

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. Part II (EXPLANATORY STATEMENT) OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT 2006. This document contains a proposal which, if implemented, will result in the cancellation of the listing of AA Shares on the Official List and of trading of AA Shares on the London Stock Exchange. If you are in any doubt as to the contents of this document or what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser. This document is not a prospectus, or a prospectus exempted document.

If you have sold or otherwise transferred all of your AA Shares, please send this document and the accompanying documents (other than documents or forms personalised to you) at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holding of AA Shares, you should retain these documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document and/or the accompanying documents (in whole or in part) in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

**Recommended Cash Acquisition
of
AA plc
by
BASING BIDCO LIMITED**
**a newly incorporated entity indirectly wholly owned by a consortium
of the TowerBrook Funds and the Warburg Pincus Funds**
**to be effected by means of a Scheme of Arrangement
under Part 26 of the Companies Act 2006**

This document (including any documents incorporated into it by reference) should be read as a whole and in conjunction with the accompanying Forms of Proxy and Form of Election.

Your attention is drawn to the letter from the Chair of the AA in Part I (*Letter from the Chair of AA plc*) of this document, which contains the unanimous recommendation of the AA Board that you vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting. A letter from Evercore and/or J.P. Morgan Cazenove explaining the Scheme appears in Part II (*Explanatory Statement*) of this document.

Notices of the Court Meeting and the General Meeting, both of which will be held at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA on 14 January 2021, are set out in Part XII (*Notice of Court Meeting*) and Part XIII (*Notice of General Meeting*) of this document respectively. The Court Meeting will start at 11.00 a.m. and the General Meeting at 11.15 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

The action to be taken by AA Shareholders in relation to the Meetings is set out on pages 8 to 11 and in paragraph 18 of Part II (*Explanatory Statement*) of this document. In light of the Coronavirus (COVID-19) outbreak AA Shareholders will not be able to attend the Meetings in person and it is therefore very important that they vote by appointing the Chair of each of the Court Meeting and the General Meeting as their proxy (either electronically or by post using the printed Forms of Proxy, as set out in paragraph 18 of Part II (*Explanatory Statement*)) as soon as possible. It is very important that AA Shareholders use their votes so that the Court can be satisfied that there is a fair and reasonable representation of their views.

AA Shareholders will receive a BLUE Form of Proxy for use in connection with the Court Meeting and a WHITE Form of Proxy for use in connection with the General Meeting. Please complete and sign each of the Forms of Proxy (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on them and return them to the AA's Registrar, Equiniti Limited, as soon as possible and, in any event, so as to be received by Registrar by 11.00 a.m. on 12 January 2021 in respect of the Court Meeting and 11.15 a.m. on 12 January 2021 in respect of the General Meeting. AA Shareholders who hold AA Shares in CREST may also appoint a proxy through the CREST electronic proxy appointment service by following the instructions on pages 8 to 11 of this document. If either the BLUE Form of Proxy or the WHITE Forms of Proxy are not lodged by the relevant time, and in accordance with the instructions on the relevant Form of Proxy, such Form of Proxy will be invalid. The completion and return of a Form of Proxy will not prevent AA Shareholders from attending via the conference call facility, voting and speaking at either the Court Meeting or the General Meeting, or any adjournment thereof, if they so wish and are so entitled.

If you have any questions about this document, the Court Meeting, the General Meeting or on the completion and return of the Forms of Proxy or the Form of Election, please call the Shareholder Helpline between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 (from within the UK) or +44 333 207 6536 (from outside the UK, international rates apply). Please note that calls may be monitored or recorded, and the Shareholder Helpline cannot provide financial, legal or tax advice or advice on the merits of the Acquisition.

Certain terms used in this document are defined in Part XI (*Definitions*).

Elections for Alternative Offers

If you are eligible and wish to elect for the Alternative Offer in respect of all, but not some only, of your AA Shares, you must also complete the GREEN Form of Election in accordance with the instructions printed on such form and return it by post to Equiniti Limited, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom or, if you hold your AA Shares through CREST, submit a TTE Instruction in respect of all of your AA Shares, in each case by the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. The prepaid envelope provided with this document may be used (within the UK only) for the return of the Form of Election.

AA Shareholders who do not wish to elect to receive the Alternative Offer do not need to complete or return the Form of Election.

AA Shareholders, who are in a Restricted Jurisdiction, are only eligible to receive the Cash Offer, and are not eligible to elect for the Alternative Offer.

Full instructions as to how to elect for the Alternative Offer are set out in Part V (*Summary of the Alternative Offer*) of this document. In particular, AA Shareholders who elect for the Alternative Offer will be required, pursuant to a power of attorney granted by them pursuant to the Scheme, to adhere to the Topco Shareholders' Agreement as a condition of such election.

Further Information

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 document, 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 document, and no representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this document, including its accuracy, completeness or verification of any other statement made or purported to be made by it, or on its behalf, in connection with the AA or the matters described in this document. 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 document 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 document and will not regard any other person as its client in relation to the matters in this document 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 document 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 document. 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 document, any statement contained herein, any offer or otherwise.

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 document 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 document 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 document, annex 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 document 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 document. 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 document, 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 document 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 document. 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.

IMPORTANT NOTICES

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the AA, the AA Directors, Bidco, the Bidco Directors or by Evercore, J.P. Morgan Cazenove or Citi or by Credit Suisse, Goldman Sachs or Barclays or any other person involved in the Acquisition. Neither the delivery of this document nor holding the Meetings, the Court Hearing, or filing the Court Order shall, under any circumstances, create any implication that there has been no change in the affairs of the AA Group or the Topco Group since the date of this document or that the information in, or incorporated into, this document is correct as at any time subsequent to its date.

Overseas jurisdictions

The release, publication or distribution of this document in or into or from jurisdictions other than the United Kingdom or the United States 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. In particular, the ability of persons who are not resident in the United Kingdom to vote their AA Shares with respect to the Scheme at the Court Meeting, or to appoint another person as proxy to vote at the Court Meeting on their behalf, or to elect for the Alternative Offer, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person. This document has been prepared for the purposes of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England and Wales. This document is not a prospectus, or a prospectus exempted document.

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

The availability of the Alternative Offer under 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 legal or regulatory requirements.

This document is not intended to constitute a public offer or solicitation to accept the Alternative Offer or to purchase or invest in Bidco Loan Notes or the Topco Units in Switzerland. It is being sent to AA Shareholders in Switzerland on the basis of being a private placement. The Bidco Loan Notes and the Topco Units may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Bidco Loan Notes or the Topco Units to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the Bidco Loan Notes or the Topco Units constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Bidco Loan Notes or the Topco Units may be publicly distributed or otherwise made publicly available in Switzerland.

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.

Further details in relation to Overseas Shareholders are contained in paragraph 16 of Part II (*Explanatory Statement*) of this document.

Additional information for US investors

The Acquisition is being made to acquire the securities of an English company by means of a scheme of arrangement provided for under English law. 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 Scheme is subject to disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement, which are different from the disclosure requirements of the US tender offer rules 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 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 Bidco Loan Notes and 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 Bidco Loan Notes and the Topco Units in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) thereof (“**Section 3(a)(10)**”). Section 3(a)(10) exempts securities issued in specified exchange transactions from the registration requirement under the Securities Act where, among other things, the fairness of the terms and conditions of the issuance and exchange of such securities have been approved by a court or governmental authority expressly authorised by law to grant such approval, after a hearing upon the fairness of the terms and conditions of the exchange at which all persons to whom the Bidco Loan Notes or Topco Units are proposed to be issued have the right to appear; and receive adequate and timely notice thereof.

The Bidco Loan Notes and the Topco Units to be received upon completion of the Alternative Offer may be resold without restriction in the United States, except in respect of resales by persons who are “affiliates” (within the meaning of Rule 144 under the Securities Act (“**Rule 144**”)) of Bidco at the time of such resale or who have been affiliates of Bidco within 90 days before the Effective Date. Such persons may not be able to sell Bidco Loan Notes or Topco Units that they receive in connection with the Alternative Offer in the absence of registration under the Securities Act or an exemption from registration, if available.

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.

The financial information included in this document has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.

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 Jersey and the United Kingdom (as applicable).

The Bidco Loan Notes and the Topco Units have not been, and will not be, registered under the Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States and will not be listed on any stock exchange in the United States. Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the Alternative Offer or determined if this document is accurate or complete. Any representation to the contrary is a criminal offence.

Forward looking statements

This document (including information incorporated by reference in this document), oral statements made regarding the Acquisition, and other information published by Bidco and the AA or any member of the Topco Group contain statements which are, or may be deemed to be, “forward-looking statements”. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Bidco and the AA about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this document include statements relating to the expected effects of the Acquisition on Bidco or any member of the Topco Group, the expected timing and scope of the Acquisition and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects” or “does not expect”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. 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.

Although Bidco and the AA believe that the expectations reflected in such forward-looking statements are reasonable, Bidco and the AA can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will 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 Bidco nor the AA, 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 document will actually occur. You are cautioned not to place undue reliance on these 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 document. 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.

Other than in accordance with their legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the FCA), neither Bidco or the AA is under any obligation, and Bidco and the AA expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

No profit forecasts or estimates

Other than the AA Profit Forecast, no statement in this document, or incorporated by reference into this document, is intended to be or is to be construed as a profit forecast or estimate for any period and no statement in this document 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, or those of the Combined Group, would necessarily match or exceed the historical published earnings or earnings per share for Bidco or the AA, as appropriate.

Electronic communications

Please be aware that addresses, electronic addresses and other 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 required 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 document, together with all information incorporated into this document by reference to another source, is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on the AA's website www.theaapl.com/investors by no later than 12 noon (London time) on 18 December 2020 (being the first Business Day following the date of this document). For the avoidance of doubt, save as expressly referred to in this document, the contents of the websites referred to in this document are not incorporated into and do not form part of this document.

AA Shareholders may request a hard copy of this document (and any information incorporated by reference in this document) by contacting Equiniti Limited between 9.00 a.m. to 5:00 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 from within the UK or on +44 333 207 6536 if calling from outside the UK or by submitting a request in writing to the AA's 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 document have been subjected to rounding adjustments. Accordingly, figures shown in 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.

Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Code, any person who is interested in one 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(s) 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 Code, any person who is, or becomes, interested in one 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(s), 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 will 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 Takeover Panel's website at 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. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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.

The statements in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this document 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.

Date

The date of publication of this document is 17 December 2020.

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ACTION TO BE TAKEN

For the reasons set out in this document, the AA Board unanimously recommends that AA Shareholders vote in favour of the Scheme at the Court Meeting and the Special Resolution relating to the Scheme to be proposed at the General Meeting, 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 their own (and their connected persons') beneficial holdings of AA Shares, and that you take the action described below.

1. The Documents

Please check that you have received the following:

- a BLUE Form of Proxy for use in respect of the Court Meeting on 14 January 2021;
- a WHITE Form of Proxy for use in respect of the General Meeting on 14 January 2021;
- a GREEN Form of Election in respect of the Alternative Offer; and
- a pre-paid envelope for use in the UK only for the return of the Form of Election.

If you have not received all of these documents, please contact the Shareholder Helpline on the number indicated below.

2. Voting at the Court Meeting and the General Meeting

The Scheme will require approval at a meeting of Scheme Shareholders convened with the permission of the Court to be held at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA at 11.00 a.m. on 14 January 2021 (London time). Implementation of the Scheme will also require approval of AA Shareholders of the Special Resolution relating to the Acquisition to be proposed at the General Meeting. The General Meeting will be held at the same place as the Court Meeting, at 11.15 a.m. on 14 January 2021 (London time) (or as soon thereafter as the Court Meeting shall have been concluded or adjourned).

AA Shareholders entitled to attend and vote at the Meetings are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the Court Meeting and/or General Meeting. A proxy need not be an AA Shareholder.

It is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of the opinion of Scheme Shareholders. As detailed in paragraph 12 of Part I (*Letter from the Chair of AA plc*), in light of the Coronavirus (COVID-19) outbreak, AA Shareholders will not be able to attend the Court Meeting or the General Meeting in person, and they are therefore strongly encouraged to vote by appointing the Chair of each of the Court Meeting and the General Meeting as their proxy (either electronically or by post using the printed Forms of Proxy, as set out below) before the relevant deadline. The Chair of the relevant Meeting will vote in accordance with the voting instructions of the appointing AA Shareholder.

A conference call facility has been arranged to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings. This is described further below.

Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended the Meetings using the conference call facility or voted in favour of, or against, the Scheme at the Court Meeting or in favour of, or against, or abstained from voting on the Special Resolution at the General Meeting.

Sending Forms of Proxy by post

Please complete and sign the Forms of Proxy in accordance with the instructions printed on them and return them by post to the AA's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received as soon as possible and in any event not later than the relevant time set out below:

BLUE Forms of Proxy for the Court Meeting	11.00 a.m. (London time) on 12 January 2021
WHITE Forms of Proxy for the General Meeting	11.15 a.m. (London time) on 12 January 2021

or, if a Meeting is adjourned, not later than 24 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting.

AA Shareholders are entitled to appoint a proxy in respect of some or all of their AA Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. AA Shareholders who wish to appoint more than one proxy in respect of their holding of AA Shares should contact the Registrar for further Forms of Proxy.

If either of the BLUE Form of Proxy or the WHITE Forms of Proxy is not lodged by the relevant time, and in accordance with the instructions on the relevant Form of Proxy, such Form of Proxy will be invalid.

If you appoint a person other than the Chair of each of the Court Meeting and the General Meeting as your proxy, you must also make a request for the appointed proxy to attend the Meetings by telephone to represent you, as described below.

Online appointment of proxies

As an alternative to completing and returning the printed Forms of Proxy, proxies may be appointed electronically by logging on to the following website: www.sharevote.co.uk and entering the voting ID, task ID and shareholder reference number shown on their Forms of Proxy. For an electronic proxy appointment to be valid, the appointment must be received by the Registrar no later than 11.00 a.m. (London time) on 12 January 2021 for the Court Meeting and 11.15 a.m. (London time) on 12 January 2021 for the General Meeting or, if in either case the Meeting is adjourned, no later than 24 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting. Full details of the procedure to be followed to appoint a proxy electronically are given on the website.

Electronic appointment of proxies through CREST

If you hold AA Shares in uncertificated form through CREST and wish to appoint a proxy or proxies for the Meetings (or any adjourned Meeting) by using the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual and in this document. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instructions as described in the CREST Manual.

Proxies submitted via CREST (under CREST participant ID RA19) must be received by the AA’s Registrar by no later than 11.00 a.m. London time on 12 January 2021 in the case of a Court Meeting and by no later than 11.15 a.m. London time on 12 January 2021 in the case of the General Meeting or, if a Meeting is adjourned, by no later than 24 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST personal members or other CREST sponsored members, and those CREST members who have appointed any voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The AA may treat as invalid a CREST Proxy Instruction in the circumstances set out in the CREST Regulations.

Right to attend the Court Meeting or the General Meeting by telephone

Completion and return of a Form of Proxy, or the appointment of a proxy electronically using CREST, will not prevent you from attending, speaking and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, by telephone as described below.

3. Arrangements for the Court Meeting and the General Meeting

In order to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings, a conference call facility has been arranged. Any AA Shareholder, proxy or corporate representative wishing to attend the Meetings by telephone (or to enable their proxy or corporate representative to do so) should contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or, if a Meeting is adjourned, not later than on the date which is two days (excluding non-working days) before the date set for such adjourned Meeting) to receive the invitation to access the Meetings.

Once your details have been verified, you will be issued with the dial-in details to join the Meetings together with a poll card for each of the Court Meeting and the General Meeting. If you wish to vote following the Meetings, you must return the relevant poll card by email to Equiniti within 30 minutes of the conclusion of the General Meeting in accordance with the instructions that will be set out on the poll cards.

As noted above, it is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of the opinion of Scheme Shareholders. Whether or not you intend to attend the Court Meeting and/or the General Meeting by way of the conference call facility, please sign and return your Forms of Proxy, or deliver your voting instructions by one of the other methods described in this section, as soon as possible.

AA Shareholders, proxies and corporate representatives will be able to ask questions at the Meetings but, in order to facilitate the smooth running of the Meetings, are asked to submit any questions in advance to cosec@theaa.com. Questions must be received by 11.00 a.m. on 12 January 2021.

4. Process for electing for the Alternative Offer

As explained in more detail in Part I (*Letter from the Chair of AA plc*) and Part II (*Explanatory Statement*) of this document, as an alternative to the Cash Offer, eligible AA Shareholders may elect for the Alternative Offer, pursuant to which they would receive unlisted securities, which will ultimately be issued (pursuant to the Roll-over Mechanic) in the capital of Topco (“**Topco Units**”) for each AA Share. 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.

If you do not return a Form of Election or complete a TTE Instruction electing for the Alternative Offer, you will receive cash for all the AA Shares that you hold at the Scheme Record Time. If you wish to receive cash for all the AA Shares that you hold at the Scheme Record Time, you are not required to return the Form of Election or make a TTE Instruction electing for the Alternative Offer.

If you hold AA Shares in certificated form (that is, not in CREST) and you wish to make an election under the Alternative Offer please complete and return the Form of Election by post to the Registrar at Equiniti Limited, at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to reach the Registrar by no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. A pre-paid envelope, for use in the UK only, has been provided. The instructions printed on, or deemed to be incorporated in, the Form of Election constitute part of the terms of the Scheme.

If you hold AA Shares in uncertificated form (that is, in CREST) and you wish to elect for the Alternative Offer you should NOT complete a Form of Election. Instead you should submit your election electronically by taking (or procuring to be taken) the actions set out in Part VII (*Notes on making an Alternative Offer Election*) to transfer the AA Shares in respect of which you wish to elect for the Alternative Offer to the relevant escrow account using a TTE Instruction as soon as possible, and in any event so that the TTE Instruction settles no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. If you are a CREST personal member or other CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participation ID and the member account ID under which your AA Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your AA Shares.

If you hold AA Shares in both certificated and uncertificated form and you wish to make an election under the Alternative Offer in respect of both such holdings, you must make separate elections in respect of each holding.

Any indirect Scheme Shareholder held through a nominee or similar arrangement, either in uncertificated form through CREST or in certificated form, who wishes to elect for the Alternative Offer may need first to arrange with such nominee for the transfer of such Scheme Shares into, and then make an election for the Alternative Offer in, its own name.

Restricted Shareholders will, under the Acquisition, only be entitled to receive cash consideration for the AA Shares they hold at the Scheme Record Time and they will not have the option of electing for the Alternative Offer. Any purported election for the Alternative Offer by such Restricted Shareholders will be treated as invalid by Bidco. Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.

5. Shareholder Helpline

If you have any questions in relation to this document, the Meetings, or the completion and return of the Forms of Proxy or the Form of Election, please telephone Equiniti Limited between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 from within the UK or on +44 333 207 6536 if calling from outside the UK. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown are London times unless otherwise stated. All dates and times are based on the AA's and Bidco's current expectations and are subject to change. If any of the dates and/or times in this expected timetable change, the revised dates and/or times will be notified to AA Shareholders by announcement through a Regulatory Information Service, with such announcement being made available on the AA's website at www.theaapl.com/investors.

<u>Event</u>	<u>Expected time/date</u>
Latest time for lodging Forms of Proxy for:	
Court Meeting (BLUE form)	11.00 a.m. on 12 January 2021 ⁽¹⁾
General Meeting (WHITE form)	11.15 a.m. on 12 January 2021 ⁽¹⁾
Voting Record Time	6.30 p.m. on 12 January 2021 ⁽²⁾
Court Meeting	11.00 a.m. on 14 January 2021
General Meeting	11.15 a.m. on 14 January 2021⁽³⁾

The following dates are indicative only and subject to change; please see note (4) below

Court Hearing	As soon as reasonably practicable after Bidco confirms the satisfaction or waiver of Conditions (a) to (f) (inclusive) set out in Part A of Part IV (<i>Conditions to and Further Terms of the Acquisition and the Scheme</i>) (“D”) ⁽⁴⁾
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, AA Shares	D ⁽⁴⁾
Election Return Time	6.00 p.m. on D ⁽⁴⁾⁽⁵⁾
Suspension of listing and dealings in AA Shares	6.00 p.m. on D ⁽⁴⁾
Scheme Record Time	6.00 p.m. on D ⁽⁴⁾
Effective Date of the Scheme	D + 1 Business Day ⁽⁴⁾⁽⁶⁾
Cancellation of listing of AA Shares	8.00 a.m. on D + 2 Business Days ⁽⁴⁾
Latest date for dispatch of cheques/settlement through CREST for cash consideration due under the Scheme and share certificates in respect of the Alternative Offer	Within 14 days of the Effective Date
<u>Long Stop Date</u>	<u>30 June 2021</u> ⁽⁷⁾

Notes:

- (1) The BLUE Form of Proxy must be received no later than 11.00 a.m. (London time) on 12 January 2021 (or, if the Court Meeting is adjourned, 24 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting). The WHITE Form of Proxy must be received no later than 11.15 a.m. (London time) on 12 January 2021 (or, if the General Meeting is adjourned, 24 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting). Please see “*Action to be taken*” on pages 8 to 11.
- (2) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the relevant adjourned Meeting will be 6.30 p.m. on the date which is two days (excluding any part of a day that is not a working day) before the date set for such adjourned Meeting.
- (3) To commence at 11.15 a.m. or, if later, as soon thereafter as the Court Meeting shall have concluded or adjourned.
- (4) These times and dates are indicative only and will depend on, among other things, the dates upon which (i) the Conditions are satisfied or (where applicable) waived, (ii) the Court sanctions the Scheme, and (iii) the Scheme Court Order sanctioning the Scheme is delivered to the Registrar of Companies. The AA will give notice of these dates and times, when known, by issuing an announcement through a Regulatory Information Service, with such announcement being made available on the AA's website at www.theaapl.com/investors. Any further updates or changes to these times will be notified in the same way.
- (5) The Election Return Time, being the latest time for the receipt of Forms of Election or TTE Instructions in respect of the Alternative Offer, will be notified to AA Shareholders by an announcement through a Regulatory Information Service no less than five Business Days before the date fixed for the Election Return Time.
- (6) The Scheme will become effective pursuant to its terms upon the Court Order being delivered to the Registrar of Companies.
- (7) The latest date by which the Scheme must be implemented, which may be extended by agreement between the AA and Bidco with the prior consent of the Panel and (if required) the approval of the Court.

Part I
LETTER FROM THE CHAIR OF AA PLC

AA PLC

(Incorporated and registered in England and Wales with registered number 5149111)

Directors:

John Leach (*Chair*)
Simon Breakwell (*Chief Executive*)
Kevin Dangerfield (*Chief Financial Officer*)
Andrew Blowers (*Senior Independent Non-Executive Director*)
Steve Barber (*Non-Executive Director*)
Mark Brooker (*Non-Executive Director*)
Cathryn Riley (*Non-Executive Director*)
Suzi Williams (*Non-Executive Director*)

Registered Office:

Fanum House, Basing View,
Basingstoke, RG21 4EA

17 December 2020

To all AA Shareholders and, for information only, to participants in the AA Share Plans and persons with information rights

Dear Shareholder,

**RECOMMENDED CASH ACQUISITION
BY BASING BIDCO LIMITED OF AA PLC**

1. Introduction

On 25 November 2020, the AA Board and the Bidco Board announced that they had reached agreement on the terms of a recommended cash acquisition by Bidco of the entire issued and to be issued ordinary share capital of the AA.

Bidco is a newly incorporated company wholly owned by a consortium of (i) funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates; and (ii) private equity funds managed by Warburg Pincus LLC or its affiliates. Further information relating to Bidco can be found in paragraph 5 of the letter from Evercore and J.P. Morgan Cazenove set out in Part II (*Explanatory Statement*) of this document and in Part X (*Additional Information*).

I am writing to you on behalf of the AA Board to explain the background to and terms of the Acquisition, to encourage you to vote at the Meetings to be held on 14 January 2021 to consider the Scheme, and to explain why the AA Board is unanimously recommending that AA Shareholders vote in favour of the resolutions to be put to those Meetings.

2. Summary of the terms of the Acquisition

It is proposed that the Acquisition be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act, which requires the approval of AA Shareholders at the Court Meeting and General Meeting and the sanction of the Court.

Under the terms of the Acquisition, Scheme Shareholders at the Scheme Record Time will receive:

for each Scheme 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).

The Acquisition is subject to the Conditions set out in Part A of Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document, including the sanction of the Scheme by the Court. The expected transaction timetable is set out on page 12 of this document.

If, after the date of this document and on or prior to the Scheme becoming Effective, any dividend and/or other distribution and/or other return of capital is declared, paid or made or becomes payable by the AA in respect of AA Shares, 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) accordingly, except where the Scheme Shares are, or will be, acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, distribution and/or other return of capital (as the case may be).

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 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 document 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. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

Further information about the Acquisition and the Alternative Offer is provided in Part II (*Explanatory Statement*) of this document.

3. **Alternative Offer**

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 3 of Part II (*Explanatory Statement*) and Part V (*Summary of the Alternative Offer*) of this document).

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.

Further information on the Alternative Offer is contained in Part V (*Summary of the Alternative Offer*) of this document. For the purposes of Rule 24.11 of the Takeover Code, Credit Suisse and Goldman Sachs as financial advisers to the Consortium and Bidco, have provided 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 set out at Part IX (*Rule 24.11 Estimate of Value Letter*).

The AA Board do not give any advice to AA Shareholders as to whether, or to what extent, they should elect for the Alternative Offer under the Scheme as its benefits will depend on AA Shareholders’ individual tax positions. AA Shareholders should consider whether the Topco Units are a suitable payment alternative in light of their own personal circumstances and investment objectives and are, therefore, strongly recommended to seek their own independent financial, tax and legal advice before deciding whether to elect for the Alternative Offer.

4. **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.

¹ Defined as Operating free cash flow after capital expenditure

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 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 (the 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

2 LTM to April 2014.

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.

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 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 Note 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 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 refinancing, 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.

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 2 of "Context for the Recommendation".

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 outside 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.

The AA Directors believe that in order to be able to secure the agreement of the AA Group's lenders to provide debt facilities and the agreement of underwriting banks and potential investors to support a public equity raise, there is a high likelihood that the amount of new equity required to deleverage the business would need to be significantly greater than £378 million.

In connection with the formal tendering process to renew its Liquidity Facility and other banking facilities, the AA and its advisers were informed by several of the AA Group's largest lenders that they would only be willing to continue providing debt facilities to the AA Group as a publicly quoted company if the Class B2 leverage ratio was reduced materially from 7.8x to nearer 6.0x, in line with peers. In order to achieve this scale of deleveraging, the AA would need to raise an amount of new equity greater than £600 million.

⁵ As at 31 July 2020.

⁶ Source: FactSet as at 31 December 2019.

Similarly, based upon discussions that the AA Group's financial advisers have had with underwriting banks and potential investors in relation to a public equity raise, the AA Directors believe that it may be necessary to seek to raise between £600 million and £700 million of new equity. This amount of deleveraging would reduce the AA Group's senior debt leverage ratio to a level which would allow cash to be distributed out of the WBS structure, enabling the AA to reinstate dividend payments. The lower annual interest cost on the reduced amount of debt would also enable the AA Group to generate sufficient surplus cash flow to achieve meaningful reductions in net debt in subsequent years such that leverage could be reduced to levels that the AA Directors believe institutional investors would consider to be more conventional for UK publicly quoted companies.

Having consulted their financial advisers, the AA Directors believe that an equity raise of this scale would need to be priced on a heavily discounted basis and that the issue price of the new equity would represent a significant discount to the price of an AA Share prior to the commencement of the Offer Period. As a consequence, any AA Shareholders who did not elect to take up their allocation of new AA Shares if new equity were to be issued on a pre-emptive basis would suffer very significant dilution. In addition, the AA Directors have taken into account previous 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 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.

5. Views of the AA Directors on Bidco's intentions

The AA Directors have carefully considered Bidco's intentions for the AA's management and employees, locations of business and strategic plans and for the refinancing of certain debt of the AA Group (which are set out in paragraph 7 of Part II (*Explanatory Statement*)).

The AA Directors note that Bidco intends to deploy a total amount of £378 million in order to support a refinancing of the AA's maturing Class A5 Notes and Class B2 Notes at a lower interest cost and to fund

costs associated with the intended refinancing as well as Bidco's Acquisition costs. 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 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.

In addition, the AA Directors are pleased that Bidco has affirmed that the existing management and employees of the AA will be a key factor in maximising the long-term success of the AA. In particular, the AA Directors welcome Bidco's confirmation that it does not currently envisage any material headcount reductions or changes in location of the AA's headquarters and headquarter functions. The AA Directors also welcome Bidco's confirmation that it intends to fully safeguard the existing employment rights of the management and employees of the AA in accordance with applicable law.

6. 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 five years.

7. Irrevocable undertakings

Bidco has received irrevocable undertakings in respect of 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 14 December 2020 (being the latest practicable date prior to the date of this document).

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 14 December 2020 (being the latest practicable date prior to the date of this document).

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 95,376,573 AA Shares representing, in aggregate, approximately 15.3 per cent. of the AA's issued ordinary share capital as at close of business on 14 December 2020 (being the latest practicable date prior to the date of this document).

Further details of these irrevocable undertakings (including the circumstances in which they may lapse) and letter of intent are set out in paragraph 7 of Part X (*Additional Information*).

8. AA Share Plans

Further details of the arrangements proposed to be implemented in relation to the AA Share Plans in connection with the Acquisition, together with certain other matters relating to the retention and incentivisation of key management and employees, are set out in paragraph 8 of Part II (*Explanatory Statement*) of this document.

9. Current Trading and Prospects

On 29 September 2020, the AA issued its interim results for the six month period ended 31 July 2020. Revenue declined by 2.6 per cent. as compared with the period ended 31 July 2019, driven mainly by reduced new business volumes in the AA's B2C Roadside business as a result of the lockdown restrictions early in the financial year. However, Trading EBITDA increased by 4.8 per cent. to £173 million, reflecting the resilience of core operations and prudent cost management actions taken to mitigate the impact of COVID-19. These actions included a number of operational and financial changes to the AA's business that resulted in the deferral and reduction of a range of operating costs across the AA Group including: no pay rises, a general hiring freeze, a 15 per cent. reduction in pay for all AA Directors for three months, and tight cost control across the business.

The AA Group generated free cash flow for the six month period ended 31 July 2020 of £21 million, compared to £44 million for the six month period ended 31 July 2019. The free cash flow figure was lower due to a number of reasons, including a working capital outflow of £6 million in the period that was partly caused by the impact of COVID-19 on cash receipts and the inclusion of a payment made in respect of the extension of the financial services distribution agreement with Bank of Ireland. The free cash flow figure was also adversely impacted by higher tax payments in the period reflecting the change to the timing of corporation tax payments mandated by HMRC as well as higher interest paid on borrowings of £70 million compared to £65 million last year following the refinancing in February 2020.

As at 31 July 2020, the AA Group had net debt amounting to £2,628 million. Debt reduction remains the key priority for the AA Group and it continues to proactively manage its capital structure and to seek to reduce its indebtedness well in advance of the upcoming maturity dates in 2022 of its £372 million of Class A5 Notes and £570 million of Class B2 Notes as well as the renewal of the AA Group's £165 million Liquidity Facility in June 2021. The AA Board wishes to ensure that the AA Group has a stable, long-term capital structure which requires a significant amount of additional new capital to be raised in order to reduce indebtedness and to fund future growth.

On 22 September 2020, the FCA published its final report on its General Insurance Pricing Practices market study setting out its findings on how the home and motor insurance markets have been operating. To address the findings in its report, the FCA outlined a series of proposed remedies to support effective competition and lead to good consumer outcomes. The FCA's proposals include the requirement to ensure that renewal prices are no higher than the equivalent new business prices in relation to motor and home insurance products, as well as requiring firms in the general insurance market to assess and deliver fair value to customers on all their general insurance products. 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.

COVID-19 continues to create uncertainty in the macro environment and the national restrictions imposed by the UK Government in November 2020 have affected trading to a certain degree. However, given the benefit of the actions already taken during the year and current trading performance, the AA Directors continue to expect the AA Group to deliver a robust overall performance in the financial year ending 31 January 2021, only slightly below that of the prior year. The AA Directors' confidence in the AA Group's performance reflects the AA's resilient business model both in Trading EBITDA performance and in positive recurring cash generation.

10. Dividends

If, after the date of this document and on or prior to the Scheme becoming Effective, any dividend and/or other distribution and/or other return of capital is declared, paid or made or becomes payable by the AA in respect of AA Shares, 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) accordingly, except where the Scheme Shares are, or will be, acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, distribution and/or other return of capital (as the case may be).

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 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 document 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. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

11. Taxation

Your attention is drawn to paragraph 15 of Part II (*Explanatory Statement*) of this document. This summary is intended as a general guide only and if you are in any doubt as to your tax position, or if you are subject to taxation in any jurisdiction other than the UK you should consult an appropriate independent professional tax adviser.

12. Coronavirus (COVID-19)

In light of the ongoing COVID-19 outbreak, it has been necessary to make some important changes to the way in which the Meetings will be conducted. The UK Government has advised against the gathering of large groups of people to minimise the spread of the outbreak. The health and well-being of AA Shareholders, employees and the wider community in which the AA Group operates is of paramount importance to the AA Directors. To ensure the safety of all stakeholders, and given the current guidance and the general uncertainty on what additional or alternative local or national measures may be put in place in respect of gatherings and travel, the AA Directors must insist that AA Shareholders do not attend the Meetings in person. Any AA Shareholders, proxies (other than the Chair of the Meetings) or corporate representatives who do seek to attend will not be granted access to the Meetings in person.

However, in order to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings, a conference call facility has been arranged. Any AA Shareholder wishing to attend the Meetings by telephone (or to enable their proxy or corporate representative to do so) should contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or, if a Meeting is adjourned, not later than on the date which is two days (excluding non-working days) before the date set for such adjourned Meeting) to receive the invitation to access the Meetings. AA Shareholders, proxies and corporate representatives will be able to ask questions at the Meetings but, in order to facilitate the smooth running of the Meetings, are asked to submit any questions in advance to cosec@theaa.com. Questions must be received by 11.00 a.m. on 12 January 2021.

AA Shareholders, proxies and corporate representatives who register to attend the Meetings using the conference call facility will also be issued with a poll card for each of the Court Meeting and the General Meeting. If they wish to vote following the Meetings, they must return the relevant poll card by email to Equiniti within 30 minutes of the conclusion of the General Meeting in accordance with the instructions that will be set out on the poll cards.

The AA Directors strongly encourage all AA Shareholders to vote by appointing the Chair of each of the Court Meeting and the General Meeting as their proxy (either electronically or by post using the printed Forms of Proxy, as set out in paragraph 18 of Part II (*Explanatory Statement*)) before the relevant deadline whether or not they intend to attend the Meetings using the conference call facility. The Chair of the relevant Meeting will vote in accordance with the voting instructions of the appointing AA Shareholder.

If you appoint a person other than the Chair of each of the Court Meeting and the General Meeting as your proxy, you must also make a request for the appointed proxy to attend the Meetings by telephone to represent you, as described below.

13. Overseas Shareholders

Overseas Shareholders should refer to paragraph 16 of Part II (*Explanatory Statement*) of this document.

14. Action to be taken

Your attention is drawn to pages 8 to 11, and paragraph 18 of Part II (*Explanatory Statement*) of this document, which explain the actions you should take in relation to the Acquisition and the Scheme.

Details relating to the de-listing of AA Shares are included in paragraphs 1 and 14 of Part II (*Explanatory Statement*) of this document.

15. Further information

Your attention is drawn to the Explanatory Statement set out in Part II (*Explanatory Statement*) of this document, the full terms of the Scheme set out in Part VI (*The Scheme of Arrangement*), the additional information set out in Part X (*Additional Information*) and the Notices of the Meetings set out in Part XII (*Notice of Court Meeting*) and Part XIII (*Notice of General Meeting*) of this document. **You should read the whole of this document and the accompanying Forms of Proxy and Form of Election and not rely solely on the information contained in this letter or the Explanatory Statement.**

A copy of this document (and all information incorporated into this document by reference to another source), the Forms of Proxy and the Form of Election are and will be available, subject to certain restrictions relating to Overseas Shareholders in Restricted Jurisdictions, for inspection on the AA's website at www.theaapl.com/investors.

16. 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 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, 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 14 December 2020 (being the latest practicable date prior to the date of this document).

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 ConsortiumCo; 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) 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 or any further issue of securities by Topco 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 B Shares available to AA Shareholders under the Alternative Offer will be limited to 16 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 B Shares to be issued in respect of AA Shares will be scaled down on a pro rata basis and the balance of the consideration for AA Shares 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.

Each of the AA Directors who has interests in AA Shares, other than Andrew Blowers, has confirmed that they do not intend to elect for the Alternative Offer in respect of the AA Shares of which they are the beneficial holders, and instead wish to receive the cash consideration pursuant to the terms of the Cash Offer.

Andrew Blowers has confirmed that he wishes to elect for the Alternative Offer as, having taken his own independent financial, tax and legal advice, he wishes to continue to hold an investment in the recapitalised AA Group, and his personal circumstances mean that he is willing to hold an unlisted, non-transferable investment for the five year lock-up period, and these factors outweigh the other disadvantages listed above.

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 document.

Yours faithfully,

John Leach
Chair

Part II
EXPLANATORY STATEMENT

(in compliance with section 897 of the Companies Act 2006)

EVERCORE

J.P.Morgan CAZENOVE

17 December 2020

To all AA Shareholders and, for information only, to participants in the AA Share Plans and persons with information rights

Dear Shareholder,

**RECOMMENDED CASH ACQUISITION
BY BASING BIDCO LIMITED OF AA PLC**

1. Introduction

On 25 November 2020, the AA Board and the Bidco Board announced that they had reached agreement on the terms of a recommended cash acquisition by Bidco of the entire issued and to be issued ordinary share capital of the AA, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

Your attention is drawn to the letter from the Chair of the AA set out in Part I (*Letter from the Chair of AA plc*) of this document, which forms part of this Explanatory Statement. That letter contains, among other things, the unanimous recommendation by the AA Board to AA Shareholders to vote in favour of the resolutions to approve and implement the Scheme, and an explanation of the background to and reasons for recommending the Scheme.

The AA Board has been advised by Evercore and J.P. Morgan Cazenove in connection with the Acquisition. Evercore and J.P. Morgan Cazenove have been authorised by the AA Board to write to you to set out the terms of the Acquisition and to provide you with other relevant information.

The terms of the Scheme are set out in full in Part VI (*The Scheme of Arrangement*) of this document.

2. Summary of the terms of the Acquisition

Under the terms of the Acquisition, which is subject to the satisfaction (or, where applicable, waiver) of the Conditions and to the further terms set out in Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document, Scheme Shareholders at the Scheme Record Time will receive:

for each Scheme Share	35 pence in cash (the “Cash Offer”)
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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 set out in paragraph 3 below, 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 3 of Part II (*Explanatory Statement*) and Part V (*Summary of the Alternative Offer*) 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.

If, on or after the date of this document and on or prior to the Scheme becoming Effective, any dividend, distribution or other return of value is declared, made or paid by the AA, 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) accordingly except where the Scheme Shares are, or will be, acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, distribution and/or other return of capital (as the case may be). If Bidco makes such a reduction, any reference in this document 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. In such circumstances, AA Shareholders would be entitled to retain any such dividend, distribution or other return of value declared, made or paid.

3. 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. In the event that a Scheme Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco B Shares in lieu of the cash consideration to which such Scheme Shareholder would otherwise be entitled, the balance of the consideration (after the effect of rounding fractional entitlements as described above) will be disregarded and not paid to such holder. AA Shareholders holding less than four AA Shares should therefore note that, as a result, if they elect for the Alternative Offer they would not receive any Topco Ordinary Shares.

Accordingly, by way of illustration and subject to the following paragraph, 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 B Shares available to the AA Shareholders under the Alternative Offer will be limited to 16 per cent. of the Topco Offer Shares (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 B Shares exceeding the Alternative Offer Maximum, such elections will be unable to be satisfied in full. In these circumstances the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares to be issued in respect of AA Shares will each be scaled down on a pro rata basis, and the balance of the consideration for the AA Shares 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 B Shares as represent at least 10 per cent. of the Topco Offer Shares (as set out in Part V (*Summary of the Alternative Offer*) below), failing which it will lapse. In these circumstances, no Topco B Shares 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 and subject to the terms and conditions set out in Part V (*Summary of the Alternative Offer*). Further details of the Topco Group and the rights of the Topco Units are set out in Part V (*Summary of the Alternative Offer*).

For the purposes of Rule 24.11 of the Takeover Code, Credit Suisse and Goldman Sachs, as financial advisers to the Consortium and Bidco, have provided 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 set out at Part IX (*Rule 24.11 Estimate of Value Letter*).

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.

4. **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 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 revenues were £478 million (2019: £491 million) and it generated Trading EBITDA of £173 million (2019: £165 million).

5. **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 document 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 document 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 is directly wholly owned by Midco, which is in turn directly wholly owned by Holdco, which is in turn directly wholly owned by Topco, which is in turn directly wholly owned by ConsortiumCo. Bidco has not traded prior to the date of this document nor has it entered into any obligation other than in connection with the Acquisition, the financing of the Acquisition and the refinancing of the AA Group.

Bidco has no material assets or liabilities other than those described in this document in connection with the Acquisition and the financing of the Acquisition and the refinancing of the AA Group. With effect from the Effective Date, save for such assets and liabilities, the earnings, assets and liabilities of Bidco will therefore comprise the consolidated earnings, assets and liabilities of the AA on the Effective Date.

6. Financing of the Acquisition

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 out in paragraph 7 below.

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.

Further details of the financing arrangements are summarised in paragraph 9 of Part X (*Additional Information*) of this document.

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 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 the date of the Announcement, Bidco was 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 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 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 AA 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 Acquisition 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 five years from date of signing:

- except where pre-agreed circumstances apply, there will be no changes to the current contributions payable during the five 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 five 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 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, to fund costs associated with the intended refinancing 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. 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.

Share options and awards granted to participants in the Performance Share Plan, and which are not already exercisable or which have not already vested, will become exercisable or will vest on the Court Order being granted to such extent as is determined by the AA remuneration committee in accordance with the rules of that plan. The AA remuneration committee will not make a final decision on the vesting levels until shortly before the Court sanctions the Scheme, but it has made a preliminary assessment and it is expected that the vesting levels will be within the following ranges: awards granted in 2017 will vest as to 2%; awards granted in 2018 are expected to vest at or close to zero; and awards granted in 2019 are expected to vest in the upper half of the range. All outstanding options under the Performance Share Plan will lapse to the extent not exercised no later than one month following the Court Order being granted.

All AA Shares held under the Employee Share Incentive Plan or otherwise issued or transferred on the exercise of share options or vesting of share awards under the AA Performance Share Plan, in each case before the Scheme Record Time will be subject to the terms of the Scheme and will constitute Scheme Shares.

The Scheme will not extend to any AA Shares issued after the Scheme Record Time; for example, to satisfy the exercise of options by participants over AA Shares after the Scheme Record Time. However, as part of the Special Resolution to be proposed at the General Meeting, it is proposed that the AA Articles be amended to provide that if the Scheme becomes effective, any AA Shares issued after the Scheme Record Time (including to participants in the AA Share Plans who exercise options after the Scheme Record Time), will be transferred automatically to Bidco (or such person as Bidco directs) in consideration for 35 pence in cash for each AA Share so transferred. Consequently, participants in the AA Share Plans who receive AA Shares on the exercise of share options settled after the Scheme Record Time are able to receive the same consideration as AA Shareholders save that they will not be able to participate in the Alternative Offer.

9. The AA Directors and the effect of the Scheme on their interests

Details of the interests of the AA Directors in the share capital of the AA, and options and awards in respect of such share capital, are set out in paragraph 6 of Part X (*Additional Information*) of this document. AA Shares held by the AA Directors will be subject to the Scheme.

Particulars of the service contracts (including termination provisions) and letters of appointment of the AA Directors are set out in paragraph 8 of Part X (*Additional Information*) of this document.

Bidco has received irrevocable undertakings from those of the AA Directors who hold shares in the AA to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in respect of 1,108,117 AA Shares, representing approximately 0.2 per cent. of the AA’s issued share capital on 14 December 2020, being the latest practicable date prior to the date of this document.

Each of the AA Directors who has interests in AA Shares, other than Andrew Blowers, has confirmed that they do not intend to elect for the Alternative Offer in respect of the AA Shares of which they are the beneficial holders, and instead wish to receive the cash consideration pursuant to the terms of the Cash Offer. Andrew Blowers has confirmed that he wishes to elect for the Alternative Offer as, having taken his own independent financial, tax and legal advice, he wishes to continue to hold an investment in the recapitalised AA Group, and his personal circumstances mean that he is willing to hold an unlisted, non-transferable investment for the five year lock-up period, and these factors outweigh the other disadvantages described in this document.

The effect of the Scheme on the interests of the AA Directors does not differ from the effect of the Scheme on the interests of other persons.

10. Description of the Scheme and the Meetings

10.1 *The Scheme*

The Acquisition is to be implemented by means of a court-sanctioned scheme of arrangement between the AA and the Scheme Shareholders who are on the register of members at the Scheme Record Time, under Part 26 of the Companies Act. The procedure requires approval by AA Shareholders at the Court Meeting and General Meeting, and sanction of the Scheme by the Court. The Scheme is set out in full in Part VI (*The Scheme of Arrangement*) of this document.

The purpose of the Scheme is to provide for Bidco to become the holder of the entire issued ordinary share capital of the AA. This is to be achieved by transferring the Scheme Shares held by AA Shareholders to Bidco, in consideration for which Bidco will pay cash or procure the allotment of Topco Units on the basis set out in this Part II (*Explanatory Statement*).

10.2 *AA Shareholder Meetings*

Before the Court's sanction can be sought for the Scheme, the Scheme requires approval by the passing of a resolution at the Court Meeting. The resolution must be approved by a majority in number representing not less than 75 per cent. in value of the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting. In addition, the Special Resolution must be passed at the General Meeting to authorise the AA Directors to implement the Scheme and to deal with certain ancillary matters which require the approval of AA Shareholders present and voting representing at least 75 per cent. of the votes cast at the General Meeting (either in person or by proxy). The General Meeting will be held immediately after the Court Meeting. Notices of the Court Meeting and the General Meeting are set out in Part XII (*Notice of Court Meeting*) and Part XIII (*Notice of General Meeting*) of this document, respectively.

Save as set out below, all holders of AA Shares whose names appear on the register of members of the AA at the Voting Record Time, or, if any such Meeting is adjourned, on the register of members at 6.30 p.m. (London time) on the date which is two days (excluding non-working days) before the date set for such adjourned meeting, will be entitled to attend and vote at the Court Meeting and the General Meeting, in respect of the AA Shares registered in their name at the relevant time.

(a) The Court Meeting

The Court Meeting has been convened at the direction of the Court for 11.00 a.m. (London time) on 14 January 2021 for Scheme Shareholders to consider and, if thought fit, approve the Scheme.

At the Court Meeting, voting will be by poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held as at the Voting Record Time. The approval required at the Court Meeting is a majority in number representing not less than 75 per cent. in value of those Scheme Shareholders present and voting in person or by proxy.

(b) The General Meeting

The General Meeting has been convened for 11.15 a.m. (London time) on 14 January 2021, or as soon after that time as the Court Meeting has been concluded or adjourned, for AA Shareholders to consider and, if thought fit, pass the Special Resolution necessary to implement the Scheme and certain related matters.

The Special Resolution is proposed to approve:

- (i) giving the AA Board the authority to take all necessary action to carry the Scheme into effect; and
- (ii) amending the AA Articles as described in paragraph 10.4 below.

At the General Meeting, voting on the Special Resolution will be by poll and each AA Shareholder present in person or by proxy will be entitled to one vote for each AA Share held as at the Voting Record Time. The approval required for the Special Resolution to be passed is at least 75 per cent. of the votes cast on the Special Resolution (in person or by proxy).

It is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of opinion of

the AA Shareholders. As detailed at paragraph 12 of Part I (*Letter from the Chair of AA plc*), in light of the Coronavirus (COVID-19) outbreak eligible AA Shareholders will not be able to attend the Court Meeting or the General Meeting in person. AA Shareholders are therefore strongly encouraged to vote by appointing the Chair of each of the Court Meeting and the General Meeting as their proxy (either electronically or by post using the printed Forms of Proxy, as set out in paragraph 18 of this Part II (*Explanatory Statement*)) as soon as possible and in any event before the relevant deadline. The Chair of the relevant Meeting will vote in accordance with the voting instructions of the appointing AA Shareholder.

BLUE Forms of Proxy for use at the Court Meeting and WHITE Forms of Proxy for use at the General Meeting should be returned by post to the AA's Registrar, Equiniti Limited, at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to be received not later than 11.00 a.m. and 11.15 a.m., respectively on 12 January 2021 (or, in the case of adjournment(s), not later than 24 hours (excluding non-working days) before the time fixed for the adjourned Meeting(s)).

A conference call facility has been arranged to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings. This is described further on pages 8 to 11 of this document.

Information about the procedures for appointing the Chair of the relevant Meeting as proxy and giving voting instructions is set out in paragraph 18 below of this Part II (*Explanatory Statement*) and on pages 8 to 11 of this document. Notices of the Court Meeting and the General Meeting, are set out in Part XII (Notice of Court Meeting) and Part XIII (*Notice of General Meeting*) of this document.

10.3 *Court Hearing*

Under the Companies Act, the Scheme requires the sanction of the Court. The hearing by the Court to sanction the Scheme is currently expected to be held in the first quarter of 2021 subject to the prior satisfaction or waiver of the other Conditions set out in Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document. The AA will give notice of the time and date of the Court Hearing, once known, by issuing an announcement through a Regulatory Information Service.

Following sanction of the Scheme by the Court, the Scheme will become effective in accordance with its terms upon a copy of the Court Order being delivered to the Registrar of Companies.

Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended the Meetings using the conference call facility or voted in favour of, or against, the Scheme at the Court Meeting or in favour of, or against, or abstained from voting on the Special Resolution at the General Meeting.

If the Scheme does not become Effective by the Long Stop Date (or such later date as may be agreed in writing by the AA and Bidco with the Panel's consent and as the Court may approve (if such approval is required)), the Scheme will not become Effective and the Acquisition will not proceed.

10.4 *Amendments to the AA Articles*

It is proposed, as part of the Special Resolution to be proposed at the General Meeting, that the AA Articles be amended to ensure that any AA Shares issued under the AA Share Plans or otherwise after the Voting Record Time in respect of the Court Meeting and on or prior to the Scheme Record Time will be subject to the Scheme. It is also proposed to amend the AA's Articles so that any AA Shares issued to any person other than Bidco or its nominee after the Scheme Record Time will be automatically acquired by Bidco for 35 pence. Consequently, participants in the AA Share Plans who are issued new AA Shares after the Scheme Record Time on the exercise of share options are able to receive the same consideration as AA Shareholders save that they will not be able to participate in the Alternative Offer. These provisions will avoid any person (other than Bidco or its nominee) being left with AA Shares after the Scheme becomes effective.

Paragraph (b) of the Special Resolution set out in the notice of the General Meeting in Part XIII (*Notice of General Meeting*) of this document seeks the approval of AA Shareholders for the above matters.

10.5 *Entitlement to vote at the Meetings*

Each AA Shareholder (other than, in relation to the Court Meeting, any member of the Wider Topco Group) who is entered in the AA's register of members at the Voting Record Time (expected to be 6.30 p.m. (London time) on 12 January 2021) will be entitled to vote on all resolutions to be put to the Court Meeting and the General Meeting. If either Meeting is adjourned, only those AA Shareholders on the register of members at 6.30 p.m. (London time) on the day which is two days (excluding non-working days) before the adjourned meeting will be entitled to vote.

Each eligible AA Shareholder is entitled to appoint the Chair of each of the Court Meeting and the General Meeting (or any other person) as their proxy. If the Chair of the relevant Meeting is appointed as proxy, they will vote in accordance with the voting instructions of the appointing AA Shareholder. **If you appoint a person other than the Chair of each of the Court Meeting and the General Meeting as your proxy, you must also make a request for the appointed proxy to attend the Meetings by telephone to represent you, as described below.**

In addition, a conference call facility has been arranged in order to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings. Any AA Shareholder wishing to attend the Meetings by telephone (or to enable their proxy or corporate representative to do so) should contact proxyvotes@equiniti.com including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or, if a Meeting is adjourned, not later than on the date which is two days (excluding non-working days) before the date set for such adjourned Meeting) to receive the invitation to access the Meetings. AA Shareholders, proxies and corporate representatives who register to attend the Meetings using the conference call facility will be issued with a poll card for each of the Court Meeting and the General Meeting. If they wish to vote following the Meetings, they must return the relevant poll card by email to Equiniti within 30 minutes of the conclusion of the General Meeting in accordance with the instructions that will be set out on the poll cards.

If you are in any doubt as to whether or not you are permitted to vote at the Meetings, please call the Shareholder Helpline between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 (from within the UK) or +44 333 207 6536 (from outside the UK, international rates apply). Please note that calls may be monitored or recorded, and the Shareholder Helpline cannot provide financial, legal or tax advice or advice on the merits of the Acquisition.

Further information on the actions to be taken is set out on pages 8 to 11 (*Action to be taken*) of this document.

10.6 *Modifications to the Scheme*

The Scheme contains a provision for the AA and Bidco jointly to consent (on behalf of all persons concerned) to any modification of, or addition to, the Scheme or to any condition which the Court may approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It would be for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in those circumstances.

11. **Conditions to the Acquisition**

The Conditions to the Acquisition are set out in full in Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document, and the Scheme 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)). In summary, the Acquisition is conditional upon, among other things:

- (a) 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;
- (b) the resolution 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);

- (c) sanction of the Scheme by the High Court and the delivery of a copy of the Court Order to the Registrar of Companies (with or without modification but subject to any modification being on terms acceptable to the AA and Bidco);
- (d) 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;
- (e) 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;
- (f) 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
- (g) 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:

- (a) the Court Meeting and the General Meeting are not held on or before 13 February 2021 (being the 30th day after the expected date of such Court Meeting and General Meeting (or such later date (if any) as may be agreed between Bidco and the AA, and, if required, the Court may allow));
- (b) the Court Hearing is not held on or before the 22nd day after the expected date of the Court Hearing (which is expected to be within 30 days after the last of the Conditions set out in paragraphs 3(a) to 3(f) of Part A of Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document are satisfied) or such later date (if any) as may be agreed by Bidco and the AA and, if required, the Court may allow; or
- (c) 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 should be destroyed, and entitlements to AA Shares held within the CREST system will be cancelled.

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.

12. Offer-related arrangements

12.1 Confidentiality Agreements

The AA entered into a confidentiality agreement with:

- (a) 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
- (b) 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 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 date of the 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.

12.2 *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 this document and to otherwise assist with the preparation of this 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:

- (a) 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);
- (b) 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);
- (c) the Effective Date has not occurred by the Long Stop Date (unless otherwise agreed by the parties in writing); or
- (d) 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 the General Meeting is not held by the 30th day after the expected date of each such meeting, or the Court Hearing is not held by the 22nd day after the expected date of such hearing (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.

12.3 *Refinancing costs side letter*

As set out in paragraph 7 of Part II (*Explanatory Statement*) of this document, to support Bidco’s proposed refinancing of certain of the AA Group’s existing debt following the Scheme becoming Effective, the AA intends to issue £280 million of new Class B3 Notes, subject to market conditions and with the support of Bidco.

On 16 December 2020, Bidco, the AA, TowerBrook and Warburg Pincus entered into a side letter pursuant to which Bidco has agreed to reimburse the AA Group’s costs in relation to the issue of new Class B3 Notes up to amounts to be agreed between the parties from time to time. Bidco will not be required to reimburse the AA Group’s costs if the Acquisition ceases to be recommended by the AA Board.

Under the terms of the side letter, the AA has agreed that, if the Acquisition lapses or is withdrawn (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) 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 in accordance with the terms of the Co-operation Agreement), and within nine months the AA Group undertakes a refinancing for which it re-uses the legal work for which Bidco paid the costs with the result that the AA Group's costs in relation to such refinancing are reduced, the AA would be required to repay to Bidco an amount equal to such reduction of costs.

13. Cancellation of listing of the AA Shares

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, and no transfer of AA Shares shall be registered after 6.00 p.m. on that 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.

With effect from the Effective Date, following the cancellation of the entitlements of holders of Scheme Shares held in uncertificated form, the Registrar shall be authorised to rematerialise entitlements to such Scheme Shares.

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

If the Acquisition is effected by way of a Takeover Offer and such Takeover Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to: (i) request the London Stock Exchange to cancel the trading of AA Shares on the Main Market of the London Stock Exchange for listed securities and make an application to the Financial Conduct Authority for the cancellation of the listing of AA Shares on the Official List; and (ii) provided that sufficient acceptances are received, exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining AA Shares in respect of which the Takeover Offer has not been accepted.

14. Settlement

Subject to the Scheme becoming Effective, settlement of the consideration to which any Scheme Shareholder is entitled will be effected, not later than 14 days after the Effective Date in the manner set out below.

14.1 *Settlement of cash consideration where Scheme Shares are held in uncertificated form (that is, in CREST)*

Where, at the Scheme Record Time, a Scheme Shareholder holds such shares in uncertificated form, settlement of cash consideration will be effected through CREST by the creation of an assured payment obligation in favour of the appropriate CREST account through which the relevant AA Shareholder holds such uncertificated shares.

Notwithstanding the above, Bidco reserves the right to settle all or part of such consideration in the manner set out in paragraph 14.2 below if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this paragraph 14.1.

14.2 *Settlement of cash consideration where Scheme Shares are held in certificated form*

Where, at the Scheme Record Time, a Scheme Shareholder holds such shares in certificated form settlement of the cash consideration due pursuant to the Scheme will be effected by cheque. All cheques will be in pounds sterling drawn on the branch of a UK clearing bank. Payments made by cheque will be payable to the AA Shareholder(s) concerned. Payments will not be sent via CHAPS or BACS.

Cheques will be despatched by first class post (or by international post or airmail, if overseas) (or by such other method as may be approved by the Panel) to the address appearing on the AA share register at the

Scheme Record Time (or, in the case of joint holders, to the address of that joint holder whose name stands first in the said register in respect of such joint holding).

14.3 *Alternative Offer*

Where Topco Units are issued to Scheme Shareholders pursuant to the Roll-over Mechanic, certificates for the Topco Units will be despatched by first class post (or by international post or airmail, if overseas) within 14 days after the Effective Date to Scheme Shareholders at the address appearing in the AA's register of members at the Scheme Record Time or, in the case of joint holders, to the holder whose name appears first in such register in respect of the joint holding concerned. Fractions of Topco B Ordinary Shares and Topco B Preference Shares shall not be allotted or issued to Scheme Shareholders pursuant to the Scheme. Each such Scheme Shareholder's aggregate entitlement 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 respectively. In the event that the Scheme Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco Units in lieu of all the cash consideration to which the Scheme Shareholder would otherwise be entitled, the balance of the consideration will be disregarded and not paid to such holder. Shareholders should read Part V (*Summary of the Alternative Offer*) of this document which contains further details of the Alternative Offer (including the Roll-over Mechanic).

14.4 *Right to withdraw or amend Alternative Offer Elections*

A Scheme Shareholder who has returned a Form of Election and subsequently wishes to withdraw or amend such election must notify the Registrar in writing by no later than 11.00 a.m. on the date that is one Business Day prior to the date of the Court Hearing. Such date will be notified to AA Shareholders by announcement through a Regulatory Information Service once known, with such announcement being made available on the AA's website at www.theaapl.com/investors.

Such notice must contain an original signature and clearly specify whether the election is to be withdrawn or amended. Any notices of this nature should be sent to Corporate Actions Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. If the election was made through a TTE Instruction, the Registrar should be contacted as soon as possible to seek to arrange electronic withdrawal or amendment.

14.5 *General*

All documents and remittances sent through the post will be sent at the risk of the person(s) entitled thereto.

Save with the consent of the Panel, settlement of the consideration to which any AA Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms set out in this Part II (*Explanatory Statement*) without regard to any lien, right of set off, counterclaim or analogous right to which Bidco may otherwise be, or claim to be, entitled against any AA Shareholder.

15. **Taxation**

15.1 *UK Taxation*

The following statements are intended only as a general guide to certain limited aspects of the UK tax treatment of AA Shareholders in connection with the Scheme and do not purport to be a complete analysis of all potential UK tax consequences relating to the Scheme. They are based on current UK tax law and what is understood to be the current practice of HMRC (which may not be binding on HMRC) as at the date of this document, both of which may change, possibly with retroactive effect.

The following statements (with the exception of the statement in paragraph 15.4 below) apply only to AA Shareholders who are resident and, in the case of individuals domiciled for tax purposes in (and only in) the UK and to whom "split year" treatment does not apply, who hold their AA Shares as an investment (other than where a tax exemption applies, for example in an individual savings account or pension arrangement) and who are the absolute beneficial owner of the relevant AA Shares. The tax position of certain categories of AA Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons who have acquired (or could be treated for tax purposes as having acquired) their AA Shares in connection with employment, dealers in securities, insurance companies, collective investment schemes,

charities, exempt pension funds and temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

The statements summarise the current position and are intended as a general guide only and does not constitute tax or legal advice. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.

15.2 *UK taxation of chargeable gains—Cash Offer*

The transfer of AA Shares under the Scheme in return for cash should be treated as a disposal of the AA Shareholder's AA Shares for the purposes of UK capital gains tax or corporation tax on chargeable gains (as applicable). This disposal may, depending upon the AA Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

15.3 *UK taxation of chargeable gains—Alternative Offer*

AA Shareholders who elect for the Alternative Offer should consult their own professional advisers as to their tax position resulting from the making of such an election and the holding of Topco Units.

AA Shareholders are advised that no application for clearance has been made to HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 that section 137 of that Act will not apply in respect of the Alternative Offer.

15.4 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No UK stamp duty or SDRT should be payable by AA Shareholders on the transfer of their AA Shares under the Scheme.

16. **Overseas Shareholders**

16.1 *General*

The release, publication or distribution of this document in or into or from jurisdictions other than the United Kingdom or the United States 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. In particular, the ability of persons who are not resident in the United Kingdom to vote their AA Shares with respect to the Scheme at the Court Meeting, or to appoint another person as proxy to vote at the Court Meeting on their behalf, or to elect for the Alternative Offer, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person. This document has been prepared for the purposes of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England and Wales.

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

Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory 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.

16.2 *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 English law. 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.

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 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 Bidco Loan Notes and the Topco Units issued under the Alternative Offer will not be registered under the US Securities Act. Bidco expects to issue the Bidco Loan Notes and the Topco Units in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10). Section 3(a)(10) exempts securities issued in specified exchange transactions from the registration requirement under the Securities Act where, among other things, the fairness of the terms and conditions of the issuance and exchange of such securities have been approved by a court or governmental authority expressly authorised by law to grant such approval, after a hearing upon the fairness of the terms and conditions of the exchange at which all persons to whom the Bidco Loan Notes and the Topco Units are proposed to be issued have the right to appear; and receive adequate and timely notice thereof.

The Bidco Loan Notes and the Topco Units to be received upon completion of the Alternative Offer may be resold without restriction in the United States, except in respect of resales by persons who are “affiliates” (within the meaning of Rule 144) of Bidco at the time of such resale or who have been affiliates of Bidco within 90 days before the Effective Date. Such persons may not be able to sell Topco Units that they receive in connection with the Alternative Offer in the absence of registration under the Securities Act or an exemption from registration, if available.

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 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 Jersey and the United Kingdom (as applicable).

The Bidco Loan Notes and the Topco Units have not been, and will not be, registered under the Securities Act or under the relevant securities laws of any state or territory or other jurisdiction of the United States and will not be listed on any stock exchange in the United States. Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the Alternative Offer, or determined if this document is accurate or complete. Any representation to the contrary is a criminal offence.

16.3 *Additional information for investors in Switzerland*

This document is not intended to constitute a public offer or solicitation to accept the Alternative Offer or to purchase or invest in Bidco Loan Notes or the Topco Units in Switzerland. It is being sent to AA Shareholders in Switzerland on the basis of being a private placement. The Bidco Loan Notes and the Topco Units may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA and no application has or will be made to admit the Bidco Loan Notes or the Topco Units to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the Bidco Loan Notes or the Topco Units constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the Bidco Loan Notes or the Topco Units may be publicly distributed or otherwise made publicly available in Switzerland.

17. **Further information**

The terms of the Scheme are set out in full in Part VI (*The Scheme of Arrangement*) of this document. Your attention is also drawn to the further information contained in this document, all of which forms part of this Explanatory Statement, and, in particular, to the Conditions set out in Part A of Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*), and the additional information set out in Part X (*Additional Information*) of this document.

18. **Action to be taken**

Sending Forms of Proxy by post

AA Shareholders will receive a BLUE Form of Proxy for the Court Meeting and a WHITE Form of Proxy for the General Meeting. Please complete and sign the Forms of Proxy in accordance with the instructions printed on them and return them by post to the AA's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to be received as soon as possible and, in any event, not later than 11.00 a.m. and 11.15 a.m., respectively on 12 January 2021 (or, in the case of adjournment(s), not later than 24 hours (excluding non-working days) before the time fixed for the adjourned Meeting(s)).

AA Shareholders are strongly encouraged to appoint the Chair of each of the Court Meeting and the General Meeting as their proxy (either electronically or by post using the printed Forms of Proxy, as set out in this paragraph 18) before the relevant deadline. The Chair of the relevant Meeting will vote in accordance with the voting instructions of the appointing AA Shareholder.

Electronic appointment of proxies through CREST

If you hold your AA Shares in uncertificated form (i.e. in CREST) you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the notices of the Meetings set out in Part XII (*Notice of Court Meeting*) and Part XIII (*Notice of General Meeting*) of this document). Proxies submitted via CREST (under CREST participant ID RA19) must be received by the AA's Registrar by no later than 11.00 a.m. London time on 12 January 2021 in the case of the Court Meeting and by no later than 11.15 a.m. a.m. London time on 12 January 2021 in the case of the General Meeting or, in the case of any adjournment, by no later than 24 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instructions as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy), must, in order to be valid, be transmitted so as to be received by the Registrar not less than 48 hours (excluding non-working days) before the time fixed for the Court Meeting or the General Meeting (or 24 hours (excluding non-working

days) before the time fixed for any adjourned meeting), as applicable. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The AA may treat as invalid a CREST Proxy Instruction in the circumstances set out in the CREST Regulations.

Online appointment of proxies

As an alternative to completing and returning the printed Forms of Proxy, AA Shareholders entitled to attend and vote at the Meetings may appoint a proxy electronically by logging on to the following website: www.sharevote.co.uk and entering the voting ID, task ID and shareholder reference number shown on their Forms of Proxy. For an electronic proxy appointment to be valid, the appointment must be received by the Registrar no later than 11.00 a.m. London time on 12 January 2021 for the Court Meeting and 11.15 a.m. London time on 12 January 2021 for the general meeting (or, in the case of adjournment(s), not later than 24 hours (excluding non-working days) before the time fixed for the adjourned Meeting(s)). Full details of the procedure to be followed to appoint a proxy electronically are given on the website.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to complete and return both of your Forms of Proxy as soon as possible.

If you appoint a person other than the Chair of each of the Court Meeting and the General Meeting as your proxy, you must also make a request for the appointed proxy to attend the Meetings by telephone to represent you, as described below.

The Alternative Offer

If you hold AA Shares in certificated form (that is, not in CREST) and are not a Restricted Shareholder and you wish to make an election under the Alternative Offer please complete and return the GREEN Form of Election by post to Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to reach the Registrar by no later than the Election Return Time. A pre-paid envelope, for use in the UK only, has been provided. The instructions printed on, or deemed to be incorporated in, the Form of Election constitute part of the terms of the Scheme.

If you hold AA Shares in uncertificated form (that is, in CREST) and you are not a Restricted Shareholder and you wish to elect for the Alternative Offer you should NOT complete a GREEN Form of Election. Instead you should submit your election electronically by taking (or procuring to be taken) the actions set out in Part VII (*Notes on making an Alternative Offer Election*) to transfer your AA Shares to the relevant escrow account using a TTE Instruction as soon as possible, and in any event so that the TTE Instruction settles no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. If you are a CREST personal member or other CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participation ID and the member account ID under which your AA Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your AA Shares.

If you hold AA Shares in both certificated and uncertificated form and you wish to make an election under the Alternative Offer in respect of both such holdings, you must make separate elections in respect of each holding.

Any indirect holder of Scheme Shares held through a nominee or similar arrangement, either in uncertificated form through CREST or in certificated form, who wishes to elect for the Alternative Offer may need first to arrange with such nominee for the transfer of such Scheme Shares into, and then make an election for the Alternative Offer in, its own name.

AA Shareholders who elect for the Alternative Offer will be required, pursuant to a power of attorney granted by them pursuant to the Scheme, to adhere to the Topco Shareholders' Agreement relating to Topco as a condition of such election. The power of attorney will also provide for the signing on behalf of such Scheme Shareholder (in such form as Bidco may require) any exchange agreement, transfer, instrument, or other document deemed by Bidco (in its absolute discretion) to be necessary or desirable to effect the Roll-over Mechanic as conditions of such election. As part of completing a Form of Election, holders of AA Shares in certificated form will be asked to provide an email address for service of notices pursuant to the Topco Shareholders' Agreement. Bidco and Topco reserve the right to treat email addresses previously given to the AA or the Registrar by holders of AA Shares in uncertificated form who wish to elect for the Alternative Offer as the addresses for notices under the terms of the Topco Shareholders Agreement. Alternatively, such holders may notify the AA or the Registrar of their email addresses if they wish to receive such notices by email. Bidco and Topco will regard addresses in the register of members of the AA of holders of AA Shares who wish to elect for the Alternative Offer as being the addresses for notices under the Topco Shareholders' Agreement.

If you wish to receive cash for all the AA Shares that you hold at the Scheme Record Time and do not wish to make an election under the Alternative Offer, you are not required to return the Form of Election or make a TTE Instruction electing for the Alternative Offer.

Restricted Shareholders will, under the Acquisition, only be entitled to receive cash consideration for the AA Shares they hold and they will not have the option of taking Topco Units under the Alternative Offer. Any purported election for the Alternative Offer by such Restricted Shareholders will be treated as invalid by Bidco. Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.

Arrangements for the Court Meeting and the General Meeting

In order to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings, a conference call facility has been arranged. Any AA Shareholder, proxy or corporate representative wishing to attend the Meetings by telephone (or to enable their proxy or corporate representative to do so) should contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or, if a Meeting is adjourned, not later than on the date which is two days (excluding non-working days) before the date set for such adjourned Meeting) to receive the invitation to access the Meetings.

Once your details have been verified, you will be issued with the dial-in details to join the Meetings together with a poll card for each of the Court Meeting and the General Meeting. If you wish to vote following the Meetings, you must return the relevant poll card by email to Equiniti within 30 minutes of the conclusion of the General Meeting in accordance with the instructions that will be set out on the poll cards.

As noted above, it is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of the opinion of AA Shareholders. Whether or not you intend to attend the Court Meeting and/or the General Meeting by way of the conference call facility, please sign and return your Forms of Proxy, or deliver your voting instructions by one of the other methods described in this section, as soon as possible.

AA Shareholders, proxies and corporate representatives will be able to ask questions at the Meetings but, in order to facilitate the smooth running of the Meetings, are asked to submit any questions in advance to cosec@theaa.com. Questions must be received by 11.00 a.m. on 12 January 2021.

Shareholder Helpline

If you have any questions in relation to this document, the Meetings, or the completion and return of the Forms of Proxy or the Form of Election, please telephone the Shareholder Helpline between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 from within the UK or +44 333 207 6536 if calling from outside the UK. Different charges may apply to calls from mobile telephones and calls may be randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

Yours faithfully

Andrew Sibbald
Chairman
for and on behalf of Evercore Partners International LLP

Robert Constant
Managing Director, Co-Head of EMEA Diversified Industries
for and on behalf of J.P. Morgan Cazenove

Part III FREQUENTLY ASKED QUESTIONS AND ANSWERS

The questions and answers set out in this Part III are intended to assist your understanding of the Acquisition and the Scheme. The contents of this Part III must not be relied upon for a full and proper understanding of the Acquisition and the Scheme. You should read this document as a whole and in conjunction with the Forms of Proxy and Form of Election.

The Acquisition and the Scheme

1. *What is being proposed?*

Bidco, a newly incorporated company indirectly wholly owned by a consortium of (i) funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates; and (ii) private equity funds managed by Warburg Pincus LLC or its affiliates, has made a recommended cash offer to acquire the entire issued and to be issued ordinary share capital of the AA.

2. *What will I receive under the terms of the Acquisition?*

Under the terms of the Acquisition, AA Shareholders will receive 35 pence in cash for each AA Share held at the Scheme Record Time, being 6.00 p.m. on the date of the Court Hearing. The AA will give notice of the Scheme Record Time, when known, by issuing an announcement through a Regulatory Information Service, with such announcement being made available on the AA's website at www.theaapl.com/investors.

As an alternative to the Cash Offer, eligible AA Shareholders may elect to receive Topco Units, subject to the terms and conditions of the Alternative Offer (set out in Part V (*Summary of the Alternative Offer*) of this document). 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.

If you want to receive 35 pence in cash in respect of each AA Share that you hold at the Scheme Record Time, you should NOT complete the Form of Election.

3. *When will I receive the cash payable under the Cash Offer?*

Unless you make an election for the Alternative Offer, Bidco will pay you the cash due to you under the Cash Offer either by cheque or by CREST payment (depending on how you hold your AA Shares) within 14 days of the Effective Date.

Further information on settlement of the cash consideration can be found at paragraph 14 of Part II (*Explanatory Statement*) of this document.

4. *How is the Acquisition being implemented?*

It is proposed that the Acquisition be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act, which requires the approval of AA Shareholders at the Court Meeting and General Meeting and the sanction of the Court.

Further details of the Scheme can be found at paragraph 10 of Part II (*Explanatory Statement*) of this document.

5. *Are there any other conditions to the Acquisition?*

In addition to AA Shareholder approval, the Acquisition is subject to a number of antitrust, regulatory and other conditions. These Conditions are set out in full in Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) of this document.

6. *When will the Acquisition be completed?*

Subject to the satisfaction or (where applicable) waiver of the Conditions, the Acquisition is expected to become Effective during the first quarter of 2021.

7. *What is the effect of the Scheme?*

If the Scheme becomes effective, all AA ordinary shares will be transferred to Bidco and the AA will become a wholly-owned subsidiary of Bidco. In consideration for the transfer of your AA Shares, you will receive

35 pence in cash for each AA Share held at the Scheme Record Time (unless you make an election for the Alternative Offer).

Voting

8. *What am I being asked to vote on?*

You are being asked to vote at two meetings, the Court Meeting and the General Meeting, both of which will be held on 14 January 2021.

At the Court Meeting, AA Shareholders are being asked to approve the Scheme.

At the General Meeting, AA Shareholders are being asked to approve the Special Resolution to:

- (a) give the AA Board the authority to take all necessary action to carry the Scheme into effect; and
- (b) make certain amendments to the AA Articles required in connection with the Scheme.

It is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of the opinion of AA Shareholders.

Notices of the Court Meeting and the General Meeting are set out in Part XII (*Notice of Court Meeting*) and Part XIII (*Notice of General Meeting*) of this document, respectively.

9. *What is the AA Board's view of the Acquisition?*

The AA Directors' recommendation can be found in paragraph 16 of Part I (*Letter from the Chair of AA plc*) of this document, with the reasons for that recommendation set out in full in paragraph 4 of Part I (*Letter from the Chair of AA plc*) of this document.

10. *Can I attend the Meetings in person?*

In light of the ongoing COVID-19 outbreak and to ensure the safety of all stakeholders, the AA Directors must insist that you do not attend the Meetings in person. Any AA Shareholders, proxies (other than the Chair of the Meetings) or corporate representatives who do seek to attend will not be granted access to the Meetings in person.

However, in order to allow AA Shareholders, proxies (other than the Chair of each of the Meetings) and corporate representatives to listen to, and to ask questions in relation to, the business of the Meetings, a conference call facility has been arranged. Any AA Shareholder wishing to attend the Meetings by telephone (or to enable their proxy or corporate representative to do so) should contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or, if a Meeting is adjourned, not later than on the date which is two days (excluding non-working days) before the date set for such adjourned Meeting) to receive the invitation to access the Meetings and poll cards to vote.

11. *How do I vote at the Meetings?*

As you will not be able to attend the Meetings in person, you are strongly encouraged to vote by appointing the Chair of each of the Court Meeting and the General Meeting as your proxy. The Chair of the relevant Meeting will vote in accordance with your voting instructions.

You can do so by completing and signing the Forms of Proxy enclosed with this document in accordance with the instructions printed on them and return them by post to the AA's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received as soon as possible and in any event not later than the relevant time set out below:

BLUE Forms of Proxy for the Court Meeting	11.00 a.m. (London time) on 12 January 2021
WHITE Forms of Proxy for the General Meeting	11.15 a.m. (London time) on 12 January 2021

or, if a Meeting is adjourned, not later than 24 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned Meeting.

Detailed instructions are set out on pages 8 to 11 (*Action to be taken*) of this document.

12. *Can I vote electronically?*

As an alternative to completing and returning the printed Forms of Proxy, you can appoint a proxy electronically by logging on to the following website: www.sharevote.co.uk and entering the voting ID, task ID and shareholder reference number shown on your Forms of Proxy before the deadlines set out above.

If you hold your AA Shares uncertificated form through CREST, you can appoint a proxy using the CREST electronic proxy appointment service. Detailed instructions are set out on pages 8 to 11 (*Action to be taken*) of this document.

13. *If I vote or appoint a proxy electronically, do I still need to return the Forms of Proxy?*

No, there is no need to return the Forms of Proxy if you have voted or appointed a proxy electronically.

14. *If I have appointed a proxy, can I still attend the Meetings?*

Appointing a proxy will not prevent you from attending the Meetings via the conference call facility or voting at the Meetings.

15. *What happens if I do nothing?*

If the Scheme becomes Effective, it will 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 the Meetings.

However, it is important that, for the Court Meeting in particular, as many votes as possible are cast, so that the Court may be satisfied that there is a fair and reasonable representation of opinion of the AA Shareholders. You are therefore strongly encouraged to vote by appointing the Chair of each of the Court Meeting and the General Meeting as your proxy.

16. *Do I need to send in my share certificate(s) in respect of my AA Shares?*

No, you do not need to send in your share certificate(s). If the Scheme becomes Effective, 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.

Alternative Offer

17. *What is the Alternative Offer?*

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, subject to the terms and conditions of the Alternative Offer (set out in Part V (*Summary of the Alternative Offer*) of this document).

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.

Further information on the Alternative Offer is contained in Part V (*Summary of the Alternative Offer*) of this document. For the purposes of Rule 24.11 of the Takeover Code, Credit Suisse and Goldman Sachs as financial advisers to the Consortium and Bidco, have provided 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 set out at Part IX (*Rule 24.11 Estimate of Value Letter*).

The AA Board do not give any advice to AA Shareholders as to whether, or to what extent, they should elect for the Alternative Offer under the Scheme as its benefits will depend on AA Shareholders' individual tax positions. AA Shareholders should consider whether the Topco Units are a suitable payment alternative in light of their own personal circumstances and investment objectives and are, therefore, strongly recommended to seek their own independent financial, tax and legal advice before deciding whether to elect for the Alternative Offer.

18. *How do I elect for the Alternative Offer?*

If you hold AA Shares in certificated form (that is, not in CREST) and you wish to make an election under the Alternative Offer please complete and return the Form of Election by post to the AA's Registrar at Equiniti Limited, at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to reach

the Registrar by no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. A pre-paid envelope, for use in the UK only, has been provided. The instructions printed on, or deemed to be incorporated in, the Form of Election constitute part of the terms of the Scheme.

If you want to receive 35 pence in cash in respect of each AA Share that you hold at the Scheme Record Time, you should NOT complete the Form of Election.

If you hold some or all of your AA Shares in uncertificated form (that is, in CREST), and you wish to elect for the Alternative Offer you should NOT complete a Form of Election. Instead you should submit your election electronically by taking (or procuring to be taken) the actions set out in Part VII (*Notes on making an Alternative Offer Election*).

Detailed instructions are set out on pages 8 to 11 (*Action to be taken*) and in Part VII (*Notes on making an Alternative Offer Election*) of this document.

Other information

19. *I have recently sold my shares. Do I take any action?*

If you have sold or otherwise transferred all of your AA Shares, please send this document and the accompanying documents (other than documents or forms personalised to you) at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holding of AA Shares, you should retain these documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

20. *Can I still trade my AA Shares, even after I have voted?*

Yes. You can continue to trade your shares until trading is suspended shortly before the Scheme Record Time.

21. *What if I have further questions?*

If you have any questions in relation to this document, the Meetings, or the completion and return of the Forms of Proxy or the Form of Election, please telephone Equiniti Limited between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 from within the UK or on +44 333 207 6536 if calling from outside the UK. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

Part IV
CONDITIONS TO AND FURTHER TERMS OF THE ACQUISITION AND THE SCHEME

Part A Conditions to the Scheme and 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:
 - (i)
 - (A) 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
 - (B) such Court Meeting being held on or before 13 February 2021 (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
 - (ii)
 - (C) 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
 - (D) such General Meeting being held on or before 13 February 2021 (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
 - (iii)
 - (E) 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
 - (F) the Court Hearing being held on or before the 22nd day after the expected date of the Court Hearing (which is expected to be no more than 30 days after the last of the Regulatory Conditions is satisfied) (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 (Waiver and Invocation of the Conditions) 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 approval

- (a) in respect of each notice under section 178 of FSMA which Bidco or any other person (other than, save in respect of the Topco 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, save in respect of any members of the Topco Group, 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 (g);

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(1)(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 the 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 the 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 Waiver and Invocation of the Conditions

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

Subject to the requirements of the Panel, Bidco reserves the right in its sole discretion to waive:

- (a) the deadline set out in paragraph 1 of Part A of this Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*), and any of the deadlines set out in paragraph 2 of Part A of this Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) for the timing of the Court Meeting, General Meeting and/or the Scheme 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
- (b) in whole or in part, all or any of the above Conditions listed in paragraph 3 of Part A of this Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*).

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.

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.

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 the Conditions listed in paragraph 3 of Part A of this Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) 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 Condition may not be capable of fulfilment.

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 Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) are not subject to this provision of the Takeover Code.

Part C Implementation by way of Takeover Offer

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.

Part D Certain further terms of the Acquisition

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 document.

If, on or after the date of this document 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(1)(i) of Part A of this Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*)), 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 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 document 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.

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 Acquisition.

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.

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.

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 Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*) and the related Form of Election. 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.

Part V
SUMMARY OF THE ALTERNATIVE OFFER

1. 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)
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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. In the event that a Scheme Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco B Shares in lieu of the cash consideration to which such Scheme Shareholder would otherwise be entitled, the balance of the consideration (after the effect of rounding fractional entitlements as described above) will be disregarded and not paid to such holder. AA Shareholders holding less than four AA Shares should therefore note that, as a result of the above, if they elect for the Alternative Offer they would not receive any Topco Ordinary Shares.

Accordingly, by way of illustration and subject to the following paragraph, 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 B Shares available to the AA Shareholders under the Alternative Offer will be limited to 16 per cent. of the Topco Offer Shares (as defined in paragraph 2.1 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 B Shares exceeding the Alternative Offer Maximum, such elections will be unable to be satisfied in full. In these circumstances the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares to be issued in respect of the AA Shares will each be scaled down on a pro rata basis, and the balance of the consideration for the AA Shares 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 B Shares as represent at least 10 per cent. of the Topco Offer Shares (as defined in paragraph 2.1 below), failing which it will lapse. In these circumstances, no Topco B Shares 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 and subject to the Conditions and further terms set out in paragraphs 3 and 4 below. Further details of the Topco Group and the rights of the Topco Units are set out in paragraph 2 below.

For the purposes of Rule 24.11 of the Takeover Code, Credit Suisse and Goldman Sachs, as financial advisers to the Consortium and Bidco, have provided an estimate of the value of a Topco Unit, together with the assumptions, qualifications and caveats forming the basis of its estimate of value, as set out in Part IX (*Rule 24.11 Estimate of Value Letter*) of this 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.

2. The Topco Group, the Topco Units and the Additional Capital Raise

2.1 *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: (i) for the purposes of funding the cash consideration for the transfer of the Scheme Shares pursuant to the Acquisition; and (ii) under the Alternative Offer (the “**Topco Offer Shares**”). These numbers assume that the number of AA Shares issued pursuant to the Employee Share Incentive Plan prior to the Effective Date is consistent with the calculation set out in paragraph 12.2 of Part X (*Additional Information*). On that basis, 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, Topco would issue around:

- (a) 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
- (b) 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 Alternative Offer Maximum described above, the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares would be reduced proportionately and the number of Topco A Shares increased correspondingly (subject to rounding of fractional entitlements).

The Topco A Ordinary Shares and Topco A Preference Shares issued to fund the cash consideration for the transfer of the Scheme Shares pursuant to the Acquisition, and any Topco Securities issued pursuant to the Additional Capital Raise described above within three months after the Effective Date, will be issued in the ratio of one Topco Ordinary Share to nine Topco Preference Shares (subject only to rounding of fractional entitlements). Topco B Ordinary Shares and Topco B Preference Shares issued pursuant to acceptances of the Alternative Offer will be issued in the ratio described above for Topco Units (which is the same ratio subject to rounding).

2.2 *Additional Capital Raise by Topco*

It is intended that, around the Effective Date, in addition to the Topco Offer Shares, 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 Part II (*Explanatory Statement*), 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 paragraph 4.2 below.

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 paragraph 12.2 of Part X (*Additional Information*), Topco would have a total issued share capital after the Additional Capital Raise of around:

- (a) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (b) 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 of Part II (*Explanatory Statement*) 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.

2.3 *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 document.

Any Topco Securities to be issued to ConsortiumCo 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.

2.4 *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. As part of completing a Form of Election, holders of AA Shares in certificated form will be asked to provide an email address for service of notices pursuant to the Topco Shareholders Agreement. Bidco and Topco reserve the right to treat email addresses previously given to the AA or the Registrar by holders of AA Shares in uncertificated form who wish to elect for the Alternative Offer as the addresses for notices under the terms of the Topco Shareholders Agreement. Alternatively, such holders may notify the AA or the Registrar of their email addresses if they wish to receive such notices by email. Bidco and Topco will regard addresses in the register of members of the AA of holders of AA Shares who wish to elect for the Alternative Offer as being the addresses for notices under the Topco Shareholders' Agreement.

A summary of the key rights of the Topco Units are set out in paragraph 4 below.

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 include 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) 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 ConsortiumCo). 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 ConsortiumCo 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 estimated by Credit Suisse and Goldman Sachs as set out in Part IX (*Rule 24.11 Estimate of Value Letter*) of this 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 2.2 above, (although there can be no guarantee that this will occur).
 - Such further issues will generally be subject to pre-emption rights, provided that ConsortiumCo shall have the right for the Additional Capital Raise and any capital raise made on an urgent basis to be made solely to ConsortiumCo 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 document 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 paragraphs 3 and 4 below.

2.5 *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:

- 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 Part D of Part IV (*Conditions to and Further Terms of the Acquisition and the Scheme*); and
- 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.

To the extent that any Scheme Shareholder validly elects for the Alternative Offer in respect of all of their Scheme Shares, Bidco shall, in consideration for the transfer of their Scheme Shares, and subject to the terms and conditions set out in this document, allot and issue to such Scheme Shareholder, £0.35 nominal value of Bidco Loan Notes for each Scheme Share held by the Scheme Shareholder.

Immediately following the transfer of the relevant Scheme Shareholder's Scheme Shares to Bidco, and the issue by Bidco of the Bidco Loan Notes, and conditional thereon, the relevant Scheme Shareholders shall sell and Topco shall purchase the Bidco Loan Notes in exchange for the issue of the relevant number of Topco B Ordinary Shares and Topco B Preference Shares in the capital of Topco which such Scheme Shareholder has validly elected to receive under the Alternative Offer. The cumulative effect of the transfers and issuances described in this paragraph 2.5 (the "**Roll-over Mechanic**") is that any Scheme Shareholder that makes a valid election for the Alternative Offer will ultimately hold shares in Topco (and not Bidco).

3. **Information on ConsortiumCo, Topco and the Intermediate Holding Companies**

ConsortiumCo is co-owned by the TowerBrook Funds and Warburg 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.

4. **Information on Topco share capital**

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.

4.1 **Topco Share Capital as a result of the Acquisition**

On or around completion of the Acquisition but before the Additional Capital Raise (as defined below), Topco will issue around 199,503,099 Topco Ordinary Shares and 1,795,527,889 Topco Preference Shares: (i) for the purposes of funding the cash consideration for the transfer of the Scheme Shares pursuant to the Acquisition; and (ii) under the Alternative Offer. These numbers assume that the number of AA Shares issued pursuant to the Employee Share Incentive Plan prior to the Effective Date is consistent with the calculation set out in paragraph 12.2 of Part X (*Additional Information*). On that basis, 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, Topco would issue around:

- (a) 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
- (b) 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 Alternative Offer Maximum described above, the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares would be reduced proportionately and the number of Topco A Shares increased correspondingly (subject to rounding of fractional entitlements).

The Topco A Ordinary Shares and Topco A Preference Shares issued to fund the cash consideration for the transfer of the Scheme Shares pursuant to the Acquisition, and any Topco Securities issued pursuant to the Additional Capital Raise described below within three months after the Effective Date, will be issued in the ratio of one Topco Ordinary Share to nine Topco Preference Shares (subject only to rounding of fractional entitlements). Topco B Ordinary Shares and Topco B Preference Shares issued pursuant to acceptances of the Alternative Offer will be issued in the ratio described above for Topco Units (which is the same ratio subject to rounding).

4.2 *Additional Capital Raise by Topco*

It is intended that, around the Effective Date, in addition to the Topco Offer Shares, 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 Part II (*Explanatory Statement*) of this document, and to fund costs and expenses incurred in connection with the Acquisition and such Refinancing (and the purchase of any AA Shares issued after the Scheme Record Time). 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 eligible AA Shareholders elected to accept in full their entitlement under the Alternative Offer and the Additional Capital Raise), and assuming the level of issuances of AA Shares pursuant to the Employee Share Incentive Plan prior to completion to be consistent with the calculation set out in paragraph 12.2 of Part X (*Additional Information*), Topco would have a total issued share capital after the Additional Capital Raise of around:

- (a) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (b) 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 of Part II (*Explanatory Statement*) 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.

4.3 *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 document.

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).

The Topco A Ordinary Shares and Topco A Preference Shares issued to fund the cash consideration for the transfer of the Scheme Shares pursuant to the Acquisition, and any Topco Securities issued pursuant to the Additional Capital Raise described below within three months after the Effective Date, will be issued

in the ratio of one Topco Ordinary Share to nine Topco Preference Shares (subject only to rounding of fractional entitlements). Topco B Ordinary Shares and Topco B Preference Shares issued pursuant to acceptances of the Alternative Offer will be issued in the ratio described above for Topco Units (which is the same ratio subject to rounding).

4.4 *Economic Rights*

The economic rights described below are subject to the risks also described below and in paragraph 2.4 of this Part V (*Summary of the Alternative Offer*) (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 document, 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 affiliates (other than portfolio companies of the members of the Consortium),

save, in the case of paragraphs (i)–(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.

4.5 *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 ConsortiumCo (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:

- (a) adhere to the Topco Shareholders’ Agreement;
- (b) 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 the 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
- (c) 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.

4.6 *Additional Topco Securities Issues*

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

ConsortiumCo and the Topco B Shareholders will be entitled to participate pro rata in securities issues by the Topco Group following the Effective Date, excluding issues of Topco Securities or transfers of Topco Securities from treasury:

- (a) 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;
- (b) to ConsortiumCo and/or its associates to finance the Acquisition;
- (c) to the Topco B Shareholders pursuant to the Scheme and/or the Roll-over Mechanic in connection with the Acquisition;
- (d) to ConsortiumCo and/or its associates in connection with the funding of the Refinancing;

- (e) to Topco B Shareholders in connection with funding of the Refinancing pursuant to their catch-up right;
- (f) to actual or potential employees, directors or consultants (whether directly or indirectly) which shall dilute ConsortiumCo's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (g) other than to ConsortiumCo or its 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 ConsortiumCo's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (h) other than to ConsortiumCo or its associates, in connection with the debt financing arrangements of the Topco Group, which shall dilute ConsortiumCo's Topco Securities and the Topco B Shareholders' Topco Securities pro rata;
- (i) in connection with an IPO or a pre-IPO reorganisation; or
- (j) in respect of which ConsortiumCo 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 Shareholders and Topco B Shareholders, provided that ConsortiumCo shall have the right for the Additional Capital Raise described above in paragraph 4.2 above 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, which, in the case of the Additional Capital Raise, may be exercisable within not less than two 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, in addition to the Topco Offer Shares, Topco will, pursuant to the Additional Capital Raise (as described in paragraph 4.2 above), 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 Part II (*Explanatory Statement*), 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:

- (a) 379,873,512 Topco A Ordinary Shares and 3,418,861,609 Topco A Preference Shares to be held by ConsortiumCo; and
- (b) 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 of Part II (*Explanatory Statement*) 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.

4.7 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 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 AA Shares will be reduced on a pro rata proportional basis and the balance of the consideration for the AA Shares 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 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.

4.8 Governance; Topco Board Representation

Any Topco B Shareholder 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, restrictions on holding and trading of the Topco Group's debt securities 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 meetings of the Topco Board and committees 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.

4.9 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 and including the Refinancing (as described in paragraph 7 of Part II (*Explanatory Statement*) above and re-charging of any fees and expenses paid by Warburg Pincus Funds or TowerBrook Funds, in each case plus VAT if applicable.

4.10 Information Rights

The observer appointed in accordance with paragraph 4.8 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 the 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.

4.11 *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.

4.12 *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 the Warburg Pincus Funds or the 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 the 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 the date of the 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 the Warburg Pincus Funds or the TowerBrook Funds, as the case may be, bears to the total direct or indirect holdings of Topco A Ordinary Shares.

4.13 *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 and Wales shall 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.

Part VI
THE SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE

CR-2020-004289

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES COMPANIES COURT (ChD)

IN THE MATTER OF AA PLC

-AND-

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT
(under Part 26 of the Companies Act 2006)

between

AA PLC

and

THE HOLDERS OF ITS SCHEME SHARES

(as each is hereinafter defined)

Preliminary

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions have the following meanings:

“AA Shareholders”	holders of AA Shares;
“AA Share Plans”	the following share incentive plans: (a) 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; and (b) the discretionary performance related share plan approved by AA Shareholders on 9 June 2015 pursuant to which certain options in respect 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;
“AA Shares”	ordinary shares of 0.1 pence each in the capital of the Company;
“Acquisition”	the proposed acquisition of the entire issued and to be issued ordinary share capital of the Company by Bidco, to be effected by the Scheme;
“Alternative Offer”	the alternative whereby Scheme Shareholders (other than Restricted Shareholders) may elect, subject to certain limitations and exceptions to receive 350 Bidco Loan Notes which are then to be exchanged for 1.0 Topco Unit, for each Scheme Share instead of the cash consideration to which they would otherwise be entitled under the Acquisition;
“Alternative Offer Election”	an election whereby Scheme Shareholders (other than Restricted Shareholders) may elect to accept the Alternative Offer whether pursuant to a Form of Election or a TTE Instruction;
“Attorney”	has the meaning given to it in clause 2(a) of this Scheme;

“Bidco”	Basing Bidco Limited, a private limited company incorporated in Jersey with registered number 132817;
“Bidco Loan Notes”	loan notes of £0.001 each to be issued by Bidco pursuant to the Alternative Offer;
“Business Day”	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for normal business in London;
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST);
“Companies Act”	the Companies Act 2006 (as amended, modified, consolidated, re-enacted or replaced from time to time);
“Company”	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;
“ConsortiumCo”	Basing ConsortiumCo Limited, a private limited company incorporated in Jersey with registered number 132816;
“Court”	the High Court of Justice in England and Wales;
“Court Hearing”	the hearing by the Court of the application to sanction the Scheme under Part 26 of the Companies Act;
“Court Meeting”	the meeting of Scheme Shareholders (including any adjournment thereof), convened with the permission of the Court under Part 26 of the Companies Act to consider and, if thought fit, to approve this Scheme (with or without modification);
“CREST”	the relevant system to facilitate the transfer of title to shares in uncertificated form (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended from time to time);
“Effective Date”	the time and date on which this Scheme becomes effective in accordance with clause 1(b);
“Election Return Time”	6.00 p.m. on the date of the Court Hearing;
“Euroclear”	Euroclear UK & Ireland Limited;
“Excluded Shares”	any AA Shares: (i) registered in the name of, or beneficially owned by, Bidco, any member of the Topco Group or their respective nominees; or (ii) held by the Company in treasury;
“Form of Election”	the form of election in respect of the Alternative Offer to be despatched to AA Shareholders who hold their AA shares in certificated form together with the Scheme Circular;
“General Meeting”	the general meeting of the Company (including any adjournment thereof) to be convened in connection with the Scheme;
“Holdco”	Basing Holdco Limited, a private limited company incorporated in Jersey with registered number 132815;
“holder”	includes any person entitled by transmission;
“Intermediate Holding Companies”	Bidco, Midco and Holdco;
“Maximum Alternative Offer Shares”	means such number of Scheme Shares as shall correspond to 16 per cent. of the Topco Offer Shares;

“Midco”	Basing Midco Limited, a private limited company incorporated in Jersey with registered number 132818;
“Restricted Shareholder”	a Scheme Shareholder whom Bidco requires the Company to treat as a Restricted Shareholder pursuant to clause 6;
“Panel”	the Panel on Takeovers and Mergers;
“Registrar”	Equiniti Limited, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA , the Company’s registrar;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Bidco and the Company;
“Scheme Circular”	the circular to AA Shareholders published by the Company in connection with this Scheme of which this Scheme forms part;
“Scheme Record Time”	6.00 p.m. (London time) on the date of the Court Hearing;
“Scheme Shareholder”	a holder of Scheme Shares;
“Scheme Shares”	AA Shares: <ul style="list-style-type: none"> (a) in issue at the date of this Scheme; (b) (if any) issued after the date of this Scheme but before the Voting 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 but excluding any Excluded Shares;
“subsidiary”	has the meaning given in section 1159 of the Companies Act 2006;
“subsidiary undertaking”	has the meaning given in section 1162 of the Companies Act 2006;
“Topco”	Basing Topco Limited, a private limited company incorporated in Jersey with registered number 132819;
“Topco Group”	Topco and its subsidiaries and subsidiary undertakings;
“Topco Offer Shares”	the shares that, on or around the Effective Date, Topco will issue comprising of Topco A Preference Shares, Topco A Ordinary Shares, Topco B Ordinary Shares and Topco B Preference Shares, in each case only to the extent issued: (i) for the purposes of funding the cash consideration for the transfer of the Scheme Shares pursuant to clause 3; or (ii) under the Alternative Offer pursuant to clause 4(c);
“Topco A Ordinary Shares”	the A ordinary shares with a nominal value of £0.001 each in the capital of Topco;
“Topco A Preference Shares”	the A preference shares with a nominal value of £0.001 each in the capital of Topco;
“Topco B Ordinary Shares”	the B ordinary shares with a nominal value of £0.001 each in the capital of Topco;
“Topco B Preference Shares”	the B preference shares with a nominal value of £0.001 each in the capital of Topco;

“Topco Shareholders’ Agreement”	the shareholders’ agreement dated 16 December 2020 entered into between ConsortiumCo, Topco and each of the Intermediate Holding Companies, as subsequently adhered to from time to time;
“Topco Units”	the shares to be issued pursuant to the Alternative Offer, each Topco Unit comprising 2.8636363636 Topco B Preference Shares and 0.3181818182 Topco B Ordinary Shares;
“TTE Instruction”	a transfer to escrow instruction given by a holder of uncertificated Scheme Shares through CREST validly electing for the Alternative Offer;
“uncertificated” or “in uncertificated form”	recorded on the relevant register as being held in uncertificated form and title to which may, by virtue of the CREST Regulations, be transferred by means of CREST; and
“Voting Record Time”	6.30 p.m. (London time) on the day which is two days (excluding non-working days) prior to the date of the Court Meeting or any adjournment thereof (as the case may be).

and references to clauses are to clauses of this Scheme and references to time are to London time.

- (B) As at 14 December 2020 (the last practicable date prior to the publication of this document), the issued ordinary share capital of the Company was £623,697.514 divided into 623,697,514 ordinary shares of 0.1 pence each all of which are credited as fully paid and none of which are held in treasury. In addition, the Company has in issue 60,000,000 deferred shares of 0.1 pence each, which are not subject to this Scheme.
- (C) As at 14 December 2020 (the last practicable date prior to the publication of this document), none of the companies in the Topco Group held any AA Shares.
- (D) Topco, Bidco and each of the other Intermediate Holding Companies have agreed to appear by Counsel on the hearing to sanction this Scheme and to submit to be bound by and undertake to the Court to be bound by this Scheme and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

The Scheme

1. Transfer of scheme shares

- (a) On the Effective Date, Bidco (or such of its nominee(s) as are agreed between Bidco and the Company) shall acquire all of the Scheme Shares, fully paid-up with full title guarantee, and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights or other interests, and together with all rights attached thereto including voting rights and the right to receive all dividends and other distributions declared, paid or made by the Company by reference to a record date on or after the Effective Date.
- (b) For such purposes, the Scheme Shares shall be transferred to Bidco (and/or such of its nominee(s) as are agreed between Bidco and the Company) and to give effect to such transfers any person may be appointed by the Company as attorney and/or agent and/or otherwise and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the relevant Scheme Shareholder to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer (including by means of CREST and whether as a deed or otherwise (as applicable)) of such Scheme Shares and every form, instrument or instruction of transfer so executed shall be as effective as if it had been executed by the holder or holders of the Scheme Shares thereby transferred.

2. Authority pending registration of transfer and power of attorney

- (a) With effect from the Effective Date and until the register of members of the Company is updated to reflect the transfer of the Scheme Shares to Bidco (and/or such of its nominee(s) as are agreed between Bidco and the Company) pursuant to clause 1(b), each Scheme Shareholder:
- (i) irrevocably appoints Bidco and/or its nominee(s) as its attorney and/or agent (each an “Attorney”):
 - (A) to sign on behalf of such Scheme Shareholder such documents, and do such things, as may in the opinion of one or more of the Attorneys be necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the relevant Scheme Shares; and
 - (B) without limitation to the generality of clause 2(a)(i)(A):
 - (I) to exercise on its behalf or refrain from exercising (in place of and to the exclusion of the relevant Scheme Shareholder) any voting rights attached to its Scheme Shares and any or all rights and privileges attaching to its Scheme Shares;
 - (II) to sign any consent to short notice of a general or separate class meeting of the Company for and on behalf of such Scheme Shareholder; and
 - (III) to attend, and/or to execute a form of proxy in respect of its Scheme Shares appointing any person nominated by Bidco to attend, general and separate class meetings of the Company and authorises the Company; and
 - (ii) authorises the Company and/or its agents to send to Bidco at its registered office any notice, circular, warrant or other document or communication which may be required to be sent to such Scheme Shareholder as a member of the Company in respect of their Scheme Shares (including any share certificate(s) or other document(s) of title issued as a result of conversion of their Scheme Shares into certificated form); and
 - (iii) each Scheme Shareholder irrevocably undertakes: (i) not to exercise any votes or any other rights attaching to the relevant Scheme Shares without the consent of Bidco; and (ii) not to appoint a proxy or representative for or to attend any general meeting or separate class meeting of the Company.
- (b) With effect from the Effective Date, each Scheme Shareholder who has validly elected for the Alternative Offer irrevocably appoints the Company and/or Bidco and/or any one or more of their respective directors as its agent and/or attorney:
- (i) to sign on behalf of such Scheme Shareholder (in such form as Bidco may require) any exchange agreement, instrument of transfer, instrument, or other document deemed by Bidco (in its absolute discretion) to be necessary or desirable to effect the steps set out in clause 4(c); and
 - (ii) to execute and deliver as a deed on behalf of such Scheme Shareholder (in such form as Bidco may require), a deed of adherence by such Scheme Shareholder to the Topco Shareholders’ Agreement.

3. Consideration for the transfer of Scheme Shares

In consideration of the transfer of the Scheme Shares to Bidco, Bidco shall, subject to the remaining provisions of this Scheme, pay or procure that there shall be paid to or for the account of each Scheme Shareholder (as appearing in the register of members of the AA at the Scheme Record Time) 35 pence in cash per Scheme Share held by the Scheme Shareholder at the Scheme Record Time.

4. The Alternative Offer

- (a) Conditional on and subject to the remainder of this clause 4, to the extent that any Scheme Shareholder (other than a Restricted Shareholder) validly elects for the Alternative Offer in respect of all of their Scheme Shares, Bidco shall, in consideration for the transfer of their Scheme Shares, and subject as herein provided, allot and issue to such Scheme Shareholder (as appearing in the register of members of the Company at the Scheme Record Time), Bidco Loan Notes in an aggregate nominal amount of £0.35 for each Scheme Share held by the Scheme Shareholder at the Scheme Record Time.

- (b) The Bidco Loan Notes will be constituted by an instrument in the form initialled for the purpose of identification by Linklaters LLP, solicitors for Bidco, with such modifications or additions, if any, as may be agreed by the Company and Bidco prior to the execution thereof.
- (c) Immediately following the transfer of Scheme Shares pursuant to clause 1(b) and the issue by Bidco of the Bidco Loan Notes, and conditional thereon, the relevant Scheme Shareholders shall sell and Topco shall purchase the Bidco Loan Notes in exchange for the issue of the relevant number of Topco B Ordinary Shares and Topco B Preference Shares in the capital of Topco which such Scheme Shareholder has validly elected to receive under the Alternative Offer. The Bidco Loan Notes will be acquired on the basis that the number of Topco B Ordinary Shares and Topco B Preference Shares comprised in one Topco Unit will be issued for every three hundred and fifty (350) Bidco Loan Notes.
- (d) The issuance of Topco B Ordinary Shares and Topco B Preferences Shares pursuant to the Alternative Offer shall be conditional upon valid elections having been made for the Alternative Offer in respect of such number of Scheme Shares as shall correspond to at least ten (10) per cent. of the Topco Offer Shares. If the condition set out in this clause 4(d) is not met, any Scheme Shares the subject of an Alternative Offer Election shall be deemed to be Scheme Shares in respect of which no Alternative Offer Election has been made, and the consideration in respect of all Scheme Shares shall be settled by way of cash consideration.
- (e) The total number of Scheme Shares in respect of which Scheme Shareholders may elect for the Alternative Offer shall not exceed the Maximum Alternative Offer Shares. If valid Alternative Offer Elections are received which in aggregate, exceed this limit:
 - (i) the number of Scheme Shares in respect of which each Scheme Shareholder has made a valid Alternative Offer Election shall be scaled down to the proportion of such Scheme Shares that the Maximum Alternative Offer Shares bears to the total number of Scheme Shares in respect of which Alternative Offer Elections have been made (rounding such number of Scheme Shares down to the nearest whole number of Scheme Shares as determined necessary by Bidco in its absolute discretion); and
 - (ii) the balance of the Scheme Shares the subject of such Alternative Offer Election shall be deemed to be Scheme Shares in respect of which no Alternative Offer Election has been made and the balance of the consideration shall be settled in cash.
- (f) Fractions of Topco B Ordinary Shares and Topco B Preference Shares shall not be allotted or issued to Scheme Shareholders pursuant to this Scheme. The aggregate number of Topco B Ordinary Shares and Topco B Preference Shares to which a Scheme Shareholder shall be entitled under the Alternative Offer shall be rounded down to the nearest whole numbers of Topco B Ordinary Shares and Topco B Preference Shares respectively. In the event that a Scheme Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco B Ordinary Shares and Topco B Preference Shares in lieu of the cash consideration to which the Scheme Shareholder would otherwise be entitled, the balance of the consideration (after the effect of rounding fractional entitlements as described above) will be disregarded and not paid to such holder. For the purposes of determining fractional entitlements, each portion of a Scheme Shareholder's holding which is recorded in the register of members of the Company by reference to a separate designation at the Scheme Record Time, whether in certificated or uncertificated form, shall be treated as a separate holding.
- (g) The Topco B Ordinary Shares and Topco B Preference Shares issued pursuant to this clause 4 shall be issued credited as fully paid and together with all rights attaching thereto including, without limitation, the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made by Topco in relation to such Topco B Ordinary Shares and Topco B Preference Shares (as applicable) by reference to a record date falling on or after the Effective Date.
- (h) Elections made by Scheme Shareholders under the Alternative Offer will not affect the entitlements of Scheme Shareholders who do make any such election.
- (i) Subject to clause 4(e) a Scheme Shareholder may only make an Alternative Offer Election in respect of their entire holding of Scheme Shares and any purported Alternative Offer Election in relation to part only of a Scheme Shareholder's holding of Scheme Shares shall be invalid. For these purposes each portion of a Scheme Shareholder's holding which is recorded in the register of members of the

Company by reference to a separate designation at the Scheme Record Time, whether in certificated or uncertificated form, shall be treated as a separate holding.

- (j) Minor adjustments to the entitlements of Scheme Shareholders pursuant to elections made under this Scheme may be made by the Registrar with the prior consent of the Company and Bidco on a basis that the Company and Bidco consider to be fair and reasonable. Such adjustments shall be final and binding on Scheme Shareholders.
- (k) In the case of Scheme Shareholders who hold Scheme Shares in certificated form, an Alternative Offer Election shall be made by completion of a Form of Election which shall be signed by the Scheme Shareholder or his duly authorised attorney (or, in the case of a body corporate, executed by an authorised representative), and in the case of joint holders by or on behalf of all such holders. To be effective, the Form of Election must be completed and returned, in accordance with the instructions printed thereon so as to arrive by no later than the Election Return Time at Corporate Actions, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. In the case of Scheme Shareholders who hold Scheme Shares in uncertificated form, an Alternative Offer Election shall be made by delivery of a TTE Instruction validly electing for the Alternative Offer by the Election Return Time.
- (l) If a Form of Election or TTE Instruction electing for the Alternative Offer is received after the Election Return Time or is received before such time but is not, or is deemed not to be, valid or complete in all respects at such time, then such election shall be void unless the Company and Bidco, in their absolute discretion, elect to treat as valid in whole or in part any such election.
- (m) Upon execution and delivery by a Scheme Shareholder of a valid Form of Election or TTE Instruction electing for the Alternative Offer, such Scheme Shareholder shall be bound by the terms and provisions contained in the Form of Election or the TTE Instruction (as the case may be) and by the terms and provisions contained in the part of the Scheme Circular entitled “Notes on Making an Alternative Offer Election”.
- (n) A Form of Election duly completed and delivered or TTE Instruction electing for the Alternative Offer made in accordance with this clause 4 may be withdrawn by notice to the Registrar in writing (in the case of a Form of Election) or through CREST (in the case of a TTE Instruction) so as to be received, in either case, by no later than 11.00 a.m. on the date that is one Business Day prior to the date of the Court Hearing.
- (o) If a Scheme Shareholder delivers more than one Form of Election or TTE Instruction electing for the Alternative Offer (in each case electing for the Alternative Offer) in respect of their Scheme Shares, in the case of an inconsistency between such Forms of Election or TTE Instructions, the last Form of Election or TTE Instruction which is delivered by the Election Return Time shall prevail over any earlier Form of Election or TTE Instruction. The delivery time for a Form of Election or TTE Instruction shall be determined on the basis of which Form of Election or TTE Instruction is last sent or, if the Registrar are unable to determine which is last sent, is last received. Forms of Election which are sent in the same envelope shall be treated for these purposes as having been sent and received at the same time and, in the case of an inconsistency between such Forms of Election, none of them shall be treated as valid (unless the Company and Bidco otherwise determine in their absolute discretion).
- (p) If a Scheme Shareholder has elected for the Alternative Offer, then:
 - (i) the validity of the election shall not be affected by any alteration in the number of Scheme Shares held by such holder at any time prior to the Scheme Record Time; and
 - (ii) accordingly, the election shall apply, subject to clause 4(e), in respect of all of the Scheme Shares held by such holder at the Scheme Record Time.
- (q) Neither Bidco nor the Company shall be liable to any Scheme Shareholder in respect of any adjustment, decision or determination made pursuant to this clause 4.

5. Dividends

- (a) If on or after the date of this Scheme and prior to the Effective Date, any dividend and/or other distribution and/or other return of capital is declared, paid or made or becomes payable by AA, Bidco reserves the right to reduce the cash consideration payable (and, as the case may be, the consideration due under the Alternative Offer, assuming that the Alternative Offer were to equal the cash offer of

35 pence per Scheme Share) under the terms of the Scheme at such date by an amount per Scheme Share of such dividend and/or other distribution and/or other return of capital, except where the Scheme Share is, or will be, acquired pursuant to the Scheme on a basis which entitles Bidco to receive such dividend, distribution and/or other return of capital (as the case may be).

- (b) If any such dividend and/or other distribution and/or other return of capital occurs and Bidco exercises its rights described in clause 5(a), the relevant eligible Scheme Shareholder will be entitled to receive and retain such dividends and/or distributions and/or return of capital, and any reference in this Scheme to consideration payable under the Scheme will be deemed to be a reference to the consideration as so reduced. The exercise of such rights 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.

6. Overseas Shareholders

- (a) The provisions of clauses 4 and 5 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if in the case of any Scheme Shareholder having a registered address outside the United Kingdom or whom Bidco reasonably believes to be a citizen, resident or national of a country other than the United Kingdom, Bidco is advised that the issue of Topco B Ordinary Shares and/or Topco B Preferences Shares (and/or Bidco Loan Notes pursuant to clause 4(c)) would or may infringe the law of any such country or jurisdiction or would or may require compliance by the Company or Bidco or the relevant Scheme Shareholder (as the case may be) with any governmental or other consent or any registration, filing or other formality with which the Company or Bidco or the relevant Scheme Shareholder (as the case may be) is unable to comply or compliance with which (if it would or may require compliance by the Company or Bidco) the Company or Bidco (as the case may be) in its absolute discretion, regards as unduly onerous, then Bidco may, in its sole discretion, require the Company to treat such Scheme Shareholder as a Restricted Shareholder for the purposes of this Scheme and any purported election for the Alternative Offer made by such Scheme Shareholder shall be void, the omission to send a Form of Election to such Scheme Shareholder shall not constitute a breach by the Company or Bidco (as the case may be) of any of their respective obligations under this Scheme, and such Scheme Shareholder shall receive cash consideration for the transfer of their Scheme Shares in accordance with clause 3.
- (b) Neither Bidco nor the Company shall be liable to any Scheme Shareholder in respect of any determination made pursuant to this clause 6.

7. Settlement

- (a) In the case of Scheme Shares held in certificated form at the Scheme Record Time, settlement shall be effected as follows:
 - (i) settlement of any cash consideration to which the Scheme Shareholder is entitled (including pursuant to clause 4(e)) shall be settled by Bidco by cheque. Cheques shall be despatched within 14 days of the Effective Date; and
 - (ii) in the case of Scheme Shareholders who have validly elected for the Alternative Offer, Topco shall allot and issue (in the manner specified in clause 4(c)) the Topco B Ordinary Shares and Topco B Preference Shares which it is required to issue pursuant to clause 4 and procure the despatch of certificates for such shares, in each case to the persons entitled thereto.
- (b) In the case of Scheme Shares held in uncertificated form at the Scheme Record Time, settlement shall be effected as follows:
 - (i) settlement of any cash consideration to which the Scheme Shareholder is entitled (including pursuant to clause 4(e)) shall be paid by means of CREST by Bidco procuring that Euroclear is instructed to create an assured payment obligation in favour of the Scheme Shareholder's payment bank in respect of the cash consideration due to them as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date, in accordance with the CREST assured payment arrangements, provided that Bidco reserves the right to make such payment of said sums by cheque as set out in clause 7(a)(i) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this clause 7(b)(i) or to do so would incur material additional costs; and

- (ii) in the case of Scheme Shareholders who have validly elected for the Alternative Offer, Topco shall allot and issue (in the manner specified in clause 4(c)) the Topco B Ordinary Shares and Topco B Preference Shares which it is required to issue pursuant to clause 4, and procure the despatch of certificates for such shares, in each case to the persons entitled thereto.
- (c) The cumulative effective of the transfers and issuances described in clause 4(c) is that any Scheme Shareholders that make a valid election for the Alternative Offer will ultimately hold shares in Topco (and not Bidco).
- (d) As from the Effective Date, each holding of Scheme Shares credited to any stock account in CREST shall be disabled and all Scheme Shares will be removed from CREST in due course.
- (e) All deliveries of notices, certificates and/or cheques required to be made under this Scheme shall be made by sending the same by first class post (or by international post or airmail, if overseas) (or by such other method as may be approved by the Panel), addressed to the person entitled thereto, to the address appearing in the register of members of the Company or, in the case of joint holders, to the address of the holder whose name stands first in such register in respect of the joint holding concerned at such time.
- (f) All cheques shall be in pounds sterling and drawn on a United Kingdom clearing bank and shall be made payable to the Scheme Shareholder concerned or, in the case of joint holders, to the holder whose name stands first in the register of members of the Company in respect of the joint holding concerned at the Scheme Record Time and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in clause 7(a) and clause 7(b) shall be a complete discharge to Bidco for the monies represented thereby.
- (g) None of the Company, Bidco or their respective agents or nominees shall be responsible for any loss or delay in the transmission of the share certificates or cheques (as applicable) sent to Scheme Shareholders in accordance with this clause 7, which shall be posted at the risk of the Scheme Shareholder concerned.

8. Certificates in respect of Scheme Shares

With effect from the Effective Date:

- (a) all certificates representing Scheme Shares shall cease to be valid as documents of title to the shares represented thereby and every holder thereof shall be bound at the request of the Company to deliver up such certificate(s) to the Company (or any person appointed by the Company to receive the same) or to destroy the same;
- (b) Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form;
- (c) following the cancellation of the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form, the Registrar shall be authorised to materialize entitlements to such Scheme Shares; and
- (d) subject to the completion of such transfers, forms, instruments or instructions as may be required in accordance with paragraph 1(b) and the payment of any UK stamp duty thereon, the Company shall make appropriate entries in the register of members of the Company to reflect the transfer of the Scheme Shares to Bidco and/or its nominee(s).

9. Mandates

All mandates to the Company in force at the Scheme Record Time relating to Scheme Shares shall, as from the Effective Date, cease to be valid, save that the Company may pay any dividend declared on or prior to the Effective Date in accordance with the mandates in relation to the payment of dividends in place on or prior to the Effective Date.

10. Effective Time

- (a) This Scheme shall become effective as soon as a copy of the order of the Court under Part 26 of the Companies Act sanctioning the Scheme shall have been delivered to the Registrar of Companies.
- (b) Unless this Scheme shall become effective on or before 30 June 2021 or such later date, if any, as the Company and Bidco may agree (with the Panel's consent) and the Court may allow, this Scheme shall never become effective.

11. Modification

The Company and Bidco may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may approve or impose.

12. Governing law

This Scheme is governed by English law and is subject to the jurisdiction of the courts of England and Wales. The rules of the Takeover Code on Takeovers and Mergers apply to this Scheme.

17 December 2020

Part VII
NOTES ON MAKING AN ALTERNATIVE OFFER ELECTION

1. Making an election

1.1 *Shares held in certificated form*

You should note that if you hold Scheme Shares in certificated form and are not a Restricted Shareholder and you wish to make an election under the Alternative Offer you must complete and sign the GREEN Form of Election in accordance with the instructions printed thereon and return it to Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received by no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing. A pre-paid envelope, for use in the UK only, has been provided. The instructions printed on, or deemed to be incorporated in, the Form of Election constitute part of the terms of the Scheme.

If you wish to receive cash for all the Scheme Shares that you hold at the Scheme Record Time and do not wish to make an election under the Alternative Offer, do not return the Form of Election.

If you wish to make an election under the Alternative Offer, it can be only be made by an eligible shareholder and in respect of ALL the Scheme Shares held by you as at the Scheme Record Time.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.

You cannot elect to receive Topco Units for some but not all of your Scheme Shares, but you may make different elections for portions of your holding which are recorded with separate designations in the AA's register of members. If you have more than one designation in the AA's register of members in respect of Scheme Shares in respect of which you wish to elect for the Alternative Offer, you are required to complete a separate Form of Election for each designation of such Scheme Shares.

If you need further copies of the Form of Election, please call the Registrar, between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales), on 0333 207 6536 (from within the UK) or +44 333 207 6536 (from outside the UK). Calls to the Shareholder Helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

1.2 *Shares held in uncertificated form (CREST)*

You should note that if you hold Scheme Shares in uncertified form and you wish to elect for the Alternative Offer (and you are not a Restricted Shareholder) you should NOT complete a GREEN Form of Election but instead take (or procure to be taken) the actions set out below to transfer the Scheme Shares in respect of which you wish to elect for the Alternative Offer to the relevant escrow account using a transfer to escrow instruction ("**TTE Instruction**") specifying the Registrar (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent ("**Escrow Agent**"), as soon as possible and in any event so that the TTE Instruction settles no later than the Election Return Time, being 6.00 p.m. on the date of the Court Hearing.

You cannot elect to receive Topco Units for some but not all of your Scheme Shares, but you may make different elections for portions of your holding which are recorded with separate designations in the AA's register of members.

If you are a CREST personal member or other CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participation ID and the member account ID under which your Scheme Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your Scheme Shares. You should send (or, if you are a CREST personal member or other CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for a TTE Instruction to settle in CREST, the following details:

- (a) the number of Scheme Shares to be transferred to escrow **being all but not some only, of your Scheme Shares (such Scheme Shares to be transferred to an escrow balance);**

- (b) your member account ID;
- (c) your participant ID;
- (d) the participant ID of the Escrow Agent, which is 6RA67;
- (e) the member account ID of the Escrow Agent for the Topco Units, which is RA506401;
- (f) the ISIN number of the Scheme Shares. This is GB00BMSKJP95;
- (g) the intended settlement date. This should be as soon as possible and in any event by the Election Return Time;
- (h) the corporate action number for the transaction. This is allocated by Euroclear and can be found by viewing the relevant corporate action details on screen in CREST;
- (i) CREST standard delivery instructions priority of 80; and
- (j) a contact name and telephone number (in the shared note field of the TTE Instruction).

After settlement of the TTE Instruction, save as set out below, you will not be able to access the Scheme Shares in CREST for any transaction or for charging purposes. If the Scheme becomes effective, the Escrow Agent will transfer the Scheme Shares to Bidco or its nominees. You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedure outlined above.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Scheme Shares to settle prior to the Election Return Time. In this regard you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Please note that, if: (i) you elect for the Alternative Offer in respect of Scheme Shares which are held in CREST; and (ii) you fail to give the TTE Instructions to settle prior to the Election Return Time in accordance with the instructions set out above, your election for the Alternative Offer will to that extent be invalid and you will receive cash as if you had not elected for the Alternative Offer.

An election for the Alternative Offer is revocable until the Election Return Time. If you have submitted a TTE Instruction, you may withdraw your TTE Instruction through CREST by sending (or, if you are a CREST sponsored member, procuring that your CREST sponsor sends) an ESA instruction to settle in CREST by no later than 11.00 a.m. on the date that is one Business Day prior to the date of the Court Hearing. Such date will be notified to AA Shareholders by announcement through a Regulatory Information Service once known, with such announcement being made available on the AA's website at www.theapl.com/investors. Each ESA instruction must, in order for it to be valid and to settle, include the following details:

- (a) the number of Scheme Shares to be withdrawn being all but not some of your Scheme Shares;
- (b) your member account ID;
- (c) your participant ID;
- (d) the ISIN number of the Scheme Shares. This is GB00BMSKJP95;
- (e) the participant ID of the Escrow Agent, which is 6RA67;
- (f) the member account ID of the Escrow Agent for the Topco Units, which is RA506401;
- (g) the CREST transaction ID of the TTE Instruction to be withdrawn;
- (h) the intended settlement date for the withdrawal;
- (i) the corporate action number for the transaction: this is allocated by Euroclear and can be found by viewing the relevant corporate action details onscreen in CREST; and
- (j) a CREST standard delivery instructions priority of 80.

Any such withdrawal will be conditional upon Equiniti verifying that the withdrawal request is validly made. Accordingly, Equiniti will, on behalf of the AA and Bidco, reject or accept the withdrawal by transmitting in CREST a receiving agent reject or receiving agent accept message.

Alternatively, you may revoke an election for the Alternative Offer by notice in writing in accordance with paragraph 3 below.

1.3 *Nominee Shareholder elections for the Alternative Offer*

Nominee and similar holders of Scheme Shares are responsible for ensuring that elections made by them for the Alternative Offer are consistent with the instructions they have received from the relevant underlying indirect owner and are validly completed. None of the AA, Bidco or Equiniti shall:

- (a) have any obligation to verify that an election made by a nominee or similar Scheme Shareholder for the Alternative Offer is consistent with the instructions given by the underlying indirect owner or is validly completed by the nominee or similar holder; or
- (b) have any liability to nominee or similar holders of Scheme Shares or any underlying indirect owner in the event that an election by any such nominee or similar holder for the Alternative Offer is rejected or treated as invalid, or is not made in accordance with the instructions received from the relevant underlying indirect owner.

Any indirect Scheme Shareholder held through a nominee or similar arrangement, either in uncertificated form through CREST or in certificated form, who wishes to elect for the Alternative Offer may need first to arrange with such nominee for the transfer of such Scheme Shares into, and then make an election for such Alternative Offer in, its own name.

If you have any questions relating to this procedure, please contact the AA's Registrar via the Shareholder Helpline on the numbers indicated in this document.

2. **Other provisions relating to 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. In the event that a Scheme Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco B Shares in lieu of the cash consideration to which the Scheme Shareholder would otherwise be entitled, the balance of the consideration (after the effect of rounding fractional entitlements described above) will be disregarded and not paid to such holder. AA Shareholders holding less than four AA Shares should therefore note that, as a result of the above, if they elect for the Alternative Offer they would not receive any Topco Ordinary Shares.

Accordingly, by way of illustration and subject to the following paragraph, 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 B Shares available to the AA Shareholders under the Alternative Offer will be limited to 16 per cent. of the Topco Offer Shares (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 B Shares exceeding the Alternative Offer Maximum, such elections will be unable to be satisfied in full. In these circumstances the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares to be issued in respect of AA Shares will each be scaled down on a pro rata basis, and the balance of the consideration for AA Shares 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 B Shares as represent at least 10 per cent. of the Topco Offer Shares, failing which it will lapse. In

these circumstances, no Topco B Shares 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 AA and Bidco reserve the right at their sole discretion to determine that any Scheme Shareholder electing for the Alternative Offer is a Restricted Shareholder and to refuse to issue Topco Units to that Scheme Shareholder. In such event, the relevant Scheme Shareholder shall only be entitled to receive cash consideration as set out in this document. Neither the AA nor Bidco will be liable to any Scheme Shareholder for making any such determination.

Please refer to Part V (*Summary of the Alternative Offer*) for further details.

3. General

Persons who have made valid elections under the Alternative Offer will not be entitled to transfer their Scheme Shares after the Scheme Record Time.

No election under the Alternative Offer will be valid unless, in the case of certificated shares, a Form of Election is completed in all respects and submitted, or in the case of uncertificated shares, an appropriate TTE Instruction is settled, in each case, by the Election Return Time.

If any Form of Election, in the case of certificated shares, or TTE Instruction, in the case of uncertificated shares, to make an election under the Alternative Offer is either received after the Election Return Time or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes, be void and the Scheme Shareholder purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the Alternative Offer and the relevant Scheme Shareholder will, upon the Scheme becoming effective, only be entitled to receive the cash consideration due under the Scheme in respect thereof.

Without prejudice to any other provision of this Part VII (*Notes on making an Alternative Offer Election*) or the Form of Election or otherwise, Bidco and the AA reserve the right in their absolute discretion to treat as valid in whole or in part any election for the Alternative Offer which is not entirely in order.

No acknowledgements of receipt of any Form of Election or other documents will be given. All communications, notices, other documents and remittances to be delivered by or to or sent to or from holders of Scheme Shares (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such holders of Scheme Shares (or their designated agents(s)) at their risk.

Bidco and the AA and/or their respective agents reserve the right to notify any matter to all or any Scheme Shareholders with: (i) registered addresses outside the UK; or (ii) whom Bidco, the AA and/or their respective agents know to be nominees, trustees or custodians for such Scheme Shareholders by announcement in the UK or paid advertisement in any daily newspaper published and circulated in the UK or any part thereof, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Scheme Shareholders to receive or see such notice. All references in this document to notice in writing, or the provision of information in writing, by or on behalf of Bidco, the AA and/or their respective agents shall be construed accordingly. No such document shall be sent to an address outside the United Kingdom where it would or might infringe the laws of that jurisdiction or would or might require Bidco or the AA to obtain any governmental or other consent or to effect any registration, filing or other formality with which, in the opinion of Bidco and the AA, it would be unable to comply or which it regards as unduly onerous.

Each Scheme Shareholder by whom, or on whose behalf, either a Form of Election is executed and lodged with Equiniti, or a TTE Instruction is submitted to Euroclear, irrevocably undertakes, represents, warrants and agrees to and with each of Topco, Bidco and Equiniti (as applicable) (so as to bind him/her/it and his/her/its heirs, successors and assigns) to the effect that the execution of the Form of Election, or submission of a TTE Instruction to Euroclear (as applicable) will, conditionally on (and with effect from) the Scheme becoming Effective, constitute:

- (a) an irrevocable authority pursuant to which Bidco shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general

meeting of the AA or any class of its shareholders) attaching to the Scheme Shares to which such Form of Election or TTE Instruction (as applicable) relates;

- (b) an authority to the AA from such Scheme Shareholder to send any notice, warrant, document or other communication issued after the Effective Date which may be required to be sent to him/her/it as a member of the AA (including any share certificate(s) or other document(s) of title issued as a result of the conversion of such Scheme Shares into certificated form) to Bidco c/o Equiniti Limited, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom;
- (c) an authority to Bidco or any director of Bidco to sign any instrument of transfer or consent to short notice on his/her/its behalf in respect of such Scheme Shares, and to attend any such meeting or execute a form of proxy (and, where appropriate, any appointment pursuant to section 323 of the Companies Act) in respect of such Scheme Shares appointing any person nominated by Bidco to attend general meetings and separate class meetings of the AA or its members (or any of them) (and any adjournment thereof);
- (d) a further authority to Bidco or any director of Bidco to exercise or refrain from exercising the votes attaching to such Scheme Shares on his/her/its behalf;
- (e) the agreement of such Scheme Shareholder not to exercise any such rights without the consent of Bidco and the irrevocable undertaking of such Scheme Shareholder not to appoint a proxy or corporate representative to attend, and not himself/herself/itself to attend, any such general meeting or separate class meeting;
- (f) the appointment of the AA and/or Bidco and/or any one or more of their respective directors as its agent and/or attorney to execute (in such form as Bidco may require) any exchange agreement, instrument of transfer, instrument, or other document deemed by Bidco (in its absolute discretion) to be necessary or desirable in respect of the Bidco Loan Notes;
- (g) the irrevocable appointment of the AA and/or Bidco and/or any one or more of their respective directors as his/her/its agent and/or attorney to execute and deliver, on behalf of such Scheme Shareholder, as a deed, a deed of adherence by such Scheme Shareholder to the Topco Shareholders' Agreement in accordance with Clause 2 of the Scheme; and
- (h) a representation and warranty to each of Topco and Bidco that he/she/it is not prohibited by law from electing to receive the Alternative Offer.

All powers of attorney, appointments as agent and authorities on the terms conferred by or referred to in this document or in the Form of Election are given by way of security for the performance of the obligations of the Scheme Shareholder concerned and are irrevocable (in accordance with section 4 of the Powers of Attorney Act 1971), except as required by law or as determined by the Panel in accordance with the Takeover Code.

The Form of Election and TTE Instructions and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the terms of this Part VII (*Notes on making an Alternative Offer Election*), and the relationship between a Scheme Shareholder, Topco, any Intermediate Holding Company and/or Equiniti shall be governed by and construed in accordance with English law.

The execution by or on behalf of a Scheme Shareholder of a Form of Election or the submission by or on behalf of a Scheme Shareholder of a TTE Instruction (as applicable) will constitute his/her/its agreement that the courts of England and Wales are (subject to the paragraph below), to have exclusive jurisdiction to settle any dispute which may arise in relation to all matters arising out of or in connection with the creation, validity, effect, interpretation or performance of the legal relationships established by the election for the Alternative Offer, or otherwise arising in connection with the Scheme and such election (but, for the avoidance of doubt, not in respect of the Topco Units themselves), and for such purposes that he/she/it irrevocably submits to the exclusive jurisdiction of the courts of England and Wales.

The execution of a Form of Election, or TTE Instruction (as applicable) by or on behalf of a Scheme Shareholder will constitute his/her/its agreement that the provision set out above is included for the benefit of Bidco, the AA, Equiniti and their respective agents and accordingly, notwithstanding the exclusive agreement in the paragraph above in this Part VII (*Notes on making an Alternative Offer Election*), each of Topco, any Intermediate Holding Company, the AA, Equiniti and their respective agents shall retain the right to, and may in their absolute discretion, bring any action, suit or proceedings arising out of or in connection with the Scheme and Form of Election or TTE Instruction in the courts of any other country

which may have jurisdiction and that the electing Scheme Shareholder irrevocably submits to the jurisdiction of the courts of any such country.

If the Scheme does not become effective in accordance with its terms, any election made shall cease to be valid.

Neither Topco, any of the Intermediate Holding Companies, the AA, nor any of their respective advisers or any person acting on behalf of either of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of elections under the Scheme on any of the bases set out in this Part VII (*Notes on making an Alternative Offer Election*) or otherwise in connection therewith.

Any Scheme Shareholder who has validly elected for the Alternative Offer may, by written notice to Equiniti, cancel their election for the Alternative Offer, provided that such notice is received by Equiniti by no later than 11.00 a.m. on the date that is one Business Day prior to the date of the Court Hearing. Such date will be notified to AA Shareholders by announcement through a Regulatory Information Service once known, with such announcement being made available on the AA's website at www.theaapl.com/investors.

If you hold your Scheme Shares in uncertificated form and the Scheme does not become Effective in accordance with its terms, Equiniti as the escrow agent will transfer back to you all of your Scheme Shares that were transferred to an escrow balance.

Part VIII
FINANCIAL AND RATINGS INFORMATION

Part A Financial Information Relating to the AA

The following sets out financial information in respect of the AA as required by Rule 24.3 of the Takeover Code. The documents referred to below, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Takeover Code:

- the audited accounts of the AA for the financial year ended 31 January 2019 are set out on pages 90 to 137 (both inclusive) in the AA's annual report for the financial year ended 31 January 2019, available from the AA's website at www.theapl.com/investors; and
- the audited accounts of the AA for the financial year ended 31 January 2020 are set out on pages 89 to 139 (both inclusive) in the AA's annual report for the financial year ended on 31 January 2020, available from the AA's website at www.theapl.com/investors; and
- the unaudited interim results for the six months ended 31 July 2019, available from the AA's website at www.theapl.com/investors.

Part B AA Ratings Information

As at 14 December 2020, being the latest practicable date prior to the date of this document, the AA Group's Class A Notes are rated BBB– and the AA Group's Class B2 Notes are rated B+, in each case by S&P Global Ratings.

Part C Financial Information Relating to Bidco

As Bidco was incorporated on 18 November 2020, no financial information is available or has been published in respect of it. Bidco has not traded since its date of incorporation, has paid no dividends and has not entered into any obligations other than those described in this document in connection with the Acquisition and the financing of the Acquisition and the Refinancing.

Part D Bidco Ratings Information

No rating agency has publicly recorded any credit rating or outlook for Bidco.

No incorporation of website information

Save as expressly referred to herein, neither the content of the AA's website, nor the content of any website accessible from hyperlinks on the AA's website, is incorporated into, or forms part of, this document.

Part IX
RULE 24.11 ESTIMATE OF VALUE LETTER

The Directors
Basing Bidco Limited
44 Esplanade, St Helier
Jersey JE4 9WG

16 December 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”)
Estimated Value of Topco Units**

Dear Sirs,

Pursuant to the requirements of the Takeover Code, you have requested our opinion as to the estimated value of the Topco Units offered by Bidco to eligible AA Shareholders (the “**Estimated Value**”) under the Alternative Offer.

Under the terms of the Acquisition, for each AA Share held, eligible AA Shareholders will be entitled (subject to the terms and conditions set out in the Scheme Document) to receive the Cash Offer. As an alternative to the Cash Offer, eligible AA Shareholders may elect, in respect of all (but not some only) of their AA Shares, to receive the number of Topco Units set forth below (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 eligible 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 eligible AA Shareholder. Fractional entitlements to Topco B Ordinary Shares and Topco B Preference Shares will not be allotted or issued to such eligible AA Shareholder but will be disregarded. In the event that an AA Shareholder has validly elected (or is deemed to have validly elected pursuant to the terms of the Scheme) to receive Topco B Shares in lieu of the cash consideration to which such AA Shareholder would otherwise be entitled, the balance of the consideration (after the effect of rounding fractional entitlements described above) will be disregarded and not paid to such holder.

Accordingly, subject to the following paragraph, if an eligible 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 B Shares available to the eligible AA Shareholders under the Alternative Offer will be limited to 16 per cent. of the Topco Offer Shares (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 B Shares exceeding the Alternative Offer Maximum, such elections will be unable to be satisfied in full. In these circumstances the numbers of each of the Topco B Ordinary Shares and Topco B Preference Shares to be issued in respect of the AA Shares will each be scaled down on a pro rata basis, and the balance of the consideration for the AA Shares 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 B Shares as represent at least 10 per cent. of the Topco Offer Shares, failing which it will lapse. In these circumstances, no Topco B Shares 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 Topco Units will be unlisted securities and we understand from Bidco that there are no plans to seek a public quotation on any stock exchange.

Capitalised terms used in this letter will, unless otherwise stated, have the same meanings given to them in the document of which this letter forms part dated 17 December 2020 (being, the “**Scheme Document**”).

Purpose

This estimate of value has been provided to the directors of Bidco solely for the purposes of complying with the requirements of Rule 24.11 of the Takeover Code in connection with the Acquisition and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to, and may not be relied upon by, any third party for any purpose whatsoever and each of Credit Suisse and Goldman Sachs expressly disclaims any duty or liability to any third party with respect to the contents of this letter.

The Estimated Value assumes both a willing buyer and seller of equal bargaining power, neither being under any compulsion to buy or sell, dealing on an arm's length basis and where each party has knowledge of all relevant information.

Our view as expressed in this letter is limited to an estimate of the value of the Topco Units being offered to eligible AA Shareholders in connection with the Acquisition as at 17 December 2020. The Estimated Value does not represent the value that a holder of Topco Units may realise on any future sale of such Topco Units, it being noted that such value realised on any future sale of Topco Units may be higher or lower than the figure in this letter. The Estimated Value may also differ substantially from estimates available from other sources.

Information

In arriving at an estimated value for each Topco Units, we have reviewed and considered, among other things:

- (a) certain publicly available financial statements as well as certain other publicly available business and financial information relating to the AA;
- (b) certain information provided by the AA relating to the business, operations, financial condition and prospects of the AA;
- (c) the financial projections of the Topco Group (the "**Financial Projection**"), including certain internal financial analyses and forecasts, prepared by or at the direction of the Bidco Directors relating to the business, operations, financial condition and prospects of the Topco Group;
- (d) the commercial assessments of the Bidco Directors with respect to the business, operations, financial condition and prospects of the Topco Group;
- (e) the rights and restrictions attached to the Topco B Shares as summarised and contained in the Scheme Document, the Topco Shareholders' Agreement and the Topco Articles (as applicable);
- (f) the terms of the Acquisition and its proposed financing; and
- (g) such other financial analyses and such other information as we deemed appropriate for the purposes of this letter.

In addition, we have met with certain Bidco Directors and members of the investment advisory teams of the Consortium to discuss the above, as well as the Acquisition and other matters we believed to be relevant to our enquiry, and we have considered and relied upon their commercial assessments.

In performing our analyses, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or which was furnished to or discussed with us by or on behalf of Bidco or the Consortium or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted any valuation or appraisal of any assets or liabilities of the Topco Group, nor have we been provided with any appraisal of any assets or liabilities of the Topco Group, nor have we evaluated the solvency of the Topco Group under any applicable laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgements by the Bidco Directors as to the expected future results of operations and financial condition of the Topco Group to which such analyses, projections or forecasts relate. We express no view as to such analyses, projections or forecasts or the assumptions on which they were based. We have assumed for the purposes of this letter that the Topco Units are already in issue, that the Acquisition has become effective in accordance with its terms (with no modification or delay), that the conditions to the issue and allotment of the Topco Units and the Alternative Offer have been satisfied or (if applicable) waived (without adverse effect) and that Bidco has acquired the entire issued and (if applicable) to be issued ordinary share capital of the AA.

If any of the information or assumptions relied upon prove to be incorrect, the actual value of a Topco Unit may be different from, including potentially considerably less than or more than, the Estimated Value. Our view

as expressed in this letter is necessarily based on economic, market and other conditions, the prospects of the Topco Group and other factors which generally influence the valuation of companies and securities, in each case as they exist at the date hereof and on the information made available to us as of the date of this letter. The Estimated Value is being arrived at during a period of unusual volatility in the financial markets. It should be understood that subsequent developments and/or changes to prevailing financial, economic and market conditions, the financial condition and prospects of the Topco Group (and other factors which generally influence the valuation of companies and securities) may affect the views provided in this letter and that we assume no obligation to update, revise or reaffirm the views expressed in this letter, unless otherwise required to by the Takeover Code.

Methodology

In arriving at the Estimated Value, we have, among other things:

- (a) undertaken a discounted cash flow analysis based on the Financial Projection as prepared by the Bidco Directors and the Consortium;
- (b) referenced the historical trading prices and the implied trading valuations of the AA Shares on the London Stock Exchange;
- (c) taken into account the proposed financing structure for the Topco Group, including future equity issuances, and certain estimated transaction expenses expected to be incurred in relation to the Acquisition; and
- (d) considered the lack of both a liquid market for the Topco Units and the lack of voting rights attached to the Topco Units as summarised and contained in the Scheme Document, the Topco Shareholders' Agreement and the Topco Articles (as applicable).

The Estimated Value is based on theoretical valuation techniques and is highly sensitive to changes in assumptions about the future financial performance of the Topco Group. This is particularly the case for the AA given its high leverage relative to overall enterprise value as evidenced by the AA having 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. As a result, there can be no assurance that the actual value of a Topco Unit will not be higher or lower than the Estimated Value.

The taxation position of individual AA Shareholders will vary and so we have not taken account of the effect of any taxation exemptions, allowances or reliefs which may be available for the purposes of income, capital gains, inheritance or any other applicable tax, duty or levy, notwithstanding that these may be of significance in the case of certain shareholders.

No account has been taken of any potential transaction costs that a holder of Topco Units may incur, including any associated dealing costs, or any potential costs that may be associated with a sale of Topco to a third party or a liquidation of Topco and which might be expected to reduce any return to a holder of Topco Units upon the occurrence of such an event.

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. Reasons for this inherent uncertainty, include, but are not limited to, the following factors:

- (a) 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;
- (b) the Topco Units will not carry any right to attend or vote at any general meeting of Topco;
- (c) the Topco Units will not be transferable for a period of five years, save in accordance with customary "drag-along" or "tag-along" provisions (and other very limited circumstances), and thereafter will be subject to a right of first refusal on the part of ConsortiumCo and certain other restrictions in respect of the identity of the proposed transferee;
- (d) the holders of Topco Units will not enjoy any minority protections or other rights save for those rights provided for in the Topco Shareholders' Agreement and the Topco Articles and those rights prescribed by applicable law;
- (e) the holders of Topco Units will have rights of pre-emption in respect of specific future issuances; however such rights will be subject to a number of important exceptions, as outlined in paragraphs 2.4 and 4 of Part V of the Scheme Document;

- (f) 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;
- (g) upon the Scheme becoming Effective, the Topco Group will be controlled by the Consortium;
- (h) holders of Topco Units may be required in the future to sell Topco Units under the terms of a “drag along” provision contained in both the Topco Shareholders’ Agreement and the Topco Articles;
- (i) Topco is not a company to which the Takeover Code applies and the protections of the Takeover Code may no longer be available to AA Shareholders electing for the Alternative Offer; and
- (j) the value of Topco Units will be subject to the same trading risks as are faced by the AA currently, including risk in the trading performance of the AA.

For the avoidance of doubt, whilst each of Credit Suisse and Goldman Sachs has considered the items above in assessing Estimated Value we have not attempted to apply any discount to reflect paragraphs (d) – (i) as we believe the eligible AA Shareholders may each have a different view of the impact of these factors on their assessment of the value of Topco Units.

In performing this analysis, we have made numerous assumptions with respect to industry performance and general business, economic and market conditions, many of which are beyond the control of Bidco, the AA, and the Consortium. Consequently, the view expressed in this letter is not necessarily indicative of the amount which might be realised upon a sale of Topco Units.

The Estimated Value

On the basis of and subject to the foregoing, it is our view as at the date of this letter that the Estimated Value of a Topco Unit, based on the Financial Projection, and there being no additional issuances by Topco of preference shares or ordinary shares except for issuances related to the Acquisition and/or the Additional Capital Raise (further details of which are contained in paragraph 4 of Part V of the Scheme Document), is a range of £0.14 – £0.33.

Any assessment of the value of the Alternative Offer and the Topco Units needs to take into account an individual eligible AA Shareholder’s assessment of an appropriate discount given the factors outlined above. As noted above, the Estimated Value only incorporates an assumed level of discount for trading illiquidity and the non-voting nature of the Topco Units. The Estimated Value does not incorporate a discount for other structural features and risk factors pertaining to the Topco Units; each eligible AA Shareholder should individually take these factors into account.

The eligible AA Shareholders who may be considering a continuing investment in the future of Bidco through the Topco Units should read carefully all the information relating to the Alternative Offer and the Topco Units contained in the Scheme Document, including, without limitation, the section headed “Risk factors and other investment considerations” contained in paragraph 2.4 of Part V of the Scheme Document.

General

Credit Suisse and Goldman Sachs are acting as financial advisers to TowerBrook Capital Partners (U.K.) LLP (“**TowerBrook**”), Warburg Pincus LLC (“**Warburg Pincus**”) and Bidco and no one else solely for the purposes of providing this letter in accordance with Rule 24.11 of the Takeover Code in connection with the Acquisition and Credit Suisse and Goldman Sachs will not be responsible to anyone other than TowerBrook, Warburg Pincus and Bidco for providing the protections afforded to clients of Credit Suisse and Goldman Sachs, nor for providing advice in connection with the Acquisition or any matter referred to in the Scheme Document or this letter.

Credit Suisse and Goldman Sachs will receive fees from TowerBrook, Warburg Pincus and/or Bidco in respect of its services in connection with the provision of this letter. In addition, TowerBrook, Warburg Pincus and Bidco have agreed to indemnify Credit Suisse and Goldman Sachs for certain liabilities arising out of its engagement. During the two years preceding the date of this letter, we and our affiliates have had commercial or investment banking relationships with portfolio companies managed or advised by affiliates of TowerBrook and/or Warburg Pincus for which we and such of our affiliates have received customary compensation. In the ordinary course of our businesses, we and our affiliates may actively trade the equity securities of the AA for our own account or for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

Credit Suisse and Goldman Sachs have not provided, nor will they provide, legal, tax, regulatory, accounting or other specialist advice, and nothing herein should be taken to reflect any such advice. For the avoidance of doubt, Credit Suisse and Goldman Sachs express no opinion (whether as to the fairness or otherwise) of the financial terms of the Acquisition, the Cash Offer or the Alternative Offer. Any decision to elect for the Alternative Offer should be based on independent financial, tax and legal advice and a full consideration of the Scheme Document and the other documents in relation to the Acquisition.

Eligible AA Shareholders should ascertain whether acquiring or holding the 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 before deciding whether to elect for the Alternative Offer. In particular, Scheme Shareholders should note that the Topco Units are not transferable for a period of five years, save in accordance with customary drag-along or tag-along provisions (and other very limited circumstances), will not be listed and that no market exists or is expected to exist in them.

This letter is provided solely for the benefit and use of the Bidco Directors for the purpose of Rule 24.11 of the Takeover Code in connection with the Acquisition and for no other purpose. This letter is not addressed to, or provided on behalf of, nor shall it confer any rights or remedies upon, any shareholder, creditor or any other person other than the Bidco Directors for the aforesaid purpose. Without prejudice to the generality of the foregoing, this letter does not constitute a recommendation or opinion to, or for the benefit of, any Scheme Shareholder as to whether such Scheme Shareholder should vote in favour of the Scheme at the Court Meeting or the resolution to be proposed at the General Meeting in order to give effect to the Acquisition or whether any such Scheme Shareholder should accept the Cash Offer or make any election pursuant to the Alternative Offer. Other than as required pursuant to the Takeover Code or as the Panel or the Court may otherwise require, this letter may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval in each case. This letter may be reproduced in full in the Scheme Document to be sent to Scheme Shareholders on the basis that no duties or responsibilities are accepted by Credit Suisse and Goldman Sachs to any person, individually or collectively, but this letter may not otherwise be published or reproduced publicly in any manner without our prior written approval.

Yours faithfully,

Yours faithfully,

Credit Suisse International

Goldman Sachs International

Part X
ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The AA Directors, whose names are set out in paragraph 2.1 of this Part X (*Additional Information*), accept responsibility for the information contained in this document (including any expressions of opinion), except for that information for which the TowerBrook Bidco Director accepts responsibility in accordance with paragraph 1.2 below, the Warburg Pincus Bidco Director accepts responsibility in accordance with paragraph 1.4 below, the TowerBrook Responsible Persons accept responsibility in accordance with paragraph 1.6 below, and the Warburg Pincus Responsible Persons accept responsibility in accordance with paragraph 1.8 below. To the best of the knowledge and belief of the AA Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Subject to paragraph 1.3 below, the TowerBrook Bidco Director (whose name is set out in paragraph 2.2 of this Part X (*Additional Information*) below) accepts responsibility for the information contained in this document (including any expressions of opinion) relating to TowerBrook, the TowerBrook Funds, Bidco and the rest of the Topco Group, himself, his respective immediate family, related trusts, and other persons connected with him, and any persons deemed to be acting in concert with Bidco (as such term is defined in the Takeover Code). To the best of the knowledge and belief of the TowerBrook Bidco Director (who has taken all reasonable care to ensure that such is the case), the information (and each expression of opinion) contained in this document for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information (or such expressions of opinion).
- 1.3 For the avoidance of doubt, the TowerBrook Bidco Director does not accept responsibility for any information (or expressions of opinion) contained in this document relating to Warburg Pincus or the Warburg Pincus Funds.
- 1.4 Subject to paragraph 1.5 below, the Warburg Pincus Bidco Director (whose name is set out in paragraph 2.2 of this Part X (*Additional Information*) below) accepts responsibility for the information contained in this document (including any expressions of opinion) relating to Warburg Pincus, the Warburg Pincus Funds, Bidco and the rest of the Topco Group, himself, his respective immediate family, related trusts, and other persons connected with him, and any persons deemed to be acting in concert with Bidco (as such term is defined in the Takeover Code). To the best of the knowledge and belief of the Warburg Pincus Bidco Director (who has taken all reasonable care to ensure that such is the case), the information (and each expression of opinion) contained in this document for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information (or such expressions of opinion).
- 1.5 For the avoidance of doubt, the Warburg Pincus Bidco Director does not accept responsibility for any information (or expressions of opinion) contained in this document relating to TowerBrook or the TowerBrook Funds.
- 1.6 Subject to paragraph 1.7 below, the TowerBrook Responsible Persons (whose names are set out in paragraph 3.1 of this Part X (*Additional Information*) below) accept responsibility for the information contained in this document (including any expressions of opinion) relating to TowerBrook, the TowerBrook Funds, Bidco and the rest of the Topco Group, themselves, their respective immediate families, related trusts, and other persons connected with them. To the best of the knowledge and belief of the TowerBrook Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information (and each expression of opinion) contained in this document for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information (or such expressions of opinion).
- 1.7 For the avoidance of doubt, the TowerBrook Responsible Persons do not accept responsibility for any information (or expressions of opinion) contained in this document relating to Warburg Pincus or the Warburg Pincus Funds.
- 1.8 Subject to paragraph 1.9 below, the Warburg Pincus Responsible Persons (whose names are set out in paragraph 3.2 of this Part X (*Additional Information*) below) accept responsibility for the information contained in this document (including any expressions of opinion) relating to Warburg Pincus, the Warburg Pincus Funds, Bidco and the rest of the Topco Group, themselves, their respective immediate

families, related trusts, and other persons connected with them. To the best of the knowledge and belief of the Warburg Pincus Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information (and each expression of opinion) contained in this document for which they accept responsibility, is in accordance with the facts and does not omit anything likely to affect the import of such information (or such expressions of opinion).

- 1.9 For the avoidance of doubt, the Warburg Pincus Responsible Persons do not accept responsibility for any information (or expressions of opinion) contained in this document relating to TowerBrook or the TowerBrook Funds.

2. Directors

- 2.1 The AA Directors and their respective functions are as follows:

<u>Director</u>	<u>Function</u>
John Leach	Chair
Simon Breakwell	Chief Executive
Kevin Dangerfield	Chief Financial Officer
Andrew Blowers	Senior Independent Non-Executive Director
Steve Barber	Non-Executive Director
Mark Brooker	Non-Executive Director
Cathryn Riley	Non-Executive Director
Suzi Williams	Non-Executive Director

The AA’s registered office is at: Fanum House, Basing View, Basingstoke, Hampshire RG21 4EA

- 2.2 The relevant Bidco Directors and their respective functions are:

<u>Director</u>	<u>Function</u>
Alexander Walsh	TowerBrook Bidco Director
James O’Gara	Warburg Pincus Bidco Director

Bidco’s registered office, and the business address of each of the TowerBrook Bidco Director and the Warburg Pincus Bidco Director, is at 3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG.

3. Responsible Persons

- 3.1 The TowerBrook Responsible Persons and their respective functions are:

<u>Director</u>	<u>Function</u>
Ramez Sousou	Co-Founder, Co-Chair and Co-Chief Executive Officer
Neal Moszkowski	Co-Founder, Co-Chair and Co-Chief Executive Officer
Filippo Cardini	Chief Operating Officer, General Counsel and Managing Director
Gordon Holmes	Chief Investment Officer and Managing Director

The business address of each of the TowerBrook Responsible Persons is 1 St. James’s Market, Carlton Street, London SW1Y 4AH.

- 3.2 The Warburg Pincus Responsible Persons and their respective functions are:

<u>Director</u>	<u>Function</u>
Charles Kaye	Chief Executive Officer
Steven Glenn	Chief Operating Officer
Adarsh Sarma	Partner
Dan Zilberman	Partner

The business address of each of the Warburg Pincus Responsible Persons is 450 Lexington Ave Ste 32, New York, NY 10017.

4. Persons acting in concert

- 4.1 In addition to the AA Directors (together with their close relatives and related trusts) and members of the AA Group (and their related pension schemes), the persons who, for the purposes of the Takeover Code, are acting in concert with the AA in respect of the Acquisition and who are required to be disclosed are:

<u>Name</u>	<u>Registered office</u>	<u>Relationship with the AA</u>
Evercore	15 Stanhope Gate, London W1K 1LN	Connected adviser
J.P. Morgan Cazenove	25 Bank Street, Canary Wharf, London E14 5JP	Connected adviser
Citi	33 Canada Square, Canary Wharf, London E14 5LB	Connected adviser

- 4.2 In addition to the Bidco Directors (together with their close relatives and related trusts) and members of the Topco Group (and their related pension schemes), the persons who, for the purposes of the Takeover Code, are acting in concert with Bidco in respect of the Acquisition and who are required to be disclosed are:

<u>Name</u>	<u>Registered office</u>	<u>Relationship with Bidco</u>
Credit Suisse International	One Cabot Square, London E14 4QJ	Connected adviser
Goldman Sachs International	Plumtree Court, 25 Shoe Lane, London EC4A 4AU	Connected adviser
Barclays Bank PLC	1 Churchill Place, London E14 5HP	Connected adviser

5. Market quotations

- 5.1 The following table shows the Closing Price for AA Shares on the London Stock Exchange on:
- (a) 3 August 2020, being the last Business Day prior to the commencement of the Offer Period;
 - (b) the first Business Day of each of the six months immediately before the date of this document; and
 - (c) 14 December 2020,, being the latest practicable date prior to the publication of this document.

<u>Date</u>	<u>AA Share (pence)</u>
1 July 2020	22.00
3 August 2020	25.00
1 September 2020	32.70
1 October 2020	29.80
2 November 2020	25.00
1 December 2020	32.90
14 December 2020	33.80

6. Interests and dealings in relevant securities

- 6.1 Definitions used in this section

For the purposes of this paragraph 6:

“**acting in concert**” with Bidco or the AA, as the case may be, means any such person acting or deemed to be acting in concert with Bidco or the AA, as the case may be, for the purposes of the Takeover Code;

“**connected adviser**” has the meaning given to it in the Takeover Code;

“**connected person**” in relation to a director of Bidco or the AA includes: (a) such director’s spouse or civil partner and children or step-children under the age of 18; (b) the trustee(s) of any trust for the benefit of such director and/or any person mentioned in (a); (c) any company in which such director and/or any person mentioned in (a) or (b) is entitled to exercise or control the exercise of one-third or more of the voting power, or which is accustomed to act in accordance with the directions of such director or any such person; and (d) any other person whose interests in shares are taken to be interests of such director pursuant to Part 22 of the Companies Act;

“**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent. Or more of the voting rights (as defined in the Takeover Code) of a company, irrespective of whether such interest(s) give(s) de facto control;

“**dealing**” has the meaning given to it in the Takeover Code and “**dealt**” has the corresponding meaning;

“**derivative**” includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

“**Disclosure Date**” means the close of business on 14 December 2020, being the latest practicable date prior to the publication of this document;

“**Disclosure Period**” means the period commencing on 4 August 2019 (being the date 12 months prior to the date of commencement of the Offer Period) and ending on the Disclosure Date;

“**exempt fund manager**” and “**exempt principal trader**” have the meanings given to them in the Takeover Code;

“**financial collateral arrangements**” are arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code;

“**interest**” in relevant securities has the meaning given to it in the Takeover Code;

“**Note 11 arrangement**” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing (other than irrevocable commitments and letters of intent to vote in favour of the Scheme and/or related resolutions, details of which are set out in paragraph 6.4 of this Part X (*Additional Information*));

“**Offer Period**” means in this context the period commencing on 4 August 2020 and ending on the Disclosure Date;

“**relevant securities**” means:

- (a) AA Shares and any other securities of the AA which carry voting rights;
- (b) equity share capital of the AA or, as the context requires, Bidco; and
- (c) securities of the AA or, as the context requires, Bidco, carrying conversion or subscription rights into any of the foregoing; and

“**short position**” means any short position (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.

6.2 Interests in relevant securities of the AA

The AA

- (a) As at the Disclosure Date, the interests of the AA Directors (and their close relatives, related trusts and connected persons) in AA Shares (apart from options, which are described in paragraph 6.2(b) below) were as follows:

<u>AA Director</u>	<u>Number of AA Shares</u>	<u>Percentage of the AA issued share capital (excluding treasury shares)</u>
John Leach	90,000	0.01
Simon Breakwell	719,930	0.12
Kevin Dangerfield	zero	zero
Andrew Blowers	63,945	0.01
Steve Barber	200,000	0.03
Mark Brooker	19,221	0.00
Cathryn Riley	zero	zero
Suzi Williams	15,021	0.00
TOTAL	1,108,117	0.18

- (b) As at the Disclosure Date, the AA Directors held the following outstanding options and awards over AA Shares under the AA Share Plans:

<u>Director</u>	<u>Maximum number of ordinary shares awarded</u>	<u>Date of grant</u>	<u>Exercise price per share (£)</u>	<u>Vesting date</u>
Simon Breakwell	1,148,606	27 October 2017	N/A	27 October 2020
Simon Breakwell	1,157,024	7 November 2018	Zero	The later of 22 November 2021 and the Company publishing its results for financial year 2021
Simon Breakwell	2,200,000	30 October 2019	Zero	29 October 2022

* Closing price on the date of grant

- (c) As at the Disclosure Date, the interests of persons acting in concert with the AA in AA Shares were as follows:

<u>Name</u>	<u>Number of AA Shares</u>	<u>Percentage of existing issued share capital (excluding treasury shares)</u>
TOTAL	zero	zero

Bidco

- (d) As at the Disclosure Date, the interests of Bidco in AA Shares were as follows:

<u>Name</u>	<u>Number of AA Shares</u>	<u>Percentage of the AA issued share capital (excluding treasury shares)</u>
TOTAL	zero	zero

- (e) As at the Disclosure Date, the interests of the Bidco Directors (and their close relatives, related trusts and connected persons) in AA Shares were as follows:

<u>Bidco Director</u>	<u>Number of AA Shares</u>	<u>Percentage of the AA issued share capital (excluding treasury shares)</u>
TOTAL	zero	zero

- (f) As at the Disclosure Date, the interests of persons acting in concert with Bidco in AA Shares were as follows:

<u>Name</u>	<u>Number of AA Shares</u>	<u>Percentage of existing issued share capital (excluding treasury shares)</u>
TOTAL	zero	zero

6.3 Dealings in relevant securities in the AA

The AA

- (a) During the Offer Period, no dealings in AA Shares by the AA Directors (or their close relatives, related trusts or connected persons) or persons acting in concert with the AA have taken place.

Bidco

- (b) During the Disclosure Period, no dealings in AA Shares by Bidco Directors (or their close relatives, related trusts or connected persons) or persons acting in concert with Bidco have taken place.

6.4 General

Save as disclosed in this document:

- (a) as at the Disclosure Date, none of: (i) Bidco; (ii) any director of Bidco, or any close relatives, related trusts or connected person of any such director; or (iii) any other person acting in concert with Bidco, had any interest in, right to subscribe in respect of, or short position in respect of relevant securities of the AA or Bidco; and no such person has dealt in any relevant securities of the AA or in any relevant securities of Bidco during the Disclosure Period;
- (b) as at the Disclosure Date, neither Bidco nor any person acting in concert with Bidco had borrowed or lent any relevant securities of the AA or any relevant securities of Bidco (including any financial collateral arrangements), save for borrowed shares which have been either on-lent or sold;
- (c) as at the Disclosure Date, none of: (i) the AA; (ii) any director of the AA, or any close relatives, related trusts or connected person of any such director; or (iii) any other person acting in concert with the AA, had any interest in, right to subscribe in respect of, or short position in relation to relevant securities of the AA or Bidco; and no such person has dealt in any relevant securities of the AA or any relevant securities of Bidco during the Offer Period;
- (d) as at the Disclosure Date, neither the AA nor any person acting in concert with it had borrowed or lent any relevant securities of the AA or any relevant securities of Bidco (including any financial collateral arrangements), save for borrowed shares which have been either on-lent or sold;
- (e) as at the Disclosure Date, save for the irrevocable undertakings described in paragraph 7 below, neither Bidco nor any person acting in concert with Bidco has any Note 11 arrangement with any other person; and
- (f) as at the Disclosure Date, neither the AA nor any person who is acting in concert with the AA has any Note 11 arrangement with any other person.

7. Irrevocable undertakings

The following holders or controllers of AA Shares have given irrevocable undertakings 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.

AA Directors' Irrevocable Undertakings

<u>Name of AA Director</u>	<u>Number of AA Shares in respect of which undertaking is given</u>	<u>Percentage of the AA issued ordinary share capital (excluding shares under option)</u>
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:

- 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.

Non-Director AA Shareholder Irrevocable Undertakings

<u>Name of AA Shareholder giving undertaking</u>	<u>Number of AA Shares in respect of which undertaking is given</u>	<u>Percentage of AA issued ordinary share capital</u>
Davidson Kempner	95,376,573	15.3

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

- 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.

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

8. Service contracts and letters of appointment of the AA Directors

8.1 The AA Executive Directors

The AA Executive Directors have entered into service agreements with the AA Group as summarised below:

Simon Breakwell

Simon Breakwell entered into a service agreement with the AA on 25 September 2017. He joined the AA as a Non-Executive Director in September 2014. He was appointed to the role of Interim Chief Executive Officer on 1 August 2017 and further to that, Chief Executive Officer on 25 September 2017.

The service agreement may be terminated by Mr Breakwell or the AA giving to the other party not less than 12 months' notice. Alternatively, the AA may terminate the contract by payment in lieu of notice of a sum equal to Mr Breakwell's annual salary applicable to the full or unexpired notice period (as applicable) in a lump sum or in monthly or quarterly instalments over the remaining period (which shall not exceed 12 months). Mr Breakwell is required to mitigate his loss and payments may be reduced accordingly.

Mr Breakwell's annual salary with effect from 1 February 2018 is £700,000 and Mr Breakwell is also eligible to participate in the AA's Executive Directors' discretionary non-contractual bonus scheme. Mr Breakwell receives benefits in kind, principally a car and dedicated driver, life assurance benefits and private medical insurance. In addition, Mr Breakwell is eligible to participate in the AA's Performance Share Plan. Mr Breakwell has elected not to participate in the AA's pension scheme and instead is contractually entitled to receive a cash payment in lieu of pension equivalent to 11.7 per cent. of his salary.

Kevin Dangerfield

Kevin Dangerfield entered into a service agreement with the AA on 16 December 2019. He was appointed to the role of Chief Financial Officer on 6 January 2020.

The service agreement may be terminated by Mr Dangerfield or the AA giving to the other party not less than 12 months' notice. Alternatively, the AA may terminate the contract by payment in lieu of notice of a sum equal to Mr Dangerfield's annual salary applicable to the full or unexpired notice period (as applicable) in a lump sum or in monthly or quarterly instalments over the remaining period (which shall not exceed 12 months). Mr Dangerfield is required to mitigate his loss and payments may be reduced accordingly.

Mr Dangerfield's annual salary with effect from 6 January 2020 is £410,000 and Mr Dangerfield is also eligible to participate in the AA's Executive Directors' discretionary non-contractual bonus scheme. Mr Dangerfield receives benefits in kind, principally a car allowance of £11,400 per annum, life assurance benefits and private medical insurance. In addition, Mr Dangerfield is eligible to participate in the AA's Performance Share Plan. Mr Dangerfield has elected not to participate in the AA's pension

scheme and instead is contractually entitled to receive a cash payment in lieu of pension equivalent to six per cent. of his salary.

8.2 The Chairman and the other AA Non-Executive Directors

The AA Non-Executive Directors have entered into letters of appointment with the AA Group as summarised below:

John Leach

John Leach was appointed by letter of appointment as Non-Executive Director of the AA with effect from 26 June 2014 and as Non-Executive Chair with effect from 1 August 2017. Mr Leach stands for re-election every year at the AGM. The appointment may be terminated by either party giving to the other not less than six months' notice, or with immediate effect by shareholders not confirming or re-electing Mr Leach as a Director. Mr Leach receives an annual fee of £275,000 in his role as a Non-Executive Chair of the AA. Mr Leach is also a member of the Nomination Committee. Mr Leach is not entitled to receive any compensation on termination of his appointment, and is not entitled to participate in the AA's bonus or pension schemes.

Andrew Blowers OBE

Andrew Blowers OBE was appointed by letter of appointment as Non-Executive Director with effect from 25 September 2014 and as Senior Independent Non-Executive Director with effect from 1 August 2017. Mr Blowers stands for re-election every year at the AGM. Subject to re-election, the appointment continues until terminated by either party giving to the other not less than one month's notice, or with immediate effect by shareholders not confirming or re-electing Mr Blowers as a Director. Mr Blowers receives an annual fee of £92,500 in his role as Senior Independent Non-Executive Director of the AA (£80,000 for his position as Non-Executive Director and £12,500 for his position as Senior Independent Director), £30,000 in his position as Chair of AA Insurance Holdings Limited and £15,000 in his position as Chair of the Nomination Committee. Mr Blowers is not entitled to receive any compensation on termination of his appointment, and is not entitled to participate in the AA's bonus or pension schemes.

Suzi Williams

Suzi Williams was appointed by letter of appointment as Non-Executive Director of the AA with effect from 1 October 2015. Ms Williams stands for re-election every year at the AGM. Subject to re-election, the appointment continues until terminated by either party giving to the other not less than one month's notice, or with immediate effect by shareholders not confirming or re-electing Ms Williams as a Director. Ms Williams receives an annual fee of £80,000 in her role as Non-Executive Director of the AA and £10,000 in her role as Non-Executive Director of AA Media Limited. Ms Williams is also a member of the Nomination Committee. Ms Williams is not entitled to receive any compensation on termination of her appointment, and is not entitled to participate in the AA's bonus or pension schemes.

Cathryn Riley

Cathryn Riley was appointed by letter of appointment as Non-Executive Director of the AA with effect from 28 February 2018. Ms Riley stands for re-election every year at the AGM. Subject to re-election, the appointment continues until terminated by either party giving to the other not less than one month's notice, or with immediate effect by shareholders not confirming or re-electing Ms Riley as a Director. Ms Riley receives an annual fee of £80,000 in her role as Non-Executive Director of the AA and a fee of £15,000 in her role as Chair of the Risk Committee. Ms Riley is also a member of the Audit Committee and a Non-Executive Director of AA Insurance Holdings Limited. Ms Riley is not entitled to receive any compensation on termination of her appointment, and is not entitled to participate in the AA's bonus or pension schemes.

Steve Barber

Steve Barber was appointed by letter of appointment as Non-Executive Director of the AA with effect from 11 June 2018. Mr Barber stands for re-election every year at the AGM. Subject to re-election, the appointment continues until terminated by either party giving to the other not less than one month's notice, or with immediate effect by shareholders not confirming or re-electing Mr Barber as a Director. Mr Barber receives an annual fee of £80,000 in his role as Non-Executive Director of the AA and a fee

of £15,000 in his position as Chair of the Audit Committee. Mr Barber is also a member of the Remuneration Committee. Mr Barber is not entitled to receive any compensation on termination of his appointment, and is not entitled to participate in the AA's bonus or pension schemes.

Mark Brooker

Mark Brooker was appointed by letter of appointment as Non-Executive Director of the AA with effect from 10 July 2018. Mr Brooker stands for re-election every year at the AGM. Subject to re-election, the appointment continues until terminated by either party giving to the other not less than one month's notice, or with immediate effect by shareholders not confirming or re-electing Mr Brooker as a Director. Mr Brooker receives an annual fee of £80,000 in his role as Non-Executive Director of the AA and a fee of £15,000 in his position as Chair of the Remuneration Committee. Mr Brooker is also a member of the Audit Committee. Mr Brooker is not entitled to receive any compensation on termination of his appointment, and is not entitled to participate in the AA's bonus or pension schemes.

8.3 Other service contracts

Save as disclosed above, there are no service contracts between any AA Director or proposed Director of the AA and any member of the AA Group, and no such contract has been entered into or amended within the six months preceding the date of this document.

9. Material contracts

9.1 AA Material Contracts

(a) Whole Business Securitisation ("WBS")

The principal operating group of the AA, consisting of AA Intermediate Co Limited and its subsidiaries (the "**WBS Group**"), raises debt through its WBS debt funding platform established in July 2013. Through this platform, AA Bond Co Limited (the "**Issuer**") can issue either senior (Class A) or junior (Class B) notes, the proceeds of which are on lent to AA Senior Co Limited (the "**Borrower**") through an issuer borrower loan agreement ("**IBLA**"). The Borrower may also incur other forms of senior and junior debt including bank debt as further described below. Under the terms of the platform documentation the IBLAs and other debt incurred by the Borrower are supported by guarantees and security granted by the rest of the material companies within the WBS Group (other than the Issuer).

The holders of junior debt (including holders of Class B Notes) are subordinated to the senior debt and, although they share the benefit of the guarantees and security granted by the WBS Group, such holders may not enforce such guarantees and security until the senior debt has been repaid in full. However, such junior debt holders have the benefit of a payment undertaking from AA Midco Limited and security over the entire share capital in AA Intermediate Co Limited (the parent of the WBS Group) (the "**Junior Security**") such that if there is a default in the payment under any junior debt, the holders of such junior debt have the right to claim for repayment of such debt pursuant to the payment undertaking and can enforce the Junior Security if AA Midco Limited fails to pay.

The members of the WBS Group have entered into a security trust and intercreditor deed (the "**STID**"), which governs the relationship between the WBS Group and its secured creditors, and a common terms agreement (the "**CTA**") which contains the representations, covenants, trigger events and events of default which apply to the senior debt incurred by the WBS Group from time to time. In particular, the CTA contains certain financial and operating covenants (including restrictions on paying dividends if certain ratios are not met, restrictions on incurring indebtedness, acquisitions and disposals) and customary trigger events and events of default (including if the WBS Group's free cash debt service coverage ratio falls below 1.10:1). The secured creditors in respect of the WBS debt may enforce the security provided by the WBS Group only in accordance with the STID.

The WBS Group's outstanding debt currently comprises: (A) senior debt including: (i) £500 million 6.27 per cent. Class A2 Notes with an expected maturity date of 31 July 2025; (ii) £372 million 2.88 per cent. Class A5 Notes with an expected maturity date of 31 January 2022; (iii) 250 million 2.75 per cent. Class A6 Notes with an expected maturity date of 31 July 2023; (iv) £550 million 4.88 per cent. Class A7 Notes issued on 17 July 2018 with an expected maturity date of 31 July 2024; (v) £325 million 5.50 per cent. Class A8 Notes issued on 5 February 2020 with an expected maturity date of 31 July 2027; (vi) the Senior Term Facility (as further described below); (vii) the Working Capital Facility (as further described below); (viii) the Liquidity Facility (as further described below); and (B) junior debt consisting of the

Class B2 Notes (as further described below). In addition, the WBS Group has entered into certain hedging agreements in order to hedge its floating rate exposure under the senior term facility which ranks pari passu with the senior debt under the platform.

(i) Senior Term Facility

On 2 July 2018 the Borrower entered into a £199,666,667 senior term facility (the “**Senior Term Facility**”) with, amongst others, Barclays Bank PLC, Citibank, N.A., London Branch, Credit Suisse International, Lloyds Bank Corporate Markets PLC and BNP Paribas, London Branch as arrangers and lenders. The Senior Term Facility will mature on 31 July 2023 and interest is calculated on the basis of LIBOR with a margin of 1.75 per cent. per annum. The covenants and events of default contained in the CTA as described above apply to the Senior Term Facility. The Senior Term Facility includes mandatory prepayment events, including on a change of control of the WBS Group (if the lender so requires) provided that there shall be no such mandatory prepayment if the change of control occurs as a result of the enforcement of the Junior Security as described above. The Senior Term Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law. It should be noted that it is expected that the Senior Term Facility will be refinanced shortly after the Effective Date as further described in paragraph 7 of Part II (*Explanatory Statement*).

(ii) Working Capital Facility

On 2 July 2018 the Borrower entered into a £60 million revolving credit facility (the “**Working Capital Facility**”) with, amongst others, Barclays Bank PLC, Citibank, N.A., London Branch, Lloyds Bank Corporate Markets PLC and BNP Paribas, London Branch as arrangers and lenders. The Working Capital Facility will mature on 31 July 2023 and interest is calculated on the basis of LIBOR with a margin of 1.75 per cent. per annum. The covenants and events of default contained in the CTA as described above apply to the Working Capital Facility. The Working Capital Facility includes mandatory prepayment events, including a change of control of the WBS Group (if the lender so requires) provided that there shall be no such mandatory prepayment if the change of control occurs as a result of the enforcement of the Junior Security as described above. The Working Capital Facility and any non-contractual obligations arising out of or in connection with it are governed by English law. It should be noted that it is expected that the Working Capital Facility will be refinanced shortly after the Effective Date as further described in paragraph 7 of Part II (*Explanatory Statement*).

(iii) Liquidity Facility

On 2 July 2013 the Issuer and the Borrower entered into an annually renewable revolving liquidity facility, the aggregate commitments under which currently amount to £165 million and which may be drawn by either the Issuer or the Borrower to make certain payments to the senior creditors in the event of certain liquidity shortfalls. The Liquidity Facility has been renewed on an annual basis and is currently available from its last renewal on 23 June 2020 until 22 June 2021. Unless renewed or replaced on or before 22 June 2021, the Issuer and the Borrower will be required to draw down the entirety of the facility and put the proceeds into a segregated account. The interest on any drawing under the Liquidity Facility is LIBOR plus a margin of 4.00 per cent. per annum which steps-up 0.50 per cent. per annum every six months following a drawing.

(iv) Class A Note Trust Deed

The Class A Notes described above are constituted under a trust deed (the “**Class A Note Trust Deed**”) between the Issuer and Deutsche Trustee Company Limited, in its capacity as note trustee for the holders of the Class A Notes (the “**Class A Note Trustee**”) dated 2 July 2013 as supplemented on 23 April 2014 and 17 November 2016. The terms and conditions of the Class A Notes are set out in the Class A Note Trust Deed, as completed by the final terms applicable to each Sub-Class of Class A Notes.

(v) Class B2 IBLA/Class B2 Notes

There are currently in issue £570 million 5.5 per cent. Class B2 Notes with an expected maturity date of 31 July 2022 (including the £29 million of Class B2 Notes held by the AA PLC). The terms of the Class B2 Notes currently permit the Issuer to voluntarily redeem them at 100 per cent. of the principal amount redeemed (without make-whole). In addition, the holders of the Class B2 Notes can require the repurchase of the Class B2 Notes in the event of a change of control to the

extent that the Issuer does not elect to voluntarily redeem them. The IBLA in respect of the Class B2 Notes (the “**Class B2 IBLA**”) contains its own set of representations, covenants (including 100 per cent. free cash debt service coverage and other high yield style incurrence covenants) and events of default. As noted above, the junior debt cannot be accelerated while there is senior debt outstanding. Events of default therefore do not give rise to a right of the holders of the Class B2 Notes to accelerate or to enforce the security granted by the WBS Group but give rise to share enforcement events. Upon the occurrence of a share enforcement event the holders of the Class B2 Notes may claim for repayment of the Class B2 Notes/the Class B2 IBLA pursuant to the payment undertaking and can enforce the Junior Security if AA Midco Limited fails to pay. It should be noted that it is expected that the Class B2 Notes will be redeemed shortly after the Effective Date as further described in paragraph 7 of Part II (*Explanatory Statement*).

(b) 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 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 date of the 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.

(c) 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 this document and to otherwise assist with the preparation of this 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 the General Meeting is not held by the 30th day subject to ongoing discussions between banks after the expected date of each such meeting, or the Court Hearing is not held by the 22nd day after the expected date of such hearing (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.

(d) Refinancing Costs Side Letter

As set out in paragraph 7 of Part II (*Explanatory Statement*) of this document, to support Bidco's proposed refinancing of certain of the AA Group's existing debt following the Scheme becoming Effective, the AA intends to issue £280 million of new Class B3 Notes, subject to market conditions and with the support of Bidco.

On 16 December 2020, Bidco, the AA, TowerBrook and Warburg Pincus entered into a side letter (the "**Refinancing Costs Side Letter**") pursuant to which Bidco has agreed to reimburse the AA Group's costs in relation to the issue of new Class B3 Notes up to amounts to be agreed between the parties from time to time. Bidco will not be required to reimburse the AA Group's costs if the Acquisition ceases to be recommended by the AA Board.

Under the terms of the side letter, the AA has agreed that, if the Acquisition lapses or is withdrawn (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) 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 in accordance with the terms of the Co-operation Agreement), and within nine months the AA Group undertakes a refinancing for which it re-uses the legal work for which Bidco paid the costs with the result that the AA Group's costs in relation to such refinancing are reduced, the AA would be required to repay to Bidco an amount equal to such reduction of costs.

9.2 Bidco Material Contracts

- (a) the Co-operation Agreement summarised in paragraph 9.1(c) above.
- (b) the confidentiality undertakings summarised in paragraph 9.1(b) above.
- (c) Equity Commitment Letter

In connection with the financing of the Acquisition, the Consortium entered into the Equity Commitment Letter with Bidco on 25 November 2020 pursuant to which, among other things, the members of the Consortium agreed to provide equity financing to Bidco indirectly in equal parts in order that Bidco can use the funds to finance the cash consideration payable under the Acquisition.

- (d) Bid Conduct Agreement

Warburg Pincus International LLC and TowerBrook entered into a joint bid conduct agreement in relation to ConsortiumCo and the Topco Group on 25 November 2020 (the "**Bid Conduct Agreement**") to regulate, among other things, their joint control of ConsortiumCo and the Topco Group and joint conduct of the Acquisition.

- (e) ConsortiumCo Shareholders' Agreement Term Sheet

Pursuant to the terms of the Bid Conduct Agreement, the Consortium have agreed, inter alia, a term sheet setting out the key terms for a long-form consortium shareholders' agreement governing the Consortium's joint ownership of ConsortiumCo and ConsortiumCo's direct and indirect ownership and control of Topco, the Topco Group and the AA Group to be entered into on or following the Effective Date. A summary of the key terms is set out below:

- (i) Securities Rights

ConsortiumCo shall be equally owned by the members of the Consortium. The members of the Consortium shall hold the same form of securities in ConsortiumCo and the same proportions as between any different classes. Each equivalent class of securities of

ConsortiumCo issued to the members of the ConsortiumCo will rank equally as to dividends and other distributions, voting, interest, return of capital and other rights and will be subject to customary pre-emption rights on any new issues of securities by ConsortiumCo (subject to customary carve-outs for customary excluded issues of new securities).

For as long as the members of the Consortium own ConsortiumCo in equal proportions all decision making in respect of ConsortiumCo and ConsortiumCo's rights under the Topco Shareholders' Agreement shall be exercised by the Consortium members jointly.

(ii) Transfers and Exit

No transfers of securities in ConsortiumCo shall be permitted until the fifth anniversary following the Effective Date (subject to customary carve outs permitting: (a) transfers to affiliates; (b) transfers with the consent of the other member of the Consortium; and (c) syndication of up to 49.99 per cent. of a Consortium member's economic (but not governing or controlling) interests in ConsortiumCo to limited partners in the period between the date on which the Scheme is approved by AA Shareholders at the Court Meeting and at the General Meeting and the date which is 12 months following the Effective Date). Transfers after such lock-up period will be subject to customary right of first offer provisions in favour of the non-transferring member of the Consortium.

If, following the fifth anniversary of the Effective Date, a member of the Consortium agrees to sell all of its equity to a third party purchaser, such member of the Consortium shall be entitled to oblige the other member of the Consortium to transfer all of its equity to the third party purchaser provided that the sale results in such dragged member of the Consortium realising a certain minimum return to be agreed between the members of the Consortium. After the seventh anniversary of the Effective Date, the minimum return hurdle shall cease to apply, such that a member of the Consortium can exercise the drag-along right without a minimum return being achieved. The exercise of these drag-along rights shall in all cases be subject to right of first offer provisions referred to above.

If a Consortium member agrees to sell some or all of its equity to a third party purchaser, the other Consortium member shall have the right to require that an equivalent proportion of the same class of its equity is sold at the same time and on the same terms to such third party purchaser.

Prior to the fourth anniversary of the Effective Date, no IPO can be undertaken without the approval of each member of the Consortium. After the fourth anniversary of the Effective Date, a member of the Consortium shall have the right to initiate an IPO, provided that the non-initiating Consortium member shall not be required to sell of any of its equity on such IPO.

The transfer and exit rights summarised above represent the position for so long as the members of the Consortium own ConsortiumCo in equal proportions.

(iii) Other Provisions

For the duration of their investment, the members of the Consortium shall be subject to customary undertakings in relation to the non-solicitation of AA Group senior employees and restrictions on trading in AA Group debt securities (in each case subject to customary carve-outs) and, in the case of the non-solicitation undertaking, such undertaking shall apply for a one year tail period following the relevant member of the Consortium ceasing to hold an investment in the AA Group.

Except as otherwise agreed by the Consortium, no member of the Consortium nor any of their respective affiliates will receive any management, transaction, investment, investor director or monitoring fees in connection with the Acquisition and/or the investment in the AA Group. Any directors appointed by the members of the Consortium shall be entitled to reimbursement of out-of-pocket expenses in connection with such directorships.

The ConsortiumCo 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 and Wales have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the ConsortiumCo shareholders' agreement and accordingly any proceedings

arising out of or in connection with the ConsortiumCo shareholders' agreement shall be brought in such courts.

(f) Topco Shareholders' Agreement

See paragraph 4 of Part V (*Summary of the Alternative Offer*) for details of the Topco Shareholders' Agreement.

(g) Debt financing

On 25 November 2020, (i) Bidco entered into a commitment letter (the "**Bidco Commitment Letter**") concerning the debt financing facilities described below with Barclays Bank PLC, Credit Suisse International, Goldman Sachs International and Lloyds Bank Corporate Markets plc as mandated lead arrangers and Barclays Bank PLC, Credit Suisse International, Goldman Sachs Lending Partners LLC and Lloyds Bank Corporate Markets plc as underwriters, and (ii) Bidco entered into an engagement letter (the "**Bidco Engagement Letter**") concerning the Permanent Securities (as defined below). Under the terms of the Bidco Commitment Letter, the mandated lead arrangers agreed to arrange, and the underwriters agreed to underwrite certain backstop facilities, bridge loans, term loans, working capital facilities and liquidity facilities (together, the "**Long-Term Facilities**"). The Bidco Commitment Letter and the Bidco Engagement Letter include an ability to transfer, assign, novate, sub-participate, sub-contract or other similar arrangement. The Bidco Commitment Letter and the Bidco Engagement Letter contemplate that additional mandated lead arrangers, additional underwriters and/or additional managers may also be appointed.

The facilities, amounts and documentation process

The Long-Term Facilities comprise (i) a term facility in an aggregate principal amount of up to £82,000,000 (the "**Backstop Facility**"), consisting of: (a) a sterling tranche in an aggregate principal amount of £62,000,000 (the "**STF Backstop Facility**"); and (b) a sterling tranche in an aggregate principal amount of £20,000,000 (the "**WCF Backstop Facility**"), of which 100 per cent. is underwritten pursuant to the Bidco Commitment Letter, which Backstop Facility (and commitments in respect thereof) may be reduced from time to time (and, if applicable, to zero) by the amount of new commitments made to the Bidco Senior Term Facility and Bidco Working Capital Facility and/or may be increased in the event that the commitments to the Bidco Senior Term Facility are less than £75,000,000 (ii) a senior term loan facility in a principal amount of up to £150,000,000 (the "**Bidco Senior Term Facility**") of which £88,000,000 is underwritten pursuant to the Bidco Commitment Letter, (iii) a working capital revolving facility in a principal amount of up to £60,000,000 (the "**Bidco Working Capital Facility**") of which £40,000,000 is underwritten pursuant to the Bidco Commitment Letter (iv) a liquidity revolving facility in a principal amount of up to £185,000,000 (the "**Bidco Liquidity Facility**"), of which £100,000,000 is underwritten pursuant to the Bidco Commitment Letter and (v) a secured bridge facility in a principal amount of up to £280,000,000 (the "**Secured Bridge Facility**") of which 100 per cent. is underwritten pursuant to the Bidco Commitment Letter, which Secured Bridge Facility, if funded, is expected to be refinanced with, or the commitments thereunder reduced by, a private offering of fixed-rate secured notes pursuant to Rule 144A, Regulation S or any other available exemption from the registration requirements of the U.S. Securities Act (the "**Permanent Securities**") issued by AA Bond Co Limited, Bidco or a subsidiary, controlled affiliate or special purpose company formed by or at the direction of Bidco (the "**Bidco Issuer**") pursuant to the Bidco Engagement Letter. The issuance of Permanent Securities would reduce the amount of funds that would otherwise be drawn under the Secured Bridge Facility or replace them.

The Long-Term Facilities will be available to be drawn by certain members of the AA Group, subject to satisfaction of the conditions precedent to be set out in the definitive documentation to be entered into in respect of the Long-Term Facilities as indicated in the Bidco Commitment Letter. The following documentation are intended to be entered into: (i) in respect of the Backstop Facility, the "**Backstop Facility Agreement**", (ii) in respect of the Bidco Senior Term Facility, the "**Bidco Senior Term Facility Agreement**", (iii) in respect of the Bidco Working Capital Facility, the "**Bidco Working Capital Facility Agreement**", (iv) in respect of the Bidco Liquidity Facility, the "**Bidco Liquidity Facility Agreement**" (or an accession or alternative arrangement under the existing liquidity facility agreement of the AA Group) and (iv) in relation to the Secured Bridge Facility (unless the Permanent Securities have been issued), the "**Secured Bridge Facility Agreement**", and together with the Backstop Facility Agreement, the Bidco Senior Term Facility

Agreement, the Bidco Working Capital Facility Agreement and the Bidco Liquidity Facility Agreement, the “**Facilities Agreements**”. The parties to the original Bidco Commitment Letter agreed to use all reasonable endeavours to execute the Facilities Agreements (and any other required documents) and to execute such definitive documentation by no later than 15 January 2021 (or such later date as may be required by Bidco). Failing timely execution by this deadline, in certain circumstances, Bidco may require the other parties to the Bidco Commitment Letter to execute such definitive documentation reflecting the documentation principles agreed in the Bidco Commitment Letter.

The proceeds of the Long-Term Facilities are to be applied, as follows:

- (A) in respect of the Backstop Facility, to finance/refinance/replace: (a) amounts under the existing senior term facility of the AA Group in the case of the STF Backstop Facility and the amounts under the existing working capital facility of the AA Group and working capital purposes and (in each case) cash collateral in relation to letters of credit/bank guarantees existing at the date of closing in the case of the WCF Backstop Facility;
- (B) in respect of the Bidco Senior Term Facility, to finance/refinance/replace amounts under the existing senior term facility of the AA Group and/or Backstop Facility;
- (C) in respect of the Bidco Working Capital Facility, to finance/refinance/replace: (a) amounts under the existing working capital facility of the AA Group and/or Backstop Facility, (b) working capital purposes and (c) cash collateral in relation to letters of credit/bank guarantees outstanding as at the date of closing;
- (D) in respect of the Bidco Liquidity Facility, to finance/refinance/replace: (a) the existing liquidity facility of the AA Group, (b) liquidity loan drawings and outstandings in connection with the Bidco Liquidity Facility Agreement, (c) any Liquidity Shortfall, and (d) payment to the Liquidity Facility Standby Account (each as defined in the Bidco Liquidity Facility Agreement); and
- (E) in respect of the Secured Bridge Facility, if funded, to refinance an equivalent principal amount of the Class B2 Loan and, correspondingly, an equivalent principal amount the Class B2 Notes.

Prepayment and repayment terms

Bidco may voluntarily cancel and prepay the Long-Term Facilities or the Secured Bridge Facility, as applicable (without premium or penalty), in whole or in part at any time subject only to the giving of one Business Day’s prior written notice. Other than in respect of the Bidco Liquidity Facility, prepayment and cancellation rights shall apply (and/or may be exercised by the applicable lenders) in respect of illegality, change of control or a sale of all or substantially all of the business and assets and as otherwise consistent with the existing indebtedness being refinanced or replaced. Additionally, in relation to the Backstop Facility, mandatory prepayment rights shall apply in respect of the prepayment of net cash proceeds of: (A) issuance of new Class A Notes after the closing date (to the extent permitted, and excluding any amounts applied or to be applied to refinance or repay existing Class A debt); (B) in the case of the STF Backstop Facility, incurrence of new Bidco Senior Term Facility loans (to the extent in excess of the underwrite commitments in respect of the Bidco Senior Term Facility and excluding any amount of the Bidco Senior Term Facility (or commitments in relation thereto) which has already been applied to reduce the amount of the STF Backstop Facility) (and/or cancellation of undrawn amounts of the STF Backstop Facility) and (C) in the case of the WCF Backstop Facility, new Bidco Working Capital Facility (to the extent in excess of the underwrite commitments in respect of the Bidco Working Capital Facility and excluding any amount of the Bidco Working Capital Facility (or commitments in relation thereto) which has already been applied to reduce the amount of the WCF Backstop Facility) (and/or cancellation of undrawn amounts of the Bidco Working Capital Facility). In relation to the Secured Bridge Facility, the Secured Bridge Facility borrower will be required to apply the proceeds from (i) certain equity offerings, (ii) the incurrence of certain indebtedness (including an issuance of Permanent Securities pursuant to the Bidco Engagement Letter) and (iii) certain asset sales to prepay a corresponding principal amount of the Secured Bridge Loans, in each case subject to customary exceptions and limitations. There is no call protection included in any of the Facilities Agreements or the Secured Bridge Facility.

Interest rates and fees

The rate of interest payable on each loan drawn under the Long-Term Facilities is the aggregate of the applicable margin plus LIBOR (as applicable). The margin in respect of the Bidco Senior Term Facility and the Bidco Working Capital Facility is (in each case) 2.75 per cent. per annum. The margin in respect of the Backstop Facility is 3.00 per cent. per annum, with a step-up of 0.25 per cent. per annum every 3 months from the date of first drawdown. The rate of interest payable on each loan drawn under the Bidco Liquidity Facility is the aggregate of the applicable margin, plus LIBOR (as applicable), plus the step-up margin. Subject to adjustment and deferrals, the margin is 4.00 per cent. per annum and the step-up margin is 0.50 per cent. per annum. The margin steps up on each Bidco Liquidity Facility interest payment date falling six months after the applicable drawdown date of the Bidco Liquidity Facility drawing.

The initial margin on the Secured Bridge Loans is 7.25 per cent., with 0.50 per cent. step-ups every three months after the date of first utilisation up to an agreed maximum interest rate (the “**Total Secured Cap**”). The interest rate on the Secured Extended Term Loans and the Secured Exchange Notes (each as defined below) is the Total Secured Cap. The interest rate payable on the Permanent Securities will be a fixed rate reasonably determined by the underwriters in light of the then prevailing market conditions for comparable debt securities in consultation with the Bidco Issuer, not to exceed the Total Secured Cap. The terms of the Permanent Securities will be no less favourable than the Secured Exchange Notes. Commitment fees, underwriting fees and extension and funding fees, are, among other fees, also payable under the terms of the Bidco Commitment Letter, Bidco Engagement Letter, the Bridge Fee Letter and ancillary documentation.

Maturity

The STF Backstop Facility and the Bidco Senior Term Facility are available to be drawn, subject to the entry into definitive documentation and satisfaction of the applicable conditions precedent and conditions to drawdown, from the date of the Bidco Commitment Letter to the date falling 3 months after the closing date of the Acquisition. The WCF Backstop Facility is available to be drawn, subject to the entry into definitive documentation and satisfaction of the applicable conditions precedent and conditions to drawdown, from the date of the Bidco Commitment Letter to the date falling six months after the closing date of the Acquisition, and the Bidco Working Capital Facility is available to be drawn, subject to the entry into definitive documentation and satisfaction of the applicable conditions precedent and conditions to drawdown, from the date of the Bidco Working Capital Facility Agreement (or such later date as all conditions precedent thereto are satisfied) to the date falling one month prior to its final maturity date. The final maturity date for the Bidco Senior Term Facility is five years from the date of first utilisation. The Bidco Working Capital Facility matures five years after the date of the Bidco Working Capital Facility Agreement. The final maturity date of the Backstop Facility is, subject to the extension option, the date falling 12 months after the date of first utilisation of the Backstop Facility. The final maturity date of the Backstop Facility may be extended (in respect of all or party of the Backstop Facility) by six months at the option of the borrower under the Backstop Facility (the “**Extension Option**”). If the Extension Option is exercised in respect of any amount, a further extension option shall also be available in respect of such amount such that the final maturity date (as extended) may be extended (in whole or in part) by a further six months at the option of the borrower. Exercise of the Extension Options shall be subject to certain conditions as set out in the Backstop Facility Agreement. The Bidco Liquidity Facility is available, subject to the entry into definitive documentation and satisfaction of the applicable conditions precedent and conditions to drawdown, for 30 years from the date of the Bidco Liquidity Facility Agreement (or such later date as all conditions precedent thereto are satisfied) subject to annual renewal mechanics and the Scheduled LF Termination Date of the Bidco Liquidity Facility is 364 days after the date of the Bidco Liquidity Facility Agreement, subject to the borrower’s ability to renew the Bidco Liquidity Facility by delivering a renewal request 30 days prior to the Scheduled LF Termination Date. The underwriters to the Bidco Liquidity Facility agree that their commitment in respect of the Bidco Liquidity Facility may also be made available as a successor liquidity facility provider or substitute liquidity facility, without any double commitment. Additionally, unless the existing liquidity facility is refinanced or replaced, certain commitments of existing lenders will (unless otherwise agreed) be reduced to zero on first utilisation under (as applicable) the Bidco Senior Term Facility and/or the Bidco Working Capital Facility.

The Secured Bridge Loans will mature on the date one year after the date of first utilisation (the “**Initial Maturity Date**”). Any Secured Bridge Loans remaining outstanding on the Initial Maturity Date will be automatically converted into a secured term loan (the “**Secured Extended Term Loans**”) with an expected maturity of January 31 2026. At any time on or after the Secured Conversion Date (as defined in the Bidco Commitment Letter), a lender holding Secured Extended Term Loans may at its option exchange all or a portion of such Secured Extended Term Loans for exchange notes (including related proceeds loan) (the “**Secured Exchange Notes**”) having a principal amount equal to the principal amount of the Secured Extended Term Loans being exchanged.

Guarantees and security

The parties will receive the benefit of guarantees and security in respect of each of the Long-Term Facilities and the Secured Bridge Facility consistent with the existing security and documentation provided by the AA Group in respect of the existing indebtedness (as applicable).

Representations, warranties, undertakings and events of default

The Facilities Agreements contain representations and warranties, covenants and events of default substantially consistent with the existing representations and warranties, covenants and events of default provided in respect of the existing indebtedness and/or bonds (subject to customary adjustment in accordance with the Bidco Commitment Letter and applicable Facilities Agreements). In addition, the Secured Bridge Facility and the Backstop Facility will contain covenants relating to the injection of additional equity to the AA Group as more fully set out therein.

Conditions precedent

The Backstop Facility, the Bidco Senior Term Facility, the Bidco Working Capital Facility, the Bidco Liquidity Facility and the Secured Bridge Facility have a number of documentary conditions precedent to first utilisation and include (in each case) the injection of additional equity to the AA Group, the delivery of an equity commitment letter and certificate setting out various confirmations in respect of applicable conditions being satisfied.

The foregoing description is a high-level overview of key indicative terms of the Bidco Commitment Letter, the Bidco Engagement Letter and ancillary documents. The substance of, and definitive documentation comprising, the Backstop Facility Agreement, the Bidco Senior Term Facility Agreement, the Bidco Working Capital Facility Agreement, the Bidco Liquidity Facility Agreement and the Secured Bridge Facility Agreement and the Permanent Securities is subject to ongoing negotiation, which could have an impact on the pricing, terms, currencies and structure of the Long-Term Facilities.

- (h) the Memorandum of Understanding summarised in paragraph 7 of Part II (*Explanatory Statement*) above.
- (i) the refinancing costs side letter summarised in paragraph 9.1(d) above.

10. Cash confirmation

The cash consideration payable pursuant to the Acquisition will be financed as set out in paragraph 6 of Part II (*Explanatory Statement*) of this document. 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.

11. Significant change

11.1 *The AA*

Save as disclosed in this document, there has been no significant change in the financial or trading position of the AA Group since 31 July 2020, being the date to which the AA’s last published interim accounts were prepared.

11.2 **Bidco**

Save as described in this document, there has been no significant change in the financial or trading position of the Topco Group since 18 November 2020 being the date on which the companies in the Topco Group were each incorporated.

Save as described in this document, full acceptance of the Acquisition will have no effect upon Bidco's earnings and assets and liabilities.

12. **Sources of information and bases of calculation**

12.1 As at 14 December 2020 (being the latest practicable date prior to the date of this document), there were 623,697,514 AA Shares in issue. The International Securities Identification Number for AA Shares is GB00BMSKPJ95.

12.2 As at 24 November 2020, there were 3,662,470 AA Shares that may be issued pursuant to the AA Share Plans. This additional number of AA Shares has been calculated on the basis that as at 24 November 2020 there were 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 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) may be issued each month under the Employee Share Incentive Plan between 24 November 2020 and the Long Stop Date (including any AA Shares issued after 24 November 2020 but prior to the date of this document).

12.3 Any references to the issued and to be issued ordinary share capital of the AA are each based on:

- (a) the 623,347,269 AA Shares that were in issue on 24 November 2020 (including the 12,524,269 AA Shares that were held by the AA's employee benefit trust); and
- (b) the 3,662,470 AA Shares referred to in paragraph 12.2 above.

12.4 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 12.3 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 will be reduced by a corresponding amount in order to enable the relevant member of the Topco Group to instead meet such obligations.

12.5 The enterprise value multiples included in paragraph 4 of Part I (*Letter from the Chair of AA plc*) 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.

12.6 Unless otherwise stated, all prices quoted for AA Shares have been derived from the Daily Official List of the London Stock Exchange and represent closing middle market prices on the relevant date.

12.7 Volume-weighted average prices have been derived from Bloomberg and have been rounded to the nearest single decimal place.

12.8 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.

13. **Incorporation by reference**

13.1 Parts of other documents are incorporated by reference in, and form part of, this document.

13.2 Part VIII (*Financial and Ratings Information*) of this document sets out which sections of such documents are incorporated into this document.

13.3 A person who has received this document may request a copy of such documents incorporated by reference. A copy of any such documents or information incorporated by reference will not be sent to such persons unless requested from Equiniti Limited, at Aspect House, Spencer Road, Lancing, West

Sussex, BN99 6DA, or by calling the Shareholder Helpline between 9 a.m. and 5 p.m. (London time) Monday to Friday (except public holidays in England and Wales) on 0333 207 6536 (from within the UK) or +44 333 207 6536 (from outside the UK, international rates apply). Please note that calls may be monitored or recorded and the Shareholder Helpline cannot provide financial, legal or tax advice or advice on the merits of the Acquisition. If requested, copies will be provided, free of charge, within two Business Days of the request.

14. Other information

- 14.1 Each of Evercore, J.P. Morgan Cazenove, Citi, Credit Suisse, Goldman Sachs and Barclays, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- 14.2 Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangement) between Bidco or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of the AA, or any person interested or recently interested in AA Shares, having any connection with or dependence on or which is conditional upon the outcome of the Acquisition.
- 14.3 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the AA Shares to be acquired by Bidco will be transferred to any other person, save that Bidco reserves the right to transfer any such shares to any other member of the Topco Group.
- 14.4 It is possible that: (i) any of the TowerBrook Funds may seek to syndicate a minority part of their investment in Bidco to other TowerBrook Funds and/or their respective limited partners; and/or (ii) any of the Warburg Pincus Funds may seek to syndicate a minority part of their investment in Bidco to other Warburg Pincus Funds and/or their respective limited partners, in each case, either on or around the Effective Date or thereafter, and subject to ConsortiumCo Shareholders' Agreement Term Sheet.
- 14.5 Save with the consent of the Panel, settlement of the consideration to which each Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien or right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled against any such Scheme Shareholder.
- 14.6 The aggregate fees and expenses which are expected to be incurred by the Topco Group in connection with the Acquisition are estimated to amount to approximately £47.7 million to £50.1 million plus applicable VAT and other taxes. This aggregate number consists of the following categories:

<u>Category</u>	<u>Amount—£m</u>
Financing arrangements	12.7-13.2
Financial and corporate broking advice	16.0
Legal advice ⁽¹⁾	7.8-8.6
Accounting advice	1.7
Public relations advice	0.2
Other professional services	6.9
Other costs and expenses	<u>2.4-3.5</u>
Total	<u>47.7-50.1</u>

(1) These services are charged by reference to hourly or daily rates. Amounts included here reflect the time incurred up to the latest practicable date prior to the date of this document and an estimate of the further time required.

- 14.7 The aggregate fees and expenses which are expected to be incurred by the AA Group in connection with the Acquisition are estimated to amount to approximately £26.7 million to £27.9 million plus applicable VAT. This aggregate number consists of the following categories:

<u>Category</u>	<u>Amount—£m</u>
Financial and corporate broking advice	20.1
Legal advice ⁽¹⁾	5.0-6.0
Accounting advice	0.8-0.9
Public relations advice	0.3
Other professional services	0.1
Other costs and expenses	<u>0.4-0.5</u>
Total	<u><u>26.7-27.9</u></u>

(1) These services are charged by reference to hourly or daily rates. Amounts included here reflect the time incurred up to the latest practicable date prior to the date of this document and an estimate of the further time required.

- 14.8 Save as disclosed in this document, the emoluments of the AA Directors and the Bidco Directors will not be affected by the Acquisition or any other associated transaction.

- 14.9 Save as disclosed in this document, there is no agreement or arrangement to which Bidco is a party which relates to the circumstances in which it may or may not invoke a condition to the Scheme.

15. Documents available for inspection

Until and including the Effective Date (or the date on which the Scheme lapses or is withdrawn, if earlier) copies of the following documents will be available via the link on the AA's website at: www.theaapl.com/investors:

- 15.1 the AA Articles;
- 15.2 the articles of association of Bidco;
- 15.3 the audited consolidated financial statements of the AA Group for the two years ended 31 January 2020;
- 15.4 the unaudited consolidated financial statements of the AA Group for the six-month period ended 31 July 2020;
- 15.5 a copy of the written consent from each of Evercore, J.P. Morgan Cazenove and Citi; and Credit Suisse, Goldman Sachs and Barclays each referred to at paragraph 14.1 of this Part X (*Additional Information*);
- 15.6 copies of the letters of irrevocable undertaking referred to at paragraph 7 of this Part X (*Additional Information*) of this document;
- 15.7 a copy of the Confidentiality Agreements;
- 15.8 a copy of the Co-operation Agreement;
- 15.9 a copy of the Memorandum of Understanding;
- 15.10 a copy of the Equity Commitment Letter;
- 15.11 a copy of the Bidco Engagement Letter;
- 15.12 a copy of the Bidco Commitment Letter;
- 15.13 a copy of the Bridge Fee Letter;
- 15.14 a copy of the Loan Fee Letter;
- 15.15 a copy of the Topco Articles;
- 15.16 a copy of the Topco Shareholders' Agreement;
- 15.17 this document, the Forms of Proxy and the Form of Election;
- 15.18 a copy of the Bid Conduct Agreement;
- 15.19 a copy of the ConsortiumCo Shareholders' Agreement Term Sheet;
- 15.20 a copy of the instrument which will constitute the Bidco Loan Notes;
- 15.21 a copy of the Refinancing Costs Side Letter; and
- 15.22 letters to be sent on or around the date of this document to participants in the AA Share Plans.

Part XI
DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise.

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 Articles	the articles of association of the AA as amended from time to time;
AA Board	the board of directors of the AA;
AA Directors	the directors of the AA as at the date of this document or, where the context so requires, the directors of the AA from time to time;
AA Executive Directors	Simon Breakwell and Kevin Dangerfield;
AA Group	AA and its subsidiaries and subsidiary undertakings;
AA I	has the meaning given to it in paragraph 7 of Part II (<i>Explanatory Statement</i>);
AA Non-Executive Directors	Andrew Blowers, Mark Brooker, Steve Barber, John Leach, Cathryn Riley and Suzi Williams;
AA PMP	has the meaning given to it in paragraph 7 of Part II (<i>Explanatory Statement</i>);
AA Profit Forecast	has the meaning given to it in paragraph 1.2 of Part XIV (<i>Profit Forecast</i>);
AA Shareholders	the holders of AA Shares;
AA Share Plans	the following share incentive plans: (a) Employee Share Incentive Plan; and (b) Performance Share Plan;
AA Shares	the existing unconditionally allotted or issued and fully paid ordinary shares of 0.1 pence each in the share capital of AA and any further such ordinary shares which are unconditionally allotted or issued before the Scheme becomes Effective;
AA UK	has the meaning given to it in paragraph 7 of Part II (<i>Explanatory Statement</i>);
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;
Acromas	Acromas Holdings Limited;
Additional Capital Raise	has the meaning given in paragraph 2.2 of Part IV (<i>Summary of the Alternative Offer</i>);
Alternative Offer	the arrangements set out in paragraph 3 of Part I (<i>Letter from the Chair of AA plc</i>) pursuant to which eligible AA Shareholders may elect to receive 1.0 Topco Unit (comprising 0.3181818182 Topco B Preference Shares and 2.8636363636 Topco B Ordinary Shares) for each AA Share;
Alternative Offer Maximum	has the meaning given in paragraph 3 of Part II (<i>Explanatory Statement</i>);
Announcement	the announcement made by the AA and Bidco pursuant to Rule 2.7 of the Code in connection with the Acquisition on 25 November 2020, including its appendices;

Applicable Law	the proposed National Security and Investment Bill or any other public interest, national security or foreign investment laws, rules or regulations;
associated undertaking	has the meaning given in section 344(3) of the Companies Act 2006;
Authorisations	for the purposes of the Conditions, means authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals;
Backstop Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Backstop Facility Agreement	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Barclays	Barclays Bank plc, acting through its investment bank;
Bid Conduct Agreement	the agreement between Warburg Pincus and TowerBrook entered into on 25 November 2020 and referred to in paragraph 9.2(d) of Part X (<i>Additional Information</i>);
Bidco	Basing Bidco Limited, a private limited company incorporated in Jersey with registered number 132817;
Bidco Board	the board of directors of Bidco;
Bidco Commitment Letter	the commitment letter addressed to Bidco from Barclays, Credit Suisse, Goldman Sachs, Goldman Sachs Lending Partners LLC and Lloyds Bank Corporate Markets plc dated 25 November 2020;
Bidco Directors	the directors of Bidco as at the date of this document or, where the context so requires, the directors of Bidco from time to time;
Bidco Engagement Letter	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Issuer	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Liquidity Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Liquidity Facility Agreement	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Loan Notes	loan notes of £0.001 each to be issued by Bidco pursuant to the Alternative Offer;
Bidco Senior Term Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Senior Term Facility Agreement	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Working Capital Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Bidco Working Capital Facility Agreement	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Borrower	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
Bridge Fee Letter	the bridge fee letter addressed to Bidco from Barclays, Credit Suisse, Goldman Sachs and Lloyds Bank Corporate Markets plc dated 25 November 2020;
Business Day	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for normal business in London;

CARE	has the meaning given to it in paragraph 7 of Part II (<i>Explanatory Statement</i>);
Cash Offer	35p in cash for each AA ordinary share;
certificated or in certificated form	not in uncertificated form (that is, not in CREST);
Citi	Citigroup Global Markets Limited;
Class A Note Trust Deed	has the meaning given to it in paragraph 9.1(a)(iv) of Part X (<i>Additional Information</i>);
Class A Note Trustee	has the meaning given to it in paragraph 9.1(a)(iv) of Part X (<i>Additional Information</i>);
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 of Part II (<i>Explanatory Statement</i>);
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 IBLA	has the meaning given to it in paragraph 9.1(a)(v) of Part X (<i>Additional Information</i>);
Class B2 Loan	the loan agreement between AA Bond Co Limited and AA Senior Co Limited;
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 of Part II (<i>Explanatory Statement</i>);
Closing Price	the closing middle market quotations of a share derived from the Daily Official List of the London Stock Exchange;
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;
Combined Group	the enlarged Topco Group following completion of the Acquisition comprising the AA Group and the Topco Group;
Companies Act	the Companies Act 2006 (as amended, modified, consolidated, re-enacted or replaced from time to time);
Competition and Markets Authority or CMA	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013;
Conditions	the conditions to the implementation of the Acquisition set out in Part A of Part IV (<i>Conditions to and Further Terms of the Acquisition and the Scheme</i>) of this document and a “ Condition ” shall mean any one of them;

Confidentiality Agreements	the TCP Confidentiality Agreement and the WP Confidentiality Agreement;
Consideration	the consideration payable to AA Shareholders in connection with the Acquisition comprising 35 pence per AA Share;
Consortium	the TowerBrook Funds and the Warburg Pincus Funds;
ConsortiumCo	Basing ConsortiumCo Limited, a private limited company incorporated in Jersey with registered number 132816;
ConsortiumCo Shareholders' Agreement Term Sheet	the term sheet agreed by the Consortium setting out the key terms and conditions for a long-form consortium shareholders' agreement as referred to in paragraph 9.2(e) of Part X (<i>Additional Information</i>);
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 12.2 of Part II <i>Explanatory Statement</i>);
Court	the High Court of Justice in England and Wales;
Court Hearing	the hearing by the Court of the application to sanction the Scheme under Part 26 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 (or any adjournment thereof) of the Scheme Shareholders to be convened with the permission of the Court pursuant to Part 26 of the Companies Act to consider and, if thought fit, approve the Scheme (with or without modification), notice of which is set out in Part XII (<i>Notice of Court Meeting</i>) of this document (including any adjournment thereof);
Court Order	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act;
Credit Suisse	Credit Suisse International;
CREST	the relevant system to facilitate the transfer of title to shares in uncertificated form (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
CREST Manual	the CREST Manual published by Euroclear, as amended from time to time;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;
CTA	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
Daily Official List	the daily official list of the London Stock Exchange;
Davidson Kempner	Davidson Kempner European Partners, LLP;
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 document; (iv) in any announcement to a Regulatory Information Service by, or on behalf of the AA prior to the publication of the 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 document); 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 the Announcement by or on behalf of the AA;
Disclosure Date	14 December 2020
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 the Scheme becomes effective;
Election Return Time	6.00 p.m. on the date of the Court Hearing;
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, as referred to in paragraph 9.2(c) of Part X (<i>Additional Information</i>);
Euroclear	Euroclear UK & Ireland Limited;
Evercore	Evercore Partners International LLP;
Excluded Shares	any AA Shares: (i) registered in the name of, or beneficially owned by, Bidco, any member of the Wider Topco Group or their respective nominees; or (ii) held by the AA in treasury;
Extension Option	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Facilities Agreements	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
FCA	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;
FinSA	The Swiss Financial Services Act;
Form of Election	the GREEN form of election in respect of the Alternative Offer to be despatched to AA Shareholders who hold their AA Shares in certificated form together with this document;
Form(s) of Proxy	the BLUE Form of Proxy for use at the Court Meeting and the WHITE Form of Proxy for use at the General Meeting (or either of them as the context may require), which are being sent to AA Shareholders;
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 the AA (or any adjournment thereof) to be convened in connection with the Scheme, expected to be held as soon as the preceding Court Meeting shall have been concluded or adjourned;
GFSC	the Gibraltar Financial Services Commission;
Goldman Sachs	Goldman Sachs International;
HMRC	HM Revenue & Customs;
Holdco	Basing Holdco Limited, a private limited company incorporated in Jersey with registered number 132815;
holder	includes any person(s) entitled by transmission;
IBLA	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
IFRS	International Financial Reporting Standards;
Initial Maturity Date	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Intermediate Holding Companies	Bidco, Midco and Holdco;
Issuer	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
J.P. Morgan Cazenove	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove;
Junior Security	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
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 FCA pursuant to Part 6 of the Financial Services and Markets Act 2000 and contained in the FCA's publication of the same name;
Loan Fee Letter	the loan fee letter addressed to Bidco from Barclays, Credit Suisse, Goldman Sachs, Goldman Sachs Lending Partners LLC, and Lloyds Bank Corporate Markets plc dated 25 November 2020;
Lock-up Period	has the meaning given in paragraph 4.5 of Part V (<i>Summary of the Alternative Offer</i>);
London Stock Exchange	London Stock Exchange plc;
Long Stop Date	5.00 p.m. on 30 June 2021 or such later date as may be agreed in writing by the AA and Bidco (with the Panel's consent and as the Court may approve (if such approval is required));
Long-Term Facilities	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
LTM Trading EBITDA	means the Trading EBITDA in the immediately preceding 12 months;
Main Market	the Main Market of the London Stock Exchange;
Meeting(s)	the Court Meeting and/or the General Meeting, as the case may be;
Memorandum of Understanding	has the meaning given to it in paragraph 7 of Part II (<i>Explanatory Statement</i>);
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 maintained 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;
Permanent Securities	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
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 of Part II (<i>Explanatory Statement</i>);
Refinancing Costs Side Letter	has the meaning given to it in paragraph 9.1(d) of Part X (<i>Additional Information</i>);
Registrar	Equiniti Limited, the AA's registrar;
Registrar of Companies	the Registrar of Companies in England and Wales;
Regulation	Council Regulation (EC) 139/2004 (as amended);
Regulatory Conditions	the Conditions set out under paragraphs 3(a) to 3(f) of Part A of Part IV (<i>Conditions to and Further Terms of the Acquisition and the Scheme</i>)
Regulatory Information Service	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements;
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 in that jurisdiction;
Roll-over Mechanic	has the meaning given in paragraph 2.5 of Part V (<i>Summary of the Alternative Offer</i>);
SAMR	the State Administration for Market Regulation of the PRC;
Scheme or Scheme of Arrangement	the proposed scheme of arrangement made under Part 26 of the Companies Act between the AA and the Scheme Shareholders particulars

of which are set out in Part VI (*The Scheme of Arrangement*) of this document, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by the AA and Bidco;

Scheme Circular	this document;
Scheme Record Time	6.00 p.m. (London time) on the date of the Court Hearing;
Scheme Shareholder	a holder of Scheme Shares;
Scheme Shares	AA Shares: <ul style="list-style-type: none">(a) in issue at the date of this document;(b) (if any) issued after the date of this document but before the Voting 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, in each case, other than any Excluded Shares and, in each case, which remain in issue at the Scheme Record Time;
Secured Bridge Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Secured Bridge Facility Agreement	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Secured Bridge Loans	the loans under the Secured Bridge Facility;
Secured Exchange Notes	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Secured Extended Term Loans	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
Senior Term Facility	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
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;
Special Resolution	the special resolution to be proposed at the General Meeting;
STF Backstop Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
STID	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
subsidiary	has the meaning given in section 1159 of the Companies Act 2006;
subsidiary undertaking	has the meaning given in section 1162 of the Companies Act 2006;
S&P	means Standard & Poor's;
Takeover Code or Code	the Takeover Code on Takeovers and Mergers, as amended from time to time;
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;
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 A Ordinary Shares	the A ordinary shares with a nominal value of £0.001 each in the capital of Topco;
Topco A Preference Shares	the A preference shares with a nominal value of £0.001 each in the capital of Topco;
Topco Articles	the articles of association of Topco;
Topco A Shareholder	any holder of Topco A Ordinary Shares and/or Topco A Preference Shares;
Topco A Shares	means the Topco A Ordinary Shares and the Topco A Preference Shares;
Topco Board	means the board of directors of Topco;
Topco B Ordinary Shares	the B ordinary shares with a nominal value of £0.001 each in the capital of Topco;
Topco B Preference Shares	the B preference shares with a nominal value of £0.001 each in the capital of Topco;
Topco B Shareholder	any holder of Topco B Ordinary Shares and/or 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 Offer Shares	has the meaning given to it in paragraph 2.1 of Part V (<i>Summary of the Alternative Offer</i>);
Topco Ordinary Shares	means the Topco A Ordinary Shares and the Topco B Ordinary Shares;
Topco Preference Shares	means the Topco A Preference Shares and the Topco B Preference Shares;
Topco Securities	means the Topco A Shares and the Topco B Shares;
Topco Shareholders' Agreement	means the shareholders' agreement dated 16 December 2020 entered into between ConsortiumCo, Topco and each of the Intermediate Holding Companies, as subsequently adhered to from time to time;
Topco Units	that number of the Topco B Ordinary Shares and the Topco B Preference Shares available under the Alternative Offer;
Total Secured Cap	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
TowerBrook	means TowerBrook Capital Partners (U.K.) LLP;
TowerBrook Bidco Director	has the meaning given to it in paragraph 2.2 of Part X (<i>Additional Information</i>);

TowerBrook Funds	funds advised by TowerBrook Capital Partners (U.K.) LLP or its affiliates;
TowerBrook Responsible Person	has the meaning given to it in paragraph 3.1 of Part X (<i>Additional Information</i>);
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 of Part II (<i>Explanatory Statement</i>);
TTE Instruction	a transfer to escrow instruction given by a holder of uncertificated Scheme Shares through CREST validly electing for the Alternative Offer;
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland;
uncertificated or in uncertificated form	recorded on the relevant register of members as being held in uncertificated form and title to which may, by virtue of the CREST Regulations, be transferred by means of CREST;
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
US Exchange Act	the US Securities Exchange Act of 1934, as amended;
US Securities Act	the US Securities Act of 1933, as amended;
Voting Record Time	6.30 p.m. (London time) on the day which is two days (excluding non-working days) prior to the date of the Court Meeting or any adjournment thereof (as the case may be);
Warburg Pincus	means Warburg Pincus LLC;
Warburg Pincus Bidco Director	has the meaning given to it in paragraph 2.2 of Part X (<i>Additional Information</i>);
Warburg Pincus Funds	private equity funds managed by Warburg Pincus LLC or its affiliates;
Warburg Pincus Responsible Person	has the meaning given to it in paragraph 3.2 of Part X (<i>Additional Information</i>);
WBS	has the meaning given to it paragraph 4 of Part I (<i>Letter from the Chair of AA plc</i>);
WBS Group	has the meaning given to it in paragraph 9.1(a) of Part X (<i>Additional Information</i>);
WCF Backstop Facility	has the meaning given to it in paragraph 9.2(g) of Part X (<i>Additional Information</i>);
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;
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	has the meaning given to it in paragraph 9.1(a)(ii) of Part X (<i>Additional Information</i>); and
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).

All times referred to are London time unless otherwise stated.

All references to “**GBP**”, “**pence**”, “**sterling**”, “**£**” or “**p**” are to the lawful currency of the United Kingdom.

All references to “**Euro**” or “**€**” are to the lawful currency of the European Union.

All references to “**US dollar**”, “**USD**”, “**US\$**” or “**cents**”, are to the lawful currency of the United States.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

Part XII
NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE Claim No. CR-2020-004289
THE BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES COMPANIES COURT (CHD)
INSOLVENCY AND COMPANIES COURT JUDGE JONES

IN THE MATTER OF AA PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that, by an Order dated 16 December 2020 made in the above matters, the Court has given permission for a meeting (the “**Court Meeting**”) to be convened of the holders of Scheme Shares (as defined in the scheme of arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made pursuant to Part 26 of the Companies Act 2006 (the “**Act**”) between AA plc (the “**AA**” or the “**Company**”), and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) and that the Court Meeting will be held at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA on 14 January 2021, at 11.00 a.m..

Copies of the Scheme of Arrangement and of the explanatory statement required to be published pursuant to section 897 of the Act are incorporated in the document of which this Notice forms part.

Voting on the resolution to approve the Scheme will be by poll, which shall be conducted as the Chair of the Court Meeting may determine.

In light of the Coronavirus (COVID-19) outbreak Scheme Shareholders will not be able to attend the Court Meeting in person. Scheme Shareholders may vote by appointing the Chair of the Court Meeting (or any other person) as their proxy. The Chair of the Court Meeting will vote in accordance with the voting instructions of the appointing Scheme Shareholder, such instructions as set out in the Forms of Proxy.

Alternatively, a conference call facility has been arranged to allow Scheme Shareholders, proxies (other than the Chair of each of the Court Meeting) and corporate representatives to listen to, and to ask questions in relation to, the business of the Court Meeting.

Right to Appoint a Proxy; Procedure for Appointment

Holders of Scheme Shares entitled to vote at the Court Meeting may vote by appointing the Chair of the Court Meeting (or any other person) as their proxy.

A BLUE Form of Proxy, for use at the Court Meeting, has been provided. Instructions for its use are set out on the form. It is requested that the BLUE Form of Proxy (together with any power of attorney or other authority, if any, under which it is signed, or a duly certified copy thereof) be returned to the Company’s Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA by post, 24 hours (excluding non-working days) before the time appointed for the adjourned meeting.

Members who hold their shares in uncertificated form through CREST who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via euroclear.com.

In order for a proxy appointment or instruction made using CREST to be valid, the appropriate CREST message must be properly authenticated in accordance with Euroclear’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA19) by 11.00 a.m. (London time) on 12 January 2021 (or if the Court Meeting is adjourned, 24 hours (excluding non-working days) before the time fixed for the adjourned Court Meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST

Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Forms of Proxy may alternatively be submitted electronically by logging on to the following website www.sharevote.co.uk and following the instructions there. For an electronic proxy appointment to be valid, the appointment must be received by Registrar no later than 11.00 a.m. (London time) on 12 January 2021 (or if the Court Meeting is adjourned, 24 hours (excluding non-working days) before the time fixed for the adjourned Court Meeting).

If a Scheme Shareholder appoints a person other than the Chair of the Court Meeting as their proxy, they must also make a request for the appointed proxy to attend the Court Meeting by telephone to represent them, as described below.

Right to attend the Court Meeting by telephone

Holders of Scheme Shares who wish to attend the Court Meeting by telephone (or to enable a proxy or corporate representative to do so) must contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or if the Court Meeting is adjourned, on the date which is two days (excluding non-working days) before the date fixed for the adjourned meeting).

Any such Scheme Shareholder will be issued with a poll card to vote at the Court Meeting if they wish to do so. The poll card must be returned to the Company's Registrar, Equiniti Limited, within 30 minutes of the conclusion of the meeting of the Company's shareholders that will immediately follow the Court Meeting in accordance with the instructions set out on the poll card.

Voting Record Time

Entitlement to attend, speak and vote at the Court Meeting or any adjournment thereof and the number of votes which may be cast at the Court Meeting, will be determined by reference to the register of members of the Company at 6.30 p.m. (London time) on 12 January 2021 or, if the Court Meeting is adjourned, 6.30 p.m. (London time) on the date which is two days (excluding non-working days) before the date fixed for the adjourned Meeting. Changes to the register of members of the Company after the relevant time shall be disregarded in determining the rights of any person to attend, speak and vote at the Court Meeting.

Joint Holders

In the case of joint holders of Scheme Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s). For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

Corporate Representatives

As an alternative to appointing a proxy, any Scheme Shareholder which is a corporation may appoint one or more corporate representatives who may exercise on its behalf all its powers, provided that if two or more corporate representatives purport to vote in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way, and in other cases the power is treated as not exercised. Any such Scheme Shareholder must also make a request for the corporate representative to attend the Court Meeting by telephone to represent them.

By the said Order, the Court has appointed John Leach or, failing him, any other director of the Company to act as Chair of the Court Meeting and has directed the Chair to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 17 December 2020
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
Solicitors for the Company

Nominated Persons

Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) does not, in that capacity, have a right to appoint a proxy, such right only being exercisable by shareholders of the Company. However, Nominated Persons may, under agreement with the shareholder who nominated them, have a right to be appointed (or to have someone else appointed) as a proxy for the Court Meeting.

PART XIII
NOTICE OF GENERAL MEETING

NOTICE OF GENERAL MEETING OF AA PLC

NOTICE IS HEREBY GIVEN that a General Meeting of AA plc (the “**Company**”) will be held at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA on 11.15 a.m. at 14 January 2021 (London time) (or as soon thereafter as the Court Meeting (as defined in the document of which this notice forms part) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which shall be proposed as a special resolution:

Special Resolution

THAT:

- (a) for the purpose of giving effect to the scheme of arrangement dated 17 December 2020 between the Company and the Scheme Shareholders (as defined in the said scheme), a print of which has been produced to this meeting and for the purpose of identification signed by the Chair hereof, in its original form or subject to any modification, addition or condition agreed between the Company and Bidco and approved or imposed by the Court (the “**Scheme**”), the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new articles 127 and 128:

“127 SCHEME OF ARRANGEMENT

127.1 For the purposes of this Article 127 and Article 128:

- “**AA Scheme**” means the scheme of arrangement dated 17 December 2020 under Part 26 of the 2006 Act between the Company and the Scheme Shareholders (as defined in the AA Scheme), in its original form or with or subject to any modification, addition or condition approved or imposed by the High Court of Justice of England and Wales and agreed by the Company and Bidco; and
- “**Bidco**” means Basing Bidco Limited, a private limited company incorporated in Jersey with registered number 132817.

128 SCHEME OF ARRANGEMENT

- 128.1 Notwithstanding any other provision of these articles, if the Company issues any shares (other than to Bidco, any holding company or subsidiary of Bidco or any nominee(s) of Bidco) after the adoption of this article and at or prior to the Scheme Record Time (as defined in the AA Scheme), such shares shall be issued subject to the terms of the AA Scheme and the holders of such shares shall be bound by the AA Scheme accordingly.
- 128.2 Notwithstanding any other provision of these articles, subject to the AA Scheme becoming effective, any shares issued to any person (other than to Bidco, any holding company or subsidiary of Bidco or any nominee(s) of Bidco) after the Scheme Record Time (a “**New Member**”) (each a “**Post-Scheme Share**”) shall be issued on terms that they shall on the Effective Date (as defined in the AA Scheme) or, if later, on issue (but subject to the terms of article 128.3 below), be immediately transferred to Bidco (or as it may direct) (the “**Purchaser**”), who shall be obliged to acquire each Post-Scheme Share in consideration of and conditional upon the payment by or on behalf of Bidco to the New Member of an amount in cash for each Post-Scheme Share equal to the cash consideration to which a New Member would have been entitled had such Post-Scheme Share been a Scheme Share (as defined in the AA Scheme) and no election for the Alternative Offer (as defined in the AA Scheme) had been made in respect thereof.
- 128.3 On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation) carried out after the Effective Date, the value of the consideration per Post-Scheme Share to be paid under article 128.2 shall be adjusted by the Company in such manner as the auditors of the Company may determine to be appropriate to reflect such reorganisation or alteration. References in this article to such shares shall, following such adjustment, be construed accordingly.

- 128.4 To give effect to any transfer of Post-Scheme Shares required pursuant to this article 128, the Company may appoint any person as attorney and/or agent for the New Member to transfer the Post-Scheme Shares to the Purchaser and/or its nominees and do all such other things and execute and deliver all such documents or deeds as may in the opinion of such attorney or agent be necessary or desirable to vest the Post-Scheme Shares in the Purchaser and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as the Purchaser may direct. If an attorney or agent is so appointed, the New Member shall not thereafter (except to the extent that the attorney or agent fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed in writing by the Purchaser. The attorney or agent shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder) in favour of the Purchaser and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register the Purchaser as holder thereof and issue to it certificate(s) for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares. The Purchaser shall settle the consideration due to the New Member pursuant to article 128.2 above by sending a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder) for the purchase price of such Post-Scheme Shares as soon as practicable and in any event within 14 days of the date on which the Post-Scheme Shares are issued to the New Member.
- 128.5 If the AA Scheme shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) clause 10(b) of the AA Scheme, this article 128 shall cease to be of any effect.
- 128.6 Notwithstanding any other provision of these articles, both the Company and the board shall refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date.”

By order of the Board

Nadia Hoosen
Company Secretary

17 December 2020

Registered Office: Fanum House, Basing View, Basingstoke, RG21 4EA
Registered in England & Wales No. 5149111

Notes

In light of the ongoing COVID-19 outbreak, AA Shareholders will not be able to attend the General Meeting in person. Holders of Scheme Shares who wish to attend the General Meeting by telephone (or to enable a proxy or corporate representative to do so) must contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or if the General Meeting is adjourned, 24 hours (excluding non-working days) before the time fixed for the adjourned General Meeting).

1. Only shareholders on the Company's register of members at 6.30 p.m. on 12 January 2021 shall be entitled to vote at the General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to vote at the adjourned meeting is 6.30 p.m. on the date which is two days (excluding non-working days) before the date set for the adjourned meeting. Changes to the entries in the register of members after any of these times shall be disregarded in determining the rights of any person to vote at the meeting.
2. An AA Shareholder entitled to vote at the General Meeting may appoint the Chair of the General Meeting (or any other person) as their proxy. A proxy need not be a member, if appointed as proxy, the Chair of the General Meeting will vote in accordance with the voting instructions of the appointing AA Shareholder. The Chair of the General Meeting can only be appointed as a proxy using the procedures set out in this document, these notes and the notes to the Form of Proxy. No other means of appointment will be accepted.
3. AA Shareholders who wish to attend the General Meeting by telephone (or to enable a proxy or corporate representative to do so) must contact proxyvotes@equiniti.com, including their full name and shareholder reference number, by no later than 6.30 p.m. on 12 January 2021 (or if the General Meeting is adjourned, on the date which is two days (excluding non-working days) before the date set for the adjourned General Meeting). Any such AA Shareholder will be issued with a poll card to vote at the General Meeting if they wish to do so. The poll card must be returned to the Company's Registrar, Equiniti Limited, within 30 minutes of the conclusion of the General Meeting of the Company's shareholders in accordance with the instructions set out on the poll card.
4. Voting on each of the resolutions to be put to the meeting will be by poll. The Board believes this to be the most democratic procedure for voting on resolutions, as member votes will be counted according to the number of shares held. The total number of votes cast 'For' and 'Against', and the number of votes actively withheld in respect of each of the resolutions proposed at the meeting, will be announced to the London Stock Exchange as soon as practicable following the meeting and will also be published on the Company's corporate website, www.theaapl.com.
5. A WHITE Form of Proxy accompanies this Notice of the Scheme. Details of how to appoint a proxy are set out in the notes to the Form of Proxy. Any member requiring a replacement Form of Proxy should contact the Company's Registrar, Equiniti, using the contact details set out at the end of these notes.
6. In order to be valid, any Form of Proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach Equiniti in accordance with the instructions set out on the Form of Proxy by 11.15 a.m. on 12 January 2021 (or, in circumstances where the General Meeting is adjourned, 24 hours before the time of the adjourned meeting, excluding non-working days).
7. The 'Vote Withheld' option on the Form of Proxy is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes 'for' or 'against' a particular resolution.
8. To change a proxy instruction, a member needs to submit a new proxy appointment using the methods set out in the notes to the Form of Proxy. Note that the deadlines for receipt of proxy appointments (11.15 a.m. on 12 January 2021 or, in circumstances where the General Meeting is adjourned, 24 hours before the time of the adjourned meeting, excluding any non-working days) also apply in relation to amended instructions and any amended proxy appointment received after the relevant deadline will be disregarded. Where a member has appointed a proxy using the paper Form of Proxy and would like to change the instructions using another such form, that member should contact Equiniti using the contact details set out at the end of these notes.

9. If more than one valid proxy appointment is submitted, the instruction received last before the deadline for the receipt of proxies will take precedence.
10. In order to revoke a proxy instruction, a signed letter clearly stating a member's intention to revoke a proxy appointment must be sent by post to Equiniti, in accordance with the instructions on the Form of Proxy. Note that deadlines for receipt of proxy appointments (11.15 a.m. on 12 January 2021 or, in circumstances where the General Meeting is adjourned, 24 hours before the time of the adjourned meeting, excluding any non-working days) also apply in relation to revocations. Any revocation received after the deadline will be disregarded.
11. In the event that a member is a joint holder and the joint holder purports to appoint a proxy, only the appointment submitted by the member whose name appears first on the register will be accepted.
12. Instructions for registering your votes electronically at www.sharevote.co.uk are included with the Form of Proxy that accompanies this Notice of the General Meeting. CREST members who wish to appoint a proxy through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournments of it by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service providers, should refer to their sponsors or voting service providers, who will be able to take the appropriate action on their behalf.
13. For a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for those instructions as described in the CREST Manual (available via euroclear.com). The message, regardless of whether it relates to the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, to be valid, be transmitted so as to be received by the Company's agent (ID: RA19) by the latest time for receipt of proxy appointments specified in the Notice of the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed voting service providers, to procure that its CREST sponsors or voting service providers take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 16. If you appoint a person other than the Chair of the General Meeting as your proxy, you must also make a request for the appointed proxy to attend the Court Meeting by telephone to represent you, as described in Note 3 above.**
17. If no voting indication is given, the Chair of the General Meeting (or any other person you appoint) as proxy will vote or abstain from voting at his discretion. The Chair of the General Meeting (or any other person you appoint) as proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the General Meeting.
18. The right to appoint a proxy does not apply to persons whose ordinary shares are held on their behalf by another person and who have been nominated to receive communications from the Company (Nominated Persons) in accordance with section 146 of the Act.
19. Nominated Persons may have a right under an agreement with the registered shareholder who holds the ordinary shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have

a right under such an agreement to give instructions to the person holding the ordinary shares as to the exercise of voting rights.

20. An AA Shareholder which is a corporation may appoint one or more corporate representatives who may exercise on its behalf all its powers, provided that if two or more corporate representatives purport to vote in respect of the same ordinary shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way, and in other cases the power is treated as not exercised.
21. Any AA Shareholder who attends the General Meeting by telephone may ask questions in relation to the business of the General Meeting, but no answer needs to be given if:
 - (a) answering the question would interfere unduly with the preparation of the General Meeting or involve disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
22. As at 14 December 2020 (being the latest practicable day before publication of this notice) the Company's issued share capital was 623,697,514 ordinary shares of 0.1p each, each carrying one vote. The total number of voting rights in the Company as at 14 December 2020 is therefore 623,697,514.
23. In the case of a joint shareholding, the vote of the first named holder shown on the register of members shall be accepted to the exclusion of the votes of the other joint holders.
24. Copies of this Notice of General Meeting and other information required by section 311A of the Companies Act 2006 will be published on our website, www.theaapl.com.
25. You may not use any electronic address provided either in this Notice of General Meeting or in any related documents (including a Chair's letter and/or Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
26. The results of the voting at the General Meeting will be announced through a Regulatory Information Service as soon as practicable and will appear on our website, www.theaapl.com/investors.
27. The Company reserves the absolute right to refuse entry to the General Meeting to any AA Shareholders, proxies or corporate representative who attempt to attend in person.

Part XIV
PROFIT FORECAST

1. Profit forecast

- 1.1 Paragraph 9 of Part I (*Letter from the Chair of AA plc*) of this document, “Current Trading and Prospects”, includes the statement:

*“However, given the benefit of the actions already taken during the year and current trading performance, the AA Directors continue to expect the Group to deliver a robust **performance in the financial year ending 31 January 2021, only slightly below that of the prior year.** The AA Directors’ confidence in the Group’s performance reflects the AA’s resilient business model both in **Trading EBITDA performance and in positive recurring cash generation.**”*

- 1.2 For the purposes of purposes of Rule 28 of the Takeover Code, the statement that Trading EBITDA performance in FY21 is expected to be only slightly below that of the prior year constitutes a profit forecast for the purposes of Rule 28.1 of the Takeover Code (the “**AA Profit Forecast**”). The AA Profit Forecast was also included in the AA’s interim results for the six month period ended 31 July 2020 released on 29 September 2020.
- 1.3 Further information on the bases of belief supporting the AA Profit Forecast, including the principal assumptions and sources of information, is set out below.

2. Basis of preparation and assumptions

- 2.1 The AA Profit Forecast is based upon internal AA forecasts updated to reflect the impact of the COVID-19 outbreak. It excludes any impact from any successful acquisition of, or any unsuccessful attempt to acquire, the AA (for the purposes of this Part XIV (*Profit Forecast*) only, the “Acquisition”).

- 2.2 The basis of accounting used for the AA Profit Forecast is consistent with the AA’s current accounting policies, which are in accordance with IFRS, and are those which are expected to apply in preparing the AA’s financial statements for the financial year ending 31 January 2021. The AA Profit Forecast excludes any costs associated with the Acquisition and does not take into account any future effect that may result from the completion of the Acquisition. The AA Directors have prepared the AA Profit Forecast on the basis of the following assumptions:

- (a) factors outside the influence or control of the AA Directors:
- (i) there will be no material change to the existing prevailing global macroeconomic environment, including, but not limited to, foreign exchange movements and political conditions over the period to 31 January 2021;
 - (ii) there will be no material change in market conditions over the period to 31 January 2021, particularly in relation to customer demand or the competitive environment, including as a result of further increased COVID-19 related restrictions;
 - (iii) there will be no business disruption (including natural disasters, acts of terrorism, cyber-attacks and technological issues) or other material adverse events over the period to 31 January 2021 that will have a material impact on the AA Group, its customers, operations or suppliers;
 - (iv) there will be no material change in legislation, taxation, regulatory requirements, or the position of any regulatory bodies impacting on the AA’s operations, expenditure or its accounting policies over the period to 31 January 2021;
 - (v) there will be no material adverse outcome from any ongoing or future disputes with any trading partner, competitor, regulator or tax authority; and
 - (vi) there will be no material unplanned change in the capital structure of the AA Group; and
- (b) factors within the influence or control of the AA Directors:
- (i) the AA Group does not carry out any acquisitions or disposals, or enter into, terminate or vary any joint venture which is material in the context of the AA Profit Forecast (taking into account any potential related transaction or abortive costs);

- (ii) there is no material change to the AA's existing operational strategy, and the AA's cost base and capital expenditures do not materially change over the forecast period to 31 January 2021; and
- (iii) the AA's accounting policies will be consistently applied over the forecast period to 31 January 2021.

3. AA Directors' confirmation

The AA Directors have considered the AA Profit Forecast and confirm that it remains valid as at the date of this document and has been properly compiled on the basis of the assumptions set out above and that the basis of the accounting used is consistent with the AA's accounting policies.

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