

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, IN, INTO OR FROM CANADA, AUSTRALIA, JAPAN OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR A PROSPECTUS EXEMPT DOCUMENT AND AA SHAREHOLDERS SHOULD NOT MAKE ANY DECISION IN RELATION TO THE TOPCO B PREFERENCE SHARES AND/OR TOPCO B ORDINARY SHARES EXCEPT ON THE BASIS OF THE INFORMATION TO BE CONTAINED IN THE SCHEME DOCUMENT WHICH IS PROPOSED TO BE PUBLISHED IN DUE COURSE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

25 November 2020

Recommended cash acquisition
of
AA PLC (the "AA") by
Basing Bidco Limited
a newly incorporated entity owned by a consortium of the TowerBrook Funds and the
Warburg Pincus Funds ("Bidco")
to be implemented by means of a Scheme of Arrangement
under Part 26 of the Companies Act 2006

Summary

- Further to the announcement by the AA on 4 August 2020 regarding proposals received by the board of the AA, the boards of the AA and Bidco are pleased to announce that they have reached agreement on the terms of a recommended cash acquisition pursuant to which Bidco shall acquire the entire issued and to be issued ordinary share capital of the AA.
- Under the terms of the Acquisition, AA Shareholders shall be entitled to receive:
 - **for each AA Share 35p in cash (the "Cash Offer").**
- The Acquisition values the entire issued and to be issued ordinary share capital of the AA at approximately £219 million and represents a premium of approximately:
 - 40.0 per cent. to the Closing Price per AA Share of 25 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period);
 - 45.3 per cent. to the three-month volume weighted average price per AA Share of 24.1 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period); and
 - 50.2 per cent. to the six-month volume weighted average price per AA Share of 23.3 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period).
- As an alternative to the Cash Offer, eligible AA Shareholders may elect for the Alternative Offer (as defined in paragraph 11 of this announcement), pursuant to which they would receive unlisted securities, which will ultimately be issued pursuant to the Roll-over Mechanic (as defined in paragraph 16 below and further described in paragraph 12 of this announcement) in the capital of Basing Topco Limited ("**Topco**") ("**Topco Units**") for each

AA Share under the Alternative Offer. Eligible AA Shareholders will only be able to elect for the Alternative Offer in relation to their entire holding of AA Shares and not part only. The terms and conditions of the Alternative Offer are detailed in paragraph 11.

- If, on or after the date of this announcement and prior to the Scheme becoming Effective, any dividend, distribution or other return of value is declared, made or paid by the AA, the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer) shall be reduced accordingly. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

Background to and reasons for the Acquisition

- The Consortium recognises that the core strengths of the AA lie in its iconic brand, market-leading positions, and skilled and committed workforce.
- However, the Consortium believes that the AA has been held back as a result of underinvestment and high levels of debt. The Consortium intends to inject additional funds into the AA to deleverage the business and provide it with the operational freedom to drive the business forward, to better serve its customers and capitalise on its considerable strengths.
- The Consortium believes that the AA needs committed, long-term owners to support the growth of the business and to invest in critical areas such as IT transformation which in turn, will generate new and better opportunities for customers.
- The Consortium believes the Insurance business will be a key growth driver, to enable attractive new products and services to be made available to the AA's loyal membership base.
- In areas such as driving schools and financial services, the Consortium believes there are opportunities to better serve the membership with new products and services from a brand that is held in very high regard and trust by consumers.
- The AA's brand enjoys strong customer loyalty and the Consortium recognises that investing in and safeguarding the AA's reputation for excellent customer service and dependability will create a better business for the long-term, at a time when the motoring sector will face both challenges and opportunities with the shift away from fossil fuels.
- The Consortium has committed to fully safeguard the existing employment rights of the management and employees of the AA, including regarding pensions, in accordance with applicable law.
- Topco has held constructive discussions with the Trustee of the AA UK pension scheme and reached agreement (subject to completion of Trustee confirmatory due diligence) on the approach to funding and valuations during the next 5 years.

Recommendation

- The AA Directors, who have been so advised by Evercore and J.P. Morgan Cazenove as to the financial terms of the Cash Offer, consider the terms of the Cash Offer to be fair and reasonable. In providing their advice to the AA Directors, Evercore and J.P. Morgan Cazenove have each taken into account the commercial assessments of the AA Directors. Evercore are providing independent financial advice to the AA Directors for the purposes of Rule 3 of the Takeover Code.

- Accordingly, the AA Directors intend to recommend unanimously that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and AA Shareholders vote in favour of the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), as the AA Directors who hold AA Shares have irrevocably undertaken to do (and in the case of their connected persons, to procure that such persons do) in respect of the AA Shares that they (and their connected persons) beneficially hold which amount in aggregate to 1,108,117 AA Shares representing, in aggregate, approximately 0.2 per cent. of the AA's issued ordinary share capital as at the close of business on 24 November 2020 (being the last Business Day prior to the date of this announcement).
- In considering the terms of the Alternative Offer, the AA Directors, Evercore and J.P. Morgan Cazenove have considered the disadvantages and advantages of electing for the Alternative Offer outlined below:
- *Disadvantages of electing for the Alternative Offer*
 - The Topco Units:
 - will be unlisted and will not be admitted to trading on any stock exchange and will therefore be illiquid. Any assessment of the value of the Topco Units should therefore take into account an individual shareholder's assessment of an appropriate liquidity discount;
 - will be subject to a five year lock-up restriction, during which they can only be transferred in very limited circumstances, and thereafter will be subject to a right of first refusal on the part of the Consortium; and
 - will be of uncertain value and there can be no assurance that they will be capable of being sold in the future;
 - Upon the Scheme becoming Effective, the Topco Group will be controlled by the Consortium and holders of the Topco Units, which do not carry any general voting rights at general meetings of Topco except in respect of a very limited number of reserved matters, and will therefore have no influence over decisions made by Topco in relation to its investment in the AA or in any other business;
 - The percentage ownership of Topco attributable to AA Shareholders who accept the Alternative Offer, but do not subsequently provide the cash funds required to accept their entitlements pursuant to the Additional Capital Raise (as defined in paragraph 12 of this announcement) or any further issue of securities by Topco in the period following the Effective Date, would be significantly reduced;
 - Eligible AA Shareholders will only be able to elect for the Alternative Offer in relation to their entire holding of AA Shares and not part only; and
 - AA Shareholders will have no certainty as to the amount of Topco Units they would receive because:
 - the maximum number of Topco Units available to AA Shareholders under the Alternative Offer will be limited to sixteen per cent. of the Topco Offer Shares; and
 - to the extent that elections for the Alternative Offer cannot be satisfied in full, the number of Topco Units to be issued in respect of each AA Share

will be rounded down on a pro rata basis, and the balance of the consideration for each AA Share will be paid in cash in accordance with the terms of the Cash Offer.

- *Advantages of electing for the Alternative Offer*
 - The Alternative Offer allows AA Shareholders to invest directly in the recapitalised AA Group, providing continued economic exposure to a private equity owned enterprise without incurring ongoing management fees;
 - The Alternative Offer allows AA Shareholders to participate in future value creation and may ultimately deliver greater value than the Cash Offer (although this cannot be guaranteed); and
 - From completion of the Acquisition, the Topco Units will rank economically pari passu with the Consortium's investment in Topco and will carry pro rata entitlement to dividends, distributions and returns of capital.
- Evercore and J.P. Morgan Cazenove are unable to advise the AA Directors as to whether or not the terms of the Alternative Offer are fair and reasonable. This is because of the significant and variable impact of the disadvantages and advantages of the Alternative Offer for individual AA Shareholders including, in terms of the advantages, in particular, the ability to participate in the future value creation of the AA Group and in terms of the disadvantages, in particular, the terms of the Topco Units including the fact that they are illiquid and subject to a five year lock-up period, the level of uncertainty in their future value, and the potential dilution that would result if an AA Shareholder did not fund their pre-emptive entitlement pursuant to the Additional Capital Raise.
- Accordingly, the AA Directors cannot form an opinion as to whether or not the terms of the Alternative Offer are fair and reasonable and are not making any recommendation to AA Shareholders as to whether or not they should elect for the Alternative Offer. The AA Directors' intended elections in respect of their own beneficial holdings of AA Shares will be set out in the Scheme Document.
- AA Shareholders should also ascertain whether acquiring or holding Topco Units is affected by the laws of the relevant jurisdiction in which they reside and consider whether Topco Units are a suitable investment in light of their own personal circumstances and are, therefore, strongly recommended to seek their own independent financial, tax and legal advice in light of their own particular circumstances and investment objectives before deciding whether to elect for the Alternative Offer. Any decision to elect for the Alternative Offer should be based on independent financial, tax and legal advice and full consideration of this announcement and the Scheme Document (when published).

Shareholder support

- **Bidco has received support for the Acquisition from AA Shareholders interested in a total of 96,484,690 AA Shares, representing, in aggregate, approximately 15.5 per cent. of the AA's ordinary share capital in issue on 24 November 2020 (being the last Business Day prior to the date of this announcement).**
- This support comprises:
 - the irrevocable undertakings from the AA Directors who hold AA Shares described above;

- irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) from Davidson Kempner in respect of a total of 19,647,671 AA Shares representing, in aggregate, approximately 3.2 per cent. of the AA's issued ordinary share capital on 24 November 2020 (being the last Business Day prior to the date of this announcement); and
- a non-binding letter of intent from Davidson Kempner to close out certain derivatives in which it is interested in respect of a total of 75,728,902 AA Shares representing, in aggregate, approximately 12.1 per cent. of the AA's issued ordinary share capital on 24 November 2020 (being the last Business Day prior to the date of this announcement) and to seek to acquire an equal number of AA Shares and, if Davidson Kempner acquires any AA Shares as a result thereof, to provide an irrevocable undertaking to vote in favour of the Scheme (or accept a Takeover Offer) in the same form as the irrevocable already given by it.
- Further details of these irrevocable undertakings (including the circumstances in which they may lapse) and letter of intent are set out in Appendix III to this announcement.

- Commenting on the Acquisition, John Leach, Chair of the AA, said:

"The AA is a great company with a long and illustrious heritage, a highly respected brand and committed employees providing a high-quality service to its members and customers. In recent years, under new management, the AA has made strong progress with strategic and operational improvements and is demonstrating resilient trading performance through Covid-19. On 4 August 2020 we announced that the AA was in discussions with a number of parties in relation to a wide range of potential refinancing options, including the possibility of raising new equity. As a result of these discussions, the AA subsequently received a proposal from the Consortium in respect of an all-cash offer for the AA alongside a significant new equity injection.

Having carefully considered the range of options available to the AA including the terms of the proposed Acquisition by the Consortium, the AA Board has concluded that the Acquisition, which offers certain cash value to the AA's shareholders as well as a significant equity injection to reduce indebtedness, is in the best interests of the AA, its shareholders and wider stakeholders, and as such is unanimously recommending the Acquisition to shareholders."

- Commenting on the Acquisition, the TowerBrook and Warburg Pincus Consortium, said:

"We are delighted that this investment will safeguard the future of a much-loved business. The AA has a proud heritage but has struggled to reach its full growth potential in recent years. By deleveraging this fundamentally high-quality organisation, the business will be able to fully capitalise on its iconic brand, its market-leading positions, and its skilled and committed workforce – so that it can continue to deliver the exceptional levels of service it provides to customers across the country. We have no doubt that, on a stronger financial footing, the AA will go from strength to strength, to the benefit of all stakeholders."

Information on Bidco and the Consortium

- Bidco is a newly formed joint venture company owned in equal shares by (i) funds advised by TowerBrook or its affiliates (the "**TowerBrook Funds**"); and (ii) private equity funds

managed by Warburg Pincus LLC or its affiliates (the "**Warburg Pincus Funds**" and, together, the "**Consortium**").

- TowerBrook Capital Partners (U.K.) LLP ("**TowerBrook**") is an investment management firm with in excess of \$13.7 billion under management and a history of creating value for investors. The firm is co-headquartered in London and New York and focuses on making investments in companies headquartered in Europe and North America. TowerBrook's private equity strategy primarily pursues control-oriented investments in large and mid-market companies, principally on a proprietary basis and often in situations characterised by complexity. TowerBrook's structured opportunities strategy allows access to a broad array of opportunities, principally via structured asset and structured equity investments, enabling investment companies to access funding and expertise to support growth without ceding control. TowerBrook is a certified B Corporation. B Corporation certification is administered by the non-profit B Lab organisation and is awarded to companies that demonstrate leadership in their commitment to environmental, social and governance (ESG) standards and responsible business practices.

TowerBrook has a long and successful history of investing in respected UK businesses and supporting their growth strategies. Notable UK investments include Jimmy Choo and Phase Eight, where TowerBrook oversaw significant revenue growth and sustained improvements in profitability. More recently the firm acquired Azzurri Group, enabling the business to weather the Covid-19 crisis and preserve employment. TowerBrook also has extensive experience in the insurance, financial services, and related industries, with flagship investments including Orchid Insurance, WellCare, Ironshore and HayFin, among others.

- Warburg Pincus LLC ("**Warburg Pincus**") is a leading global private equity firm focused on growth investing. Founded in 1966, the firm established its European headquarters in London over 30 years ago and has invested in excess of \$12 billion in over 100 European companies.

Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. The firm has a successful track record of investing in sectors that are relevant to the AA's current business and future growth opportunities, including financial services, technology and business services. Within financial services, the team has experience across a diverse set of insurance businesses, from motor insurance, personal and commercial lines brokerage to life insurance. Notable investments include Arch Capital, Renaissance Re, ICICI Lombard, and Primerica Inc. In the business services and technology practices, the firm has significant expertise investing in the B2C auto-tech, logistics and tech-enabled mobility sectors.

Warburg Pincus also has a long-standing track record of investing in the UK. Recent investments in the UK include Inmarsat, the world leader in global mobile satellite communications, Tilney Smith & Williamson, a leading wealth management firm, McGill & Partners, a specialty insurance broker, Community Fibre, a Fibre-to-the-Home broadband provider, and Inspired Education, a global premium schools group.

Founded in 1966 and headquartered in New York, Warburg Pincus has raised 22 funds which have invested more than \$90 billion in over 940 companies in more than 40 countries. The firm has more than \$58 billion in private equity assets under management and an active portfolio of more than 190 companies, highly diversified by stage, sector and geography.

Timetable and Conditions

- It is intended that the Acquisition will be implemented by way of a scheme of arrangement under Part 26 of the Companies Act, further details of which are contained in the full text of this announcement and will be set out in the Scheme Document. Bidco reserves the right to implement the Acquisition by way of a Takeover Offer, subject to the Panel's consent and the terms of the Co-operation Agreement.
- Completion of the Acquisition will be conditional, inter alia, on the following matters:
 - the approval of the Scheme by a majority in number of the Scheme Shareholders who are present and vote at the Court Meeting, either in person or by proxy, and who represent 75 per cent. or more in value of the AA Shares voted by those Scheme Shareholders;
 - the approval by AA Shareholders of the resolutions required to implement the Scheme representing at least 75 per cent. of votes cast at the General Meeting;
 - the sanction of the Scheme by the Court;
 - the Scheme becoming Effective by no later than the Long Stop Date;
 - the receipt of approval of the change in control of certain regulated entities within the AA Group by the FCA and the GFSC (or it otherwise being regarded under FSMA and the FSA (as applicable) as having approved the same);
 - the receipt or waiver of the China Antitrust Clearance, the EU Antitrust Clearance, and the UK Antitrust Clearance and the satisfaction or waiver of the National Security and Investment Condition;
 - no member of the AA Group having incurred, increased or refinanced any material indebtedness (including without limitation the Class B2 Notes and/or the Class A5 Notes) without the prior written approval of the material terms by Bidco; and
 - satisfaction or (where applicable) waiver of the other Conditions listed in Appendix I to this announcement.
- The Acquisition is subject to the full terms and Conditions which will be set out in the Scheme Document. Subject to the satisfaction or (where applicable) waiver of the Conditions, the Acquisition is expected to become Effective during the first quarter of 2021.
- The Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and the General Meeting, together with an indicative timetable for implementation of the Scheme, will be dispatched to AA Shareholders (together with the Forms of Proxy and Form of Election) as soon as is reasonably practicable and, in any event within 28 days of the date of this announcement (unless the Panel consents to a later date). The Court Meeting and the General Meeting are expected to be held in January 2021. Subject to certain restrictions relating to persons resident in Restricted Jurisdictions, the Scheme Document will also be made available on the AA's website (<https://www.theaapl.com/investors>).

This summary should be read in conjunction with, and is subject to, the full text of this announcement, including its Appendices. The Acquisition will be subject to inter alia the Conditions and further terms set out in Appendix I to this announcement and to the full terms and conditions which will be set out in the Scheme Document. Appendix II to this announcement contains the sources of information and bases of calculations of certain

information contained in this announcement, Appendix III contains a summary of the irrevocable undertakings and letter of intent received by Bidco in relation to this Acquisition and Appendix V contains definitions of certain expressions used in this summary and in this announcement.

Enquiries:

Consortium Media:

Brunswick +44 (0) 20 7404 5959

TowerBrook Capital Partners (U.K.) LLP +44 (0) 20 7451 2020
Filippo Cardini

Warburg Pincus International LLC +44 (0) 7471 992907
Global Media
Julie Foster

Credit Suisse (Joint Lead Financial Adviser to Bidco) +44 (0) 20 7888 8888
George Maddison
Hugh Man
Ben Deary
Will Davies

Goldman Sachs (Joint Lead Financial Adviser to Bidco) +44 (0) 20 7774 1000
Chris Emmerson
James Morris
Ben Maiden

Barclays (Financial adviser to Bidco) +44 (0) 20 7623 2323
Richard Probert
Omar Faruqi

AA PLC +44 (0) 20 7395 7301
Nadia Hoosen, Chief Legal Officer & Company Secretary
Zeeshan Magbool, Investor Relations

Evercore (Financial adviser to the AA) +44 (0) 20 7653 6000
Andrew Sibbald
Mark Hennessy
Swag Ganguly
Graham Copeland

J.P. Morgan Cazenove (Financial adviser to the AA) +44 (0) 20 7742 4000

Robert Constant
James Robinson
Alex Bruce
Jonty Edwards

Citi (Financial adviser and corporate broker to the AA) +44 (0) 20 7986 4000

Peter Brown
Alex de Souza

Media Enquiries (FTI Consulting): +44 (0) 20 3727 1340

Alex Le May
John Waples
Nick Hasell

FTI_AA@fticonsulting.com

Linklaters LLP is acting as legal adviser to Bidco. Freshfields Bruckhaus Deringer LLP is acting as legal adviser to the AA.

Important Notices

Credit Suisse International ("Credit Suisse"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser exclusively for Bidco and the Consortium and no one else in connection with the matters set out in this announcement and will not be responsible to any person other than Bidco or the Consortium for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the content of this announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or 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 a client of Credit Suisse in connection with this announcement, any statement contained herein or otherwise.

Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and the Consortium and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco or the Consortium for providing the protections afforded to clients of Goldman Sachs International, or for providing advice in relation to the matters referred to in this announcement. Neither Goldman Sachs International, nor any of its subsidiaries, branches or 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 a client of Goldman Sachs International in connection with this announcement, any statement contained herein or otherwise.

Barclays Bank PLC, acting through its investment bank ("Barclays"), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for Bidco and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of Barclays nor for providing advice in relation to the matters referred to in this announcement. In accordance with the

Takeover Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Securities Exchange Act of 1934, Barclays and its affiliates will continue to act as exempt principal trader in AA securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Takeover Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

Evercore, which is authorised and regulated by the FCA in the UK, is acting exclusively as financial adviser to the AA and no one else in connection with the Acquisition and will not be responsible to anyone other than the AA for providing the protections afforded to clients of Evercore nor for providing advice in connection with the matters referred to herein. Neither Evercore nor any of its subsidiaries, branches or 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 a client of Evercore in connection with this announcement, any statement contained herein, the Acquisition or otherwise. 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 relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility or liability whatsoever for the contents of this announcement, 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 connection with the AA or the matters described 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 therein.

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), and which is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the PRA and the FCA, is acting as financial adviser exclusively for the AA and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than the AA for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter or arrangement referred to herein.

Citigroup Global Markets Limited ("Citi"), which is authorised by the PRA and regulated in the UK by the FCA and the PRA, is acting as financial adviser to the AA and for no one else in connection with the matters described in this announcement and will not be responsible to anyone other than the AA for providing the protections afforded to clients of Citi nor for providing advice in connection with any matters referred to in this announcement. Neither Citi nor any of its affiliates, directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, consequential, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Citi in connection with this announcement, any statement contained herein, any offer or otherwise.

Further Information

This announcement is for information purposes only and is not intended to and does not constitute or form part of an offer or inducement to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Acquisition or otherwise.

The Acquisition shall be made solely by means of the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, any document by which the Takeover Offer is made) which, together with the Forms of Proxy and Form of Election (or forms of acceptance), shall contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

This announcement has been prepared for the purpose 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 England.

The AA and Bidco shall prepare the Scheme Document to be distributed to AA Shareholders. The AA and Bidco urge AA Shareholders to read the Scheme Document when it becomes available because it will contain important information relating to the Acquisition.

This announcement is an advertisement and not a prospectus or a prospectus exempt document.

Overseas Shareholders

The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements.

Unless otherwise determined by Bidco or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of the Acquisition to AA Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange, the Financial Conduct Authority and the Gibraltar Financial Services Commission.

Additional information for US investors

The Acquisition relates to shares of a UK incorporated company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Securities Exchange Act of 1934 (the "US Exchange Act").

Accordingly, the Acquisition is subject to the disclosure and procedural requirements applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the United States tender offer and proxy solicitation rules.

However, if Bidco were to elect to implement the Acquisition by means of a Takeover Offer, such Takeover Offer would be made in compliance with all applicable United States laws and regulations, including any applicable exemptions under the US Exchange Act. Such a Takeover Offer would be made in the United States by Bidco and no one else.

In the event that the Acquisition is implemented by way of a Takeover Offer, in accordance with normal United Kingdom practice, Bidco or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, shares or other securities of the AA outside of the US, other than pursuant to such Takeover Offer, during the period in which such Takeover Offer would remain open for acceptances. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases or arrangements to purchase shall be disclosed as required in the UK, shall be reported to a Regulatory Information Service and shall be available on the London Stock Exchange website at www.londonstockexchange.com.

The Topco Units issued under the Alternative Offer will not be registered under the US Securities Act of 1933 (the "Securities Act"). Bidco expects to issue the Topco Units in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) thereof.

The receipt of consideration by a US holder for the transfer of its AA Shares pursuant to the Scheme shall be a taxable transaction for United States federal income tax purposes. Each AA Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to them, including under applicable United States state and local, as well as overseas and other, tax laws.

Financial information relating to the AA included in this announcement and the Scheme Document has been or shall have been prepared in accordance with accounting standards applicable in the United Kingdom and may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The AA is organised under the laws of England and Wales and Bidco is organised under the laws of Jersey. Some or all of the officers and directors of Bidco and the AA, respectively, are residents of countries other than the United States. In addition, most of the assets of Bidco and the AA are located outside the United States. As a result, it may be difficult for US shareholders of the AA to effect service of process within the United States upon Bidco or the AA or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the securities laws of the United Kingdom.

Forward looking statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Acquisition, and other information published by the AA, Bidco, any member of the Consortium or any member of the Topco Group contain statements which are, or may be deemed to be, "forward looking statements". Such forward looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which Bidco or any member of the Topco Group shall operate in the future and are subject to risks and uncertainties

that could cause actual results to differ materially from those expressed or implied by those statements.

The forward looking statements contained in this announcement relate to Bidco or any member of the Topco Group's future prospects, developments and business strategies, the expected timing and scope of the Acquisition and other statements other than historical facts. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "will look to", "would look to", "plans", "prepares", "anticipates", "expects", "is expected to", "is subject to", "budget", "scheduled", "forecasts", "synergy", "strategy", "goal", "cost-saving", "projects" "intends", "may", "will", "shall" or "should" or their negatives or other variations or comparable terminology. 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 Bidco's, any member of the Topco Group's or any member of the AA Group's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on Bidco's, any member of the Topco Group's or any member of the AA Group's business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that shall occur in the future. These events and circumstances include changes in the global political, economic, business and competitive environments and in market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions proves incorrect, actual results may differ materially from those expected, estimated or projected. Such forward looking statements should therefore be construed in the light of such factors.

Neither the AA nor any of Bidco or any member of the Topco Group, nor any of their respective associates or directors, officers 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 shall actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

Specifically, statements of estimated cost savings and synergies related to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the AA Group, there may be additional changes to the AA Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.

The forward-looking statements speak only at the date of this announcement. All subsequent oral or written forward-looking statements attributable to any member of the Topco Group or the AA Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

The AA, the Topco Group and Bidco expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Bidco or the AA, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Bidco or the AA, as appropriate.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. 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) 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 per cent. 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. A Dealing Disclosure by a person to whom Rule 8.3(b) 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 shall be deemed to be a single person for the purpose of Rule 8.3.

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).

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 <http://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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Electronic communications

Please be aware that addresses, electronic addresses and certain information provided by AA Shareholders, persons with information rights and other relevant persons for the receipt of

communications from the AA may be provided to Bidco during the Offer Period as requested under Section 4 of Appendix 4 to the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

Publication on website and availability of hard copies

A copy of this announcement shall be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on the AA's website at <https://www.theaapl.com/investors> by no later than 12 noon (London time) on 26 November 2020 (being the first Business Day following the date of this announcement).

For the avoidance of doubt, neither the contents of the AA website nor any website accessible from hyperlinks is incorporated into or forms part of this announcement.

AA Shareholders may request a hard copy of this announcement (and any information incorporated by reference in this announcement) by contacting Equiniti Limited between 9.00 a.m. to 5:00 p.m. (London time) Monday to Friday (except UK public holidays) on 0333 207 6538 from within the UK or on +44 (0)121 415 0999 if calling from outside the UK or by submitting a request in writing to Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Please note that Equiniti Limited cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. AA Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Acquisition should be in hard copy form.

Rounding

Certain figures included in this announcement 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.

General

If the Acquisition is effected by way of a Takeover Offer, and such offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining AA Shares in respect of which the Takeover Offer has not been accepted.

Investors should be aware that Bidco may purchase AA Shares otherwise than under any Takeover Offer or the Scheme, including pursuant to privately negotiated purchases.

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, IN, INTO OR FROM CANADA, AUSTRALIA, JAPAN OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION

THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR A PROSPECTUS EXEMPT DOCUMENT AND AA SHAREHOLDERS SHOULD NOT MAKE ANY DECISION IN RELATION TO THE TOPCO B ORDINARY SHARES AND/OR TOPCO B PREFERENCE SHARES EXCEPT ON THE BASIS OF THE INFORMATION TO BE CONTAINED IN THE SCHEME DOCUMENT WHICH IS PROPOSED TO BE PUBLISHED IN DUE COURSE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

25 November 2020

Recommended cash acquisition

of

AA PLC (the "AA")

by

Basing Bidco Limited

a newly incorporated entity owned by a consortium of the TowerBrook Funds and the Warburg Pincus Funds ("Bidco")

to be implemented by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006

1 Introduction

The boards of Bidco and the AA are pleased to announce that they have reached agreement on the terms of a recommended cash acquisition pursuant to which Bidco shall acquire the entire issued and to be issued ordinary share capital of the AA (the "**Acquisition**").

2 The Acquisition

Under the terms of the Acquisition, which shall be subject to the Conditions and further terms set out in Appendix I to this announcement and to be set out in the Scheme Document, AA Shareholders shall be entitled to receive:

for each AA Share 35 pence in cash (the "Cash Offer")

The Acquisition values the entire issued and to be issued ordinary share capital of the AA at approximately £219 million and represents a premium of approximately:

- 40.0 per cent. to the Closing Price per AA Share of 25 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period);
- 45.3 per cent. to the three-month volume weighted average price per AA Share of 24.1 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period); and
- 50.2 per cent. to the six-month volume weighted average price per AA Share of 23.3 pence on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period).

As an alternative to the Cash Offer, eligible AA Shareholders may elect to receive 1.0 Topco Unit (each Topco Unit comprising 2.8636363636 Topco B Preference Shares and 0.3181818182 Topco B Ordinary Shares) for each AA Share (the "**Alternative Offer**"), subject to the terms and conditions of the Alternative Offer (detailed in paragraph 11 below). Eligible AA Shareholders will only be able to elect for the Alternative Offer in relation to their entire holding of AA Shares and not part only.

The Topco Units will be independently valued and an estimate of the value of the Topco Units will be included in the Scheme Document. Further information about the Topco Units is set out in paragraph 12 and Appendix IV and will also be included in the Scheme Document.

If, on or after the date of this announcement and prior to the Scheme becoming Effective, any dividend, distribution or other return of value is declared, made or paid by the AA, the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer) shall be reduced accordingly. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

The Scheme Document, containing further information about the Acquisition and notices of the Court Meeting and the General Meeting, together with an indicative timetable for implementation of the Scheme, will be published as soon as reasonably practicable and, in any event (save with the consent of the Panel) within 28 days of this announcement.

3 Background to and reasons for the Acquisition

- The Consortium recognises that the core strengths of the AA lie in its iconic brand, market-leading positions, and skilled and committed workforce.
- However, the Consortium believes that the AA has been held back as a result of underinvestment and high levels of debt. The Consortium intends to inject additional funds into the AA to deleverage the business and provide it with the operational freedom to drive the business forward, to better serve its customers and capitalise on its considerable strengths.
- The Consortium believes that the AA needs committed, long-term owners to support the growth of the business and to invest in critical areas such as IT transformation which in turn, will generate new and better opportunities for customers.
- The Consortium believes the Insurance business will be a key growth driver, to enable attractive new products and services to be made available to the AA's loyal membership base.
- In areas such as driving schools and financial services, the Consortium believes there are opportunities to better serve the membership with new products and services from a brand that is held in very high regard and trust by consumers.
- The AA's brand enjoys strong customer loyalty and the Consortium recognises that investing in and safeguarding the AA's reputation for excellent customer service and dependability will create a better business for the long-term, at a time when the motoring sector will face both challenges and opportunities with the shift away from fossil fuels.
- The Consortium has committed to fully safeguard the existing employment rights of the management and employees of the AA, including regarding pensions, in accordance with applicable law.

- Topco has held constructive discussions with the Trustee of the AA UK pension scheme and reached agreement (subject to completion of Trustee confirmatory due diligence) on the approach to funding and valuations during the next 5 years.

4 Recommendation

The AA Directors, who have been so advised by Evercore and J.P. Morgan Cazenove as to the financial terms of the Cash Offer, consider the terms of the Cash Offer to be fair and reasonable. In providing their advice to the AA Directors, Evercore and J.P. Morgan Cazenove have each taken into account the commercial assessments of the AA Directors. Evercore are providing independent financial advice to the AA Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the AA Directors intend to recommend unanimously that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and AA Shareholders vote in favour of the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), as the AA Directors who hold AA Shares have irrevocably undertaken to do (and in the case of their connected persons, to procure that such persons do) in respect of the AA Shares that they (and their connected persons) beneficially hold which amount in aggregate to 1,108,117 AA Shares representing, in aggregate, approximately 0.2 per cent. of the AA's issued ordinary share capital as at the close of business on 24 November 2020 (being the last Business Day prior to the date of this announcement).

In considering the terms of the Alternative Offer, the AA Directors, Evercore and J.P. Morgan Cazenove have considered the disadvantages and advantages of electing for the Alternative Offer outlined below:

Disadvantages of electing for the Alternative Offer

- The Topco Units:
 - will be unlisted and will not be admitted to trading on any stock exchange and will therefore be illiquid. Any assessment of the value of the Topco Units should therefore take into account an individual shareholder's assessment of an appropriate liquidity discount;
 - will be subject to a five year lock-up restriction, during which they can only be transferred in very limited circumstances, and thereafter will be subject to a right of first refusal on the part of the Consortium; and
 - will be of uncertain value and there can be no assurance that they will be capable of being sold in the future;
- Upon the Scheme becoming Effective, the Topco Group will be controlled by the Consortium and holders of the Topco Units, which do not carry any general voting rights at general meetings of Topco except in respect of a very limited number of reserved matters, and will therefore have no influence over decisions made by Topco in relation to its investment in the AA or in any other business;
- The percentage ownership of Topco attributable to AA Shareholders who accept the Alternative Offer, but do not subsequently provide the cash funds required to accept their entitlement pursuant to the Additional Capital Raise or any further issue of

securities by Topco in the period following the Effective Date, would be significantly reduced;

- Eligible AA Shareholders will only be able to elect for the Alternative Offer in relation to their entire holding of AA Shares and not part only; and
- AA Shareholders will have no certainty as to the amount of Topco Units they would receive because:
 - the maximum number of Topco Units available to AA Shareholders under the Alternative Offer will be limited to sixteen per cent. of the Topco Offer Shares; and
 - to the extent that elections for the Alternative Offer cannot be satisfied in full, the number of Topco Units to be issued in respect of each AA Share will be rounded down on a pro rata basis, and the balance of the consideration for each AA Share will be paid in cash in accordance with the terms of the Cash Offer.

Advantages of electing for the Alternative Offer

- The Alternative Offer allows AA Shareholders to invest directly in the recapitalised AA Group, providing continued economic exposure to a private equity owned enterprise without incurring ongoing management fees;
- The Alternative Offer allows AA Shareholders to participate in future value creation and may ultimately deliver greater value than the Cash Offer (although this cannot be guaranteed); and
- From completion of the Acquisition, the Topco Units will rank economically pari passu with the Consortium's investment in Topco and will carry pro rata entitlement to dividends, distributions and returns of capital.

Evercore and J.P. Morgan Cazenove are unable to advise the AA Directors as to whether or not the terms of the Alternative Offer are fair and reasonable. This is because of the significant and variable impact of the disadvantages and advantages of the Alternative Offer for individual AA Shareholders including, in terms of the advantages, in particular, the ability to participate in the future value creation of the AA Group and in terms of the disadvantages, in particular, the terms of the Topco Units including the fact that they are illiquid and subject to a five year lock-up period, the level of uncertainty in their future value, and the potential dilution that would result if an AA Shareholder did not fund their pre-emptive entitlement pursuant to the Additional Capital Raise.

Accordingly, the AA Directors cannot form an opinion as to whether or not the terms of the Alternative Offer are fair and reasonable and are not making any recommendation to AA Shareholders as to whether or not they should elect for the Alternative Offer. The AA Directors' intended elections in respect of their own beneficial holdings of AA Shares will be set out in the Scheme Document.

AA Shareholders should also ascertain whether acquiring or holding Topco Units is affected by the laws of the relevant jurisdiction in which they reside and consider whether Topco Units are a suitable investment in light of their own personal circumstances and are, therefore, strongly recommended to seek their own independent financial, tax and legal advice in light of their own particular circumstances and investment objectives before deciding whether to elect for the Alternative Offer. Any decision to elect for the Alternative Offer should be based

on independent financial, tax and legal advice and full consideration of this announcement and the Scheme Document (when published).

5 Background to and reasons for the recommendation

The AA Directors have evaluated the Acquisition by Bidco on the basis of the interests of the AA, the AA Shareholders as a whole and the AA's wider stakeholders. In deciding to recommend the Acquisition to the AA Shareholders, the AA Directors have taken into account a range of factors, including those outlined below.

The AA Directors believe that the AA is a great company with a long and illustrious heritage and a highly respected brand. The AA Group has a large and loyal customer base, committed and high quality employees and, under new management since 2017, it has been making strong progress with the turnaround of its operating performance. The underlying cash generation before debt interest service of the AA has remained strong amounting to £228 million¹ in FY2020. The AA delivered a very resilient trading performance in the first half of FY2021, despite the challenges presented by Covid-19, and in this period was once again recognised by 'Which?' for the quality of service that it provides to its members and customers.

However, in the opinion of the AA Directors, the AA has been labouring under too much debt for a long period of time and they no longer believe that this is sustainable or in the best interests of AA Shareholders or wider stakeholders including customers, business partners, employees, regulators and members of its pension scheme. The AA Directors believe that the high level of debt has been a constraint on investment in the business and has created an unacceptably high refinancing risk with consequent implications for the future delivery of the AA Group's business plan. The AA Directors have determined that this issue should be addressed pro-actively and in good time for the benefit of shareholders and all stakeholders.

The AA Directors believe that the Acquisition is the best option available to the AA and its shareholders. It provides certain cash value for AA Shareholders at approximately a 40 per cent. premium to the undisturbed market price as well as an intended injection of £378 million of new equity to reduce indebtedness. The reduction in debt and the consequent lower interest cost is expected to enable the AA to generate more cash each year to reduce debt further over time and set the AA on a positive deleveraging trajectory for the medium term.

Context for the recommendation

The AA listed on the London Stock Exchange in June 2014. It was previously owned by Acromas Holdings Limited ("**Acromas**"), which was the holding company for the AA and Saga plc, and which had substantial indebtedness. The AA Group was listed with its share of the Acromas debt, amounting to total net borrowings of £3.1 billion (representing a leverage ratio of 7.3x LTM Trading EBITDA²). The AA Group's intended strategy at this time sought to strengthen the AA as the pre-eminent motoring services organisation in the UK, to reduce the AA Group's borrowings (and associated interest costs) and to invest in new technologies and improved customer systems in order to stimulate further profitable growth. Unfortunately, the execution of this proposed strategy overall proved to be unsuccessful.

In the period since listing, Trading EBITDA has declined from £423 million in FY2014 to £350 million in FY2020 and the AA Group's indebtedness has remained high. As at 31 January

¹ Defined as Operating free cash flow after capital expenditure.

² LTM to April 2014.

2020, total net borrowings amounted to £2.6 billion with the AA Group's leverage ratio increasing to 7.6x FY2020 Trading EBITDA. Of the total £476 million reduction in debt between the listing and FY2020, £175 million was the result of the issue of new equity through a placing and open offer completed in April 2015 and £99 million was from the proceeds of the sale of AA Ireland, which completed on 11 August 2016.

The AA Directors believe the AA's high level of indebtedness has proved to be a significant burden for the AA Group, restricting its financial flexibility and constraining the AA Group's ability to invest for future growth. In aggregate, the AA has incurred £715 million of cash interest expense and £166 million of refinancing costs during the five year period from FY2016 to FY2020. In the last financial year, the annual interest cost of servicing the AA Group's borrowings amounted to £129 million, which pro forma for the partial exchange of Class A5 Notes for Class A8 Notes in February 2020 would have increased to £138 million.³ The share price of the AA has been declining progressively since 2015 and the AA Directors believe that a significant contributing factor to this has been concerns over the AA's ability to refinance its debt, which has also been reflected in the rising yield on its quoted debt over time and in negative commentary on its capital structure from stock market analysts, which has then resulted in further downward pressure on the share price.

Following a decline in profitability during the period between FY2016 and FY2018, in order to preserve earnings and maintain cash flow to service debt, the AA Group scaled back investment in the business and reduced operating expenses. The AA Directors believe that those measures left the business under-invested and ultimately led to a decline in the AA's service quality and in its overall membership numbers. A new management team under the leadership of Simon Breakwell (AA Group CEO) was appointed at the end of 2017 and the AA Directors believe that they have successfully begun to reverse these trends in the business.

FY2020 was a year of strong operational performance for the AA with the AA Group reporting growth in Trading EBITDA to £350 million (FY2019: £341 million) and strong free cash flow generation of £83 million (FY2019: £12 million). The AA Directors believe that the financial results achieved by the AA in FY2020 demonstrate the significant progress that has been made by the AA Group since the new management team launched its 'Simpler and Smarter' strategy, which aims to provide a broader range of services, delivered direct to members and non-members via digital experiences. The AA Directors believe that the successful implementation of this strategy will ultimately enable the AA Group to sell more services to more customers and will ensure that the AA Group is well positioned to achieve further profitable growth in the years ahead.

The AA stabilised its business-to-consumer membership base in FY2020 and returned it to growth in the second half of the year, following a number of years of decline. The AA Group also achieved an increase in average income per member and delivered outstanding customer service: overall call-to-arrive times were 46.5 minutes (in line with the AA Group's long-term target of 45 minutes); the AA responded to a majority of calls to its call centres within 20 seconds (also in line with the AA Group's long-term targets); and the AA's repair rates and average repair times were ahead of the previous year. All key business-to-business contracts were either renewed or extended and the Group entered new strategic partnerships with Admiral and Uber, delivering incremental revenue streams. The AA Directors are confident that the AA Group's service and digitally-led strategy, focusing on

³ Increase of £9 million based on £325 million of Class A8 Notes principal having increased in coupon from 2.88 per cent. (as Class A5 Notes) to 5.50 per cent.

innovation and delivering excellent customer service, will ensure that the AA continues to adapt to market conditions and stay ahead of its competitors. In addition, the AA Directors believe that ongoing investment in its digital platform, including the AA app, will continue to improve members' and customers' experience and help nurture further loyalty to the AA brand.

The AA's Insurance business continued to enjoy strong growth in FY2020, with a c. 10 per cent. increase in total policies, and expects to achieve over 2 million policies by FY2022 (a year ahead of plan). The number of underwritten policies increased to 780,000 (FY2019: 598,000) – with 52 per cent. of motor insurance policies and 39 per cent. of home insurance policies now being underwritten by the AA Group – and the combined operating ratio was also below the targeted level of 95 per cent. The AA Directors believe that with continued ongoing investment the Insurance business is well positioned to deliver profitable long-term growth.

Strategic review of financing options

In anticipation of the forthcoming Class A and Class B Note maturities, earlier this year the AA Directors undertook a strategic review of its financing options. In the opinion of the AA Directors, the substantial absorption of the cash generated by the AA Group by its debt financing structure has increasingly become an impediment to the AA Group's future progress and longer term success and it carries with it unacceptably high operational and refinancing risk. Accordingly, the AA Directors concluded that the AA Group's current capital structure is no longer sustainable and that it was necessary to take action to address this now whilst there was still adequate time to do so.

In May 2020, the AA Directors publicly announced that they were reviewing a range of potential refinancing options. In August 2020, the AA Directors subsequently announced that the AA was in discussions with a number of parties in relation to a wide range of potential refinancing options, including the possibility of raising new equity. The AA Directors also disclosed that certain parties, including members of the Consortium, were exploring the possibility of making a cash offer for the AA.

Since that time, the AA Directors and its advisers have been progressing discussions with interested parties in relation to the different refinancing options. In considering the options, the AA Directors' objectives have been to reduce indebtedness well in advance of the upcoming maturity dates and to provide the AA Group with a stable, long-term capital structure that will enhance the viability of the business. At the same time, the AA Directors have also sought to ensure that its proposed refinancing strategy is in the best interests of the AA, its shareholders and wider stakeholders.

The AA Directors have considered carefully a range of potential refinancing options, including both equity and debt, principally: debt refinancing, raising public equity and an offer combined with an injection of new equity.

Debt refinancing

The AA has £1,107 million of debt facilities that are required to be refinanced by July 2022, including a £165 million Liquidity Facility provided by lending banks that is due for renewal in June 2021, £372 million of Class A5 Notes maturing in January 2022 and £570 million of Class B2 Notes maturing in July 2022.

In addition to the Liquidity Facility, the lending banks also provide a Senior Term Facility (£200 million) and a Working Capital Facility (£60 million) that are each due for renewal in

July 2023. The renewal of the Liquidity Facility is critical as it supports the investment grade credit rating of the AA's whole business securitisation ("**WBS**") structure.

In order to achieve a refinancing of the Class A Notes and the Class B Notes, under the terms of the WBS documentation the AA requires an increase in the size of the Liquidity Facility (which is a direct function of the increasing interest costs) and an extension of its maturity. The AA recently undertook a formal tendering process to renew its Liquidity Facility and other banking facilities and held discussions with a significant number of banks including the eight existing lenders to the AA Group. The feedback from the banks was that, absent significant new equity in the business, they would not support the renewal of the current facilities. Whilst discussions with the banks are continuing, a failure to renew these facilities would create a fundamental uncertainty over the AA Group's ability to refinance the maturing Class A Notes and Class B Notes within the terms of the current WBS structure and could have material adverse consequences for the AA, AA Shareholders and wider stakeholders.

Even if these facilities were capable of being renewed, the AA Directors do not believe that the bond markets would currently be supportive of the AA due to the perceived credit risk. The AA Directors believe that the AA needs to complete the refinancing of the Class A5 Notes by April 2021, when the accounts for the year ended January 2021 are finalised, in order to satisfy its auditors with regard to the adoption of the going concern basis of accounting. The ability to market Class A Notes successfully in this period is highly likely to be negatively impacted by investor concern over the subsequent refinancing risk of the Class B2 Notes maturing in July 2022. During 2020, the yield to redemption on the AA Group's Class B2 Notes, which were issued at a coupon of 5.5 per cent., has traded as high as 30.5 per cent. and the yield to redemption at close of trading on 3 August 2020 (being the last Business Day prior to the commencement of the Offer Period) was 12.4 per cent. Given the market perception of the AA's credit worthiness as evidenced by the yield to redemption of the Class B Notes and the AA Group's current leverage of 7.3x, and having consulted their financial advisers, the AA Directors believe there is unlikely to be sufficient demand from potential debt investors to support a refinancing of the Class B Notes on terms that are commercially acceptable to the AA, absent significant new equity being raised for the business. Even if a refinancing of the forthcoming debt maturities were to be possible, the AA Directors, having consulted their financial advisers, believe that absent significant new equity any such refinancing would be at significantly higher rates than previously achieved. Based on the undisturbed trading levels of the Class A and B Notes on 3 August 2020 (being the last Business Day before the AA announced that it had received an approach that may or may not lead to an offer), the illustrative pro forma annual interest cost of servicing the AA Group's borrowings would increase by £48 million from £138 million to £186 million.⁴ This increase in cost would have amounted to 58 per cent. of the AA Group's remaining free cash flow in FY2020, before taking account of the one-off costs of refinancing.

The AA's current financing structure relies on maintaining its S&P BBB- investment grade rating. S&P has stated publicly that there is very limited headroom within the AA's rating at the current levels of debt and at the current cost of debt. In its February 2020 report (based on pre-Covid-19 financial and operating information), S&P noted that the minimum debt

⁴ Based on trading bid yields of (i) the average of the longer-dated Class A Notes (being the Class A2 Notes and the Class A8 Notes) of 5.91 per cent. and 5.74 per cent., and (ii) of Class B2 Notes of 12.39 per cent., as at 3 August 2020. Calculation based on coupon on Class A5 Notes (£372 million) increasing from 2.88 per cent. to 5.83 per cent. and Class B2 Notes (£541 million, being the principal amount not currently held by the AA) increasing from 5.50 per cent. to 12.39 per cent. Initial annualised cost based on figure pro forma for the Class A8 Notes exchange as per paragraph 3 of "Context for the Recommendation".

service coverage ratio in their base case is at the "lower end" of their acceptable range of 1.40x – 3.25x. S&P has also warned that they may lower the rating if the cash flow available for debt service does not improve in the medium term. Accordingly, the AA Directors believe that the AA has very limited headroom in its credit rating to withstand any deterioration in its financial profile and seeking to extend the current financing structure without significant new equity has a heightened risk of a ratings downgrade. The consequences of this if it were to happen would be highly negative for the AA Group, its shareholders and Class B Noteholders. Under the WBS documentation, even a one notch downgrade of the Class A Notes by S&P from BBB- to BB+ would prevent the AA from refinancing its Class B Notes within the WBS structure. This in turn would mean that any Class B Notes refinancing would have to be undertaken outside the WBS group (which would be more expensive in terms of interest cost) and could only be serviced in cash if the WBS group is able to upstream cash (which it cannot do for so long as the WBS group is overleveraged at the Class A level). It would also imply a higher interest cost for all of its subsequent debt refinancings, for as long as the business continued to be rated sub-investment grade, which would further reduce the free cash flow available to the business.

Furthermore, the AA Directors are very mindful of the importance of the AA's responsibilities to the AA pension scheme which has £2.8 billion of liabilities.⁵ The funding plan that has been agreed with the AA's pension trustees is predicated on the AA Group maintaining its current S&P rating. The AA Directors believe that a downgrade or a deterioration in its financial profile could lead to a renegotiation of these arrangements, with potential further negative consequences for the AA's free cash flow.

The AA is currently operating in a period of high market uncertainty as a result of the negative impacts of Covid-19 and Brexit on the UK economy. In addition, the recently announced FCA report into general insurance pricing practices has proposed significant changes to the way the insurance market operates. While the AA is confident that its market position and strong heritage brand will enable it to navigate these changes, considerable disruption is anticipated as the measures are implemented and there is uncertainty regarding the AA Group's future insurance volumes and margins. Continuing to expand the AA's Insurance business, as outlined above, is a key part of the AA's future strategy. The AA Directors believe that the AA has very little flexibility under its current financing structure and limited capacity to absorb any unexpected external shocks to the delivery of its business plan and the cash flow required to service its debt. Even if a debt refinancing were to be possible, the associated significant increase in interest expense and the negative impact on cash flow would further reduce the AA's financial flexibility and, in the opinion of the AA Directors, place the AA in an unacceptably high risk position.

Taking all of these factors into account, the AA Directors believe that continuing the strategy of refinancing the existing debt structure at increasing interest rates is not viable and therefore not in the best interests of the AA and its shareholders to pursue further.

Public equity raise

The AA Directors have also carefully considered the prospects for a significant public equity raise.

Since its listing in 2014, the AA has been atypical as a publicly quoted company in the UK as its leverage of total net debt to EBITDA, which has ranged between 6.7x and 7.6x, is far

⁵ As at 31 July 2020.

outside of market norms (the average leverage for FTSE 250 companies being 2.2x⁶). Having consulted their financial advisers, the AA Directors believe that the AA's high leverage and the lack of deleveraging from operations since listing materially limit the universe of stock market investors willing to invest in AA Shares. The AA Group has also suspended its dividend earlier in the year in order to conserve cash. Dividend payments to the AA Group's shareholders will not be reinstated until the AA Group's senior debt leverage ratio has been reduced to the level which allows cash to be distributed out of the WBS structure, which significantly reduces the attractiveness of the AA Group's shares to income investors. Taken together, these factors materially limit the amount of available market liquidity that the AA would be able to access in order to achieve a public equity raise.

Having consulted their financial advisers, the AA Directors believe that the amount of new equity that would be required in order to deleverage the business to an appropriate level would be highly challenging to deliver, even with significant support from the AA Group's existing large shareholders. The AA Directors believe that the appropriate level of deleveraging is the amount which would enable the AA to secure the continuing support of its lending banks for its liquidity and other facilities and be highly confident that it could refinance the Class B2 Notes at an affordable interest rate, refinance the Class A5 Notes and reduce the amount of the Class A Notes to a level which once again allows the WBS group to upstream cash to AA plc on an ongoing basis. In the opinion of the AA Directors, this would need to be at least equivalent to that being provided as a result of the Acquisition (£378 million) and possibly significantly more. An equity raise of this magnitude would likely be highly dilutive to existing shareholders and the AA Directors have taken into account indications from certain shareholders that at current price levels they would not be willing to support the necessary approvals required to deliver a rights issue or placing.

The AA Directors have also considered a range of hybrid and convertible equity options as alternatives to raising ordinary equity but having consulted their financial advisers, believe that the available market liquidity is not considered sufficient to deliver the AA's deleveraging objectives and the terms on offer are potentially significantly more expensive and dilutive to shareholders.

Even if it were possible to achieve a significant public equity raise, the AA Directors noted that shareholders would still be exposed to the delivery risk of the AA's business and deleveraging plans going forward such that there could be no guarantee that the public equity raise would deliver superior value for shareholders as compared to the terms of the Acquisition.

The Acquisition

The terms of the Acquisition provide certain cash value for shareholders now and represent a premium of approximately 40 per cent. to the Closing Price per AA Share of 25 pence on 3 August 2020 (being the last Business Day before the AA announced it had received an approach that may or may not lead to an offer). The terms of the Acquisition imply an enterprise value for the AA of 8.2x Trading EBITDA and 10.2x Trading EBITDA net of capital expenditure for the period of 12 months ended 31 January 2020.

In aggregate, Bidco has stated that it intends to invest £597 million in connection with the proposed Acquisition. The total amount intended to be invested by Bidco includes a significant injection of new equity into the AA of £378 million in order to enable the AA to

⁶ Source: FactSet as at 31 December 2019.

reduce its total indebtedness and to refinance its maturing Class A5 Notes and Class B2 Notes at a lower interest cost. The AA Directors believe that less debt with a lower overall interest cost will enable the AA to generate more cash over time and to reduce debt further in the future. The AA Directors believe that this equity injection will set the AA on a positive deleveraging trajectory for the medium term and provide greater flexibility to invest in the business and ensure a long and healthy future for the AA Group.

Having carefully considered the terms of the proposed Acquisition by Bidco, the AA Directors have concluded that the Acquisition, which offers certain cash value to the AA's Shareholders when compared with the uncertain and likely lower value that it believes would be the outcome from any alternative refinancing scenario, is the best option available to the AA and its shareholders.

The AA is one of the UK's leading iconic brands with a long and illustrious heritage. The additional equity that Bidco intends to invest in the AA also provides additional benefits, including enhanced long term security to the AA and its other stakeholders, including customers, business partners, employees, regulators, other investors and members of its pension scheme, thus enabling this leading British company to secure its future and continue to prosper.

6 Shareholder support

Bidco has received support for the Acquisition from AA Shareholders interested in a total of 96,484,690 AA Shares, representing, in aggregate, approximately 15.5 per cent. of the AA's ordinary share capital in issue on 24 November 2020 (being the last Business Day prior to the date of this announcement).

AA Directors

Bidco has received irrevocable undertakings from each of the AA Directors who hold AA Shares to vote (and in the case of their connected persons, to procure that such persons vote) in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), in respect of the AA Shares that they (and their connected persons) beneficially hold which amount in aggregate to 1,108,117 AA Shares, representing, in aggregate, approximately 0.2 per cent. of the AA issued ordinary share capital as at close of business on 24 November 2020 (being the last Business Day prior to the date of this announcement).

AA Shareholders

Bidco has also received irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), from Davidson Kempner in respect of a total of 19,647,671 AA Shares representing, in aggregate, approximately 3.2 per cent. of the AA issued ordinary share capital as at close of business on 24 November 2020 (being the last Business Day prior to the date of this announcement).

Bidco has received a non-binding letter of intent from Davidson Kempner to close out certain derivatives in which it is interested in respect of a total of 75,728,902 AA Shares representing, in aggregate, approximately 12.1 per cent. of the AA's issued ordinary share capital on 24 November 2020 (being the last Business Day prior to the date of this announcement).

announcement) and to seek to acquire an equal number of AA Shares and, if Davidson Kempner acquires any AA Shares as a result thereof, to provide an irrevocable undertaking to vote in favour of the Scheme (or accept a Takeover Offer) in the same form as the irrevocable already given by it.

Further details of these irrevocable undertakings (including the circumstances in which they may lapse) and letter of intent are set out in Appendix III to this announcement.

7 Strategy, AA Directors, management, employees, and research and development and locations

Bidco's strategic plans for the AA

Bidco believes that the AA represents an attractive long-term investment opportunity and is confident in the overall prospects of the AA's business and the sector in which it operates. Bidco has worked closely with the AA management to understand the key areas of their strategy and plans for the business, and is excited to support the AA's management team to grow the long-term value of the business for all stakeholders.

Bidco believes that in order to fulfil its potential, the AA requires a significant rebalancing of its capital structure towards a level of financial leverage that is sustainable in the long-term, allowing the business to support its future growth and development plans. Bidco's intentions regarding a significant cash equity injection and refinancing of the AA are outlined in further detail below. In addition, Bidco believes the AA will be better suited to a private company environment where initiatives relating to the performance and development of its businesses can be implemented effectively, with a longer term horizon, together with appropriate operational support and assistance from Bidco, and without the costs associated with being a listed company.

Prior to this announcement, Bidco has been granted access to the AA's senior management for the purposes of due diligence. However, because of the nature of a public offer process, the restrictions on physical meetings caused by Covid-19 and the evolving market and regulatory environment in which the AA operates, it was not possible for the AA to provide Bidco with sufficient access or detailed information at a business unit or key function level to enable Bidco to complete detailed plans or intentions regarding the impact of the Acquisition on the AA Group, its business, operations or employees. Furthermore, the impact of Covid-19 on the wider UK economy, and the continued uncertainty it has created for many UK businesses, including the AA's, has meant that, until there is further clarity on when national and regional lockdowns and other restrictions will end, finalising Bidco's strategic plans for the AA will need to take place over a longer time period than would otherwise have been the case

Therefore, Bidco intends to work with the AA's management to complete its full evaluation of the AA Group. While the parameters of the review have not yet been finalised, Bidco expects that it will involve a thorough evaluation of the strategy, operations and organisational structure of the AA, considering both the short-term and long-term objectives of the business. This evaluation, which is expected to last up to 12 months after the Scheme has become Effective, will focus on:

- Reviewing the strategy of the AA Group and each of the AA's business units, their markets, customers and product offerings, particularly in light of an evolving regulatory landscape in which the AA operates

- Identifying existing and new growth and development opportunities to drive additional profitable growth for the AA;
- A full evaluation of the ongoing digital and technological transformation of the AA business, and the significant technology platform migrations that the AA management have been pursuing over the past few years; and
- Considering initiatives across the AA's different business units to optimise operational efficiency, cash flow generation and return on capital invested.

Employees and Management

Bidco attaches great importance and value to the skills, experience and deep commitment of the existing management and employees of the AA, and believes that they will be a key factor in maximising the long-term success of the AA.

As part of the comprehensive evaluation referred to above, Bidco will be carrying out an assessment of potential alterations to the AA's executive management and its organisational structure. This review may lead to changes in the composition and/or functions of central, business unit or local management (including, potentially, the removal of overlaps); it will also focus on possible cost efficiencies across the whole of the AA's business, in particular those that could be enabled by the AA's ongoing digital and technological transformation. In order to provide support and assistance to the AA in the performance and development of its strategy, Bidco expects to involve individuals from its network of operating partners to provide additional operational experience at a senior level.

Furthermore, once the AA ceases to be a listed company, a limited number of central corporate and support functions, including PLC-related functions, may be reduced in scope or become unnecessary. Bidco has not yet developed proposals as to how any such headcount reductions will be implemented but intends to work with the AA's management to identify how individuals in affected roles may be reassigned to other appropriate roles within the AA prior to or with effect from the Scheme becoming Effective. Bidco intends to support any steps taken by the AA management to reassign individuals in this way, and confirms that the intention is for any individuals impacted to be treated in a manner consistent with the AA's high standards and culture and that Bidco will observe the AA's existing redundancy practices and policies including undertaking appropriate consultation with affected employees.

Save as set out above, Bidco has not made any decisions in relation to any specific actions that may be taken as a result of its evaluation. Bidco therefore cannot be certain what impact there will be on the employment of the management and employees of the AA. However, Bidco does not currently envisage any material change to the overall business model and strategy of the AA, including its current geographic focus and the means by which the AA provides services to its customers, nor does Bidco currently anticipate any disposals of material business units of the AA. Bidco therefore does not expect its post Acquisition evaluation to result in material headcount reductions at the AA.

The non-executive directors of the AA intend to resign as directors of the AA with effect from the Scheme becoming Effective.

Following the Scheme becoming Effective, Bidco intends to review the management, governance and incentive structure of the AA. Bidco has not entered into, and has not had any discussions on, any form of incentivisation or other arrangements with members of the

AA's management. It is the intention of Bidco to put in place appropriate arrangements for the management of the AA following the Scheme becoming Effective.

Bidco intends to fully safeguard the existing employment rights of the management and employees of the AA, including regarding pensions, in accordance with applicable law and, save as set out above, does not envisage any material change in the conditions of employment of the management and employees of the AA or in the balance of their skills and functions.

Pensions

The AA operates two funded defined benefit pension schemes: the AA Pension Scheme (**AA UK**) and the AA Ireland Pension Scheme (**AA I**). The AA UK scheme has a closed final salary and a Career Average Revalued Earnings (**CARE**) section which was closed from 1 April 2020 following consultation with affected employees. The Group also operates an unfunded post-retirement Private Medical Plan ("**AA PMP**"), which is treated as a defined benefit scheme and is not open to new entrants.

Bidco recognises the critical importance of AA UK and has held constructive discussions with the trustee of AA UK (the "**Trustee**") in relation to the impact of the Offer on AA UK and Topco has agreed a memorandum of understanding (the "**Memorandum of Understanding**") with the Trustee, dated 24 November 2020. Under the terms of the Memorandum of Understanding (and subject to the Trustee completing its confirmatory due diligence), for a period of 5 years from date of signing:

- except where pre-agreed circumstances apply, there will be no changes to the current contributions payable during the 5 year period to AA UK under existing schedules of contributions entered into pursuant to Part 3 of the Pensions Act 2004 which includes as part of AA UK's next actuarial valuation (expected as at 31 March 2022). If these pre-agreed circumstances apply, there will be good faith discussions and agreement about any further cash contributions required beyond the 5 year term;
- in the absence of a material adverse event or a request, the Trustee will not bring forward the AA UK's next actuarial valuation (expected to be as at 31 March 2022);
- except where there has been a material adverse change in circumstances or pre-agreed excepted circumstances apply, agreed actuarial assumptions will be used for AA UK's next actuarial valuation;
- if any changes are required to the actuarial assumptions, these will not, where possible, overall increase the AA UK's "technical provisions" and if required to increase by law, the Trustee will work in good faith and collaboratively with AA UK's Principal Employer to seek its agreement to revising the technical provisions appropriately;
- it is confirmed that there are no current plans to remove the current Trustee nor any of its directors nor an intention to direct the Principal Employer to do this and that the current chair of the Trustee will remain in place until at least completion of AA UK's next actuarial valuation (the expected effective date of which is 31 March 2022);
- the Trustee confirms its willingness to engage, in good faith, with Topco or the AA on any future pensions proposals initiated by them;

- certain assurances are given to the Trustee concerning the AA Group's indebtedness and future payments dividends and monitoring fees;
- the Trustee will consult in good faith with the AA before making any changes to AA UK's factors from those currently used; and
- all parties agree to information sharing provisions.

Headquarters, Locations, Fixed Assets and Research and Development

Following the Scheme becoming Effective, Bidco intends that the AA will continue to operate as a standalone group.

Bidco does not intend to make any material restructurings or changes in location of the AA's headquarters and headquarter functions, save as described above in this paragraph 7, and intends to maintain such headquarters in the UK.

Save as described above, Bidco has no intention to redeploy the fixed assets of the AA and, to Bidco's knowledge, the AA has no research and development function.

Trading Facilities

The AA is currently listed on the Official List and it is intended that a request shall be made to the London Stock Exchange to cancel trading in AA Shares and the Financial Conduct Authority to cancel the listing of the AA Shares from the Official List and re-register it as a private company. This would both save the costs incurred with the listing and give the AA the additional flexibility to make more significant changes to its strategy, financing and structure.

Refinancing

Bidco intends that a total amount of £378 million be deployed to (i) support a refinancing of £541 million of the existing £570 million of Class B2 Notes maturing in July 2022 (as part of which the £29 million of Class B2 Notes held by the AA shall be surrendered to AA Bond Co Limited for cancellation, with the result that all the Class B2 Notes shall be redeemed or cancelled) and £372 million Class A5 Notes maturing in January 2022; and (ii) together with the existing resources of the AA Group, fund costs associated with the intended refinancings as well as Bidco's Acquisition costs.

- Bidco intends following the Effective Date to deploy £261 million to support the redemption of £541 million of the Class B2 Notes on or after the Effective Date.
- To support the redemption of the Class B2 Notes, subject to market conditions and with the support of Bidco, AA Bond Co Limited intends to issue £280 million of new secured notes (the "Class B3 Notes") following the date of the AA Shareholder meetings in connection with the Acquisition (with the proceeds to be held in escrow, if applicable, until the calling of the Class B2 Notes or, if the Scheme does not become Effective, repaid to the holders of the Class B3 Notes).
- Should it not be possible to issue the Class B3 Notes prior to the time when the Class B2 Notes may have to be repurchased pursuant to a change of control tender following the Effective Date, Bidco (or a subsidiary) intends to use a £280 million bridge facility, together with the £261 million of cash, to redeem the Class B2 Notes in full (taking account of the surrender and cancellation of £29 million of the Class B2 Notes referred to above).

- Between the Effective Date and January 2022, Bidco intends to deploy the remaining £100 million of cash to be used, together with the issue by AA Bond Co Limited of at least £272 million in new investment grade senior secured notes (the "Class A9 Notes"), to redeem in full the £372 million of Class A5 Notes maturing in January 2022 and (if applicable) any backstop facility contemplated in the paragraph below.

Bidco also intends following the Effective Date, to repay, refinance or replace all or part of the Senior Term Facility and the Working Capital Facility through a combination of:

- the AA's existing cash resources and new cash equity; and
- a new senior term facility and/or a new working capital facility (as applicable). Bidco has already secured commitments from certain banks and financial institutions for backstop facilities for such facilities.

Accordingly, through a combination of the consideration available to AA Shareholders and the £378 million described above, Bidco intends to deploy an aggregate £597 million in support of the Acquisition.

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

8 Information on TowerBrook and Warburg Pincus

TowerBrook

TowerBrook is an investment management firm with in excess of \$13.7 billion under management and a history of creating value for investors. The firm is co-headquartered in London and New York and focuses on making investments in companies headquartered in Europe and North America. TowerBrook's private equity strategy primarily pursues control-oriented investments in large and mid-market companies, principally on a proprietary basis and often in situations characterised by complexity. TowerBrook's structured opportunities strategy allows access to a broad array of opportunities, principally via structured asset and structured equity investments, enabling investment companies to access funding and expertise to support growth without ceding control. TowerBrook is a certified B Corporation. B Corporation certification is administered by the non-profit B Lab organisation and is awarded to companies that demonstrate leadership in their commitment to environmental, social and governance (ESG) standards and responsible business practices.

TowerBrook has a long and successful history of investing in respected UK businesses and supporting their growth strategies. Notable UK investments include Jimmy Choo and Phase Eight, where TowerBrook oversaw significant revenue growth and sustained improvements in profitability. More recently the firm acquired Azzurri Group, enabling the business to weather the Covid-19 crisis and preserve employment. TowerBrook also has extensive experience in the insurance, financial services, and related industries, with flagship investments including Orchid Insurance, WellCare, Ironshore and HayFin, among others.

Warburg Pincus

Warburg Pincus is a leading global private equity firm focused on growth investing. Founded in 1966, the firm established its European headquarters in London over 30 years ago and has invested in excess of \$12 billion in over 100 European companies.

Warburg Pincus is an experienced partner to management teams seeking to build durable companies with sustainable value. The firm has a successful track record of investing in

sectors that are relevant to the AA's current business and future growth opportunities, including financial services, technology and business services. Within financial services, the team has experience across a diverse set of insurance businesses, from motor insurance, personal and commercial lines brokerage to life insurance. Notable investments include Arch Capital, Renaissance Re, ICICI Lombard, and Primerica Inc. In the business services and technology practices, the firm has significant expertise investing in the B2C auto-tech, logistics and tech-enabled mobility sectors.

Warburg Pincus also has a long-standing track record of investing in the UK. Recent investments in the UK include Inmarsat, the world leader in global mobile satellite communications, Tilney Smith & Williamson, a leading wealth management firm, McGill & Partners, a specialty insurance broker, Community Fibre, a Fibre-to-the-Home broadband provider, and Inspired Education, a global premium schools group.

Founded in 1966 and headquartered in New York, Warburg Pincus has raised 22 funds which have invested more than \$90 billion in over 940 companies in more than 40 countries. The firm has more than \$58 billion in private equity assets under management and an active portfolio of more than 190 companies, highly diversified by stage, sector and geography.

ConsortiumCo

ConsortiumCo is a newly formed joint venture company formed for the purpose of implementing the Acquisition under the laws of Jersey, which is owned in equal shares by: (i) funds advised by TowerBrook or its affiliates (the "**TowerBrook Funds**"); and (ii) funds managed by Warburg Pincus LLC or its affiliates (the "**Warburg Pincus Funds**" and, together the "**Consortium**"). ConsortiumCo has not traded prior to the date of this announcement nor has it entered into any obligation other than in connection with the Acquisition.

Topco

Topco is a newly formed company, which is wholly owned by ConsortiumCo. Topco has not traded prior to the date of this announcement nor has it entered into any obligation other than in connection with the Acquisition.

Bidco

Bidco is a newly formed company, which is indirectly wholly owned by ConsortiumCo. Bidco has not traded prior to the date of this announcement nor has it entered into any obligation other than in connection with the Acquisition.

9 Information on the AA

The AA is one of the leading roadside assistance providers in the UK, servicing a large portion of the consumer segment, the manufacturer segment, and the UK's largest fleet and leasing companies. During the 12 months ended 31 January 2020, the AA responded to an average of approximately 9,400 breakdowns a day. With more than 115 years of operating history, the AA is one of the most widely recognised and trusted brands in the UK. In addition, the AA has effectively used this brand to become a successful provider of insurance broking services and driving services. The AA's insurance services segment includes an insurance broker business that operates a panel of motor and home policy distribution. Additionally, the AA formed an in-house underwriter in January 2016 which is a member of its panel. The Insurance Services segment also includes the AA's Financial Services partnership with the Bank of Ireland.

For the 12 months ended 31 January 2020, the AA Group's revenues were £995 million (2019: £979 million) and it generated Trading EBITDA of £350 million (2019: £341 million). For the 6 months ended 31 July 2020, the AA Group's revenues were £478 million (2019: £491 million) and it generated Trading EBITDA of £173 million (2019: £165 million).

10 AA Share Plans

Participants in the AA Share Plans will receive a separate communication explaining the effect of the Scheme on their rights under these plans and, where relevant, providing further details concerning the proposals which will be made to them in due course. Details of the impact of the Scheme on each of the AA Share Plans and the proposals will be set out in the Scheme Document.

11 The Alternative Offer

Under the Alternative Offer, eligible AA Shareholders may elect, in respect of all (but not some only) of their AA Shares, to receive the following Topco Units (to be issued pursuant to the Roll-over Mechanic) in lieu of the Cash Offer to which they are otherwise entitled:

for each AA Share: 1.0 Topco Unit (comprising 0.3181818182 Topco B Ordinary Shares and 2.8636363636 Topco B Preference Shares)

The fractional entitlements of each AA Shareholder to Topco B Ordinary Shares and Topco B Preference Shares under the Alternative Offer will be rounded down to the nearest whole number of Topco B Ordinary Shares and Topco B Preference Shares per AA Shareholder. Fractional entitlements to Topco B Ordinary Shares and Topco B Preference Shares will not be allotted or issued to such AA Shareholder but will be disregarded.

Accordingly, if an AA Shareholder with 1,000 AA Shares validly elects to accept the Alternative Offer, it would be entitled to receive 318 Topco B Ordinary Shares and 2,863 Topco B Preference Shares.

The maximum number of Topco Units available to the AA Shareholders under the Alternative Offer will be limited to sixteen (16) per cent. of the Topco Offer Shares (as defined in paragraph 12 below) (the "**Alternative Offer Maximum**").

If elections are validly received from eligible AA Shareholders in respect of a number of AA Shares that would require the issue of Topco Units exceeding the Alternative Offer Maximum, such elections will be unable to be satisfied in full. In these circumstances the number of Topco Units to be issued in respect of each AA Share will be rounded down on a pro rata basis, and the balance of the consideration for each AA Share will be paid in cash in accordance with the terms of the Cash Offer.

The availability of the Alternative Offer is conditional upon valid elections being made for such number of Topco Units as represent at least 10 per cent. of the Topco Offer Shares (as defined in paragraph 12 below), failing which it will lapse. In these circumstances, no Topco Units will be issued and the consideration payable in respect of each AA Share will be settled entirely in cash in accordance with the terms of the Cash Offer.

The Alternative Offer is not being offered, sold or delivered, directly or indirectly, in or into any Restricted Jurisdiction and individual acceptances of the Alternative Offer

will only be valid if all regulatory approvals required by an AA Shareholder to acquire the Topco Units have been obtained.

The issue of any Topco Units pursuant to the Alternative Offer will be in accordance with the Roll-over Mechanic (details of which are set out in paragraph 16 below) and subject to the Conditions and further terms set out in Appendix IV to this announcement and to be set out in the Scheme Document. Further details of the Topco Group and the rights of the Topco Units are set out in paragraph 12 and in Appendix IV.

For the purposes of Rule 24.11 of the Takeover Code, Credit Suisse and/or Goldman Sachs, as financial advisers to the Consortium and Bidco, will provide an estimate of the value of a Topco Unit, together with the assumptions, qualifications and caveats forming the basis of its estimate of value, in a letter to be included in the Scheme Document.

AA Shareholders who do not validly elect for the Alternative Offer will automatically receive the full amount of the Cash Offer for their entire holding of AA Shares.

12 The Topco Group, the Topco Units and the Additional Capital Raise

Topco Share Capital as a result of the Acquisition

On or around completion of the Acquisition, Topco will issue 199,503,099 Topco Ordinary Shares and 1,795,527,889 Topco Preference Shares (the "**Topco Offer Shares**"). If the Alternative Offer (including any Topco A Ordinary Shares or Topco B Ordinary Shares already in issue) were taken up in full by eligible AA Shareholders, and assuming the level of issues of AA Shares pursuant to the Employee Share Incentive Plan prior to the Effective Date were consistent with the calculation set out in Appendix II to this announcement, Topco would issue around:

- (i) 167,582,603 Topco A Ordinary Shares and 1,508,243,427 Topco A Preference Shares to ConsortiumCo to fund the cash consideration payable in respect of the Acquisition; and
- (ii) 31,920,496 Topco B Ordinary Shares and 287,284,462 Topco B Preference Shares to those AA Shareholders who validly accept the Alternative Offer,

and, if the Alternative Offer were accepted in respect of less than the maximum entitlement to the Alternative Offer described above, the number of Topco B Shares would be reduced and the number of Topco A Shares increased accordingly.

Additional Capital Raise by Topco

It is intended that, around the Effective Date, Topco will issue around a further 252,727,273 Topco Ordinary Shares and 2,274,545,455 Topco Preference Shares (the "**Additional Capital Raise**"). This is intended to raise up to £278 million in order to provide the Topco Group with the financing necessary to start implementing its proposed Refinancing, further details of which are set out in paragraph 7 of this announcement, and to fund costs and expenses incurred in connection with the Acquisition and such Refinancing. Topco B Ordinary Shares and Topco B Preference Shares acquired by AA Shareholders as a result of accepting the Alternative Offer will be entitled to customary pre-emption rights or catch-up rights in relation to the Additional Capital Raise, further details of which are set out in Appendix IV.

If all such subscriptions for Topco shares were to be made (and eligible AA Shareholders elected to accept in full their entitlement under the Alternative Offer and the Additional Capital

Raise), and assuming the level of issues of AA Shares pursuant to the Employee Share Incentive Plan prior to the Effective Date were consistent with the calculation set out in Appendix II to this announcement, Topco would have a total issued share capital after the Additional Capital Raise of around:

- (i) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (ii) 72,356,859 Topco B Ordinary Shares and 651,211,735 Topco B Preference Shares to be held by the former AA Shareholders.

In addition, as described in paragraph 7 above, Topco intends to issue further securities in the period following the Effective Date.

AA Shareholders who wish to accept the Alternative Offer should note that their percentage ownership of Topco would therefore be significantly reduced if they did not provide the cash funds required to accept their entitlement pursuant to the Additional Capital Raise or any further issue of securities by Topco in the period following the Effective Date.

Terms of Issue of Topco Securities

The Topco B Ordinary Shares and Topco B Preference Shares to be issued to eligible AA Shareholders who elect for the Alternative Offer in accordance with the Roll-over Mechanic will be issued credited as fully paid and will rank economically pari passu with the Topco A Ordinary Shares and Topco A Preference Shares respectively being issued to ConsortiumCo pursuant to the Acquisition as described above, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling on or after the date of this announcement.

Any Topco Securities to be issued to the Consortium for cash within three months after completion of the Acquisition (including in relation to the Additional Capital Raise) will be issued at a subscription price which is equal to the subscription price at which Topco Units will be issued pursuant to the Alternative Offer, assuming the value of the Alternative Offer were equal in aggregate to the Cash Offer, (and after adjusting for the price at which shares were issued by Topco to ConsortiumCo on incorporation).

Following three months after the Effective Date, securities issues in which Topco B Shareholders are entitled to participate will be issued at a price equal to the Topco Board's bona fide opinion of the market value of such securities, with the Topco A Shares and Topco B Shares being valued on a consistent basis for this purpose.

13 Risk factors and other investment considerations

Eligible AA Shareholders who elect for the Alternative Offer will, pursuant to a power of attorney to be included in the Form of Election and/or the Scheme, deliver a fully executed deed of adherence pursuant to which they will be bound by the Topco Shareholders' Agreement. A summary of the key rights of the Topco Units are set out in Appendix IV.

In addition, the attention of eligible AA Shareholders who may be considering electing for the Alternative Offer is drawn to certain risk factors and other investment considerations relevant to such an election. These will be set out in full in the Scheme Document and include, inter alia, the following:

- Upon the Scheme becoming Effective, the Topco Group will be controlled by the Consortium and holders of the Topco Units, which do not carry any general voting rights at general meetings of Topco except in respect of a very limited number of reserved matters, and will therefore have no influence over decisions made by Topco in relation to its investment in the AA or in any other business.
- The Topco Units are unquoted and there is no current expectation that they will be listed or admitted to trading on any exchange or market for the trading of securities, and will therefore be illiquid.
- The Topco Units do not carry general attendance or voting rights at any general meeting of Topco.
- The Topco Units will have very limited transfer rights. They will not be transferable during the Lock-up Period (save in very limited circumstances such as in accordance with customary drag-along or tag-along provisions or otherwise with the prior consent of the Consortium). Following the Lock-up Period, a Topco B Shareholder shall be entitled to transfer its Topco Securities (provided that any such transfer is for all (but not part) of the Topco Securities held by such Topco B Shareholder and any of its associates to whom Topco Securities have been transferred in the limited permitted circumstances, but shall not include any Topco Securities held by any of its associates to the extent not held as a result of any such transfer), subject to a right of first refusal on the part of the Consortium and to certain other restrictions in respect of the identity of the proposed transferee.
- The value of the Topco Units will be uncertain and there can be no assurance that any such securities will be capable of being sold in the future or that they will be capable of being sold at the value to be estimated by Credit Suisse and/or Goldman Sachs in the Scheme Document.
- Payments in respect of Topco Units will not be guaranteed or secured and, for so long as the Topco Group has any secured debt outstanding, it is not anticipated that Topco will declare or pay any dividends on any of the Topco Units.
- Further issues of securities by the Topco Group are intended to occur in addition to the Additional Capital Raise, including those described in paragraph 7 above, (although there can be no guarantee that this will occur).
 - Such further issues will generally be subject to pre-emption rights, provided that the Consortium shall have the right for the Additional Capital Raise and any capital raise made on an urgent basis to be made solely to the Consortium and for the Topco B Shareholders to then have customary pro rata catch up rights.
 - In relation to those further issues of securities, if holders of Topco Securities wish to avoid their percentage interest in Topco being reduced by any such issue, they will need to invest further cash sums in the Topco Group. In particular, Topco B Shareholders who do not elect to exercise their pre-emption rights or catch up rights by investing the necessary cash sums in respect of the Additional Capital Raise will suffer significant dilution in their percentage ownership very shortly following the Effective Date.
- The right of holders of Topco Units to participate in future issues of securities by the Topco Group will also be subject to other important exceptions. For example, holders

of Topco Units will not be entitled to participate in any issues of securities to actual or potential employees, directors, officers or consultants of the Topco Group (whether of the same or different classes to the Topco Units).

- If the Consortium introduces one or more management incentive plans for actual or potential employees, directors, officers and consultants of the Topco Group after the Effective Date that provide participants with an interest in securities in the Topco Group, such issue(s) could potentially significantly dilute the Topco Units. In addition, the Topco Group may not receive material cash sums on the issue of any such securities and the returns on any such securities may potentially be structured to increase their proportionate interest in the value of the Topco Group as it increases in value (whether pursuant to a ratchet mechanism or otherwise).
- Similarly, holders of Topco Units will not be entitled to participate in issues of securities by the Topco Group in certain other cases, including in consideration for, or in connection with, its acquisition of other assets, companies or all or part of any other businesses or undertakings.
- The precise numbers of securities that may be issued by the Topco Group from time to time cannot be ascertained at the date of this announcement and will depend on a variety of factors including those described above.

Further details on the Topco Group and the principal rights of the Topco Units are set out in Appendix IV and will be summarised in the Scheme Document.

14 Financing

The cash consideration payable under the Acquisition is being financed by a combination of funds to be invested indirectly in equal parts by the Warburg Pincus Funds and the TowerBrook Funds. In connection with their financing of Bidco, the Warburg Pincus Funds and the TowerBrook Funds have each entered into an Equity Commitment Letter.

Credit Suisse and Goldman Sachs, financial advisers to the Consortium and Bidco, are satisfied that sufficient resources are available to Bidco to enable it to satisfy, in full, the cash consideration payable to AA Shareholders under the terms of the Acquisition.

Details of the Refinancing of the AA Group which is intended to occur after the Effective Date are set in paragraph 7 above. Further details will be set out in the Scheme Document.

Bidco has agreed with Credit Suisse International and Goldman Sachs International that in the event of a switch to a Takeover Offer, it will not reduce the acceptance condition to below 75 per cent. without their prior approval.

15 Offer-related arrangements

Confidentiality Agreements

The AA entered into a confidentiality agreement with:

- (i) TowerBrook on 23 June 2020 (as amended pursuant to addenda entered into on 30 July 2020, 31 August 2020 and 11 November 2020 (the "**TCP Confidentiality Agreement**")); and
- (ii) Warburg Pincus International LLC on 25 June 2020 (as amended pursuant to addenda entered into on 18 July 2020, 31 August 2020 and 11 November 2020

respectively) (the "**WP Confidentiality Agreement**" and together with the TCP Confidentiality Agreement, the "**Confidentiality Agreements**),

pursuant to which each party has undertaken to (i) keep confidential information relating to, inter alia, the Acquisition and to the other party confidential and not to disclose it to third parties (other than certain permitted parties) other than as required by law or regulation; and (ii) use the confidential information only for the purposes of the Acquisition.

The confidentiality obligations contained in the Confidentiality Agreements shall remain in force for a period of 24 months from the date of the relevant Confidentiality Agreement. The Confidentiality Agreements also contain certain standstill undertakings (which do not apply to debt securities) all of which ceased to apply upon the release of this announcement.

The Confidentiality Agreements also include customary non-solicitation obligations on Warburg Pincus International LLC and TowerBrook (as applicable), and in each case certain of their authorised recipients under their respective Confidentiality Agreements.

Co-operation Agreement

The AA and Bidco have entered into the Co-operation Agreement, pursuant to which, among other things: (i) the AA and Bidco have agreed to certain undertakings to co-operate to ensure the satisfaction of the regulatory conditions to which the Acquisition is subject as soon as practicable; (ii) Bidco has agreed to provide the AA with certain information for the purposes of the Scheme Document and to otherwise assist with the preparation of the Scheme Document; (iii) Bidco has agreed to certain provisions if the Scheme should switch to a Takeover Offer; and (iv) the AA and Bidco have agreed certain arrangements in respect of the AA Share Plans.

The Co-operation Agreement will terminate in a number of customary circumstances, including if:

- (i) the Scheme is not approved by the requisite majority of Scheme Shareholders at the Court Meeting or if the necessary resolutions are not passed by the requisite majority of AA Shareholders at the General Meeting or if the Court refuses to sanction the Scheme (unless Bidco exercises its right to effect the Acquisition by way of a Takeover Offer);
- (ii) the Acquisition lapses, terminates or is withdrawn in accordance with its terms on or prior to the Long Stop Date (other than where such lapse or withdrawal: (a) is as a result of the exercise of Bidco's right to effect the Acquisition by way of a Takeover Offer; or (b) it is otherwise followed within five Business Days by an announcement under Rule 2.7 of the Takeover Code made by Bidco or a person acting in concert with Bidco to implement the Acquisition by way of a different offer or scheme on substantially the same or improved terms);
- (iii) the Effective Date has not occurred by the Long Stop Date (unless otherwise agreed by the parties in writing); or
- (iv) upon notice by Bidco where: (a) any Condition which has not been waived, or any Condition incapable of waiver, is (or has become) incapable of satisfaction (where such invocation has also been permitted by the Panel), (b) the Court Meeting or General Meeting is not held by the 30th day subject to ongoing discussions between banks after the expected date of each such meeting as set out in the Scheme Document, or the Court Hearing is not held by the 22nd day after the expected date

of such hearing as set out in the Scheme Document (or such later date (if any) as may be agreed between Bidco and the AA, and, if required, the Court may allow) (unless the Acquisition is being implemented by way of a Takeover Offer); or (c) the AA Directors otherwise withdraw, adversely modify or adversely qualify their recommendation.

16 Structure of and Conditions to the Acquisition

Structure and Roll-over Mechanic

It is intended that the Acquisition shall be effected by means of a Court-approved scheme of arrangement between the AA and the Scheme Shareholders under Part 26 of the Companies Act.

The purpose of the Scheme is to provide for Bidco to become the holder of the entire issued and to be issued ordinary share capital of the AA. This is to be achieved:

- (i) under the Cash Offer by the transfer of the Scheme Shares to Bidco, in consideration for which the Scheme Shareholders shall receive the cash consideration due under the Cash Offer on the basis set out in paragraph 2 of this announcement; and
- (ii) in respect of those Scheme Shareholders that elect for the Alternative Offer, through the receipt of Topco Units in exchange for the Scheme Shares of the relevant eligible Scheme Shareholder pursuant to the Roll-over Mechanic set out in this paragraph,

in each case to be effected pursuant to the Scheme.

Eligible AA Shareholders that elect for the Alternative Offer shall receive their Topco Securities pursuant to a roll-over mechanic in the Scheme whereby on or shortly following the Effective Date all of the AA Shares of the relevant electing AA Shareholders will be exchanged for shares or loan notes to be issued by Bidco which will then be exchanged, directly or indirectly, for the relevant number of Topco Units that eligible AA Shareholders are entitled to in accordance with the Alternative Offer (the "**Roll-over Mechanic**").

Conditions to the Acquisition

The Acquisition shall be subject to the Conditions and further terms set out below and in Appendix I to this announcement and to be set out in the Scheme Document and shall only become Effective, if, among other things, the following events occur on or before the Long Stop Date or such later date as may be agreed by Bidco and the AA (with the Panel's consent and as the Court may approve (if such approval(s) are required)):

- (i) the approval of the Scheme by a majority in number of the Scheme Shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent at least 75 per cent. in value of the Scheme Shares voted by those Scheme Shareholders;
- (ii) the resolutions required to approve and implement the Scheme being duly passed by AA Shareholders representing at least 75 per cent. of votes cast at the General Meeting (or any adjournment thereof);
- (iii) the approval of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to the AA and Bidco);
- (iv) the delivery of a copy of the Court Order to the Registrar of Companies;

- (v) approval being received from the Financial Conduct Authority in respect of the change in control of certain regulated entities within the AA Group (or it otherwise being regarded under FSMA as having approved the same) either unconditionally or on terms acceptable to the relevant controllers;
- (vi) approval being received from the GFSC in respect of the change in control of a regulated entity within the AA Group (or it otherwise being regarded under applicable Gibraltar laws of as having approved the same) either unconditionally or on terms acceptable to the relevant controllers;
- (vii) the receipt or waiver of the China Antitrust Clearance, the EU Antitrust Clearance and the UK Antitrust Clearance, and the satisfaction or waiver of the National Security and Investment Condition; and
- (viii) no member of the AA Group having incurred, increased or refinanced any material indebtedness (including without limitation the Class B2 Notes and/or the Class A5 Notes) without the prior written approval of the material terms by Bidco.

The Scheme shall lapse if:

- (i) the Court Meeting and the General Meeting are not held on or before the 30th day after the expected date of such Court Meeting and General Meeting to be set out in the Scheme Document in due course (or such later date (if any) as may be agreed between Bidco and the AA, and, if required, the Court may allow);
- (ii) the Court Hearing is not held on or before the 22nd day after the expected date of the Court Hearing to be set out in the Scheme Document in due course (or such later date (if any) as may be agreed by Bidco and the AA and, if required, the Court may allow); or
- (iii) the Scheme does not become Effective by the Long Stop Date,

provided, however, that the deadlines for the timing of the Court Meeting, the General Meeting and the Court Hearing as set out above may be waived by Bidco, and the deadline for the Scheme to become Effective may be extended by agreement between the AA and Bidco.

Upon the Scheme becoming Effective, (i) it shall be binding on all AA Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting and, if they attended and voted, whether or not they voted in favour of or against the resolutions proposed at those meetings; and (ii) share certificates in respect of AA Shares will cease to be valid and entitlements to AA Shares held within the CREST system will be cancelled.

Further details of the Scheme, including the indicative timetable for its implementation, will be set out in the Scheme Document which is expected to be despatched to AA Shareholders as soon as reasonably practicable, and in any event within 28 days of the date of this announcement (unless the Panel consents to a later date). The Court Meeting and the General Meeting are expected to be held in January 2021.

Right to switch to a Takeover Offer

Bidco reserves the right, in accordance with the Co-operation Agreement and subject to the prior consent of the Panel, to elect to implement the Acquisition by way of a Takeover Offer for the AA Shares as an alternative to the Scheme. In such event, such Takeover Offer will

(unless otherwise consented to by the AA or required by the Panel) be implemented on the same terms and conditions (subject to appropriate amendments, including an acceptance condition set at 75 per cent. of the AA Shares to which the Takeover Offer relates (or such lesser percentage, being more than 50 per cent., as Bidco may decide, of the voting rights then exercisable at a general meeting of the AA)) as those which would apply to the Scheme.

17 De-listing and re-registration

Prior to the Scheme becoming Effective, the AA shall make an application for the cancellation of trading of the AA Shares on the Main Market of the London Stock Exchange for listed securities and for the cancellation of the listing of AA Shares on the Official List. The last day of dealings in AA Shares on the Main Market of the London Stock Exchange is expected to be the Business Day immediately prior to the Effective Date.

On the Effective Date, share certificates in respect of AA Shares shall cease to be valid and entitlements to AA Shares held within the CREST system shall be cancelled.

Bidco intends, following the Effective Date, to re-register the AA as a private company under the relevant provisions of the Companies Act.

18 Dividends

If any dividend and/or other distribution and/or other return of capital is proposed, announced, authorised, declared, made, paid or becomes payable by the AA in respect of AA Shares on or after the date of this announcement and before the Scheme becomes Effective, Bidco reserves the right to reduce the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer, assuming that the Alternative Offer were to equal the Cash Offer) by an amount equal to the aggregate amount of such dividend and/or other distribution and/or other return of capital, as applicable, in which case the relevant eligible AA Shareholders will be entitled to receive and retain such dividend and/or distribution.

If any such dividend, other distribution or other return of capital is paid or made by the AA after the date of this announcement and Bidco exercises its rights described above, any reference in this announcement to the Cash Offer (or consideration due under the Alternative Offer) payable under the Scheme shall be deemed to be a reference to the consideration as so reduced. Any exercise by Bidco 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.

19 Disclosure of Interests in the AA

Save in respect of the irrevocable undertakings referred to in paragraph 6 above, as at the close of business on 24 November 2020 (the Business Day prior to the date of this announcement) neither Bidco, nor any of its directors, nor, so far as Bidco is aware, any person acting in concert (within the meaning of the Takeover Code) with it has (i) any interest in or right to subscribe for any relevant securities of the AA; (ii) any short positions in respect of relevant AA Shares (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 obligation or right to require another person to purchase or take delivery; (iii) any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Takeover Code, in relation to AA Shares or in relation to any securities convertible or

exchangeable into AA Shares; nor (iv) borrowed or lent any relevant AA Shares (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which had been either on-lent or sold.

'Interests in securities' for these purposes arise, in summary, when a person has long economic exposure, whether absolute or conditional, to changes in the price of securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person shall be treated as having an 'interest' by virtue of the ownership, voting rights or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

20 General

The Acquisition is subject to, inter alia, the satisfaction or waiver (if applicable) of the Conditions set out in Appendix I to this announcement. The Acquisition is also subject to the further terms set out in Appendix I to this announcement and to the full terms and Conditions which will be set out in the Scheme Document. Appendix II to this announcement contains the sources and bases of certain information contained in this summary and the following announcement. Appendix III to this announcement contains details of the irrevocable undertakings and letter of intent received by Bidco. Appendix V to this announcement contains the definitions of certain terms used in this summary and the following announcement.

It is expected that the Scheme Document, the Forms of Proxy and Form of Election accompanying the Scheme Document will be published as soon as practicable and, in any event, (save with the consent of the Panel) within 28 days of this announcement. The Scheme Document, Forms of Proxy and Form of Election shall be made available to all AA Shareholders at no charge to them.

Credit Suisse, Goldman Sachs and Barclays (as Bidco's financial advisers) and Evercore, J.P. Morgan Cazenove and Citi (as the AA's financial advisers) have each given and not withdrawn their consent to the publication of this announcement with the inclusion herein of the references to their names in the form and context in which they appear.

21 Documents available on website

Copies of the following documents shall be made available on the AA's website at <https://www.theaapl.com/investors> until the Effective Date:

- the irrevocable undertakings and letter of intent referred to in paragraph 6 above and summarised in Appendix III to this announcement;
- the Equity Commitment Letter;
- the debt financing arrangements referred to in paragraph 7;
- the Confidentiality Agreements;
- the Co-operation Agreement;
- the Memorandum of Understanding;
- a draft of the Topco Articles;

- a draft of the Topco Shareholders' Agreement; and
- this announcement.

Enquiries:

Consortium Media:

Brunswick +44 (0) 20 7404 5959

TowerBrook Capital Partners (U.K.) LLP +44 (0) 20 7451 2020

Filippo Cardini

Warburg Pincus International LLC +44 (0) 7471 992907

Global Media

Julie Foster

Credit Suisse (Joint Lead Financial Adviser to Bidco) +44 (0) 20 7888 8888

George Maddison

Hugh Man

Ben Deary

Will Davies

Goldman Sachs (Joint Lead Financial Adviser to Bidco) +44 (0) 20 7774 1000

Chris Emmerson

James Morris

Ben Maiden

Barclays (Financial adviser to Bidco) +44 (0) 20 7623 2323

Richard Probert

Omar Faruqi

AA PLC +44 (0) 20 7395 7301

Nadia Hoosen, Chief Legal Officer & Company Secretary

Zeeshan Magbool, Investor Relations

Evercore (Financial adviser to the AA) +44 (0) 20 7653 6000

Andrew Sibbald

Mark Hennessy

Swag Ganguly

Graham Copeland

J.P. Morgan Cazenove (Financial adviser to the AA) +44 (0) 20 7742 4000

Robert Constant
James Robinson
Alex Bruce
Jonty Edwards

Citi (Financial adviser and corporate broker to the AA) +44 (0) 20 7986 4000

Peter Brown
Alex de Souza

Media Enquiries (FTI Consulting): +44 (0) 20 3727 1340

Alex Le May
John Waples
Nick Hasell

FTI_AA@fticonsulting.com

Linklaters LLP is acting as legal adviser to Bidco. Freshfields Bruckhaus Deringer LLP is acting as legal adviser to the AA.

Important Notices

Credit Suisse International ("Credit Suisse"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser exclusively for Bidco and the Consortium and no one else in connection with the matters set out in this announcement and will not be responsible to any person other than Bidco or the Consortium for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the content of this announcement or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or 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 a client of Credit Suisse in connection with this announcement, any statement contained herein or otherwise.

Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and the Consortium and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco or the Consortium for providing the protections afforded to clients of Goldman Sachs International, or for providing advice in relation to the matters referred to in this announcement. Neither Goldman Sachs International, nor any of its subsidiaries, branches or 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 a client of Goldman Sachs International in connection with this announcement, any statement contained herein or otherwise.

Barclays Bank PLC, acting through its Investment Bank ("Barclays"), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for Bidco and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of Barclays nor for providing advice in relation to the matters referred to in this announcement. In accordance with the

Takeover Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Securities Exchange Act of 1934, Barclays and its affiliates will continue to act as exempt principal trader in the AA securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Takeover Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

Evercore, which is authorised and regulated by the FCA in the UK, is acting exclusively as financial adviser to the AA and no one else in connection with the Acquisition and will not be responsible to anyone other than the AA for providing the protections afforded to clients of Evercore nor for providing advice in connection with the matters referred to herein. Neither Evercore nor any of its subsidiaries, branches or 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 a client of Evercore in connection with this announcement, any statement contained herein, the Acquisition or otherwise. 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 relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility or liability whatsoever for the contents of this announcement, 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 connection with the AA or the matters described 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 therein.

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), and which is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the PRA and the FCA, is acting as financial adviser exclusively for the AA and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than the AA for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter or arrangement referred to herein.

Citigroup Global Markets Limited ("Citi"), which is authorised by the PRA and regulated in the UK by the FCA and the PRA, is acting as financial adviser for the AA and for no one else in connection with the matters described in this announcement and will not be responsible to anyone other than the AA for providing the protections afforded to clients of Citi nor for providing advice in connection with any matters referred to in this announcement. Neither Citi nor any of its affiliates, directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, consequential, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Citi in connection with this announcement, any statement contained herein, any offer or otherwise.

Further Information

This announcement is for information purposes only and is not intended to and does not constitute or form part of an offer or inducement to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Acquisition or otherwise.

The Acquisition shall be made solely by means of the Scheme Document (or, if the acquisition is implemented by way of a Takeover Offer, any document by which the Takeover Offer is made) which, together with the Forms of Proxy and Form of Election (or forms of acceptance), shall contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.

This announcement has been prepared for the purpose 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 England.

The AA and Bidco shall prepare the Scheme Document to be distributed to AA Shareholders. The AA and Bidco urge AA Shareholders to read the Scheme Document when it becomes available because it will contain important information relating to the Acquisition.

This announcement does not constitute a prospectus or prospectus exempted document.

Overseas Shareholders

The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements.

Unless otherwise determined by Bidco or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition shall not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of the Acquisition to AA Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange, the Financial Conduct Authority and the Gibraltar Financial Services Commission.

Additional information for US investors

The Acquisition relates to shares of a UK incorporated company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act.

Accordingly, the Acquisition is subject to the disclosure and procedural requirements applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the United States tender offer and proxy solicitation rules.

However, if Bidco were to elect to implement the Acquisition by means of a Takeover Offer, such takeover offer would be made in compliance with all applicable United States laws and regulations, including any applicable exemptions under the US Exchange Act. Such a takeover would be made in the United States by Bidco and no one else.

In the event that the Acquisition is implemented by way of a Takeover Offer, in accordance with normal United Kingdom practice, Bidco or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, shares or other securities of the AA outside of the US, other than pursuant to such Takeover Offer, during the period in which such Takeover Offer would remain open for acceptances. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases or arrangements to purchase shall be disclosed as required in the UK, shall be reported to a Regulatory Information Service and shall be available on the London Stock Exchange website at www.londonstockexchange.com.

The Topco Units issued under the Alternative Offer will not be registered under the Securities Act. Bidco expects to issue the Topco Units in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) thereof.

The receipt of consideration by a US holder for the transfer of its AA Shares pursuant to the Scheme shall be a taxable transaction for United States federal income tax purposes. Each AA Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of the Acquisition applicable to them, including under applicable United States state and local, as well as overseas and other, tax laws.

Financial information relating to the AA included in this announcement and the Scheme Document has been or shall have been prepared in accordance with accounting standards applicable in the United Kingdom and may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The AA is organised under the laws of England and Wales. Some or all of the officers and directors of Bidco and the AA, respectively, are residents of countries other than the United States. In addition, most of the assets of Bidco and the AA are located outside the United States. As a result, it may be difficult for US shareholders of the AA to effect service of process within the United States upon Bidco or the AA or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the securities laws of the United Kingdom.

Forward looking statements

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Acquisition, and other information published by the AA, Bidco, any member of the Consortium or any member of the Topco Group contain statements which are, or may be deemed to be, "forward looking statements". Such forward looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which Bidco or any member of the Topco Group shall operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

The forward looking statements contained in this announcement relate to Bidco or any member of the Topco Group's future prospects, developments and business strategies, the expected timing and scope of the Acquisition and other statements other than historical facts. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "will look to", "would look to", "plans", "prepares", "anticipates", "expects", "is expected to", "is subject to", "budget", "scheduled", "forecasts", "synergy", "strategy", "goal", "cost-saving", "projects" "intends", "may", "will", "shall" or "should" or their negatives or other variations or comparable terminology. 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 Bidco's, any member of the Topco Group's or any member of the AA Group's operations and potential synergies resulting from the Acquisition; and (iii) the effects of global economic conditions and governmental regulation on Bidco's, any member of the Topco Group's or any member of the AA Group's business.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that shall occur in the future. These events and circumstances include changes in the global, political, economic, business and competitive environments and in market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions proves incorrect, actual results may differ materially from those expected, estimated or projected. Such forward looking statements should therefore be construed in the light of such factors.

Neither the AA nor any of Bidco or any member of the Topco Group, nor any of their respective associates or directors, officers 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 shall actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

Specifically, statements of estimated cost savings and synergies related to future actions and circumstances which, by their nature involve, risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the AA Group, there may be additional changes to the AA Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.

The forward-looking statements speak only at the date of this announcement. All subsequent oral or written forward-looking statements attributable to any member of the Topco Group or AA Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

The AA, the Topco Group and Bidco expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Bidco or the AA, as appropriate, for the current or future financial years would necessarily

match or exceed the historical published earnings or earnings per share for Bidco or the AA, as appropriate.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. 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) 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 per cent. 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. A Dealing Disclosure by a person to whom Rule 8.3(b) 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 shall be deemed to be a single person for the purpose of Rule 8.3.

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).

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 <http://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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Electronic communications

Please be aware that addresses, electronic addresses and certain information provided by AA Shareholders, persons with information rights and other relevant persons for the receipt of communications from the AA may be provided to Bidco 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 and availability of hard copies

A copy of this announcement will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on the AA's website at <https://www.theaapl.com/investors> by no later than 12 noon (London time) on 26 November 2020 (being the first Business Day following the date of this announcement).

Neither the contents of the AA website, nor any website accessible from hyperlinks are incorporated into or form part of this announcement.

AA Shareholders who received this announcement in electronic form may request a hard copy of this announcement (and any information incorporated by reference in this announcement) by contacting Equiniti Limited between 9.00 a.m. to 5:00 p.m. (London time) Monday to Friday (except UK public holidays) on 0333 207 6538 from within the UK or on +44 (0)121 415 0999 if calling from outside the UK or by submitting a request in writing to Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Please note that Equiniti Limited cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. AA Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Acquisition should be in hard copy form.

Rounding

Certain figures included in this announcement 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.

General

If the Acquisition is effected by way of a Takeover Offer, and such offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining AA Shares in respect of which the Takeover Offer has not been accepted.

Investors should be aware that Bidco may purchase AA Shares otherwise than under any Takeover Offer or the Scheme, including pursuant to privately negotiated purchases.

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under FMSA if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.

APPENDIX I

CONDITIONS AND FURTHER TERMS OF THE ACQUISITION

Part A: Conditions of the Scheme and the Acquisition

- 1** The Acquisition is conditional upon the Scheme becoming unconditional and Effective, subject to the Takeover Code, by not later than the Long Stop Date or such later date as may be agreed by Bidco and the AA (with the Panel's consent and, if required, as the Court may approve).
- 2** The Scheme shall be subject to the following conditions:
 - 2.1**
 - (i) its approval by a majority in number of the Scheme Shareholders who are present and vote, whether in person or by proxy, at the Court Meeting and who represent 75 per cent. or more in value of the Scheme Shares voted by those Scheme Shareholders; and
 - (ii) such Court Meeting being held on or before the 30th day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and the AA may, with the consent of the Panel, agree and, if required, the Court may approve); and
 - 2.2**
 - (i) the resolutions required to implement the Scheme being duly passed by AA Shareholders representing 75 per cent. or more of votes cast at the General Meeting; and
 - (ii) such General Meeting being held on or before the 30th day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and the AA may, with the consent of the Panel, agree and, if required, the Court may approve); and
 - 2.3**
 - (i) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to the AA and Bidco) and the delivery of a copy of the Court Order to the Registrar of Companies; and
 - (ii) the Court Hearing being held on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Bidco and the AA may, with the consent of the Panel, agree and, if required, the Court may approve).
- 3** In addition, subject as stated in Part B below and to the requirements of the Panel, the Acquisition shall be conditional upon the following Conditions and, accordingly, the Court Order shall not be delivered to the Registrar of Companies unless such Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

Financial Conduct Authority

- (a) in respect of each notice under section 178 of FSMA which Bidco or any other person (other than, save in respect of the Offeror Group, any person who is an existing AA

Shareholder) who has decided to acquire or increase control over AA Insurance Services Limited, AA Financial Services Limited and Used Car Sites Limited or any other entity within the AA Group which is a UK authorised person (as such term is defined in section 191G of FSMA) is under a duty to give in connection with the proposed implementation of the Acquisition:

- (i) the FCA having given notice in writing pursuant to section 189(4) of FSMA that it has determined unconditionally to approve each such acquisition or increase in control pursuant to section 185 of FSMA;
- (ii) in relation to such acquisition or increase in control, the FCA having given notice in writing pursuant to section 189(7) of FSMA subject to condition(s) specified in the decision notice and such condition(s) being satisfactory to Bidco and any other proposed controllers that are members of the Wider Topco Group; or
- (iii) the FCA being treated, under section 189(6) of FSMA, as having approved each such acquisition or increase in control;

Gibraltar Financial Services Commission

- (b) in respect of each Section 111 notice under the FSA which Bidco or any other person (other than, as above, any person who is an existing AA Shareholder) who has decided to acquire or increase control over AA Underwriting Insurance Company Limited is under a duty to give in connection with the proposed implementation of the Acquisition:
 - (i) the GFSC having given notice in writing pursuant to section 122(4) of the FSA that it has determined unconditionally to approve each such acquisition or increase in control pursuant to section 118 of the FSA;
 - (ii) in relation to such acquisition or increase in control, the GFSC having given notice in writing pursuant to section 122(7) of the FSA subject to condition(s) made in accordance with section 120 of the FSA specified in the decision notice and such condition(s) being satisfactory to Bidco and any other proposed controllers that are members of the Wider Topco Group; or
 - (iii) the GFSC being treated, under section 122(6) of the FSA, as having approved each such acquisition or increase in control;

European Commission clearance

- (c) insofar as the Acquisition falls within the scope of Council Regulation (EC) 139/2004 (the "**Regulation**"):
 - (i) subject to paragraphs (ii) and (iii) below, the European Commission taking a decision, on terms satisfactory to Bidco, that it shall not initiate proceedings under Article 6(1)(c) of the Regulation in relation to the Acquisition or any matter arising from or relating to the Acquisition;
 - (ii) if, the United Kingdom still being bound by Article 21(3) of the Regulation at the time of the referral, the European Commission makes a referral under Article 9(1) of the Regulation to the competent UK authority (being the Competition and Markets Authority), it being established on terms satisfactory to Bidco, that the Competition and Markets Authority does not

intend to make a CMA Phase 2 Reference of the Acquisition or of any matter arising from or relating to the Acquisition; and

- (iii) if the European Commission makes a referral under Article 9(1) of the Regulation to any non-UK competent authority ("**NCA**"), that NCA taking a decision, on terms satisfactory to Bidco, of equivalent effect to that set out in paragraph (i) above

("EU Antitrust Clearance");

Competition and Markets Authority clearance

- (d) in so far as the Acquisition creates a relevant merger situation within the meaning of Section 23 of the Enterprise Act 2002 and the United Kingdom is no longer bound by Article 21(3) of the Regulation, the Competition and Markets Authority indicating, on terms satisfactory to Bidco, that it does not intend to make a CMA Phase 2 Reference of the Acquisition or of any matter arising from or relating to the Acquisition ("**UK Antitrust Clearance**");

National Security and Investment

- (e) no order issued by any Relevant Authority in the UK or other legal or regulatory restraint or prohibition preventing the completion of the Acquisition being in effect, and no Applicable Law having been enacted, entered or enforced by a governmental entity in the UK that makes the completion of the Acquisition illegal and/or invalid ("**National Security and Investment Condition**");

State Administration for Market Regulation clearance

- (f) The State Administration for Market Regulation of the PRC ("**SAMR**") issuing a notice confirming that it will not conduct further review of the Acquisition or approving the Acquisition under the PRC Anti-Monopoly Law (i) without conditions; or (ii) subject to conditions on terms reasonably satisfactory to Bidco in relation to the Acquisition ("**China Antitrust Clearance**");

Certain financing and other events occurring since 31 January 2020

- (g) except as Disclosed, no member of the Wider AA Group having since 31 January 2020:
 - (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 AA Shares out of treasury (except, where relevant, as between the AA and wholly owned subsidiaries of the AA or between the wholly owned subsidiaries of the AA and except for the issue or transfer out of treasury of AA Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under the AA Share Plans);
 - (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 the AA to the AA or any of its wholly owned subsidiaries;

- (iii) other than pursuant to the Acquisition (and except for transactions between the AA and its wholly owned subsidiaries or between the wholly owned subsidiaries of the AA and transactions in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any material 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;
- (iv) except for transactions between the AA and its wholly owned subsidiaries or between the wholly owned subsidiaries of the AA and except for 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 the AA and its wholly owned subsidiaries or between the wholly owned subsidiaries of the AA): (a) 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 (in each case, to an extent which is or would be material in the context of the Wider AA Group taken as a whole); or (b) refinanced any material indebtedness (including without limitation the Class B2 Notes or the Class A5 Notes) without the prior written approval of the material terms thereof by Bidco;
- (vi) 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) except in the ordinary course of business which is of a long term, unusual or onerous nature or magnitude or which is or which involves or could involve an obligation of a nature or magnitude which is reasonably likely to be materially restrictive on the business of any member of the Wider AA Group;
- (vii) entered into or varied to a material extent 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, except for salary increases, bonuses or variations of terms in the ordinary course, senior executive of any member of the Wider AA Group;
- (viii) proposed, agreed to provide or modified the terms to a material extent of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider AA Group;
- (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, except in respect of the matters mentioned in paragraph (i) above, made any other change to any part of its share capital;

- (x) except in the ordinary course of business, waived, compromised or settled any material claim;
- (xi) terminated or varied the terms of any agreement or arrangement between any member of the Wider AA 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 AA Group taken as a whole;
- (xii) (except as disclosed on publicly available registers) made any material alteration to its memorandum or articles of association or other incorporation documents;
- (xiii) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, 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 AA Group for its directors, employees or their dependants;
 - (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;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, 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;
- (xv) (other than in respect of a member of the Wider AA Group which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, manager, administrative receiver, trustee or similar officer of all or any material part of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xvi) except for transactions between the AA and its wholly owned subsidiaries or between the wholly owned subsidiaries of the AA, made, authorised, proposed or announced an intention to propose any change in its loan capital;
- (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;

- (xviii) having taken (or agreed or proposed to take) any action which requires or would require, the consent of the Panel or the approval of AA Shareholders in a general meeting in accordance with, or as contemplated by, Rule 21 of the Takeover Code; 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 paragraph
Error! Reference source not found.;

Notifications, waiting periods and Authorisations

- (h) the waiver (or non-exercise within any applicable time limits) by any relevant Third Party of any termination right, right of pre-emption, first refusal or similar (which is material in the context of the Wider AA Group taken as a whole) arising as a result of or in connection with the Acquisition including, without limitation, its implementation or the proposed direct or indirect acquisition of any shares or other securities in, or control of, the AA by Bidco;
- (i) all notifications, filings or applications which are necessary having been made in connection with the Acquisition and all necessary waiting 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 Acquisition and all Authorisations deemed necessary by Bidco in any jurisdiction for or in respect of the Acquisition;
- (j) except pursuant to Chapter 3 of Part 28 of the Companies Act, the acquisition or the proposed acquisition of any shares or other securities in, or control or management of, the AA or any other member of the Wider AA Group by any member of the Wider Topco Group having been obtained on terms and in a form reasonably satisfactory to Bidco 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 AA Group or the Wider Topco Group has entered into contractual arrangements and all such Authorisations necessary, appropriate or desirable to carry on the business of any member of the Wider AA 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 or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations;

General antitrust and regulatory

- (k) other than in relation to the matters referred to in Conditions 3(c) to (e), no Third Party having given written 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) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Wider Topco Group or by any member of the Wider AA Group of all or any material part of its businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their businesses (or any material part thereof) or to own, control or manage any of their assets or properties (or any part thereof);
- (ii) except pursuant to Chapter 3 of Part 28 of the Companies Act, require any member of the Wider Topco Group or the Wider AA Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider AA Group or any asset owned by any Third Party (other than in connection with the implementation of the Acquisition);
- (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Topco Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in the AA or on the ability of any member of the Wider AA Group or any member of the Wider Topco Group directly or indirectly to hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider AA Group;
- (iv) otherwise materially and adversely affect any or all of the business, assets, profits or prospects of any member of the Wider AA Group or any member of the Wider Topco Group;
- (v) result in any member of the Wider AA Group or any member of the Wider Topco Group ceasing to be able to carry on business under any name under which it presently carries on business to an extent which is or would be material in the context of the Wider AA Group taken as a whole;
- (vi) make the Acquisition, its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, the AA by any member of the Wider Topco Group 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 to a material extent with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge, impede, interfere or require material amendment of the Acquisition or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, the AA by any member of the Wider Topco Group;
- (vii) require, prevent or materially delay a divestiture by any member of the Wider Topco Group of any shares or other securities (or the equivalent) in any material member of the Wider AA Group or any material member of the Wider Topco Group; or
- (viii) impose any material limitation on the ability of any member of the Wider Topco Group or any member of the Wider AA Group to conduct, integrate or co-ordinate all or any material part of its business with all or any material part of the business of any other member of the Wider Topco Group and/or the Wider AA Group,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, 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 or the acquisition or proposed acquisition of any AA Shares or otherwise intervene having expired, lapsed or been terminated;

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

- (l) 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 AA Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Acquisition or the acquisition or the proposed acquisition by any member of the Wider Topco Group of any shares or other securities (or the equivalent) in the AA or because of a change in the control or management of any member of the Wider AA Group or otherwise, could or might reasonably be expect to result in:
- (i) any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Wider AA 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 any member of the Wider AA Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, lease, licence, franchise, permit or other instrument being terminated or the rights, liabilities, obligations or interests of any member of the Wider AA Group being materially and adversely modified or materially and adversely affected or any material obligation or liability arising or any materially adverse action being taken or arising thereunder;
 - (iv) any liability of any member of the Wider AA Group to make any severance, termination, bonus or other payment to any of its directors, or other officers;
 - (v) the rights, liabilities, obligations, interests or business of any member of the Wider AA Group or any member of the Wider Topco Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider AA Group or any member of the Wider Topco Group in or with any other person or body or firm or company (or any arrangement or arrangement relating to any such interests or business) being or becoming capable of being terminated, or materially and adversely modified or affected or any onerous obligation or material liability arising or any materially adverse action being taken thereunder;

- (vi) any member of the Wider AA Group ceasing to be able to carry on business under any name under which it presently carries on business to an extent which is or would be material in the context of the Wider AA Group taken as a whole;
- (vii) the value of, or the financial or trading position or prospects of, any member of the Wider AA Group being materially prejudiced or materially and adversely affected; or
- (viii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider AA Group other than trade creditors or other liabilities incurred in the ordinary course of business,

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 AA 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 result in any of the events or circumstances as are referred to in Conditions 3(l)(i) to (viii), in each case, which is or would be material in the context of the Wider AA Group taken as a whole;

No adverse change, litigation, regulatory enquiry or similar

- (m) except as Disclosed, since 31 January 2020 there having been:
 - (i) no material adverse change, and no circumstance having arisen which would or might be expected to result in any material adverse change, in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider AA Group which is material in the context of the Wider AA Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against or remaining outstanding against or in respect of, any member of the Wider AA Group or to which any member of the Wider AA Group is or may become a party (whether as claimant, defendant or otherwise) having been threatened, announced, instituted or remaining outstanding by, against or in respect of, any member of the Wider AA Group, in each case which might reasonably be expected to have a material adverse effect on the Wider AA Group taken as a whole;
 - (iii) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider AA Group having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider AA Group, in each case which might reasonably be expected to have a material adverse effect on the Wider AA Group taken as a whole;
 - (iv) no contingent or other liability having arisen or become apparent to Bidco or increased other than in the ordinary course of business which is reasonably likely to affect adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider AA Group to an extent which is material in the context of the Wider AA Group taken as a whole;

- (v) no member of the Wider AA Group having conducted its business in breach of applicable laws and regulations in a manner which is material in the context of the Wider AA Group as a whole or which could reasonably be expected to be material in the context of the Acquisition; and
- (vi) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider AA Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which might reasonably be expected to have a material adverse effect on the Wider AA Group taken as a whole;

No discovery of certain matters regarding information, liabilities and environmental issues

- (n) except as Disclosed, Bidco not having discovered that:
 - (i) any financial, business or other information concerning the Wider AA Group publicly announced prior to the date of this announcement or disclosed at any time to any member of the Wider Topco Group by or on behalf of any member of the Wider AA Group prior to the date of this announcement is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading, in any such case to a material extent in the context of the Wider AA Group taken as a whole;
 - (ii) any member of the Wider AA Group or any partnership, company or other entity in which any member of the Wider AA Group has a significant economic interest and which is not a subsidiary undertaking of the AA is subject to any liability (other than in the ordinary course of its business), contingent or otherwise, which is material in the context of the Wider AA Group taken as a whole;
 - (iii) any past or present member of the Wider AA Group has not complied in any material respect with all applicable legislation, regulations or other requirements of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any material liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider AA Group;
 - (iv) there has been a disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or harm human health which (whether or not giving rise to non-compliance with any law or regulation), would be likely to give rise to any material liability (whether actual or contingent) on the part of any member of the Wider AA Group;

- (v) there is or is reasonably likely to be any material obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, asset or any controlled waters currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider AA Group (or on its behalf), or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto; or
- (vi) that circumstances exist (whether as a result of making the Acquisition or otherwise) which would be reasonably likely to lead to any Third Party instituting (or whereby any member of the Wider AA Group would be likely to be required to institute), an environment audit or take any steps which would in any such case be reasonably likely to result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or any asset now or previously owned, occupied or made use of by any past or present member of the Wider AA Group (or on its behalf) or by any person for which a member of the Wider AA Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, which is material in the context of the Wider AA Group taken as a whole;

Anti-corruption, sanctions and criminal property

- (o) except as Disclosed, Bidco not having discovered that:
 - (i) any past or present member of the Wider AA Group or any person that performs or was performing services for or on behalf of any such company (including any past or present director, officer, employee or agent) is or has, in each case only whilst a member of or performing services for or on behalf of the Wider AA Group, engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010 or any other applicable anti-corruption legislation;
 - (ii) any asset of any member of the Wider AA Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
 - (iii) any member of the Wider AA Group, or any of their respective directors, officers or employees, is ineligible to be (or any past member of the Wider AA Group was, or any past director, officer or employee who was at any time during the course of their engagement with any past or present member of the Wider AA Group, ineligible to be) awarded any contract or business under section 23 of the Public Contracts Regulations 2006 or section 26 of the Utilities Contracts Regulations (2006) (each as amended);
 - (iv) any member of the Wider AA Group, or any of their respective directors, officers or employees, has engaged in any transaction which would cause any member of the Wider Topco Group to be in breach of applicable law or regulation upon completion of the Acquisition, including the economic

sanctions of the United States Office of Foreign Assets Control or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states.

Part B: Certain further terms of the Acquisition

- 1** Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
- 2** Subject to the requirements of the Panel, Bidco reserves the right in its sole discretion to waive:
 - (i) the deadline set out in paragraph 1 of Part A of this Appendix I, and any of the deadlines set out in paragraph 2 of Part A of this Appendix I for the timing of the Court Meeting, General Meeting and the Court Hearing. If any such deadline is not met, Bidco shall make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with the AA to extend the deadline in relation to the relevant Condition; and
 - (ii) in whole or in part, all or any of the above Conditions listed in paragraph 3 of Part A of this Appendix I.
- 3** If Bidco is required by the Panel to make an offer for AA Shares under the provisions of Rule 9 of the Takeover Code, Bidco may make such alterations to any of the above Conditions and terms of the Acquisition as are necessary to comply with the provisions of that Rule.
- 4** The Scheme shall not become Effective if:
 - (i) in so far as the Acquisition or any matter arising from or relating to the Scheme or Acquisition constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Phase 2 Reference; or
 - (ii) the Acquisition or any matter arising from or relating to the Scheme or Acquisition otherwise becomes subject to a CMA Phase 2 Reference,in each case, before the date of the Court Meeting.
- 5** Bidco shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of Conditions listed in paragraph 3 of Part A of this Appendix I by a date earlier than the latest date for the fulfilment of that Condition notwithstanding that the 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.
- 6** The AA Shares acquired under the Acquisition shall be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and

retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of value (whether by reduction of share capital or share premium account or otherwise) made, on or after the date of this announcement.

- 7** If, on or after the date of this announcement and prior to the Scheme becoming Effective, any dividend, distribution or other return of value is declared, paid or made or becomes payable by the AA and with a record date prior to the Scheme becoming Effective, Bidco reserves the right (without prejudice to any right of Bidco, with the consent of the Panel, to invoke the Condition set out in paragraph 3(I)(i) of Part A of this Appendix I) to reduce the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer assuming that the Alternative Offer were to equal the Cash Offer) payable under the Acquisition to reflect the aggregate amount of such dividend, distribution or other return of value or excess. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

If and to the extent that any such dividend, distribution or other return of value is paid or made on or prior to the Scheme becoming Effective, and Bidco exercises its rights under this paragraph 7 to reduce the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer) payable under the Acquisition, any reference in this announcement to the consideration payable under the terms of the Acquisition shall be deemed to be a reference to the Cash Offer (or the consideration due under the Alternative Offer, if applicable) as so reduced.

If and to the extent that any such dividend, distribution or other return of value has been declared or announced but not paid or made or is not payable by reference to a record date on or prior to the Scheme becoming Effective or is (i) transferred pursuant to the Acquisition on a basis which entitles Bidco to receive the dividend, distribution or other return of value and to retain it; or (ii) cancelled, the Cash Offer (and, as the case may be, the consideration due under the Alternative Offer) payable under the terms of the Acquisition shall not be subject to change in accordance with this paragraph 7.

Any exercise by Bidco of its rights referred to in this paragraph 7 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 Acquisition.

- 8** Bidco reserves the right to elect (in accordance with the terms of the Co-operation Agreement and with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer for the AA Shares as an alternative to the Scheme. In such event, the Takeover Offer shall be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments, including (without limitation) an acceptance condition set at 75 per cent. (or such lesser percentage, being more than 50 per cent., as Bidco may decide or as required by the Panel), of the shares to which such Takeover Offer relates.
- 9** The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
- 10** The Acquisition is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail 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 jurisdiction where to do so would violate the laws of that jurisdiction.

- 11** The Acquisition is governed by English law and is subject to the jurisdiction of the English courts and to the Conditions and further terms set out in this Appendix I and to be set out in the Scheme Document. The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the Listing Rules, the London Stock Exchange, the Financial Conduct Authority and the Gibraltar Financial Services Commission.
- 12** Under Rule 13.5(a) of the Takeover Code, Bidco may not invoke a Condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition. The Conditions listed in paragraphs 2, 3(c) and 3(d) of Part A of this Appendix I are not subject to this provision of the Takeover Code.

APPENDIX II

SOURCES OF INFORMATION AND BASES OF CALCULATION

- (i) As at 24 November 2020 (being the last Business Day prior to the date of this announcement), there were 623,347,269 AA Shares in issue. The International Securities Identification Number for AA Shares is GB00BMSKPJ95.
- (ii) As at 24 November 2020 (being the last Business Day prior to the date of this announcement), there were 3,662,470 AA Shares that may be issued pursuant to the AA Share Plans. The additional number of AA Shares has been calculated on the basis that (i) there are 12,524,269 AA Shares held by the AA Group's employee benefit trust that will be used to satisfy awards under the Performance Share Plan, and (ii) it is assumed that up to 523,210 additional AA Shares (being the number of AA Shares issued on 11 November 2020 in respect of the November monthly Employee Share Incentive Plan allocation) will be issued each month between the date of this announcement and the Long Stop Date.
- (iii) Any references to the issued ordinary share capital of the AA are each based on:
- the 623,347,269 AA Shares referred to in paragraph (i) above;
 - the 12,524,269 AA Shares held by the AA's employee benefit trust and included in the number of AA Shares referred to in paragraph (i) above; and
 - the 3,662,470 AA Shares that may be issued pursuant to the AA Share Plans referred to in paragraph (ii) above.
- (iv) The value of the Acquisition based on the Cash Offer of 35p per AA Share is calculated on the basis of the issued and to be issued ordinary share capital of the AA (as set out in paragraph (iii) above). Any references to the equity injection by Bidco into the AA Group of £378 million assume that at least £17 million of such equity injection(s) will be required in order to enable the AA Group to meet obligations to pay advisor costs and other amounts due in connection with the Refinancing. If and to the extent that such obligations are not to be paid by the AA Group but are to be paid by the Topco Group, the amount of the relevant equity injection into the AA Group by Bidco may be reduced by a corresponding amount in order to enable the relevant member of the Topco Group to instead meet such obligations.
- (v) The enterprise value multiples included in paragraph 5 are based on: enterprise value for the AA of £2,864 million, comprising net debt as at 31 January 2020 of £2,645 million and equity value (i.e. the value of the Acquisition based on the Cash Offer of 35p per AA Share) of £219 million; Trading EBITDA for the financial year ended 31 January 2020 of £350 million; and capital expenditure for the financial year ended 31 January 2020 of £69 million.
- (vi) Unless otherwise stated, all prices and Closing Prices for AA Shares are closing middle market quotations derived from the LSE Daily Official List (SEDOL).
- (vii) Volume-weighted average prices have been derived from Bloomberg and have been rounded to the nearest single decimal place.
- (viii) Unless otherwise stated, the financial information relating to the AA is extracted from the audited consolidated financial statements of the AA for the financial year to 31 January 2020, prepared in accordance with IFRS.

APPENDIX III
IRREVOCABLE UNDERTAKINGS AND LETTER OF INTENT

- (a) The following holders or controllers of AA Shares have given irrevocable undertakings (Parts A and B) to vote (or, if applicable, procure the vote) in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting and, if Bidco exercises its right to implement the Acquisition by way of a Takeover Offer in accordance with the terms of the Co-operation Agreement, to accept or procure acceptance of such offer. In addition, the holder of certain derivative instruments has given a letter of intent on the terms set out below (Part C):

Part A- AA Directors' Irrevocable Undertakings

Name of AA Director	Number of AA Shares in respect of which undertaking is given	Percentage of AA issued ordinary share capital (excluding shares under option)
Steve Barber	200,000	0.03
Andrew Blowers	63,945	0.01
Simon Breakwell	719,930	0.12
Mark Brooker	19,221	0.00
John Leach	90,000	0.01
Suzi Williams	15,021	0.00
TOTAL	1,108,117	0.18

The obligations of the AA Directors under the irrevocable undertakings shall lapse and cease to have effect on and from the following occurrences:

- Bidco announces before the Scheme Document or Takeover Offer Document (as applicable) is published that it does not intend to proceed with the Acquisition and no new, revised or replacement Scheme (or Takeover Offer, as applicable) is announced by Bidco;
- the Scheme (or Takeover Offer, as applicable) lapses or is withdrawn without becoming wholly unconditional, provided that this shall not apply: (i) where the Scheme is withdrawn or lapses as a result of Bidco exercising its right (in accordance with the terms of the Co-operation Agreement and the Takeover Code) to implement the Acquisition by way of a Takeover Offer rather than by way of Scheme or vice versa; or (ii) if a new, revised or replacement scheme of arrangement or takeover offer is or has been announced within 10 Business Days after any such lapse or withdrawal; or
- the Acquisition has not become Effective by the Long Stop Date.

These irrevocable undertakings remain binding in the event of a competing offer.

Part B- Non-director AA Shareholder irrevocable undertakings

Name of AA Shareholder giving undertaking	Number of AA Shares in respect of which undertaking is given	Percentage of AA issued ordinary share capital
Davidson Kempner	19,647,671	3.2

The obligations of the AA Shareholders named in Part B of this Appendix III of this announcement under the irrevocable undertakings shall lapse and cease to have effect on and from the following occurrences

- Bidco announces before the Scheme Document or Takeover Offer Document (as applicable) is published that it does not intend to proceed with the Acquisition and no new, revised or replacement Scheme (or Takeover Offer, as applicable) is announced by Bidco;
- the Scheme (or Takeover Offer, as applicable) lapses or is withdrawn without becoming wholly unconditional, provided that this shall not apply: (i) where the Scheme is withdrawn or lapses as a result of Bidco exercising its right (in accordance with the Takeover Code) to implement the Acquisition by way of a Takeover Offer rather than by way of Scheme or vice versa; or (ii) if a new, revised or replacement scheme of arrangement or takeover offer is or has been announced within 10 Business Days after any such lapse or withdrawal; or
- the Acquisition has not become Effective by the Long Stop Date.

This irrevocable undertaking remains binding in the event of a competing offer.

Part C - Letter of intent

Davidson Kempner has given a non-binding letter of intent to close out certain derivatives in which it is interested in respect of a total of 75,728,902 AA Shares representing, in aggregate, approximately 12.1 per cent. of the AA's issued ordinary share capital on 24 November 2020 (being the last Business Day prior to the date of this announcement) and to seek to acquire an equal number of AA Shares and, if Davidson Kempner acquires any AA Shares as a result thereof, to provide an irrevocable undertaking to vote in favour of the Scheme (or accept a Takeover Offer) in the same form as the irrevocable already given by it.

APPENDIX IV DETAILS ON THE TOPCO GROUP AND THE TOPCO UNITS

Part A - Information on Topco and the Intermediate Holding Companies

ConsortiumCo is co-owned by the TowerBrook Funds and Warburg Pincus Funds in equal shares. Topco is a wholly owned subsidiary of ConsortiumCo, and was formed for the purpose of implementing the Acquisition. Each of Bidco, Holdco and Midco (together the "**Intermediate Holding Companies**") is a direct or indirect wholly owned subsidiary company of Topco. None of ConsortiumCo, Topco, or any of the Intermediate Holding Companies have traded since the date of their incorporation nor entered into any obligations, other than in connection with the Acquisition.

ConsortiumCo is a private limited company incorporated on 18 November 2020 under the laws of Jersey. The share capital of ConsortiumCo currently comprises two ordinary shares of £1.00 each.

Topco is directly wholly owned by ConsortiumCo. Topco is a private limited company incorporated on 18 November 2020 under the laws of Jersey. The share capital of Topco currently comprises one ordinary share of £1.00 each but will be reorganised on or prior to the Effective Date so that it comprises Topco A Ordinary Shares, Topco A Preference Shares, Topco B Ordinary Shares and Topco B Preference Shares.

Holdco is wholly owned by Topco. Holdco is a private limited company, was incorporated on 18 November 2020 under the laws of Jersey. The share capital of Holdco currently comprises one ordinary share of £1.00 each.

Midco is wholly owned by Holdco. Midco is a private limited company incorporated on 18 November 2020 under the laws of Jersey. The share capital of Midco currently comprises one ordinary share of £1.00 each.

Bidco is wholly owned by Midco. Bidco is a private limited company incorporated on 18 November 2020 under the laws of Jersey. The share capital of Bidco currently comprises one ordinary share of £1.00 each.

Set out below is a summary of the proposed Topco share capital structure and the provisions of the Topco Shareholders' Agreement and the Topco Articles governing the terms on which eligible AA Shareholders who elect for the Alternative Offer will hold securities in Topco pursuant to the Roll-over Mechanic. Further details will be included in the Scheme Document.

Information on Topco share capital

Topco Share Capital as a result of the Acquisition

On or around completion of the Acquisition, Topco will issue around 199,503,099 Topco Ordinary Shares and 1,795,527,889 Topco Preference Shares (on the basis of the maximum issue of AA Shares put to the Employee Share Incentive Plan described in Appendix II). If the Alternative Offer (including any Topco A Ordinary Shares or B Ordinary Shares already in issue) were taken up in full by eligible AA Shareholders, and assuming the level of issues of AA Shares pursuant to the Employee Share Incentive Plan prior to the Effective Date to be consistent with our calculation set out in Appendix II to this announcement, Topco would issue around:

- (i) 167,582,603 Topco A Ordinary Shares and 1,508,243,427 Topco A Preference Shares to ConsortiumCo to fund the cash consideration payable in respect of the Acquisition; and

- (ii) 31,920,496 Topco B Ordinary Shares and 287,284,462 Topco B Preference Shares to those AA Shareholders who validly accept the Alternative Offer,

and, if the Alternative Offer were accepted in respect of less than the maximum entitlement to the Alternative Offer described above, the number of Topco B Shares would be reduced and the number of Topco A Shares increased accordingly.

Additional Capital Raise by Topco

It is intended that, around the Effective Date, Topco will issue around a further 252,727,273 Ordinary Shares and 2,274,545,455 Preference Shares in the capital of Topco (the "**Additional Capital Raise**") in order to provide the Topco Group with the financing necessary to implement its proposed Refinancing, further details of which are set out in paragraph 7 of this announcement, and to fund costs and expenses incurred in connection with the Acquisition and such Refinancing. The Topco B Ordinary Shares and the Topco B Preference Shares acquired by AA Shareholders as a result of accepting the Alternative Offer will be entitled to customary pre-emption rights (or catch up rights) in relation to the Additional Capital Raise. In addition, any Topco B Shareholder shall be entitled to take up its pro rata share of any Topco B Ordinary Shares and Topco B Preference Shares not subscribed for by any Topco B Shareholders who do not exercise their pre-emption or catch-up rights in respect of the Additional Capital Raise (provided that such additional right will only apply in respect of Topco Securities issued on or around the Effective Date pursuant to the Additional Capital Raise).

If all such subscriptions for shares were to be made and (i) eligible AA Shareholders elected to accept in full their entitlement under the Alternative Offer and the Additional Capital Raise, and (ii) on the basis of the maximum issue of AA Shares pursuant to the Employee Share Incentive Plan described in Appendix II to this announcement, Topco would have a total issued share capital after the Additional Capital Raise of around:

- (i) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (ii) 72,356,859 Topco B Ordinary Shares and 651,211,735 Topco B Preference Shares to be held by the former AA Shareholders.

In addition, as described in paragraph 7 above, Topco intends to issue further securities in the period following the Effective Date.

AA Shareholders who wish to accept the Alternative Offer should note that their percentage ownership of Topco would therefore be significantly reduced if they did not provide the cash funds required to accept their entitlement pursuant to the Additional Capital Raise or any further issue of securities by Topco following the Effective Date.

Terms of Issue of Topco Securities

The Topco B Ordinary Shares and Topco B Preference Shares to be issued to eligible AA Shareholders who elect for the Alternative Offer in accordance with the Roll-over Mechanic will be issued credited as fully paid and will rank economically pari passu with the Topco A Ordinary Shares and Topco A Preference Shares respectively being issued to ConsortiumCo pursuant to the Acquisition as described above, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling on or after the date of this announcement.

Any Topco Securities to be issued to the Consortium for cash within three months after completion of the Acquisition (including in relation to the Additional Capital Raise) will be issued at a subscription price which is equal to the subscription price at which Topco Units will be issued pursuant to the

Alternative Offer, assuming the value of the Topco Units under the Alternative Offer were equal in aggregate to the Cash Offer (and after adjusting for the price at which shares were issued by Topco to ConsortiumCo on incorporation).

Economic Rights

The economic rights described below are subject to the risks also described below and in paragraph 13 of this announcement (for example, that (i) holders of Topco Units may be diluted over time, potentially significantly, should holders of Topco Units not elect to participate in further issues of additional shares, loan notes or other securities of the Topco Group; (ii) holders of Topco Units are not always entitled to participate in such issues and (iii) such additional securities may have different rights to the Topco Units).

Subject to the above, at the date of this announcement, any return of proceeds to security holders of Topco, whether on an Exit (as described below) or otherwise, including the right to receive and retain dividends and all other distributions and returns of capital made or paid, shall be distributed as follows:

Preference Shares

Firstly, such proceeds will be distributed pro-rata to each holder of Topco A Preference Shares and Topco B Preference Shares in accordance with the terms and conditions regulating such securities.

The Topco A Preference Shares and the Topco B Preference Shares shall rank equally as regards any distributions, dividends, buy-back, any other capital redemption or other returns of income or capital made by Topco.

In addition, the Topco A Preference Shares and the Topco B Preference Shares shall entitle the holders thereof to a fixed cumulative preferential dividend at an annual rate of 10 per cent. of their issue price (the "**Preferred Return**"). Any Preferred Return will be compounded annually and paid out of available proceeds for distribution on an Exit or on redemption.

Ordinary Shares

Subject to the rights of the Topco A Preference Shares and the Topco B Preference Shares and any other issues of securities by the Topco Group from time to time, any surplus proceeds available shall then be distributed to each holder of Topco A Ordinary Shares and Topco B Ordinary Shares, pro-rata to their shareholdings. The Topco A Ordinary Shares and the Topco B Ordinary Shares shall rank equally as regards any distributions, dividends, buy-back, any other capital redemption or other returns of income or capital made by Topco.

Voting Rights

Every holder of one or more Topco A Ordinary Shares on the date on which either a written resolution is circulated or a general meeting is held and who is present at such meeting shall, subject to the Topco Articles, have one vote for each Topco A Ordinary Share.

The Topco B Ordinary Shares, the Topco A Preference Shares and the Topco B Preference Shares will not entitle the holders thereof to (i) any votes; (ii) receive a copy of any written resolution; or (iii) receive notice of any general meetings.

The following matters shall require the prior consent of a majority of Topco B Shareholders:

- (i) any raising of new equity capital or issue of new shareholder instruments (including shareholder loans) by any member of the Topco Group which is not conducted in line with the pre-emption, catch-up or other procedures specified in the Topco Shareholders' Agreement;
- (ii) any return of capital, redemption or buy-back of shareholder instruments or recapitalisation of or by any member of the Topco Group otherwise than on a pro rata basis as between the relevant holders of Topco Securities;
- (iii) any dividends or distributions made or undertaken otherwise than on a pro rata basis as between holders of Topco Securities; and
- (iv) the entering into, variation or termination of any related party contract with the Consortium and its respective associates (other than portfolio companies),

save, in the case of paragraphs (i) to (iii) above, between wholly owned members of the Topco Group, provided it does not disproportionately affect any class of Topco shareholder.

The Consortium may amend the rights of the Topco Securities (notwithstanding any class rights) without the consent of the Topco B Shareholders (provided that reasonable notice setting out the amendments shall be sent to the Topco B Shareholders), save that no amendment shall be made which would be materially and/or disproportionately adverse to economic, tax or legal position of the Topco B Shareholders as compared to the Consortium without the consent of Topco B Shareholders. Any amendments made without the consent of the Topco B Shareholders shall be for bona fide purposes and shall not be used to frustrate, terminate or reduce the rights of the Topco B Shareholders.

Transfers of Topco Units

Topco B Shares will not be transferable during an initial five year lock up period (the "**Lock-up Period**") without the prior written consent of the Consortium except pursuant to the drag and tag rights described below, a reorganisation approved by the Consortium or in respect of customary permitted transfers to associates.

No changes in direct or indirect interests or economic entitlements in a Topco B Shares shall be permitted which circumvent the restrictions on transfer during the Lock-up Period and, without prejudice to damages claims, economic rights shall be suspended during any such breach.

Following the Lock-up Period, a Topco B Shareholder shall be entitled to transfer its Topco B Shares (provided that any such transfer is for all (but not part) of the Topco Securities held by such Topco B Shareholder and any of its associates to whom Topco Securities have been transferred in the limited permitted circumstances, but shall not include any Topco Securities held by any of its associates to the extent not held as a result of any such transfer), subject to a right of first refusal on the part of the Consortium (other than on associate transfers) and to certain other restrictions in respect of the identity of the proposed transferee. In particular, any proposed transferee of Topco B Shares after the Lock-up Period shall:

- (i) adhere to the Topco Shareholders' Agreement;
- (ii) complete any applicable anti-money laundering, anti-bribery and corruption, anti-sanctions and "know your client" checks reasonably required by the Consortium or its associates or the Topco Group or AA Group (to be undertaken promptly) and/or any antitrust or regulatory change in control approvals required by any regulator (which the Topco Group and the AA shall provide reasonable information and assistance in obtaining, if required); and

- (iii) not be considered by the board of Topco (acting reasonably and without delay) to be a competitor of the AA Group, or a person whose investment is likely to result in reputational harm to the Consortium, its associates or the AA Group.

Customary stapling provision shall apply in respect of any transfers of Topco Securities such that Topco Ordinary Shares and Topco Preference Shares must be transferred together in fixed ratios.

Additional Topco Securities Issues

Further issues of securities by the Topco Group are intended to be implemented, including the Additional Capital Raise.

The Consortium and the Topco B Shareholders will be entitled to participate pro rata in securities issues by the Topco Group post the Effective Date of the Acquisition, exercisable on at least 15 business days' written notice (save in respect of the Additional Capital Raise which is expected to be exercisable on not more than 2 business days' written notice), excluding issues of Topco Securities or transfer of Topco Securities from treasury:

- (i) by one wholly owned member of the Topco Group to another wholly owned member of the Topco Group, provided that no holder of Topco Securities is disproportionately adversely affected compared with other holders of Topco Securities;
- (ii) to the Consortium and/or its associates to finance the Acquisition;
- (iii) to the Topco B Shareholders pursuant to the Scheme and/or the Roll-over Mechanic in connection with the Acquisition;
- (iv) to the Consortium and/or its associates in connection with the funding of the Refinancing;
- (v) to Topco B Shareholders in connection with funding of the Refinancing pursuant to their catch-up right;
- (vi) to actual or potential employees, directors or consultants (whether directly or indirectly) which shall dilute the Consortium's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (vii) other than to the Consortium or their respective associates, for non-cash consideration on the acquisition of, or merger with, all or part of another business, undertaking, company or assets, which shall dilute the Consortium's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (viii) other than to the Consortium or their respective associates, in connection with the debt financing arrangements of the Topco Group, which shall dilute the Consortium's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (ix) in connection with an IPO or a pre-IPO reorganisation; or
- (x) in respect of which the Consortium and a majority of the Topco B Shareholders give their prior written consent to pre-emption rights not applying.

In the case of an issue of further Topco Securities to ConsortiumCo (or its affiliates), the recipient will receive Topco A Shares and the Topco B Shareholders entitled to participate in such issue will receive further Topco B Shares. Topco A Shares and Topco B Shares shall be issued pro rata in the proportions which exist immediately before the new issue of securities if each shareholder exercises their pre-emption rights in full.

All such securities in which Topco B Shareholders are entitled to participate shall be offered on a pre-emptive basis to Topco A and B Shareholders, provided that the Consortium shall have the right for the Additional Capital Raise described above in paragraph 12 and any emergency securities issues to be initially made to the Consortium and for Topco B Shareholders to then have customary

pro rata "catch up" rights, in the case of the Additional Capital Raise exercisable within not less than 2 business days' notice.

Following three months after the Effective Date securities issues in which Topco B Shareholders are entitled to participate will be issued at a price equal to the Topco Board's bona fide opinion of the market value of such securities, with the Topco A Shares and Topco B Shares valued on a consistent basis for this purpose.

It is intended that around the Effective Date Topco will, pursuant to the Additional Capital Raise (as described in paragraph 12), issue around a further 252,727,273 Ordinary Shares and 2,274,545,455 Preference Shares in the capital of Topco. In order to provide the Topco Group with the financing necessary to implement its proposed Refinancing, further details of which are set out in paragraph 7 of this announcement, and to fund costs and expenses incurred in connection with the Acquisition and such Refinancing.

The Additional Capital Raise will be issued at a subscription price which is equal to the subscription price at which Topco Units will be issued pursuant to the Alternative Offer, assuming the value of the Topco Units under the Alternative Offer were equal in aggregate to the Cash Offer (and after adjusting for the price at which shares were issued by Topco to ConsortiumCo on incorporation).

If all such subscriptions for shares were to be made (and eligible AA Shareholders elected to accept in full their entitlement under the Alternative Offer and the Additional Capital Raise), Topco would have a total issued share capital after the Additional Capital Raise of around:

- (i) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (ii) 72,356,859 Topco B Ordinary Shares and 651,211,735 Topco B Preference Shares to be held by the former AA Shareholders.

In addition, as described in paragraph 7 above, Topco intends to issue further securities in the period following the Effective Date.

AA Shareholders who wish to accept the Alternative Offer should note that their percentage ownership of Topco would therefore be significantly reduced if they did not provide the cash funds required to accept their entitlement pursuant to the Additional Capital Raise or any further issue of securities by Topco following the Effective Date.

Terms of Alternative Offer in the event of a switch

In the event that Bidco elects, with the consent of the Panel and subject to the Co-operation Agreement, to switch to a Takeover Offer, and less than one hundred per cent. of the AA Shares are acquired by Bidco on or around the date of such Takeover Offer becoming wholly unconditional, the total number of Topco Offer Shares to be issued to both ConsortiumCo and AA Shareholders who elect for the Alternative Offer will be reduced (and in the same proportions as between Topco A Shares and Topco B Shares such that the maximum number of Topco Units available to AA Shareholders under the Alternative Offer will remain equal to sixteen (16) per cent. of the total Topco Offer Shares in issue at such time).

In that event, if elections for the Alternative Offer are unable to be satisfied in full as a result, the number of Topco B Shares available for each AA Share will be reduced on a pro rata proportional basis and the balance of the consideration for each AA Share will be paid in cash in accordance with the terms of the Cash Offer.

If (i) further AA Shares are acquired for cash by or on behalf of Bidco after the Takeover Offer becomes wholly unconditional (under the compulsory acquisition procedure or otherwise), and (ii) the Topco A Shares to be issued to fund those acquisitions were not included in the calculation of the above sixteen (16) per cent. entitlement of AA Shareholders who elect for the Alternative Offer, any additional Topco Ordinary Shares and Topco Preference Shares which are issued in order to fund those acquisitions, will be issued in the same proportions as between each class of Topco A Shares and Topco B Shares as existed following the initial issue of Topco Offer Shares to electing AA Shareholders. Holders of Topco B Ordinary Shares and Topco B Preference Shares shall be entitled to customary pre-emption rights or catch-up rights in relation to any such additional issue of Topco Ordinary Shares and Topco Preference Shares in order to maintain their percentage shareholdings in Topco.

Governance; Topco Board Representation

Any Topco B Shareholder (together with its associates) holding at least 10 per cent. of the Topco Securities at any time shall have the right to appoint an observer (subject to compliance with laws and regulations in relation to control and use of inside information and the identity of the proposed observer being acceptable to the Topco Board (acting reasonably and in good faith), it being agreed that consent being withheld in respect of all actual or potential competitors of the AA Group shall not be unreasonable) to attend and speak (but not vote) at meetings of the Topco Board (and the boards of any other Topco Group or AA Group company on which a Consortium member has board representation) and there shall be a minimum of four Topco Board meetings per annum.

Transaction Fees and Expenses

Save as determined by the Consortium, the Topco Group will be responsible for all of the fees and expenses incurred in connection with the Acquisition (including the Refinancing (as described in paragraph 7 above)) and re-charging of any fees and expenses paid by Warburg Pincus Funds or TowerBrook Funds, in each case plus VAT if applicable.

Information Rights

The observer appointed in accordance with the "Governance; Topco Board Representation" section above shall receive all notices of board meetings and shall be provided with (subject to customary confidentiality undertakings and restrictions around the sharing of such information) all relevant papers, documents and reports provided to the members of the board, and papers, material provided to, minutes of, and resolutions approved by such board and any committee of such board. The Topco Board may, however, acting reasonably, redact information made available to such observer or exclude such observer from all or part of a meeting to the extent the relevant information or matter being considered is determined by the board to give rise to a conflict of interest for such observer. In addition, the Topco B Shareholders may request and, subject to consent of the Consortium and confidentiality obligations, receive reasonable information on the Topco Group and its affairs and may disclose such information to associates.

Topco shall, and shall procure that the Topco Group will, provide at the direction of a Topco B Shareholder (at such Topco B Shareholder's cost) customary and/or reasonable information in relation to the Topco Group and AA Group and reasonable assistance, in each case, in connection with any transfers by such Topco B Shareholder to a third party after the Lock-up-Period, subject to customary confidentiality protections being in place in favour of the Topco Group in respect of its confidential information, such third party agreeing to adhere to the Topco Shareholders' Agreement, completion of certain legal, compliance, regulatory and identity checks and procedures and such

third party not being considered by the board to be a competitor of the Topco Group or a person whose personal or business reputation would mean that their investment is likely to result in reputational harm to the Topco Group or Consortium or its associates.

Exit Arrangements

Any future share sale, asset sale, IPO, winding-up or other form of liquidity event relating to the Topco Group (an "Exit") shall occur at the absolute discretion of the Consortium.

All holders of Topco Units are required to co-operate and take such actions in respect of any proposed Exit as are reasonably requested by the Topco Group or the Consortium. This shall include without limitation: any reorganisation, restructuring or other corporate (or similar) action required to facilitate such Exit; providing warranties as to the title to the Topco Units held by such holder and its capacity to sell such Topco Units; and, in the case of an IPO, entering into customary "lock-up" undertakings.

Drag-Along and Tag-Along

ConsortiumCo shall have a "pro rata" drag right on the same economic terms on any transfers of direct or indirect shareholdings in Topco Securities by Warburg Pincus Funds or TowerBrook Funds to a bona fide purchaser which is not connected with either the Warburg Pincus Funds or the TowerBrook Funds if, following such transfer, the purchaser would thereafter directly or indirectly hold a majority of the Topco Securities. For these purposes, the expression "pro rata" shall mean the portion of the Topco Securities of the non-transferring shareholder to the portion of direct or indirect holdings of Topco Ordinary Shares being transferred by the transferring shareholder and their associates.

Topco B Shareholders shall have a "pro rata" tag right on the same economic terms on any transfer of direct or indirect shareholdings in Topco Securities by the Warburg Pincus Funds or TowerBrook Funds (other than in respect of certain excluded instances including, but not limited to, customary permitted transfers to affiliates, any current or prospective director, officer, employee or consultant of the Topco Group, reorganisation, IPO, where a drag right has been exercised, and/or any "silent syndication" to limited partners and/or co-investors in the period between this announcement and the date which is 12 months following the Effective Date). A full tag right will apply on a transfer by the Consortium of a majority of the Topco Securities (save that this right will be subject to certain excluded instances specified above). For these purposes, the expression "pro rata" shall mean the proportion that the Topco Ordinary Shares transferred by Warburg Pincus Funds or TowerBrook Funds, as the case may be, bears to the total direct or indirect holdings of Topco A Ordinary Shares.

Governing Law and Jurisdiction

The Topco Shareholders' Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law. The courts of England have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Topco Shareholders' Agreement and accordingly any proceedings arising out of or in connection with the Topco Shareholders' Agreement shall be brought in such courts.

APPENDIX V DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

Acromas	Acromas Holdings Limited
AA	AA PLC, a public limited company incorporated in England and Wales having its registered office at Fanum House, Basing View, Basingstoke Hampshire RG21 4EA and having the registered number 5149111
AA Board	means the board of directors of the AA
AA Group	the AA and its subsidiary undertakings from time to time
AA Directors	the directors of the AA at the time of this announcement or, where the context so requires, the directors of the AA from time to time
AA I	has the meaning given to it in paragraph 7
AA PMP	has the meaning given to it in paragraph 7
AA Shareholders	the holders of AA Shares
AA Shares	the existing unconditionally allotted or issued and fully paid ordinary shares of 0.1 pence each in the share capital of the AA and any further such ordinary shares which are unconditionally allotted or issued before the Scheme becomes Effective
AA Share Plans	the following share incentive plans: (a) Employee Share Incentive Plan; and (b) Performance Share Plan
AA UK	has the meaning given to it in paragraph 7
Acquisition	the proposed acquisition by Bidco to acquire the entire issued and to be issued ordinary share capital of the AA to be implemented by the Scheme or, should Bidco so elect in accordance with the terms of the Co-operation Agreement with the consent of the Panel, by means of a Takeover Offer and, where the context admits, any subsequent revision, variation, extension or renewal thereof
Additional Capital Raise	has the meaning given in paragraph 12
Alternative Offer	the arrangements set out in paragraph 11 pursuant to which eligible AA Shareholders may elect to receive 1.0 Topco Unit (comprising 2.8636363636 Topco B Preference Shares and 0.3181818182 Bidco B Ordinary Shares) for each AA Share
Alternative Offer Maximum	has the meaning given in paragraph 11

Applicable Law	the proposed National Security and Investment Bill or any other public interest, national security or foreign investment laws, rules or regulations
Authorisations	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals
Barclays	Barclays Bank plc, acting through its investment bank
Bidco	Basing Bidco Limited, a private limited company incorporated in Jersey with registered number 132817 (or if Bidco elects, a nominee or wholly owned subsidiary of Bidco notified in writing to the AA prior to publication of the Scheme Document (or, if applicable the Takeover Offer Document))
Business Day	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in London
CARE	has the meaning given to it in paragraph 7
Cash Offer	35p in cash for each AA ordinary share
Citi	Citigroup Global Markets Limited
Class A Notes	collectively, the outstanding (i) 6.27 per cent. Sub-Class A2 Notes with an expected maturity date of 31 July 2025; (ii) Sub-Class A5 Notes; (iii) 2.75 per cent. Sub-Class A6 Notes with an expected maturity date of 31 July 2023; (iv) 4.88 per cent. Sub-Class A7 Notes with an expected maturity date of 31 July 2024; and (v) Sub-Class A8 Notes, in each case issued by AA Bond Co Limited
Class A5 Notes	the 2.875 per cent. Sub-Class A5 Notes with an expected redemption date of 31 January 2022 issued by AA Bond Co Limited
Class A8 Notes	the 5.500 per cent. Sub-Class A8 Notes with an expected redemption date of 31 July 2027 issued by AA Bond Co Limited
Class A9 Notes	has the meaning given to it in paragraph 7
Class B Noteholders	means the holders of the Class B Notes
Class B Notes	the outstanding Sub-Class B2 Notes, or as the context requires, any notes issued pari passu with the Class B2 Notes and/or in replacement of the Class B2 Notes
Class B2 Notes	the 5.500 per cent. Sub-Class B2 Notes with an expected redemption date of 31 July 2022 issued by AA Bond Co Limited
Class B3 Notes	has the meaning given to it in paragraph 7

Closing Price	the closing middle market price of an AA Share on a particular trading day as derived from the Daily Official List
CMA Phase 2 Reference	a reference of the Acquisition to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
Companies Act	the Companies Act 2006, as amended
Competition and Markets Authority	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013
Conditions	the conditions to the implementation of the Acquisition, as set out in Appendix I to this announcement and to be set out in the Scheme Document
Confidentiality Agreements	the TCP Confidentiality Agreement and the WP Confidentiality Agreement
Consortium	the Warburg Pincus Funds and the TowerBrook Funds
ConsortiumCo	Basing Consortiumco Limited, a private limited company incorporated in Jersey with registered number 132816
Co-operation Agreement	the agreement dated 25 November 2020 between Bidco and the AA relating to, among other things, the implementation of the Acquisition, as described in paragraph 15
Court	the High Court of Justice in England and Wales
Court Hearing	the hearing of the Court to sanction the Scheme under section 899 of the Companies Act and, if such hearing is adjourned, reference to commencement of any such hearing shall mean the commencement of the final adjournment thereof
Court Meeting	the meeting of Scheme Shareholders to be convened pursuant to an order of the Court under the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof, notice of which is to be contained in the Scheme Document
Court Order	the order of the Court sanctioning the Scheme
Credit Suisse	Credit Suisse International
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
Davidson Kempner	Davidson Kempner European Partners, LLP
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
Disclosed	the information disclosed by, or on behalf of the AA, (i) in the annual report and accounts of the AA Group for the financial year ended 31 January 2020; (ii) in the interim results of the AA Group for the six month period ended on 31 July 2020; (iii) in this announcement; (iv) in any other announcement to a Regulatory Information Service by, or on behalf of the AA prior to the publication of this announcement; (v) in the virtual data room operated on behalf of the AA for the purposes of the Acquisition (which Bidco and its advisers were able to access prior to the date of this announcement); or (vi) as otherwise fairly disclosed to Bidco and/or the Consortium (or their respective officers, employees, agents or advisers in their capacity as such) in writing or at any management presentation prior to the date of this announcement by or on behalf of the AA
EBITDA	means earnings before interest, taxes, depreciation and amortisation
Effective	in the context of the Acquisition: <ul style="list-style-type: none"> (a) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (b) if the Acquisition is implemented by way of a Takeover Offer, such Takeover Offer having been declared and become unconditional in all respects in accordance with the Takeover Code
Effective Date	the date on which either the Scheme becomes effective in accordance with its terms or, if Bidco elects, and the Panel consents, to implement the Acquisition by way of a Takeover Offer, the date on which such Takeover Offer becomes or is declared unconditional in all respects
Employee Share Incentive Plan	the UK "all-employee" share plan that operates in connection with a UK trust, pursuant to which qualifying employees are entitled to acquire AA Shares on and subject to terms set out therein
Equity Commitment Letter	the equity commitment letter entered into between the members of the Consortium and Bidco dated 25 November 2020
Euroclear	Euroclear UK and Ireland Limited
Evercore	Evercore Partners International LLP
Excluded Shares	any AA Shares beneficially owned by Bidco or any other member of the Wider Topco Group

FCA or Financial Conduct Authority	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000
Form of Election	the form of election for use by AA Shareholders electing for the Alternative Offer
Forms of Proxy	the forms of proxy in connection with each of the Court Meeting and the General Meeting, which shall accompany the Scheme Document
FSA	the Financial Services Act 2019 of Gibraltar
FSMA	the Financial Services and Markets Act 2000
FY2014	means the financial year 2014
FY2016	means the financial year 2016
FY2018	means the financial year 2018
FY2019	means the financial year 2019
FY2020	means the financial year 2020
FY2021	means the financial year 2021
FY2022	means the financial year 2022
General Meeting	the general meeting of AA Shareholders (including any adjournment thereof) to be convened in connection with the Scheme
Goldman Sachs	Goldman Sachs International
GFSC	the Gibraltar Financial Services Commission
Holdco	Basing Holdco Limited, a private limited company incorporated in Jersey with registered number 132815
IFRS	International Financial Reporting Standards
J.P. Morgan Cazenove	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove
Liquidity Facility	means a liquidity revolving facility in a principal amount of up to £165,000,000
Listing Rules	the rules and regulations made by the Financial Conduct Authority under FMSA, and contained in the publication of the same name, as amended from time to time
Lock-up Period	has the meaning given in paragraph 4 of the summary
London Stock Exchange	London Stock Exchange plc
Long Stop Date	5.00p.m. on 30 June 2021 or such later date as may be agreed in writing by Bidco and the AA (with the Panel's consent and as the Court may approve (if such approval(s) are required))

LTM Trading EBITDA	means the Trading EBITDA in the immediately preceding 12 months
Main Market	the Main Market of the London Stock Exchange
Memorandum of Understanding	has the meaning given to it in paragraph 7
Midco	Basing Midco Limited, a private limited company incorporated in Jersey with registered number 132818
Offer Period	the offer period (as defined by the Takeover Code) relating to the AA, which commenced on 4 August 2020
Official List	the Official List of the London Stock Exchange
Opening Position Disclosure	has the same meaning as in Rule 8 of the Takeover Code
Overseas Shareholders	AA Shareholders (or nominees of, or custodians or trustees for AA Shareholders) not resident in, or nationals or citizens of the United Kingdom
Panel	the Panel on Takeovers and Mergers
Performance Share Plan	the discretionary performance related share plan approved by AA Shareholders on 9 June 2015 pursuant to which certain options in respect of AA Shares may be granted at nil cost on and subject to the terms (including the satisfaction of long-term performance conditions) set out therein
PRA	the Prudential Regulation Authority
PRC	the People's Republic of China
Principal Employer	Automobile Association Developments Limited
Refinancing	the refinancing of certain debt of the AA Group, further details of which are set out in paragraph 7
Registrar of Companies	the Registrar of Companies in England and Wales
Regulation	has the meaning given to it in paragraph 3(c) of Part A of Appendix I to this announcement
Regulatory Information Service	any of the services set out in Appendix I to the Listing Rules
Relevant Authority	any central bank, ministry, governmental, quasi governmental, supranational (including the European Union), statutory, regulatory or investigative body, authority or tribunal (including any national or supranational anti trust, competition or merger control authority, any sectoral ministry or regulator and foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing,

	importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to AA Shareholders
Roll-over Mechanic	has the meaning given in paragraph 16
Scheme or Scheme of Arrangement	the proposed scheme of arrangement under Part 26 of the Companies Act between the AA and the Scheme Shareholders in connection with the Acquisition, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the AA and Bidco
SAMR	the State Administration for Market Regulation of the PRC
Scheme Document	the document to be sent to AA Shareholders containing, amongst other things, the Scheme and the notices convening the Court Meeting and the General Meeting
Scheme Record Time	the time and date specified as such in the Scheme Document
Scheme Shareholders	holders of Scheme Shares
Scheme Shares	<p>the AA Shares:</p> <ul style="list-style-type: none"> (a) in issue at the date of the Scheme Document and which remain in issue at the Scheme Record Time; (b) (if any) issued after the date of the Scheme Document but before the Voting Record Time and which remain in issue at the Scheme Record Time; and (c) (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>in each case, other than any Excluded Shares</p>
Securities Act	the United States Securities Act of 1933
Senior Term Facility	a senior term loan facility in a principal amount of up to £200,000,000
Significant Interest	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of the total voting rights

	conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking
S&P	means Standard & Poor's
Takeover Code	the City Code on Takeovers and Mergers
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 Bidco to acquire the entire issued and to be issued ordinary share capital of the AA and, where the context admits, any subsequent revision, variation, extension or renewal of such takeover offer
Takeover Offer Document	should the Acquisition be implemented by means of a Takeover Offer, the document to be sent to AA Shareholders containing the full terms and conditions of such Takeover Offer.
TCP Confidentiality Agreement	the confidentiality agreement between the AA and TowerBrook Capital Partners (U.K.) LLP entered into on 23 June 2020 (as amended addenda entered into on 30 July 2020, 31 August 2020 and 11 November 2020)
Third Party	each of an anti-trust, central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever in any jurisdiction
Topco	Basing Topco Limited, a private limited company incorporated in Jersey with registered number 132819
Topco Articles	the articles of association of Topco
Topco A Ordinary Shares	the A ordinary shares in the capital of Topco
Topco A Preference Shares	the A preference shares in the capital of Topco
Topco A Shares	means the Topco A Ordinary Shares and the Topco A Preference Shares
Topco B Ordinary Shares	the B ordinary shares in the capital of Topco
Topco B Preference Shares	the B preference shares in the capital of Topco
Topco B Shareholder	any holder of Topco B Ordinary Shares and/or the Topco B Preference Shares
Topco B Shares	means the Topco B Ordinary Shares and the Topco B Preference Shares
Topco Group	Topco and its direct and indirect subsidiaries including, following completion of the Acquisition, the AA Group

Topco Ordinary Shares	means the Topco A Ordinary Shares and the Topco B Ordinary Shares
Topco Shareholders' Agreement	means the shareholders' agreement to be entered into by the holders of Topco Securities, from time to time, and the Intermediate Holding Companies
Topco Offer Shares	has the meaning given to it in paragraph 12
Topco Board	means the board of directors of Topco
Topco Securities	means the Topco A Shares and the Topco B Shares
Topco Units	that number of the Topco B Ordinary Shares and the Topco B Preference Shares available under the Alternative Offer
TowerBrook	means TowerBrook Capital Partners (U.K.) LLP
TowerBrook Funds	funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates
Trading EBITDA	means profit after tax on a continuing basis as reported, adjusted for depreciation, amortisation, adjusting operating items, share-based payments, pension service charge adjustments, net finance costs, contingent consideration remeasurement movements and tax expense
Trustee	has the meaning given to it in paragraph 7
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub-division thereof
US Exchange Act	the United States Securities Exchange Act of 1934 (as amended)
Voting Record Time	the date and time specified in the Scheme Document by reference to which the entitlement to vote on the Scheme will be determined
Warburg Pincus	means Warburg Pincus LLC
Warburg Pincus Funds	private equity funds managed by Warburg Pincus LLC or its affiliates
WBS	has the meaning given to it paragraph 5
Wider Topco Group	Topco and associated undertakings and any other body corporate, partnership, joint venture or person in which Topco and all such undertakings (aggregating their interests) have a Significant Interest; and

Wider AA Group	the AA and associated undertakings and any other body corporate, partnership, joint venture or person in which the AA and such undertakings (aggregating their interests) have a Significant Interest.
Working Capital Facility	a working capital revolving facility in a principal amount of up to £60,000,000
WP Confidentiality Agreement	the confidentiality agreement between the AA and Warburg Pincus International LLC entered into on 25 June 2020 (as amended pursuant to 18 July 2020, 31 August 2020 and 11 November 2020 respectively)

For the purposes of this announcement, "**subsidiary**", "**subsidiary undertaking**", "**undertaking**" and "**associated undertaking**" have the respective meanings given thereto by the Companies Act.

All references to "**pounds**", "**pounds Sterling**", "**Sterling**", "**£**", "**pence**", "**penny**" and "**p**" are to the lawful currency of the United Kingdom.

All the times referred to in this announcement are London times unless otherwise stated.

References to the singular include the plural and vice versa.