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FOR IMMEDIATE RELEASE

7 February 2019

PUBLICATION AND POSTING OF SCHEME DOCUMENT

FOR THE

RECOMMENDED CASH OFFER

FOR

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**

On 11 January 2019, the Boards of Flybe Group plc (“Flybe” or the “Company”) and Connect Airways Limited (“Connect Airways”) announced that they had reached agreement on the terms of a recommended cash offer for Flybe by Connect Airways pursuant to which it is proposed that Connect Airways will acquire the entire issued and to be issued share capital of Flybe (the “Acquisition” and the “Announcement”). The Acquisition is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the “Scheme”) and is subject to the terms and conditions set out in the scheme document in relation to the Acquisition (the “Scheme Document”).

The Scheme Document is being sent, or made available, to Flybe Shareholders today. The Scheme Document contains, amongst other things, a letter from the Chairman of Flybe, the full terms and conditions of the Scheme and the Acquisition, an explanatory statement, notices convening the Court Meeting and the General Meeting in connection with the Scheme, an expected timetable of principal events and details of the actions to be taken by Flybe Shareholders. The Scheme Document is available on Flybe's website at www.flybe.com/investors/strategic-review-formal-sale-process and posted to relevant Flybe Shareholders.

The information in this announcement is extracted from the Scheme Document and sets out the background of the Acquisition and the actions the Flybe Board has taken in order to enable Flybe and Flybe Limited to continue to trade, thereby preserving the interests of Flybe Shareholders and stakeholders, including customers, employees, pension scheme members and other creditors.

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.

Formal Sale Process

On 14 November 2018, Flybe announced its interim management report for the six-month period to 30 September 2018 which made clear that if Flybe's card acquirers were to choose to seek significantly higher cash collateral and Flybe could not access sufficient additional liquidity, this would give rise to a material uncertainty which might cast significant doubt on its ability to continue trading 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 a 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 (the "Bridge Facility"). 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.

Subsidiary Sale

Following the Announcement, despite significant efforts, Flybe was not able to satisfy the conditions to utilisation of the Bridge Facility because the Company's 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 the Bridge Facility.

In order to enable Flybe Limited to continue to trade and thereby preserve the interests of Flybe's Shareholders and other stakeholders (including customers, employees, pension scheme members and other creditors) Flybe needed immediate funding as well as the ongoing support of Flybe'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 enter into a new agreement to sell Flybe's operating subsidiaries to Connect Airways, thereby preserving the interests of Flybe Shareholders and stakeholders, including customers, employees, pension scheme members and other creditors.

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 the Company), subject only to a limited number of conditions. At the same time the Bridge Facility 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, in order to improve liquidity, a number of improved arrangements with Flybe's credit card acquirers and banks were also reached in conjunction with the Subsidiary Sale.

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.

Relationship between the Scheme and the Subsidiary Sale

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

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.

Notices of the Court Meeting and General Meeting

As described in the Scheme Document, the Scheme will require approval at a meeting of the Scheme Shareholders convened with the permission of the Court and at the General Meeting. The Court Meeting and the General Meeting will be held at the offices Bryan Cave Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA on 4 March 2019 at 11.00 a.m. and 11.15 a.m., respectively (or, in the case of the General Meeting, as soon thereafter as the Court Meeting has concluded).

Completion of the Acquisition remains conditional on the approval of the Scheme by Flybe Shareholders at the Court Meeting and the passing of the special resolution at the Flybe General Meeting, the satisfaction or waiver of the other Conditions set out in the Scheme Document and the approval of the Court.

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 27 February 2019 for the Court Meeting and 11.15 am on 27 February 2019 for the General Meeting. A Form of Proxy for the Court Meeting not lodged at the relevant time may be handed to the Chairman of the Court Meeting before the taking of the poll.

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

Flybe Directors have irrevocably undertaken to vote in favour of the Scheme in respect of their own beneficial holdings (and the beneficial holdings which are under their control and those of their close relatives) totalling 871,664 Flybe Shares representing approximately 0.40 per cent. of the issued ordinary share capital of Flybe as at 5 February 2019 (being the last practicable date prior to the date of this announcement).

Timetable

The current expected timetable of principal events for the implementation of the Scheme is set out below and in the Scheme Document. If any of the key dates set out in the expected timetable changes, an announcement will be made through a Regulatory Information Service.

If the Scheme is approved as outlined above, it is expected that trading in Flybe Shares on the London Stock Exchange's main market for listed securities will be suspended at 6.00p.m. on the Business Day prior to the Effective Date. It is intended that, following the Effective Date, the London Stock Exchange and the FCA will be requested respectively to cancel trading in Flybe Shares on the London Stock Exchange's main market for listed securities and to remove the listing of the Flybe Shares from the Official List, in each case on the Effective Date.

Date of circulation of the Scheme 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)).

Information for Flybe Shareholders

If you have any questions about the Scheme Document, the Court Meeting or the General Meeting or are in any doubt as to how to complete 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 – 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.

General

Unless otherwise defined, all capitalised terms in this announcement shall have the meaning given to them in the Scheme Document.

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IMPORTANT NOTICES

You should read this announcement and the Scheme Document and if you are in any doubt as to the action you should take, consult an independent financial adviser. In making any investment decision you must rely on your own examination of the terms of the Scheme and the Acquisition, including the merits and risks involved. If you have any questions about the Scheme Document, the Court Meeting or the General Meeting or are in any doubt as to how to complete the Forms of Proxy, please contact Link Asset Services on the number set out above.

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 announcement 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 announcement 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 announcement, 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 announcement, 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 announcement. 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 announcement or any statement contained in it. Evercore has given, and not withdrawn, its consent to the inclusion in this announcement of the references to its name and the advice it has given to Flybe 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 announcement 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 announcement in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this announcement 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 announcement 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 announcement 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 announcement 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>.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This announcement 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 announcement 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 announcement, 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 announcement will actually occur.

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.

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.