

THIS DOCUMENT AND THE ACCOMPANYING FORM OF INSTRUCTION ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser 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.

Flybe Group PLC

(incorporated in England and Wales with registered number 01373432)

Registered office:

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

Connect Airways Limited

(incorporated in England and Wales with registered number 11732177)

Registered office:

4 Cork Street
1st Floor
London
W1S 3LB

To holders of "top up" awards under the Flybe Performance Share Plan (the "**PSP**")

8 February 2019

Dear Participant

Recommended acquisition of Flybe Group PLC ("Flybe") by Connect Airways Limited ("Connect Airways") to be effected by means of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006

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 (the "**Acquisition**"). It is proposed that the acquisition will be implemented pursuant to a scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**"). If the Scheme becomes effective, all Flybe Shares subject to the Scheme will be transferred to Connect Airways in exchange for one pence in cash per Flybe Share.

You are receiving this letter as you had the chance in Autumn 2016 to become part of the Flybe Share Incentive Plan. Because the SIP legislation limited the number of shares which it was possible to award to you under the rules of the SIP, you were granted "top up" awards in the form of an option ("**Option**") under the PSP.

Please note that if you have other awards under the PSP or the Flybe Performance Share Plan 2018, you will receive a separate communication regarding these awards.

If the proposed Acquisition takes place, this will have an impact on your Option and this letter explains the proposal being made in relation to your Option. Enclosed with this letter are:

- a tax schedule; and
- a form of instruction for you to complete if you want to exercise your Option and receive one pence per Flybe Share under the terms of the Scheme (the "**Form of**

Instruction"). Please return this form to the People Team at Flybe by no later than 5.00 p.m. (UK time) on Monday 4 March 2019.

This letter should be read alongside the documentation sent to shareholders about the proposed Scheme on 7 February 2019. This can be found at <https://www.flybe.com/investors> (the "**Scheme Document**")

The following steps are key to the Scheme:

"Court Meeting"	The meeting of the Scheme Shareholders ordered by the Court at which the Scheme Shareholders are asked to approve the Scheme. This is expected to be held on 4 March 2019.
"Sanction Date"	The date on which the Court is asked to sanction the Scheme. This is expected to be on 8 March 2019.
"Scheme Effective Date"	The date on which the Scheme takes effect (i.e. the day on which Connect Airways takes control of Flybe). This is expected to be 11 March 2019.

For the purposes of this letter we have assumed that if the Scheme goes ahead it will do so in accordance with the dates set out above. However, if for some reason the Scheme Effective Date is delayed, the dates set out in this letter may also change.

2 What will happen to your Option if the Scheme is completed?

Vesting of Option

To the extent that your Option has not vested on the Sanction Date, it will vest and become exercisable in full on the Sanction Date.

You can exercise your Option conditionally on the Scheme being sanctioned by the Court, by completing and returning the enclosed Form of Instruction.

If the sale of Flybe Limited (see the Scheme Document for further information) completes prior to the Sanction Date, your Option will subject to the provisions of the PSP become exercisable with effect from the completion of such sale. This means that you may, if you wish, exercise your Option in advance of the Sanction Date (but see paragraph 5 regarding payment of any taxation). If you wish to do so, you should contact Anna Lee on 01392 672249.

Exercise of Option and disposal of Flybe Shares in connection with the Scheme.

If you choose to exercise your Option on the Sanction Date (by completing and returning the Form of Instruction), any Flybe Shares you acquire as a result of exercising your Option will be transferred to Connect Airways in return for a cash amount. For each Flybe Share resulting from the exercise of your Option you will be entitled to receive a cash payment of one pence per Share. The sales proceeds in respect of your Flybe Shares (acquired from the exercise of your Option) will be transferred to Flybe on your behalf.

- Any applicable income tax and employee's national insurance contributions arising on exercise of your Option (the "**Tax Liabilities**") will be deducted from your sales proceeds.

- You will receive payment for the sale of your Flybe Shares (i.e. the sales proceeds less deductions for any Tax Liabilities) within 14 days of the Scheme Effective Date or as soon as possible thereafter.
- If the timetable for the Scheme varies from the dates given above, the Sanction Date and consequently the date of exercise will be adjusted accordingly.

3 What will happen to your Option if the Court does not sanction the scheme of arrangement?

If for any reason the Court does not sanction the Scheme your Option will not be exercised because the instructions in the Form of Instruction are conditional on the Scheme being sanctioned.

4 How do I exercise my option?

You can use the enclosed Form of Instruction to exercise your Option. You must return the completed Form of Instruction by:

- Posting it to the People Team, Flybe Group PLC, New Walker Hangar, Exeter International Airport, Clyst Honiton, Exeter, EX5 2BA;
- Emailing a scanned copy to peopleteam@flybe.com; or
- Delivering it to the People Team, Flybe Group PLC, New Walker Hangar, Exeter International Airport, Clyst Honiton, Exeter, EX5 2BA by hand,

by no later than 5.00 p.m. (UK time) on Monday 4 March 2019. We have asked you to return the Form of Instruction by this date so that we are able to process all the forms received in good time in order to allow you to participate in the Scheme.

5 How do I finance any taxation?

If you exercise your Option on the Sanction Date by completing and returning the Form of Instruction, Flybe will arrange for any Tax Liabilities to be deducted from your sales proceeds payable on completion of the Scheme so that you do not have to use your personal funds to meet the Tax Liabilities.

If you exercise your Option at any other time, you will be required to fund the Tax Liabilities using your personal funds and to pay this in advance of exercise to Flybe.

6 Tax

A summary of the tax consequences of exercising your Option is set out in the Schedule to this letter. If you are in any doubt as to your own taxation position, you should consult your own personal tax adviser immediately.

7 What happens if I do nothing?

If you do not exercise your Option, your Option will cease to be exercisable and will lapse on the Scheme Effective Date and you will receive nothing.

8 What if I have questions?

If you have any questions you can email peopleteam@flybe.com or contact Anna Lee by telephone on 01392 672249.

Please note that Flybe cannot provide legal, tax or financial advice on the merits of the Scheme or the proposal contained in this letter.

9 RECOMMENDATION

The Flybe Directors, who have been so advised by Evercore Partners International LLP as to the financial terms of the proposal unanimously consider the terms of the proposal set out in this letter to be fair and reasonable in the context of the Scheme. In providing advice to the Flybe Directors, Evercore Partners LLP has taken into account the commercial assessments of the Flybe Directors.

Yours faithfully



Christine Ourmières-Widener
Director
Flybe Group plc

Lucien Farrell
Director
Connect Airways Limited

Notes:

- (i) Words and expressions defined in the Scheme Document and the rules of the PSP shall, unless the context otherwise requires, have the same meaning in this letter. To the extent (if any) that there are any inconsistencies between the contents of this letter and the Scheme Document or the rules of the PSP, the terms of the Scheme Document or the rules of the PSP, as the case may be, will prevail. A form of this letter is also available at <https://www.flybe.com/investors/strategic-review-formal-sale-process>.
- (ii) The Flybe Directors, whose names are set out in paragraph 2 of Part 7 of the Scheme Document, 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 (iii) 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.
- (iii) The Connect Airways Directors whose names are set out in paragraph 2 of Part 7 of the Scheme Document, 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.
- (iv) Evercore Partners International LLP, which is authorised and regulated by the FCA in the United Kingdom, is acting solely for Flybe Partners International LLP as financial adviser in relation to the matters referred to in this document and for no one else. Evercore Partners International LLP 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 Partners International LLP 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 Partners International LLP, 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 Partners

International LLP 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 Partners International LLP 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.

- (v) All documents and/or cheques to which you will become entitled will be despatched to the address provided by you, at your own risk.
- (vi) Accidental omission to despatch this document to, or failure to receive the same by, any person to whom the proposal is made or should be made shall not invalidate the proposal in any way.
- (vii) This letter shall be governed and construed in accordance with English law and the English courts will have exclusive jurisdiction for all purposes in connection with this letter and the related Form of Instruction.
- (viii) A copy of the rules of the PSP is available for inspection at Flybe Group PLC, New Walker Hangar, Exeter International Airport, Clyst Honiton, Exeter, EX5 2BA during usual business hours or by emailing peopleteam@flybe.com or by telephoning Anna Lee on 01392 672249.
- (ix) Nothing in this letter or the Scheme Document extends the exercise period for your Option. If your Option has already lapsed or would otherwise lapse prior to the Scheme becoming effective, it will not be or become exercisable as a result of the Scheme of Arrangement and will remain subject to the rules of the PSP.

Schedule United Kingdom Taxation

This schedule contains a summary of the main UK taxation implications of the scheme of arrangement for your Option, based on the assumption that you are resident for tax purposes in the UK only at all relevant times. This schedule does not address the tax position if you are not resident in the United Kingdom.

The information contained below is for guidance only and is based on the tax legislation in force, and published HM Revenue and Customs guidance, as at the date of this letter. It is not a full description of all the circumstances in which a tax liability may occur. If you are in any doubt as to your tax position or if you are not resident in the UK only, you should consult an appropriate independent professional adviser immediately.

Income Tax/National Insurance Contributions

On exercise of your Option, a liability to income tax and National Insurance contributions will arise and will be accounted for through PAYE. You will have to pay income tax and employee National Insurance contributions on the market value of the Shares you acquire. These payments will be deducted from your sales proceeds.

Capital Gains Tax

The amount of any gain which is chargeable to capital gains tax (CGT) on the disposal of the Shares you acquire on exercise on your Option(s) will be the difference between the Cash Consideration for such Shares and the amount on which you were liable to pay income tax on the exercise of your Option. Therefore, there should be no chargeable gain for CGT purposes.

If you have other holdings of Shares the CGT treatment is more complicated and you are recommended to seek professional advice. This is because complex CGT rules on identification of shares can affect the calculation of your CGT liability.