

**Strictly private and confidential**

To: The Directors  
Stobart Group Limited ("**Wilbur**")  
(CRN: 39117)  
Old Bank Chambers  
La Grande Rue  
St Martin's  
Guernsey  
GY4 6RT

And

Cyrus Capital Partners, LP ("**Cyrus**")  
65 E 55<sup>th</sup> Street  
35<sup>th</sup> Floor  
New York  
NY10022

**3**  
..... November 2018

Dear Sirs

**Discussions in relation to a potential offer for the entire issued share capital of Flybe Group plc (the "Company")**

We refer to the interest of Wilbur and/or Cyrus in exploring the possibility of making a potential offer for the entire issued share capital of the Company themselves or through an entity controlled by one or both of them (the "**Offer**"). You have requested certain confidential information concerning the Group to enable you to evaluate the Offer and consider its terms.

In consideration of confidential information being made available to you by the Group, you agree as follows:

1 **DEFINITIONS**

In this Agreement:

"**Authorised Recipients**" has the meaning given to it in paragraph 2(d) of this Agreement.

"**Confidential Information**" means all information relating to the Group or the Offer which might fairly be considered to be of a confidential nature and includes, but is not limited to:

- (a) all such information of whatever nature relating to the Group which is disclosed, directly or indirectly, whether before or after the execution of this letter in connection with the Offer and in whatever form (including without limitation, written, visual, oral, electronic or on tape or disk) to you or your officers, employees, representatives or advisers by or on behalf of the Group or its advisers or obtained by observation by you or your officers, employees, representatives or advisers during visits to any of our properties (including, without limitation, information provided to you or your advisers before the date of this Agreement);

- (b) information derived from information falling within paragraph 1(a), including analyses, compilations, studies and other documents whether or not prepared by you which contain or otherwise reflect or are generated from the information specified in paragraph 1(a);
- (c) the existence and contents of this Agreement;
- (d) the fact that the discussions in relation to the Offer are taking (and, if they terminate, have taken) place and the content of such discussions; and
- (e) without limiting the generality of paragraph (a), details of the Group's operations, forecasts, budgets, processes, plans, intentions, product/services information, know-how and other intellectual property, trade secrets, marketing knowledge, customers, suppliers, staff and business affairs which are confidential or proprietary;

but does not include information:

- (i) which is or becomes publicly available, other than as a result of a breach of this Agreement;
- (ii) or which you can demonstrate by your written records was lawfully in your possession prior to disclosure by us or on our behalf or becomes lawfully available to you from a third party; or
- (iii) which is independently developed by or for you by persons who have not had access to the information disclosed by us or information derived from it; or
- (iv) is provided to the receiving party by the disclosing party in the ordinary course of business pursuant to existing commercial trading arrangements which may or may not be subject to separate legal obligations.

**"connected persons"** means:

- (b) group undertakings and their officers, employees, advisers, agents and representatives;
- (c) any investment adviser to, manager of and/or general partner (in each case, howsoever described) of Cyrus and any fund, company or other entity controlled, managed or advised by such a person; and
- (d) officers, employees and partners of any person within (a) or (b) above and their officers, employees, advisers, agents and representatives and of their respective group undertakings,

and **"group undertaking"** shall have the meaning given in section 1161 of the Companies Act 2006.

**"Code"** means the City Code on Takeovers and Mergers.

**"Copies"** means copies of any Confidential Information including any document, electronic file, note, extract, analysis, study, plan, compilation or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from Confidential Information.

“**Group**” means the Company and its subsidiary undertakings.

“**Permitted Purpose**” means considering, evaluating and negotiating the proposed Offer.

“**subsidiary undertaking**” shall be interpreted in accordance with the Companies Act 2006.

## 2 **UNDERTAKINGS**

You undertake to each member of the Group that:

- (a) you will treat all the Confidential Information as private and confidential and will take reasonable precautions to safeguard it accordingly;
- (b) you will use the Confidential Information only for the Permitted Purpose;
- (c) you will only make Copies to the extent reasonably necessary for the Permitted Purpose;
- (d) you will not directly or indirectly disclose the Confidential Information or allow it to be disclosed in whole or in part to any person, except to your respective officers, employees, representatives and professional advisers to the extent necessary for the Permitted Purpose (“**Authorised Recipients**”) and will if requested by us in writing notify us of the name of each Authorised Recipient who is not one of your employees;
- (e) you shall inform each Authorised Recipient of the confidential nature of the Confidential Information and the restrictions imposed by this Agreement;
- (f) you shall use all reasonable endeavours to cause all Authorised Recipients to comply with the restrictions imposed by this Agreement (as if they were named in your place) and shall be responsible for any breach by an Authorised Recipient;
- (g) you will keep confidential all passwords and user names associated with any online data base, portal or virtual data room made available for the purpose of sharing or accessing the Confidential Information and in such a way so as to prevent access by any person who is not an Authorised Recipient;
- (h) you shall notify us immediately in writing on becoming aware, or suspecting, that a person other than an Authorised Recipient has come into possession of, or become aware of, any of the Confidential Information and you shall promptly provide all such information as we may reasonably require in order to assess such matter; and
- (i) without limiting paragraph 2(b), neither you nor your Authorised Recipients will use the Confidential Information, directly or indirectly, for the purpose of your own business or to obtain a commercial advantage or otherwise to the detriment of any member of the Group.

## 3 **RECORDS AND RETURN OF CONFIDENTIAL INFORMATION**

- 3.1 All Confidential Information (except the information within paragraph (b) of the definition of “Confidential Information”) shall remain the property of the Group. If we at any time request, you shall as soon as reasonably practicable:

- (a) return to us all Confidential Information in tangible form without retaining any Copies (or in relation to information falling within paragraph (b), of the definition of "Confidential Information", destroy it);
- (b) destroy all other records of Confidential Information (including permanently erasing any Copies held on any computer, word processor or information storage system or other device in your possession, custody or control) provided that this obligation shall not apply to any computer records held in archive or back-up systems by you or your Authorised Recipients and which cannot be destroyed without incurring unreasonable effort. Any Confidential Information held in such systems shall continue to be held subject to the terms of this Agreement;
- (c) confirm in writing, by means of a certificate signed by a director or other duly authorised signatory that you have complied with the requirements of this paragraph 3 (*Records and return of Confidential Information*);
- (d) refrain from accessing any online database, portal or online data room made available for the purpose of sharing or accessing the Confidential Information.

3.2 Paragraph 3.1 shall not prevent you or your Authorised Recipients from retaining any of the Confidential Information to the extent that you or they are required to do so by law or regulation or for professional compliance purposes or to the extent contained in board reports or minutes or in other secondary information falling within paragraph (b) of the definition of "Confidential Information".

#### 4 **RESTRICTIONS ON SHARE DEALING**

You acknowledge and agree to make your respective Authorised Recipients aware, that the Confidential Information is given and any negotiations are taking place in confidence, and that the proposed Offer and some or all of the Confidential Information may be inside information for the purposes of Part V of the Criminal Justice Act 1993 (the "**CJA**") and for the EU Market Abuse Regulation (No. 596/2014) ("**MAR**") and you and your Authorised Recipients should not:

- (a) deal in securities that are price-affected securities (as defined in the CJA) in relation to the inside information, encourage another person to deal in the price-affected securities or disclose the inside information except as permitted by the CJA before the inside information is made public;
- (b) engage or attempt to engage in insider dealing (as defined in MAR), recommend that another person engage in insider dealing or induce another person to engage in insider dealing on the basis of any inside information;
- (c) unlawfully disclose any inside information (as defined in MAR); or
- (d) engage or attempt to engage in behaviour based on any inside information which would amount to market manipulation (as defined in MAR).

#### 5 **STANDSTILL OBLIGATION**

5.1 For the Standstill Restricted Period, you will not, and you will procure that your connected persons will not, either alone or acting in concert with others, without the prior written consent of the Company:

- (a) acquire, offer to acquire or cause another person to acquire or offer to acquire, an interest in any shares or securities of the Company or enter into an agreement or arrangement (whether or not legally binding) or do or omit to do any act as a result of which you or any person may acquire an interest in any shares or other securities of the Company;
  - (b) enter into an agreement or arrangement (whether or not legally binding), or do or omit to do any act, as a result of which you, or any person, may become obliged (under the Code or otherwise) to announce, or to make, any offer for, or proposal in connection with, all or any of the shares or securities of the Company; or
  - (c) announce or make, or cause another person to announce or make, any offer for or proposal in connection with all or any of the shares or securities of the Company.
- 5.2 The restrictions contained in paragraph 5.1 shall cease to apply to you (severally):
- (a) if, and only for so long as, the board of directors of the Company has publicly recommended an offer for the Company by you or any of your own connected persons; or
  - (b) if a third party (not acting in concert with either of you) announces a firm intention to make an offer for the Company; or
  - (c) if a third party (whether an existing shareholder or not) which is not acting in concert with either of you shall have acquired, since the date of this Agreement, an additional interest in Company securities carrying 15 per cent or more of the voting rights (as defined in the Code) of the Company.
- 5.3 The restrictions contained in paragraph 5.1 shall not prevent or restrict Wilbur and/or Cyrus from acquiring (in aggregate, taken together) up to 5% of the entire issued share capital of the Company provided the relevant party notifies the other parties in advance of such purchase and provided it is otherwise lawful for them to do so.
- 5.4 In this paragraph 5, references to an interest in "Company securities" shall be interpreted in accordance with the definition of "interests in securities" in the Code.
- 5.5 In this paragraph 5, references to "concert party" shall be interpreted in accordance with the definition of "acting in concert" in the Code. For the purposes of this Agreement, a shareholder will not be assumed to be a concert party merely because they own or control 20% or more of the equity share capital of the Company.
- 5.6 In this paragraph 5, the Standstill Restricted Period shall mean "until the earlier of 5.00 pm on Tuesday 30 April 2019 or such other date the parties agree in writing".
- 5.7 This paragraph 5 is subject to the terms of paragraph 10.7.

## 6 **FURTHER UNDERTAKINGS**

### **Contact with staff and third parties**

- 6.1 During the course of discussions with us in relation to the Offer, you shall only have contact with those directors and employees of the Group as we nominate in writing. You shall not in connection with the Offer (or with a view to eliciting

information in relation to it) contact any other person connected in any way with the Group, including, without limitation, the customers, landlords, bankers or suppliers of the Group and the shareholders, officers, employees, agents or advisers of the Group. Nothing contained in this paragraph 6.1 shall relate to normal commercial operational contact and dealings between the Group and Wilbur. The Company acknowledges that either or both of Cyrus and Wilbur wish to discuss various matters with the lessors of aircraft to the Group and the Company will act reasonably in considering giving consent to such discussions taking place on a reasonable basis (but always in the Company's absolute discretion).

### **Solicitation**

- 6.2 You will not, and will use all reasonable endeavours to procure that your Authorised Recipients, connected persons and any person acting on your or their behalf will not, directly or indirectly, subject to paragraph 6.3, for a period of 12 months from the date of this Agreement, solicit or entice away from the Group or employ or offer to employ any "Senior Person" or pilot of (or engaged by) the Group whether or not that person would commit a breach of his or her contract of employment by being enticed or accepting employment. For the purposes of this paragraph 6.2 "Senior Person" means a person earning in excess of £100,000 per annum.
- 6.3 Paragraph 6.2 shall not prevent you or your connected persons from offering to employ or employing any person who responds solely to a general advertisement which is made in good faith without the intention of targeting any person who you (or your connected persons) would otherwise be restricted from employing pursuant to paragraph 6.2 and who is not otherwise directly or indirectly solicited before having himself initiated contact with you, your connected persons or your Authorised Recipients.

### **Consent to proposed cash-generation measures**

- 6.4 You acknowledge that the Company intends to take a number of actions to increase its available free cash resources, in particular the disposal of certain assets and the sale and leaseback of other assets, including (without limitation) the sale and/or sale and leaseback of aircraft engines, aircraft, hanger and training academy facilities, landing slots, the liquidation of in-the-money hedging/derivative positions and other similar actions ("**Liquidity Measures**"). If at any time before you make an announcement under Rule 2.7 of the Code of a firm intention to make an offer for the Company Rule 21.1(a) applies in respect of any Liquidity Measure by reason of your consideration or negotiation of the Offer, to the extent that any such Liquidity Measure would require your consent pursuant to Rule 21.1(c)(ii) of the Code for the Panel to agree to disapply Rule 21.1(a) in respect of it, your agreement to the terms of this letter comprises your irrevocable agreement to the Liquidity Measures and you hereby irrevocably undertake that, if requested to do so, you will re-confirm such consent to the Company and the Panel without delay following such a request being made (and in any case within 24 hours of such request).

### **Compliance by connected persons and notification of breach**

- 6.5 You shall each procure that your respective connected persons from time to time comply with the same obligations as those accepted by you in this Agreement as if individually named in your place.
- 6.6 You will notify us as soon as reasonably practicable if you become aware of any breach of this Agreement.

## 7 REPRESENTATIONS AND WARRANTIES

- 7.1 You acknowledge that no member of the Group or its officers, employees, representatives or advisers makes (or is authorised to make) any representation or warranty with respect to:
- (a) the accuracy or completeness of any Confidential Information;
  - (b) as to whether or not the exploitation of any Confidential Information will infringe any patent or other rights of any other person; or
  - (c) that the Confidential Information will remain unchanged after its supply to you.
- 7.2 In particular, but without limiting the above, any projected results for future periods or management accounts which may be contained in the Confidential Information are for indicative purposes only and, while they will represent the estimates of the board of the Company, neither the Group nor the directors, officers, employees, representatives or advisers of any member of the Group will warrant, or in any way accept liability for, their accuracy. You must make your own independent assessment of the Group and rely on your own judgement in reaching any conclusion.
- 7.3 Accordingly, you acknowledge that:
- (a) no member of the Group or its directors, officers, employees, representatives, advisers or agents shall have any liability to you, your connected persons or your respective advisers in evaluating the Confidential Information or in relation to the Offer;
  - (b) no member of the Group or its directors, officers, employees, representatives, advisers or agents shall owe any duty of care to you or your Authorised Recipients;
  - (c) neither you nor your Authorised Recipients will seek to bring any claim against the Group its officers, employees, representatives or advisers in relation to the accuracy, adequacy, reasonableness or completeness of the Confidential Information; and
  - (d) no member of the Group or any of its directors, officers, employees, advisers or agents will be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of any reliance on any statement contained in or omitted from the Confidential Information.
- 7.4 Paragraph 7.1 to paragraph 7.3 (inclusive) do not exclude or limit liability for, or any remedy in respect of fraud or, fraudulent misrepresentation.

## 8 STATUS

- 8.1 No documents or information made available to you or your advisers will constitute an offer or invitation or form the basis of any contract.
- 8.2 Nothing in this Agreement shall be construed as requiring any member of the Group to disclose Confidential Information.
- 8.3 Each party confirms that it is acting in relation to the Offer as principal and not as agent or broker for any other person and that it is a person falling within one of the

exemptions contained in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

## 9 **LEGAL COMPULSION TO DISCLOSE AND PRIVILEGE**

- 9.1 If you or your Authorised Recipients become (or it is reasonably likely that you or they shall become) required pursuant to any law, regulation, court order or the rules of any stock exchange or securities authority or the Code or the Panel or any governmental or other regulatory body to disclose any Confidential Information, you shall promptly, give written notice of that fact to us and consult with us with a view to agreeing the timing and content of the disclosure.
- 9.2 Upon receiving notice from you of the required disclosure the Group may seek an appropriate remedy to prevent disclosure or waive compliance with the provisions of this Agreement preventing disclosure. You will fully co-operate with the Group in a commercially reasonable manner if we elect to challenge the validity of the requirement to disclose.
- 9.3 For the purposes of paragraph 9.1, if you are prevented by law from informing us before the Confidential Information is disclosed, you shall only be entitled to disclose Confidential Information to the extent required and shall (to the extent permitted by law) inform us immediately after the disclosure of the full circumstances of the disclosure and the information that has been disclosed.
- 9.4 Where the Confidential Information is also privileged, the waiver of such privilege is limited to the purposes of this Agreement, and does not and is not intended to result in any wider waiver of the privilege. Accordingly, the receiving party and each of its Authorised Recipients shall take all reasonable steps to protect the disclosing party's privilege and that of the Group in the Confidential Information and shall advise the disclosing party promptly if any step is taken by any other person to obtain any of the privileged Confidential Information.

## 10 **GENERAL**

- 10.1 The undertakings in this Agreement will remain binding for two years from the date of this agreement, unless the Offer becomes unconditional in all respects, when the undertakings will cease.
- 10.2 The obligations expressly conferred in this Agreement are cumulative and additional to any other obligations which you may have. You acknowledge that a breach of this Agreement would result in serious damage being sustained by a member of the Group and that remedies at law may be inadequate to protect against a breach of the terms of this Agreement. As a result you unconditionally agree to waive your right to oppose the granting of any equitable relief (including injunctive relief and specific performance) sought by any member of the Group in relation to a threatened or actual breach of the undertakings contained in this Agreement.
- 10.3 The Agreement constituted by this letter is the entire agreement between the parties, and replaces all previous agreements and understandings between them, relating to its subject matter.
- 10.4 The parties do not intend any third party, other than a lawful successor in title or a lawful assignee, to have the right to enforce a provision of this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.



- 10.5 A failure or delay by any member of the Group in exercising any right, power or privilege under this Agreement shall not constitute a waiver of that right, power or privilege. A single or partial exercise of any right or remedy shall not prevent the further exercise of that right, power or privilege. A waiver of a breach of this Agreement shall not constitute a waiver of any other breach.
- 10.6 The illegality, invalidity or unenforceability of any provision of this Agreement under any law of any jurisdiction shall not affect or impair the legality, validity or enforceability of the rest of this Agreement, nor the legality, validity or enforceability of that provision under the law of any other jurisdiction.
- 10.7 In the event any member of the Group enters into an insolvency process including, without limitation, a CVA (Corporate Voluntary Arrangement), nothing contained in this Agreement shall prevent either or both of Cyrus or Wilbur from acquiring assets of any member of the Group or shares in any member of the Group.
- 10.8 Communications under this Agreement shall be in writing and delivered by hand or sent by recorded delivery post or by email to the relevant party at its address or email address as set out in this Agreement and for the attention of the individual set out below. Without evidence of earlier receipt, communications are deemed received:
- (a) if delivered by hand, at the time of delivery;
  - (b) if sent by recorded delivery, at 9.00am on the second Business Day after posting; or,
  - (c) if sent by email, at the earlier of: (i) the time a return receipt is generated automatically by the recipient's email server; (ii) the time the recipient acknowledges receipt; and (iii) 24 hours after transmission (unless in each case the sender receives notification that the email has not been successfully delivered)

and in the case of post it shall be sufficient to prove that the communication was properly addressed and posted and in the case of email that the email was sent to the appropriate email address and dispatch of transmission from the sender's external gateway was confirmed. Communications to the Company shall be addressed to the Company Secretary ([Catherine.Ledger@flybe.com](mailto:Catherine.Ledger@flybe.com)). Communications to Stobart Group Limited shall be addressed to Louise Brace, Company Secretary ([louise.brace@stobartgroup.com](mailto:louise.brace@stobartgroup.com)). Communications to Cyrus shall be addressed to Lucien Farrell ([lfarrell@cyruscapital.com](mailto:lfarrell@cyruscapital.com)).

- 10.9 This Agreement may be executed in any number of counterparts, which shall each constitute an original and together constitute one agreement. If this Agreement is executed in counterpart, it shall not be effective unless each party has executed at least one counterpart.
- 10.10 The obligations of Wilbur and Cyrus pursuant to this Agreement are provided on a several basis and Cyrus will not be responsible for any breach by Wilbur and Wilbur will not be responsible for any breach by Cyrus.
- 11 **GOVERNING LAW AND JURISDICTION**
- 11.1 This Agreement and any non-contractual obligations arising in connection with it (and, unless provided otherwise, any document entered into in connection with it) shall be governed by and construed in accordance with English law.

11.2 The English courts shall have exclusive jurisdiction to determine any dispute arising in connection with this Agreement (and, unless provided otherwise, any document entered into in connection with it), including disputes relating to any non-contractual obligations.

11.3 Each party irrevocably waives any objection which it may now or later have to proceedings being brought in the English courts (on the grounds that the English courts are not a convenient forum or otherwise).

Please sign the enclosed copy of this letter in the space provided below in order to signify acceptance of its terms and return it to us.

Yours faithfully



.....  
For and on behalf of  
Flybe Group plc

We hereby acknowledge and agree to the terms of this letter.

.....  
For and on behalf of  
Stobart Group Limited

.....  
For and on behalf of Cyrus Capital Partners, L.P.

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For and on behalf of  
Flybe Group plc

We hereby acknowledge and agree to the terms of this letter.

  
.....  
For and on behalf of  
Stobart Group Limited

3/11/18



For and on behalf of Cyrus Capital Partners, L.P.