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**THIS DOES NOT CONSTITUTE AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT ANY FIRM OFFER WILL BE MADE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

23 November 2020

**AA plc ("AA" or the "Company")**

**Update on Possible Offer**

The Board of Directors of AA (the "Board") notes the recent press speculation and confirms that it has received a non-binding proposal from TowerBrook Capital Partners (U.K.) LLP and Warburg Pincus International LLC (together the "Consortium") regarding a possible cash offer of 35 pence per AA share for the entire issued, and to be issued, ordinary share capital of the Company (the "Proposal").

On 27 October 2020, AA announced that commercial discussions and due diligence were progressing with the Consortium. The Company confirms that these commercial discussions have advanced and that following a period of due diligence have led to the Consortium submitting the Proposal.

The Proposal represents a premium of approximately 40 per cent. to the closing share price on 3 August 2020 of 25 pence (being the Business Day prior to the commencement of the Offer Period) and 50 per cent. to the AA's one-month volume weighted average share price of 23.3 pence on the same date. In addition, the Proposal includes the option for eligible AA shareholders to elect to receive unlisted securities in lieu of cash consideration subject, inter alia, to elections being limited in the aggregate to 16 per cent. of the equity of the acquiring group<sup>1</sup>.

As first stated by the Company in its preliminary results announcement on 7 May 2020, the Board has for some time been reviewing a range of potential refinancing options, including the possibility of raising new equity. The Board believes that the Company needs a more sustainable capital structure and requires a significant amount of additional new equity in order to reduce the Group's indebtedness and to fund future growth. The Proposal being discussed with the Consortium includes an intention to also invest approximately £380 million into the Company to facilitate debt reduction and specifically to support a refinancing of £541 million of the existing Class B2 Secured Notes maturing in July 2022 and £372 million Class A5 Notes maturing in January 2022.

The Board, having considered carefully the viability of a range of alternative potential debt and equity refinancing options together with its financial advisers, has indicated to the Consortium that it would be willing to recommend a cash offer on the terms of the Proposal. Accordingly, the Company is engaged in advanced discussions with the Consortium in relation to the possible offer.

Under Rule 2.6(a) the Consortium must, by no later than 5.00 p.m. (London time) on 24 November 2020, either announce a firm intention to make an offer in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline will only be extended further with the consent of the Panel, in accordance with Rule 2.6(c) of the Code.

There can be no certainty that an offer will be made. This announcement is being made with the agreement of the Consortium.

Pursuant to Rule 2.5 of the Code, the Consortium reserves the right to:

- (a) vary the form and/or mix of the consideration described in this announcement

- (b) announce an offer on less favourable terms than the Proposal:
- (i) with the consent of the Board;
  - (ii) if a third party announces a firm intention to make an offer for AA at a lower value than the Proposal;
  - (iii) if AA announces, declares or pays a dividend or any other distribution or return of capital to its shareholders after this announcement (in which case the Consortium reserves the right to reduce the offer price by an amount up to the amount of such dividend, distribution or return of capital); or
  - (iv) if AA announces a whitewash transaction pursuant to the Code.

The person responsible for arranging the release of this announcement on behalf of AA is Nadia Hoosen, Chief Legal Officer and Company Secretary.

**Notes:**

1. Electing shareholders are likely to have to make a further equity investment very shortly after closing of the offer to avoid a material dilution in their ownership.

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Investor Relations

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#### **Publication on website**

A copy of this announcement will be made available (subject to certain restrictions relating to persons resident in restricted jurisdictions) at [www.theaapl.com/investors](http://www.theaapl.com/investors) in accordance with Rule 26.1 of the Code by no later than 12 noon (London time) on 24 November 2020. For the avoidance of doubt, the content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.