incorporated under the laws of the state of Delaware.
Daily Official List	the Daily Official List published by the London Stock Exchange.
Dealing Disclosure	has the same meaning as in Rule 8 of the Takeover Code.
Delta Air Lines, Inc.	Delta Air Lines, Inc., incorporated in Delaware with its corporate offices at Delta Boulevard, Atlanta, GA 30320.
Disclosed	information which has been fairly disclosed by or on behalf of Flybe: <ul style="list-style-type: none"> • in the annual report and accounts of the Flybe Group for the financial year ended 31 March 2018; • in Flybe's announcement dated 14 November 2018 of its half year results; • in the Announcement; • in any other public announcement made by Flybe by way of RIS (including information the availability of which has been announced by way of any Regulatory Services Announcement) between 1 January 2016 and the date of the Announcement; or • in the virtual data room operated by or on behalf of Flybe and which Connect Airways or its advisers are able to access in relation to the Acquisition before the date of the Announcement.

DLP Holdings	DLP Holdings S.à.r.l., a company incorporated under the laws of Luxembourg registered with the Luxembourg Trade Companies Register under number 3228825.
Effective	in the context of the Acquisition: <ul style="list-style-type: none"> (i) if the Acquisition is implemented by way of the Scheme, means the Scheme having become effective in accordance with its terms; or (ii) if the Acquisition is implemented by way of a Takeover Offer, such offer having become or been declared unconditional in all respects in accordance with its terms.
Effective Date	the date on which the Acquisition becomes Effective.
EU Merger Regulation	Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings.
Euroclear	Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 02878738, the operator of CREST.
Evercore	Evercore Partners International LLP of 15 Stanhope Gate, London W1K 1LN, financial adviser to the Company.
Executive Directors	Christine Ourmières-Widener and Ian Richard Milne.
FCA	the Financial Conduct Authority of the United Kingdom.
Flybe	Flybe Group plc, a public limited company incorporated under the laws of England and Wales with the registered number 01373432 and listed on the London Stock Exchange's Main Market for listed securities.
Flybe.com Limited	Flybe.com Limited, a company incorporated in England and Wales with registered number 04252085 and whose registered office is at New Walker Hangar Exeter International Airport, Clyst Honiton, Exeter, EX5 2BA.
Flybe Directors	the directors of Flybe as at the date of this document or, where the context so requires, the directors of Flybe from time to time.
Flybe Group	Flybe and its parent and subsidiaries and parent undertakings and subsidiary undertakings from time to time.
Flybe Limited	Flybe Limited, a private limited company incorporated under the laws of England and Wales with the registered number 02769768, the principal operating subsidiary of the Flybe Group before completion of the Subsidiary Sale.
Flybe Shareholders	holders of Flybe Shares and Flybe Shareholder shall be construed accordingly.
Flybe Shares	the ordinary shares of 1 pence each in the capital of Flybe.
Flybe Share Schemes	the PSP, the SIP Scheme and the SAYE Scheme.
Flybe Subsidiaries	all of the subsidiaries (direct and indirect) of Flybe before completion of the Subsidiary Sale under the Subsidiary Sale SPA.

Formal Sale Process	the process by which Flybe announced on 14 November 2018 that it was seeking one or more potential bidders to acquire Flybe by means of a formal sale process.
Forms of Proxy	the pink and blue forms of proxy enclosed with this document for use in connection with (i) the Court Meeting; and (ii) the General Meeting, respectively, and Form of Proxy means either of them.
General Meeting	the general meeting of Flybe Shareholders (including any adjournment, postponement or reconvention of it) to be convened for the purpose of considering, and if thought fit, approving the shareholder resolutions necessary to enable Flybe to implement the Acquisition, notice of which is set out in this document.
GM Scheme Resolution	the resolution set out in the notice of General Meeting in Part 10 of this document, to be proposed and, if thought fit, passed at the General Meeting in connection with the implementation of the Scheme.
interests in securities	has the meaning given to it in the Takeover Code.
London Stock Exchange	London Stock Exchange plc.
Longstop Date	30 September 2019, or such later date (if any) as Connect Airways and Flybe may agree, with the consent of the Panel, and the Court may allow.
Meetings	the Court Meeting and the General Meeting, and Meeting means either of them.
Merger Control Authority	any national, supra-national or regional, government or governmental, quasi-governmental, statutory, regulatory or investigative body or court, in any jurisdiction, responsible for the review or approval of mergers, acquisitions, concentrations, joint ventures, or any other similar matter.
Non-Executive Directors	Simon Laffin, Heather Lawrence and Elizabeth McMeikan.
Offer Period	the offer period (as defined in the Takeover Code) relating to Flybe, which commenced on 14 November 2018.
Official List	the Official List of the UK Listing Authority.
Opening Position Disclosure	an announcement pursuant to Rule 8 of the Takeover Code containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the Acquisition if the person concerned has such a position.
Overseas Shareholders	Flybe Shareholders who are resident in, located in, or citizens of, jurisdictions outside the UK.
Panel	the UK Panel on Takeovers and Mergers.
PSP	the Flybe Performance Share Plan and the Flybe Performance Share Plan 2018.
Registrar of Companies	means the Registrar of Companies of England and Wales.
Registrars or Link Asset Services	Link Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Relevant Authority	each of a government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association or any other similar body or person whatsoever in any jurisdiction.
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to Flybe Shareholders in that jurisdiction (in accordance with Rule 30.3 of the Takeover Code).
Rothschild & Co	N.M Rothschild & Sons Limited, a company incorporated under the laws of England and Wales with the registered number 00925279 with its registered office at New Court, St Swithin's Lane, London EC4N 8AL.
SAYE Scheme	the Flybe Share Save Scheme.
Scheme	the proposed scheme of arrangement under Part 26 of the Companies Act between Flybe and the Scheme Shareholders to implement the Acquisition with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Flybe and Connect Airways.
Scheme Court Hearing	the hearing of the Court to sanction the Scheme under section 899 of the Companies Act.
Scheme Court Order	the order of the Court sanctioning the Scheme under section 899 of the Companies Act.
Scheme Effective Date	the date on which the Scheme becomes effective, in accordance with its terms.
Scheme Record Time	6.00 pm (London time) on the Business Day immediately preceding the date of the Scheme Court Hearing.
Scheme Shareholders	holders of Scheme Shares.
Scheme Shares	<p>the Flybe Shares:</p> <ul style="list-style-type: none"> (i) in issue at the date of this document and which remain in issue at the Scheme Record Time; (ii) (if any) issued after the date of this document and before the Voting Record Time and which remain in issue at the Scheme Record Time; and (iii) (if any) issued at or after the Voting Record Time but at or before the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the Scheme and, in each case, which remain in issue at the Scheme Record Time, <p>excluding, in any case, any Flybe Shares held by or on behalf of Connect Airways or the Connect Airways Group at the Scheme Record Time.</p>
SEC	the United States Securities and Exchange Commission.
Shareholder	see Flybe Shareholder.

short position	means a short position whether conditional or absolute and whether in the money or otherwise including any short position under a derivative, any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery.
Significant Interest	in relation to an undertaking, a direct or indirect interest of 20% or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking; or (ii) the relevant partnership interest.
SIP Scheme	the Flybe Share Incentive Plan.
Standard Listing	the "Standard Listing (shares)" segment of the Official List.
Stobart Air	the group comprising each of the following entities and all direct and indirect subsidiaries of such entities: <ul style="list-style-type: none"> (i) Stobart Air ULC, a company incorporated under the laws of the Republic of Ireland with the registered number 28858; (ii) Propius Holdings Limited, a company incorporated under the laws of the Cayman Islands with the registered number 907306; and (iii) Everdeal Holdings Limited, a company incorporated under the laws of the Republic of Ireland with the registered number 520459.
Stobart Aviation	Stobart Aviation Limited, a company incorporated under the laws of England and Wales with the registered number 10756283.
Stobart Group	Stobart Group Limited, a company incorporated under the laws of Guernsey with the registered number 39117.
Subsidiary Sale	the proposed sale of the Flybe Subsidiaries to Connect Airways in accordance with the Subsidiary Sale SPA.
Subsidiary Sale SPA	the conditional sale and purchase agreement entered into between Flybe and Connect Airways on 15 January 2019 in relation to the sale of all of the Flybe Subsidiaries, the net inter-company debt between Flybe and the Flybe Subsidiaries and certain assets of Flybe related to the business of the Flybe Subsidiaries.
subsidiary and subsidiary undertaking	have the meanings given to them in the Companies Act.
Takeover Code	The City Code on Takeovers and Mergers (as amended from time to time) issued by the Panel.
Takeover Offer	should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of Connect Airways to acquire the entire issued and to be issued share capital of Flybe not already owned by Connect Airways and, where the context permits, any subsequent revision, variation, extension or renewal of such takeover offer.
Trustee	BRAL Trustees (IOM) Limited, the trustee of the BRAL.

uncertificated or in uncertificated form	in relation to a share or other security, a share or other security the title to which is recorded as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland.
United States	the United States of America.
Virgin Atlantic	Virgin Atlantic Limited, a company incorporated under the laws of England and Wales with the registered number 08867781.
Virgin Atlantic Airways	Virgin Atlantic Airways Limited, a company incorporated under the laws of England and Wales with the registered number 01600117.
Virgin Travel Group	Virgin Travel Group Limited, a company incorporated under the laws of England and Wales with the registered number 02274332.
Voting Record Time	6.00 p.m. on the day two days before the date of the Court Meeting or any adjournment thereof (as the case may be), in each case excluding any day that is not a Business Day.
Wider Connect Airways Group	Connect Airways and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Connect Airways and all such undertakings (aggregating their interests) have a Significant Interest.
Wider Flybe Group	Flybe and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Flybe and all such undertakings (aggregating their interests) have a Significant Interest.

In this document, the following terms have the meaning given to them in the Takeover Code: “**acting in concert**”, “**connected adviser**”, “**dealing**” (and “**dealt**” shall be construed accordingly), “**derivative**”, “**exempt fund manager**”, “**exempt principal trader**”, “**interests in securities**” (and reference to a person having an interest in securities shall be construed accordingly).

PART 9

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE,
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES,
COMPANIES COURT (ChD)

CR-2018-011067

BEFORE INSOLVENCY AND COMPANIES JUDGE PRENTIS

IN THE MATTER OF FLYBE GROUP PLC

– and –

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an order dated 6 February 2019 made in the above matters (the “**Order**”), the High Court of Justice (the “**Court**”) has given permission for a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the document of which this Notice forms part (the “**Scheme Circular**”) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between the Company and the Scheme Shareholders and that such meeting will be held at the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA on 4 March 2019 at 11.00 am at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the Scheme Circular of which this Notice forms part. Capitalised terms used but not defined in this Notice shall have the meaning given to them in the Scheme Circular.

Voting on the resolution to approve the Scheme will be by poll, which shall be conducted as the chairman of the Court Meeting may determine.

Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend, speak and vote in their place. A pink Form of Proxy for use at the Court Meeting is enclosed with this notice. Scheme Shareholders who hold their shares in uncertificated form (i.e. in CREST) are requested to complete CREST proxy instructions in accordance with the procedures described in the CREST Manual, which can be viewed at www.euroclear.com/CREST.

Forms of Proxy may alternatively be submitted electronically by logging on to www.flybe-shares.com and following the instructions there. For an electronic proxy appointment to be valid, the appointment must be received not later than 11.00 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-Business Days) before the time fixed for the holding of the adjourned meeting).

Completion of the pink Form of Proxy, or the appointment of a proxy through CREST or electronically, will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof.

Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. Scheme Shareholders who wish to appoint more than one proxy in respect of their holding of Scheme Shares should contact Computershare for further Forms of Proxy.

It is requested that Forms of Proxy (and any power of attorney or other authority under which the same are signed) and CREST proxy instructions be lodged with the Registrars, Link Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case

not less than 48 hours (excluding any day that is not a Business Day) before the time appointed for the Court Meeting. Forms of Proxy not so lodged may be handed to the chairman of the Court Meeting or the Registrars at the Court Meeting before the Court Meeting commences.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As an alternative to appointing a Proxy, any Scheme Shareholder which is a corporation may vote by a corporate representative appointed in accordance with the Act.

Entitlement to attend, speak and vote at the Court Meeting, or any adjournment thereof, and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company as at 6.00 pm on the day which is two Business Days before the date of the Court Meeting or adjourned meeting (as the case may be). In each case, changes to the register of members of the Company after such time will be disregarded for the purposes of determining entitlement to attend, speak and vote.

By the said Order, the Court has appointed Simon Laffin or, failing him, Elizabeth McMeikan or, failing her, Heather Lawrence or, failing her, Christine Ourmières-Widener to act as chairman of the Court Meeting and has directed the chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 7 February 2019

Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
Solicitors for the Company

PART 10

NOTICE OF GENERAL MEETING

FLYBE GROUP PLC

(incorporated in England and Wales with registered number 01373432)

Notice is hereby given that a general meeting (the "**General Meeting**") of Flybe Group plc (the "**Company**") will be held at the offices of Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA on 4 March 2019 at 11.15 am (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution. Capitalised terms in this Notice shall, unless defined herein, have the same meanings as defined in the document of which this Notice forms part.

SPECIAL RESOLUTION

1 **THAT:**

- (a) for the purpose of giving effect to the scheme of arrangement dated 7 February 2019 (the "**Scheme**"), in its original form or subject to such modification, addition or condition agreed between the Company and Connect Airways ("**Connect Airways**") and approved or imposed by the Court, proposed to be made between the Company and the Scheme Shareholders (as defined in the Scheme), a print of which has been produced to the General Meeting and (for the purpose of identification only) signed by the chairman of the General Meeting, the Scheme be approved in its original form or subject to such modification, addition or condition agreed between the Company and Connect Airways, and the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) with effect from the passing of this resolution, the articles of association of the Company be amended by including the following new article as article 192 (and amending the remainder of the articles and any cross-references thereto accordingly):

"192 Scheme of Arrangement

192.1 In this Article, references to the "Scheme" are to the scheme of arrangement dated 7 February 2019 under section 899 of the Companies Act 2006, between the Company and the Scheme Shareholders (as defined in the Scheme), as it may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this Article.

192.2 Notwithstanding any other provision of these Articles, if the Company issues any ordinary shares on or after the adoption of this Article and on or prior to the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such shares shall be bound by the Scheme accordingly.

192.3 Notwithstanding any other provision of these Articles, if any ordinary shares are issued to any person (other than to Connect Airways or any person identified by written notice to the Company by Connect Airways as its nominee(s)) (a "New Member") after the Scheme Record Time, such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will be obliged to transfer all the voting ordinary shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) (the "Disposal Shares"), to Connect Airways (or as Connect Airways may otherwise direct) (the "Purchaser") who shall be obliged to acquire all of the Disposal Shares. The consideration payable by the Purchaser for each

Disposal Share transferred to it shall be the amount of Cash Consideration per ordinary share as would have been payable to a holder of Scheme Shares at the Scheme Record Time under the Scheme.

192.4 To give effect to any transfer required by this Article 192, the Purchaser may appoint any person to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of the Purchaser and the Company may give a good receipt for the purchase price of the Disposal Shares and may register the Purchaser as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Disposal Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Disposal Shares within seven days of the date on which the Disposal Shares are issued to the New Member.

192.5 If the Scheme shall not have become effective by the Longstop Date of the Scheme, this Article 192 shall be of no effect."

(c) with effect from the Scheme Effective Date (as defined in the Scheme), the Company be re-registered as a private limited company and that in consequence the name of the Company be changed to Flybe Group Limited.

By Order of the Board

Catherine Ledger
Company Secretary

Registered Office:

New Walker Hangar
Exeter International Airport
Clyst Honiton
Exeter
EX5 2BA

Dated: 7 February 2019

Registered in England & Wales
No. 01373432

NOTES TO THE NOTICE OF GENERAL MEETING

- 1 Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the General Meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this document.
- 2 The return of a completed Form of Proxy, or any electronic or CREST proxy instruction (as described in paragraph 5 below), will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so and is so entitled.
- 3 Proxy appointments submitted via the internet at www.flybe-shares.com must be received not later than 11.15 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting).
- 4 If you are a user of the CREST system (including a CREST personal member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Registrars (CREST participant ID RA10) not later than 11.15 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Registrars is able to retrieve the message.
- 5 CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual (available via www.euroclear.com). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 6 Alternatively, you may request a hard copy Form of Proxy directly from the Registrars. A hard copy Form of Proxy together with any power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be received by the Registrar at Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.15 am on 28 February 2019 (or, in the case of an adjournment, not later than 48 hours (excluding non-business days) before the time fixed for the holding of the adjourned meeting).
- 7 Entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the register of members of the Company as at 6.00 pm on 28 February 2019.
- 8 If the meeting is adjourned, entitlement to attend and vote will be determined by reference to the register of members of the Company as at close of business two days prior to the adjourned meeting (excluding non-working days). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 9 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 10 The right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006. Persons nominated to receive information rights under section 146 of the Companies Act 2006 who have been sent a copy of this Notice of General Meeting are hereby informed that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting.
- 11 If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 12 In the case of joint holders, where more than one of the joint holders purports to vote (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other joint holder(s) on the register of members of the Company for the share.
- 13 Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, but no such answer need be given if:
(i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 14 A copy of this Notice of General Meeting, and other information required by section 311A of the Companies Act 2006, can be found at www.flybe.com/investors. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, these notes.
- 15 Shareholders should only use any electronic address provided in either this Notice of General Meeting or any related documents (including the Chairman's letter and the Form of Proxy) to communicate with the Company for the purposes expressly stated.
- 16 At the close of business on 5 February 2019, the Company had 216,656,776 ordinary shares in issue. Therefore, the total number of voting rights in the Company was 216,656,776. The ordinary shares have a nominal value of 1 pence each. On a poll, each holder of ordinary shares has one vote per share.

