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**9 March 2005**

**AVIVA BRINGS TOGETHER NORWICH UNION INSURANCE AND RAC**

**Creating a powerful new combination in insurance and motoring services and delivering substantial value potential to Aviva and RAC Shareholders**

**Summary**

The boards of Aviva and RAC announce the terms of a recommended cash and share offer, to be made by Goldman Sachs and JPMorgan Cazenove on behalf of Aviva, the world's fifth largest insurance group, for the entire issued and to be issued share capital of RAC, a leading UK motoring services provider, for approximately £1.1 billion. <sup>(1)</sup>

The board of Aviva believes that the Acquisition will accelerate the growth and profitability of NUI, Aviva's UK general insurance business, strengthening its position as the UK's number one general insurer (with 15 million policyholders) and creating a powerful new combination in insurance and motoring services. The Acquisition will bring together RAC's powerful brand and customer base (including 6.7 million roadside assistance customers) with NUI's complementary expertise, where it already insures one in seven of all UK motor vehicles and has a leading position in private motor insurance.

The board of Aviva believes that this Acquisition will generate substantial value for Aviva's and RAC's Shareholders, an improved range of products for customers and opportunities for employees in the Enlarged Aviva Group. The combination of NUI and RAC is expected to generate substantial revenue benefits and cost savings across the combined businesses with total pre-tax cost savings of at least £80 million per annum to be achieved in 2006. <sup>(2)</sup>

The Acquisition is expected to be cash flow and earnings enhancing (on a modified statutory operating earnings per share basis and on an EEV operating earnings per share basis) for Aviva in 2006, being the first full year following completion of the Acquisition. It will also enhance the Aviva Group's return on capital employed from 2006. <sup>(3) (4) (5) (6)</sup>

The board of RAC believes that the Offer is in the best interests of RAC Shareholders and, therefore, unanimously recommends that they accept the Offer. The price being offered by Aviva reflects the strength of RAC's businesses, its brands and the potential for future growth through the combination of RAC and NUI.

### **The Offer**

- 0.7154 New Aviva Shares and 462.5p in cash for every 1 RAC Share. A Mix and Match Facility will also be available.
- Based on the Closing Price of an Aviva Share on 8 March 2005, being the last Business Day before this announcement, the Offer values each RAC Share at approximately 925p and the existing issued share capital of RAC at approximately £1.1 billion (after taking account of Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004, to which RAC Shareholders will not be entitled).<sup>(1)</sup>
- In addition, RAC Shareholders will retain the right to receive the proposed RAC final dividend of 15.6p per share for the year ended 31 December 2004, which is expected to be paid on 5 May 2005.
- Including the proposed RAC final dividend payable to RAC Shareholders, the value of the Offer represents a premium of approximately 27 per cent. over the Closing Price of a RAC Share of 742p on 7 March 2005, the last Business Day before the announcement by RAC that it had received an approach.
- Including the proposed RAC final dividend payable to RAC Shareholders, the value of the Offer also represents a premium of approximately 34 per cent. over the average Closing Price of a RAC Share of 703p for the month before the announcement by RAC that it had received an approach.
- Irrevocable undertakings to accept the Offer have been received from the directors of RAC who hold RAC Shares, representing approximately 0.2 per cent. of RAC's existing issued share capital.
- The conditions to and certain further terms of the Offer are set out in Appendix I to the full announcement.

### **Acquisition rationale**

NUI is a market leader in private motor insurance in the UK. In recent years, NUI has built on its core insurance business to provide a wide range of related services, such as roadside assistance, Pay As You Drive™ insurance and vehicle checks.

This expansion has positioned NUI at the forefront of a changing market where customers now buy a broader range of products from trusted brands and where low cost, quality service and convenience have become paramount. This plays to the strengths of providers with direct distribution and well-recognised brands.

Against this background, the combination of NUI and RAC, which have complementary expertise in motor insurance and motoring services, has the potential to deliver significant benefits to shareholders and customers.

In particular, the Acquisition:

- accelerates NUI's strategic objective to capitalise on changes in the market place and capture high value business by moving closer to customers and offering a broader range of products and services;
- provides access to RAC's 2.2 million individual roadside members;
- enhances NUI's partnership business by bringing new distribution partners with an additional 4.5 million corporate roadside customers, and the potential to develop RAC's current partnership relationships with a broader range of products and services;
- delivers a route to realise the potential of the RAC brand in insurance and financial services – areas where RAC already has ambitious plans for expansion;
- is expected to create total pre-tax cost savings across the combined businesses of at least £80 million per annum to be achieved in 2006; <sup>(2)</sup> and
- is expected to be cash flow and earnings enhancing (on a modified statutory operating earnings per share basis and on an EEV operating earnings per share basis) for Aviva in 2006, being the first full year following completion of the Acquisition, and beyond. <sup>(3)(4)(5)</sup>

RAC is already one of NUI's largest suppliers. It has provided the motor claims notification customer helpline, roadside recovery and a roadside assistance service offered as an addition to NUI motor insurance policies for ten years. RAC has provided underwriting of NUI's motor legal expenses cover and operated its motor legal expenses claims handling service for seven years. For the last two years it has provided services to NUI's own branded roadside assistance product.

## **Synergies <sup>(2)</sup>**

The combination of NUI and RAC is expected to generate substantial synergies, both in terms of additional revenue benefits and cost savings. The revenue benefits are anticipated to arise from a number of areas, including: <sup>(2)</sup>

- in direct insurance, selling additional products to RAC's membership base from a rate of 13 per cent. currently owning more than one product to over 50 per cent., using NUI's expertise and accelerating plans that RAC already has in place in this market;
- increasing sales of financial services products such as providing car loans to RAC's customers where the RAC brand is currently considered not to have reached its full potential;
- increasing roadside assistance sales to NUI's customers, supported by RAC's position as a leading provider in that market; and
- realising the full potential of the RAC brand, which is one of the largest independent providers of motoring services in the UK.

In 2006, total pre-tax cost savings across the combined businesses are expected to be at least £80 million per annum. The cost savings are anticipated to arise from removing duplication, supply chain savings and some offshoring of back office and administration roles. It is not intended to move customer-facing front office operations offshore. <sup>(2)</sup>

The Offer Document, containing the full terms and conditions of the Offer, will be despatched to RAC Shareholders within 28 days of this announcement unless otherwise agreed by the Panel.

Aviva is being advised by Goldman Sachs and JPMorgan Cazenove. RAC is being advised by Lazard. Hoare Govett is acting as broker to RAC.

## **Quotations**

Commenting on the Offer, Richard Harvey, group chief executive of Aviva, said:

"Norwich Union Insurance is an efficient, high return business with significant scale advantages and strong management. The combination of Norwich Union Insurance and RAC will be a powerful new force in the UK insurance and motoring services industry and has great potential to create significant value for our shareholders through bottom-line delivery of earnings and cash generation. It enhances the strategic position of Norwich Union Insurance and accelerates its growth plans in a changing marketplace."

Patrick Snowball, chief executive of NUI and group executive director, Aviva, added:

"This is a transformational acquisition for Norwich Union Insurance, which consolidates our position as the UK's leading general insurer and substantially advances our motoring services to customers. There is significant potential for

growth from realising the full power of the exceptionally strong RAC brand, particularly in financial services.

We also expect that membership of the Aviva Group will provide benefits and opportunities for employees across the Enlarged Aviva Group. We are excited about the revenue opportunities from this combination. When it comes to their car, we will help our customers learn how to drive it, buy it, insure it and, if things go wrong, get them back on the road fast.”

Commenting on the Offer, Peter Smith, chairman of RAC, said:

“The Board of RAC plc recommends unanimously this offer by Aviva to our shareholders. This offer represents a significant premium to our recent share price reflecting the potential of the combined companies. This offer not only represents substantial value in terms of the cash element to our shareholders but also, through receiving Aviva shares, it allows them to benefit from the future growth of the combined companies.”

This summary should be read in conjunction with the full text of the announcement. The sources and bases of information contained in this summary are set out in Appendix II to the full announcement and the definitions of certain expressions used in this summary are contained in Appendix III to the full announcement.

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- Aviva is the world's fifth-largest insurance group based on gross world-wide premiums and is the UK's largest insurer.
- Aviva's principal business activities are long-term savings, fund management and general insurance, with world-wide premium income and retail investment sales from continuing operations of £33 billion and assets under management of more than £273 billion.
- In 2004 Aviva's long-term savings, investment and health business premium income was £23 billion (70 per cent.) and general insurance premium income was £10 billion (30 per cent.).
- NUI is the largest general insurer in the UK and produces 60 per cent. of Aviva's worldwide general insurance business by gross written premiums. NUI's overall market share in the UK is 14 per cent. and it insures one in five households, one in seven motor vehicles and more than 800,000 businesses in the UK.

- RAC has 2.2 million individual roadside members and a further 4.5 million corporate roadside customers through its corporate partnership relationships. RAC was voted the UK's number one roadside assistance provider by customers in the JD Power 2004 UK roadside assistance study. It is a leading player in the motoring services market with an exceptionally strong brand – it achieves near 100 per cent. brand awareness in the UK. RAC's business is organised around four divisions: Consumer Services; Business Solutions; Lex Vehicle Leasing; and Manufacturer Support Services.

**NEWSWIRES:** There will be a conference call today for wire services at 8:15am (GMT) on +44 (0) 20 7365 1828 Quote: Aviva, Richard Harvey.

**PRESS:** There will be a press conference today at 12.30pm (GMT) at Aviva, St Helen's, 1 Undershaft, London, EC3P 3DQ. Journalists wishing to attend should ring Anna Marsh, Financial Dynamics in advance on 020 7269 7229.

**ANALYSTS:** A presentation to investors and analysts will take place at 9:30am (GMT) at St Helen's, 1 Undershaft, London, EC3P 3DQ. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Aviva Group's website [www.aviva.com](http://www.aviva.com) or on [www.cantos.com](http://www.cantos.com). In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0) 20 7365 1854. A replay facility will be available for two weeks on +44 (0) 20 7984 7578. The pass code is 7125647# for the whole presentation including Question & Answer session or 3831407# for Question & Answer session only.

The presentation slides will be available on the Aviva Group's website, [www.aviva.com/presentations](http://www.aviva.com/presentations) from 9am (GMT).

The Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media) includes images, company information and news release archive. High resolution images are also available for the media to view and download free of charge from [www.vismedia.co.uk](http://www.vismedia.co.uk).

Photographs are available from the Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media).

**Notes:**

1. Based on a total of 118,807,243 RAC Shares in issue on 8 March 2005, being the last Business Day before this announcement.
2. The expected cost savings have been calculated on the basis of the existing costs and operating structures of the companies and by reference to current prices and the current regulatory environment. The statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. As a

result of this, the cost savings referred to may not be achieved, or those achieved could be materially different from those estimated.

3. A statement that the Offer will be cash flow and earnings accretive in 2006 does not constitute a profit forecast and should not be interpreted to mean that earnings for 2006 or any subsequent financial period would necessarily be greater than those for any preceding financial period.
4. European Embedded Value (EEV) earnings per share is calculated by reference to Aviva's Group operating profit before amortisation of goodwill and exceptional items, net of tax, minorities and preference dividends, on a European Embedded Value basis.
5. Modified statutory operating earnings per share is calculated by reference to Aviva Group's post tax operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items attributable to equity shareholders.
6. The return on capital is calculated as the after-tax return on opening equity capital, based on operating profits before amortisation of goodwill and exceptional items.

*This announcement does not constitute an offer to sell or invitation to purchase any securities in any jurisdiction.*

*The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law. The availability of the Offer, if made, to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.*

*The Offer is not being made, directly or indirectly, in, into or from, or by the use of mails or any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, nor will it be made in, into or from, the US, Australia, Canada or Japan. Accordingly, copies of this announcement and formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from, the US, Australia, Canada or Japan and the Offer will not be capable of acceptance by any such use, instrumentality or facility within the US, Australia, Canada or Japan and persons receiving this announcement or any formal documentation (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in, into or from, the US, Australia, Canada or Japan. Doing so may render invalid any purported acceptance of the Offer. All RAC Shareholders or other persons (including nominees, trustees or custodians) who would or otherwise intend to or may have a contractual or legal obligation to forward this announcement or*

*any formal documentation relating to the Offer to any jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any such actions.*

*This announcement is not an offer of securities for sale in the US and the New Aviva Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state, district or other jurisdiction of the US, Australia, Canada or Japan and no regulatory clearance in respect of the New Aviva Shares has been, or will be, applied for in any jurisdiction other than the UK. Accordingly, unless an exemption under the US Securities Act or other relevant securities laws is applicable, the New Aviva Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in or into the US, Australia, Canada or Japan or to, or for the account or benefit of, any US person or any person resident in Australia, Canada or Japan.*

*Goldman Sachs International, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Aviva and no one else in connection with the Offer and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the Offer, or any matter referred to herein.*

*JPMorgan Cazenove Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Aviva and no one else in connection with the Offer and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of JPMorgan Cazenove Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*Lazard & Co., Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for RAC and no one else in connection with the Offer and will not be responsible for anyone other than RAC for providing the protections afforded to clients of Lazard & Co., Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*Hoare Govett Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for RAC and no one else in connection with the Offer and will not be responsible to anyone other than RAC for providing the protections afforded to clients of Hoare Govett Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*This announcement contains certain forward-looking statements. Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Aviva disclaims any obligation to update any forward-looking or other statements contained herein, except as required by applicable law.*

*Any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control securities of Aviva or RAC, owns or controls, or becomes the owner or controller, directly or indirectly, of one per cent. or more of any class of securities of Aviva or RAC is generally required under the provisions of Rule 8 of the City Code to notify a Regulatory Information Service (as specified in the Listing Rules) and the Panel by not later than 12.00 noon on the Business Day following the date of the transaction of every dealing in such securities during the period to the date on which the Offer becomes or is declared unconditional as to acceptances or lapses or is otherwise withdrawn. Dealings by Aviva or RAC or by their respective associates (within the definition set out in the City Code) in any class of securities of Aviva or RAC until the end of such period must also be disclosed. Please consult your financial adviser immediately if you believe this Rule may be applicable to you.*



## News release



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**9 March 2005**

**Aviva plc**  
**Recommended Cash and Share Offer**  
**for**  
**RAC plc**

### **1. Introduction**

The boards of Aviva and RAC today announce the terms of a recommended cash and share offer, to be made by Goldman Sachs and JPMorgan Cazenove on behalf of Aviva, to acquire the entire issued and to be issued share capital of RAC. The Offer is unanimously recommended by the board of RAC.

The Offer will be 0.7154 New Aviva Shares and 462.5p in cash for every 1 RAC Share, valuing each RAC Share at approximately 925p and RAC's existing issued share capital at approximately £1.1 billion based on the Closing Price of an Aviva Share on 8 March 2005, being the last Business Day before this announcement (after taking account of Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004, to which RAC Shareholders will not be entitled).<sup>(1)</sup>

Irrevocable undertakings to accept the Offer have been received from the directors of RAC who hold RAC Shares, representing approximately 0.2 per cent. of RAC's existing issued share capital.

### **2. The Offer**

Under the terms of the Offer, RAC Shareholders will be entitled to receive:

for every 1 RAC Share	0.7154 New Aviva Shares
	and
	462.5p in cash

and so in proportion for any other number of RAC Shares held.

A Mix and Match Facility will be available to RAC Shareholders, further details of which are set out in paragraph 10 below.

Based on the Closing Price of an Aviva Share on 8 March 2005, being the last Business Day before this announcement, the Offer values each RAC Share at approximately 925p and the existing issued share capital of RAC at approximately £1.1 billion (after taking account of Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004 to which RAC Shareholders will not be entitled).<sup>(1)</sup>

In addition, RAC Shareholders will retain the right to receive the proposed RAC final dividend of 15.6p per share for the year ended 31 December 2004 which is expected to be paid on 5 May 2005.

Including the proposed RAC final dividend payable to RAC Shareholders, the value of the Offer represents a premium of approximately 27 per cent. over the Closing Price of a RAC Share of 742p on 7 March 2005, the last Business Day before the announcement by RAC that it had received an approach. The value of the Offer also represents a premium of approximately 34 per cent. over the average Closing Price of a RAC Share of 703p for the month before the announcement by RAC that it had received an approach.

Full acceptance of the Offer (assuming full exercise of options under the RAC Share Option Schemes where the exercise price is less than the value of the Offer on the basis set out in paragraph 1 above) will involve the issue of up to 88.6 million New Aviva Shares (representing approximately 3.7 per cent. of the enlarged issued share capital of the Enlarged Aviva Group).

As fractions of New Aviva Shares will not be allotted or issued to persons accepting the Offer, fractional entitlements to New Aviva Shares will be aggregated and sold in the market and the net proceeds of sale will be distributed pro rata to persons entitled thereto. However, individual entitlements to amounts of less than £3 will not be paid to persons accepting the Offer but will be retained for the benefit of the Enlarged Aviva Group.

The Offer will be for all the issued and to be issued RAC Shares (other than any RAC Shares already owned by a member of the Aviva Group). The RAC Shares are to be acquired by or on behalf of Aviva under the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights and interests and together with all rights attaching thereto, including voting rights and the right to receive and retain all dividends and other distributions declared, made or paid after this announcement, save for the proposed RAC final dividend of 15.6p per share for the year ended 31 December 2004 proposed to be paid on 5 May 2005.

The Offer will be subject to the conditions and certain further terms set out in this paragraph, paragraph 10 below and in Appendix I to this announcement and the further terms and conditions to be contained in the formal Offer Document and the related Form of Acceptance.

### **3. Background to and reasons for the Offer**

The board of Aviva believes that the Acquisition will create significant value for its shareholders by delivering a powerful new combination in insurance and motoring services, which will consolidate NUI's position in UK general insurance and provide the opportunity to realise the full potential of the RAC brand.

The Acquisition is consistent with Aviva's strategy of growing its long-term savings business whilst maintaining a focused approach to general insurance as well as reinforcing the balance of the Aviva Group's earnings from life and non-life insurance activities.

The Acquisition is expected to generate significant cost savings and is expected to be cash flow and earnings enhancing (on a modified statutory operating earnings per share basis and on an EEV operating earnings per share basis) for Aviva in 2006 and beyond. <sup>(2) (3) (4) (5)</sup>

#### ***Market developments in general insurance***

The Acquisition is being made against a background of significant change in the UK general insurance market in recent years. Customer demands have evolved with the expectation of increased service levels and broader product offerings from insurance providers. Low cost and convenience are paramount and there is a growing propensity to purchase from trusted brands. Customer loyalty and retention have therefore become increasingly important to long-term profitability.

At the same time, the influence of traditional methods of distribution has declined. Telephone and internet distribution channels now dominate and large retailers and brands, with low costs of customer acquisition, have emerged as powerful distributors.

#### ***NUI at the forefront of market change***

Recognising changes in customer behaviour and the resulting shift in distribution, NUI has sought to lead the development of the industry and has been implementing a number of changes over the last few years. These changes have positioned NUI well in a market where customers now buy a broader range of motor-related products from trusted brands and where low cost and convenience have become paramount, playing to the strengths of providers with direct distribution and well-recognised brands.

Firstly, in response to these market developments, NUI has closed its broker, Hill House Hammond, and is on target to transfer 500,000 policyholders

successfully into its NUI Direct brand (a lower cost, higher value channel) contributing to the growth of 22 per cent. in its NUI Direct business in 2004.

Secondly, within the UK personal lines market, NUI has been implementing a strategy to develop new revenue streams, increase customer retention and enhance the performance of its core insurance business. This has been particularly evident in motor insurance, which is the largest area of the personal lines general insurance market, where NUI is positioning itself as a motoring services provider by broadening its product base. Initiatives include:

- the launch of NUI Rescue, with customer numbers reaching approximately 275,000 within two years. RAC is NUI's supplier for this service;
- the development of a number of ground breaking products such as Pay As You Drive™ insurance, which uses patented black box technology to price the insurance risk according to actual driving experience. This has achieved strong success in the pilot to date and NUI has recently launched its first policy on this basis where young drivers can receive lower premiums by selecting where, when and how often they drive their car; and
- in August 2004 NUI acquired HPI Holdings Limited, the UK's leading independent provider of vehicle information and checking services.

Thirdly, NUI has enhanced its efficiency by leveraging its scale to take advantage of its position as a bulk purchaser of claims related goods and materials to deliver strong supply chain savings, while also investing in offshoring and process improvements to deliver savings across the business. Reflecting this strategy, the combined operating ratio, a key industry measure of efficiency and performance, has decreased from 101 per cent. in 2002 to 97 per cent. in 2004.

### ***Benefits of combining NUI and RAC***

The Acquisition creates a powerful new combination in insurance and motoring services in the UK. RAC has 2.2 million individual roadside members and a further 4.5 million corporate roadside customers through its corporate partnership relationships. RAC was voted the UK's number one roadside assistance provider by customers in the JD Power 2004 UK roadside assistance study. It is a leading player in the motoring services market with an exceptionally strong brand, achieving almost 100 per cent. brand awareness in the UK. RAC's Consumer Services business, which represents approximately 54 per cent. of profits, includes roadside recovery and has a range of individual motoring solutions including driver tuition through BSM, car financing, insurance, legal services, automotive glass and traffic and travel information.

RAC is already one of NUI's largest suppliers. It has provided the motor claims notification customer helpline, roadside recovery and a roadside assistance service offered as an addition to NUI motor insurance policies for ten years. RAC has provided underwriting of NUI's motor legal expenses cover and operated its motor legal expenses claims handling service for seven years. For the last two years it has provided services to NUI's own branded roadside assistance product.

The combination brings together RAC's powerful UK brand, customer base of more than 6 million and a leading motoring services business with NUI's complementary expertise in insurance. It will create a leading provider of motor insurance and motoring services in the UK. In particular, the combination:

- accelerates NUI's strategic objective to capitalise on changes in the market place and capture higher value business by moving closer to customers and offering a broader range of products and services;
- provides access to RAC's 2.2 million individual roadside members;
- enhances NUI's partnership business by bringing new distribution partners, with an additional 4.5 million corporate roadside customers, and the potential to develop RAC's current partnership relationships with the broader range of products and services;
- delivers a route to realise the potential of the RAC brand in insurance and financial services – areas where RAC already has ambitious plans for expansion;
- is expected to create total pre-tax cost savings across the combined businesses of at least £80 million per annum to be achieved in 2006; <sup>(2)</sup> and
- is expected to be cash flow and earnings enhancing (on a modified statutory operating earnings per share basis and on an EEV operating earnings per share basis) for Aviva in 2006, being the first full year following completion of the Acquisition, and beyond. <sup>(3) (4) (5)</sup>

### **Synergies** <sup>(2)</sup>

The combination of NUI and RAC is expected to generate substantial synergies, both in terms of additional revenue benefits and cost savings. In 2006, total pre-tax cost savings across the combined businesses are expected to be at least £80 million per annum. <sup>(2)</sup>

### *Revenue Benefits*

NUI and RAC contribute complementary strengths in different product areas. The management of both NUI and RAC have identified significant opportunities to increase sales to the combined customer base, thereby accelerating the growth of the combined business.

The board of Aviva has identified potential revenue opportunities that it believes will have a significant impact on the operating margin and profit of the combined organisation. Revenue benefits are expected to be derived principally from:

- **RAC direct insurance** – the board of Aviva believes that improved customer penetration can be achieved by combining RAC's strong brand and large customer base with NUI's insurance expertise, which in turn will lead to additional profits. The RAC insurance brand is perceived as not having reached its full potential. In a recent survey by ICM, when prompted approximately 20 per cent. of those asked said they would buy motor insurance from RAC. However, against this backdrop, only 13 per cent. of RAC's individual roadside members have purchased more than one RAC product.

The board of Aviva is excited by the opportunity the RAC insurance proposition provides and believes NUI can grow the insurance customer base by approximately 300,000 customers by the end of 2007. NUI has a proven track record of growing its own direct insurance business, which grew by 22 per cent. in 2004 and successfully developing its corporate partnerships; and

- **Grow rescue products and risk pricing** – it is NUI's aim to increase RAC's roadside assistance customer base from 6.7 million customers to 7.3 million by the end of 2007. The targeted sales of rescue products to NUI's existing customer base together with the application of NUI's risk pricing methodology (which applies insurance underwriting techniques) to roadside products is expected to result in increased volumes and profit margin. This risk based pricing methodology has already been used successfully by NUI in developing its own breakdown service and, within two years, NUI has acquired approximately 275,000 breakdown customers.

The combination of RAC and NUI offers compelling opportunities to offer an expanded range of motoring and financial services products across the combined customer base using the most effective brand in each case.

### *Cost Savings*

In addition, NUI believes the combined businesses have the potential to realise significant cost savings. It is expected that the identified potential pre-tax cost savings across the combined businesses will total at least £80 million per annum to be achieved in 2006. These estimated cost savings will be

achieved from a combined NUI and RAC cost base of approximately £2.1 billion.<sup>(2)</sup>

Savings across the combined businesses are expected to result from the removal of duplicated head office costs, a reduction in external advice costs, marketing economies, call centre efficiencies and a reduction in support staff including IT, HR and Finance. In addition, there are expected to be supply chain savings, as similar products are purchased across the two businesses.<sup>(2)</sup> In this area NUI has a proven track record, achieving an increase in supply chain savings of £55 million during 2004 in addition to £175 million cumulative supply chain benefits achieved in 2003.

RAC currently has an IT support offshoring pilot which NUI intends to extend to include the offshoring of certain back office administration functions. Other identified cost savings include those expected to result from property disposals and further operational efficiencies.

Savings will be achieved with regard to maintaining the strong customer service standards of NUI and RAC, consistent with their trusted retail brands.

Restructuring costs of approximately £100 million pre-tax are estimated to be incurred integrating the two businesses.

#### **4. Integration plan for the combination of NUI and RAC**

The Acquisition will involve a comprehensive integration of RAC and NUI to ensure that RAC customers gain the full benefit of being part of the Enlarged Aviva Group and that the maximum level of synergies is achieved. The phasing of the integration will be structured so as to minimise any disruption to customers during the integration process.

The RAC, BSM and Lex brands will be maintained and actively promoted alongside NUI.

#### ***Management and employees***

On the Offer becoming or being declared unconditional in all respects, the accrued employment rights, including pension rights, of all management and employees of the RAC Group will be protected.

The total number of staff employed by NUI and RAC will be approximately 24,000. The board of Aviva believes that membership of the Enlarged Aviva Group will provide opportunities for employees across the enlarged group. It is, however, expected that approximately 1,700 UK roles will be affected as a result of the integration of the two businesses. Of these, approximately 900 roles will be lost through combining support functions. Following the success of NUI's offshoring operations, it is expected that RAC's offshore operations will be expanded and approximately 800 back office and administration roles

will be offshored. It is not intended to move any customer facing front office operations offshore.

Wherever possible reductions in staff numbers will be achieved through natural staff turnover and redeployment, although some compulsory redundancies are likely. However, NUI has staff turnover in a typical year in excess of these numbers. Additionally, as a result of the proposed growth plans the board of Aviva expects to create significant numbers of new roles over the next three years in the combined organisation. The board of Aviva believes these changes will assist in minimising the impact of these reductions. Employee representatives and employees will be consulted throughout this process.

## **5. Benefits for RAC customers**

The coming together of two powerful and trusted brands will ensure that customers benefit from a greatly enhanced range of products, particularly in the motoring services market. The board of Aviva believes that the increased scale and buying power of NUI and RAC will enhance customer service and value for money, both of which are key requirements for customers wishing to purchase insurance and motoring service products in today's marketplace.

## **6. Financial effects on Aviva <sup>(3)</sup>**

The Acquisition is expected to be cash flow and earnings enhancing (on a modified statutory operating earnings per share basis and on an EEV operating earnings per share basis) for Aviva in 2006, being the first full year following completion of the Acquisition. It will also enhance the Aviva Group's return on capital employed from 2006. <sup>(3) (4) (5) (6)</sup>

The Acquisition is expected to enhance the quality of the Aviva Group's earnings, increasing the important cash-based earnings contribution to the Aviva Group from the non-life insurance business. <sup>(3)</sup>

The increase in cash flow to the Aviva Group will be available for investment in growth in the life businesses, investment in NUI and RAC and will enhance Aviva Group's dividend cover.

The Aviva Group's proforma EU Insurance Groups Directive solvency excess remains strong at approximately £3 billion as at 31 December 2004, after the estimated £0.6 billion impact of goodwill and equity issuance relating to the Acquisition.

## **7. Information on Aviva**

Aviva is the world's fifth-largest insurance group and the biggest in the UK. It is one of the leading providers of life and pensions products to Europe and

has substantial businesses elsewhere around the world. Its main activities are long-term savings, general insurance and fund management. It has premium income and investment sales from continuing operations of approximately £33 billion and over £273 billion of assets under management as at 31 December 2004. The Aviva Group has approximately 49,000 employees serving 30 million customers worldwide.

Aviva's strategy is to be a leading European-based financial services group with a focus on long-term savings as Aviva's engine of growth; to take a focused approach to general insurance, with disciplined underwriting and efficient claims handling; to build a world-class fund management business; to build top-five positions in key markets; and to withdraw from lines of business or markets that do not offer the potential for market-leading positions or superior returns.

## **8. Information on NUI**

NUI is the largest general insurer in the UK and produces 60 per cent. of Aviva's general insurance business by gross written premiums. NUI's overall market share in the UK is 14 per cent. and it insures one in five households, one in seven motor vehicles and more than 800,000 businesses in the UK.

NUI's core business priorities are rigorous cost control, disciplined underwriting and excellent customer service. NUI's stated strategy is to deliver high-quality earnings from market-leading positions in personal insurance and selected commercial lines. NUI's range of distribution channels and balanced portfolio of products and services enables NUI to react flexibly to changing market conditions and to meet customer needs.

NUI in recent years has invested in the development of innovative, tailored propositions such as digital flood mapping, Pay As You Drive™ insurance and NUI Rescue vehicle breakdown service, which has seen rapid growth. NUI continues to use its scale, market influence and expertise to drive cost efficiency to the benefit of shareholders and customers.

NUI's premium income in 2004 was £5.4 billion, with operating profits before tax, amortisation of goodwill and exceptional items of £832 million and a combined operating ratio of 97 per cent.

## **9. Information on RAC**

RAC has 2.2 million individual roadside members and a further 4.5 million corporate roadside customers through its corporate partnership relationships. RAC was voted the UK's number one roadside assistance provider by customers in the JD Power 2004 UK roadside assistance study. It is a leading player in the motoring services market with an exceptionally strong brand – it achieves near 100 per cent. brand awareness in the UK. RAC's business is

organised around four divisions - Consumer Services; Business Solutions; Lex Vehicle Leasing; and Manufacturer Support Services.

The Consumer Services division represents approximately 54 per cent. of RAC's profits and has established itself as the provider of a comprehensive range of individual motoring solutions including driver tuition through BSM, car financing, insurance, legal services, automotive glass and traffic and travel information. RAC believes that this range of solutions adds value and depth to its relationships with customers and enables it to create long term partnerships with their 2.2 million individual roadside members.

The Business Solutions division includes claims management and accident services, vehicle inspections and customer contact centres.

Lex Vehicle Leasing provides vehicle leasing, supply, management, maintenance and incident support for companies who outsource the day to day operation of their fleets.

Manufacturer Support Services provides a broad range of warehousing, logistics and parts supply solutions to help businesses and the public sector maximise their operating efficiency. In addition, the division provides vehicle marketing and distribution for Hyundai in the UK.

## **10. Mix and Match Facility**

RAC Shareholders may elect under the terms of the Offer, subject to availability, to vary the proportions in which they receive New Aviva Shares and cash in respect of their holdings of RAC Shares. However, the total number of New Aviva Shares to be issued and the maximum aggregate amount of cash to be paid under the Offer will not be varied as a result of elections under the Mix and Match Facility. Accordingly, satisfaction of elections made by RAC Shareholders under the Mix and Match Facility will depend on the extent to which other RAC Shareholders make offsetting elections. Satisfaction of elections under the Mix and Match Facility will be effected on the basis of 646.5 pence in cash (being the Closing Price of an Aviva Share on 8 March 2005, the last Business Day before this announcement, after taking account of Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004, to which RAC Shareholders will not be entitled) for each New Aviva Share (and vice versa). To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. As a result, RAC Shareholders who make an election under the Mix and Match Facility will not necessarily know the exact number of New Aviva Shares or the amount of cash they will receive until settlement of the consideration under the Offer.

Elections under the Mix and Match Facility will not affect the entitlements of those RAC Shareholders who do not make any such elections.

The Mix and Match Facility will remain open until the first closing date of the Offer (and Aviva may close it on that or any subsequent closing date). If the Offer is not then unconditional as to acceptances in accordance with paragraph (a) of Appendix I to this announcement, Aviva may extend the Mix and Match Facility to a later date. If the Mix and Match Facility has been closed, then Aviva reserves the right to reintroduce a Mix and Match Facility, subject to the rules of the City Code. The Mix and Match Facility is conditional on the Offer becoming or being declared unconditional in all respects.

Further details on the Mix and Match Facility will be included in the formal Offer Document and the related Form of Acceptance.

## **11. Financing**

The Offer includes (assuming full exercise of options, but without taking account of the exercise proceeds of those options, under the RAC Share Option Schemes where the exercise price is less than the value of the Offer on the basis set out in paragraph 1 above) approximately £572 million of cash consideration which will be financed from the Aviva Group's current resources.

## **12. The New Aviva Shares**

The New Aviva Shares to be issued pursuant to the Offer will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Aviva Shares. The RAC Shareholders will not be entitled to Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004.

## **13. RAC Share Option Schemes**

The Offer will extend to RAC Shares issued or unconditionally allotted upon the exercise of options under the RAC Share Option Schemes whilst the Offer remains open for acceptance or by such earlier date as Aviva may decide, not being earlier than the date on which the Offer becomes unconditional as to acceptances, or if later, the first closing date of the Offer.

To the extent that such options are not exercised, appropriate proposals will be made in due course to participants in the RAC Share Option Schemes to take effect once the Offer becomes, or is, declared unconditional in all respects.

## **14. Disclosure of interests in RAC**

Save for 1,114,000 RAC Shares owned or controlled by Aviva, its subsidiaries or their respective pension funds in the course of insurance, fund

management or pension fund operations and 625 RAC Shares owned by the spouse of a director of Aviva, as at the close of business on 8 March 2005, being the latest practicable day prior to the date of this announcement, neither Aviva, nor any of the directors of Aviva nor their close relatives and related trusts, nor, so far as Aviva is aware, any party acting in concert with Aviva, owned or controlled any RAC Shares or held any options to purchase any RAC Shares, or had any arrangements in relation to any RAC Shares, or had entered into any derivative referenced to RAC Shares which remained outstanding. Arrangements include an indemnity or option arrangement or an agreement or understanding, whether formal or informal, of whatever nature relating to RAC Shares which is or may be an inducement to one or more persons to deal or refrain from dealing in such shares.

## **15. Settlement, listing and dealing**

Application will be made to the London Stock Exchange for the New Aviva Shares to be admitted to trading on its market for listed securities and to the UK Listing Authority for the New Aviva Shares to be admitted to the Official List. It is expected that listing will become effective and that dealings will commence on the first Business Day following the date on which the Offer becomes or is declared unconditional in all respects (subject only to the condition relating to Admission set out in paragraph (c) of Appendix I to this announcement).

Certificates for New Aviva Shares to be issued to RAC Shareholders will be despatched no later than 14 days after the date on which the Offer becomes or is declared unconditional in all respects. No certificates for New Aviva Shares will be issued in respect of the entitlements of those RAC Shareholders who hold their shares in CREST, settlement for which will be made through the applicable CREST procedures.

Further details on listing, dealing and settlement will be included in the formal Offer Document.

## **16. Delisting, cancellation of trading and compulsory acquisition**

If sufficient acceptances are received, Aviva intends to exercise its rights pursuant to the provisions of section 428 to 430F (inclusive) of the Companies Act to acquire compulsorily any outstanding RAC Shares to which the Offer relates and to apply in due course to delist the RAC Shares from the Official List and to cancel trading on the London Stock Exchange's market for listed securities.

## **17. Irrevocable undertakings**

Irrevocable undertakings to accept the Offer have been received from the directors of RAC who hold RAC Shares in respect of 239,991 RAC Shares,

representing approximately 0.2 per cent. of RAC's existing issued share capital in aggregate.

The irrevocable undertakings will only cease to be binding in the event that a competing offer becomes wholly unconditional.

## **18. The recommendation**

The directors of RAC, who have been so advised by Lazard, consider the terms of the Offer to be fair and reasonable, so far as RAC Shareholders taken as a whole are concerned. In providing its advice to the directors of RAC, Lazard has taken into account the commercial assessments of the directors of RAC. Accordingly, the directors of RAC unanimously recommend RAC Shareholders to accept the Offer, as they have irrevocably undertaken to do in respect of their own beneficial holdings, amounting, in aggregate, to 239,991 RAC Shares, representing approximately 0.2 per cent. of RAC's existing issued share capital.

## **19. Expected timetable**

The Offer Document, containing the full terms and conditions of the Offer, will be despatched to RAC Shareholders within 28 days of this announcement unless agreed otherwise by the Panel.

## **20. General**

In accordance with Rule 2.10 of the City Code, as at 8 March 2005 (being the last Business Day before this announcement), 118,807,243 RAC Shares were in issue. The International Securities Identification Number for RAC Shares is GB0005145239. In addition, as at 8 March 2005 (being the last Business Day before this announcement), 2,282,763,711 Aviva Shares were in issue. The International Securities Identification Number for Aviva Shares is GB0002162385.

The sources and bases of information contained in this announcement are contained in Appendix II. The definitions of certain expressions used in this announcement are contained in Appendix III.

- ends -

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**Notes to editors:**

- Aviva is the world's fifth-largest insurance group based on gross world-wide premiums and is the UK's largest insurer.
- Aviva's principal business activities are long-term savings, fund management and general insurance, with world-wide premium income and retail investment sales from continuing operations of £33 billion and assets under management of more than £273 billion.
- In 2004 Aviva's long-term savings, investment and health business premium income was £23 billion (70 per cent.) and general insurance premium income was £10 billion (30 per cent.).
- NUI is the largest general insurer in the UK and produces 60 per cent. of Aviva's worldwide general insurance business by gross written premiums. NUI's overall market share in the UK is 14 per cent. and it insures one in five households, one in seven motor vehicles and more than 800,000 businesses in the UK.
- RAC has 2.2 million individual roadside members and a further 4.5 million corporate roadside customers through its corporate partnership relationships. RAC was voted the UK's number one roadside assistance provider by customers in the JD Power 2004 UK roadside assistance study. It is a leading player in the motoring services market with an exceptionally strong brand – it achieves near 100 per cent. brand awareness in the UK. RAC's business is organised around four divisions: Consumer Services; Business Solutions; Lex Vehicle Leasing; and Manufacturer Support Services.

**NEWSWIRES:** There will be a conference call today for wire services at 8:15am (GMT) on +44 (0) 20 7365 1828 Quote: Aviva, Richard Harvey.

**PRESS:** There will be a press conference today at 12.30pm (GMT) at Aviva, St Helen's, 1 Undershaft, London, EC3P 3DQ. Journalists wishing to attend should ring Anna Marsh, Financial Dynamics in advance on 020 7269 7229.

**ANALYSTS:** A presentation to investors and analysts will take place at 9:30am (GMT) at St Helen's, 1 Undershaft, London, EC3P 3DQ. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Aviva Group's website [www.aviva.com](http://www.aviva.com) or on [www.cantos.com](http://www.cantos.com). In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0) 20 7365 1854. A replay facility will be available for two weeks on +44 (0) 20 7984 7578. The pass code is 7125647# for the whole presentation including Question & Answer session or 3831407# for Question & Answer session only.

The presentation slides will be available on the Aviva Group's website, [www.aviva.com/presentations](http://www.aviva.com/presentations) from 9am (GMT).

The Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media) includes images, company information and news release archive. High resolution images are also available for the media to view and download free of charge from [www.vismedia.co.uk](http://www.vismedia.co.uk).

Photographs are available from the Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media).

**Notes:**

1. Based on a total of 118,807,243 RAC Shares in issue on 8 March 2005, being the last Business Day before this announcement.
2. The expected cost savings have been calculated on the basis of the existing costs and operating structures of the companies and by reference to current prices and the current regulatory environment. The statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. As a result of this, the cost savings referred to may not be achieved, or those achieved could be materially different from those estimated.
3. A statement that the Offer will be cash flow and earnings accretive in 2006 does not constitute a profit forecast and should not be interpreted to mean that earnings for 2006 or any subsequent financial period would necessarily be greater than those for any preceding financial period.
4. European Embedded Value (EEV) earnings per share is calculated by reference to Aviva's Group operating profit before amortisation of goodwill and exceptional items, net of tax, minorities and preference dividends, on a European Embedded Value basis.
5. Modified statutory operating earnings per share is calculated by reference to Aviva Group's post tax operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items attributable to equity shareholders.
6. The return on capital is calculated as the after-tax return on opening equity capital, based on operating profits before amortisation of goodwill and exceptional items.

*This announcement does not constitute an offer to sell or invitation to purchase any securities in any jurisdiction.*

*The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law. The availability of the Offer, if made, to*

*persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.*

*The Offer is not being made, directly or indirectly, in, into or from, or by the use of mails or any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, nor will it be made in, into or from, the US, Australia, Canada or Japan. Accordingly, copies of this announcement and formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from, the US, Australia, Canada or Japan and the Offer will not be capable of acceptance by any such use, instrumentality or facility within the US, Australia, Canada or Japan and persons receiving this announcement or any formal documentation (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in, into or from, the US, Australia, Canada or Japan. Doing so may render invalid any purported acceptance of the Offer. All RAC Shareholders or other persons (including nominees, trustees or custodians) who would or otherwise intend to or may have a contractual or legal obligation to forward this announcement or any formal documentation relating to the Offer to any jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any such actions.*

*This announcement is not an offer of securities for sale in the US and the New Aviva Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state, district or other jurisdiction of the US, Australia, Canada or Japan and no regulatory clearance in respect of the New Aviva Shares has been, or will be, applied for in any jurisdiction other than the UK. Accordingly, unless an exemption under the US Securities Act or other relevant securities laws is applicable, the New Aviva Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in or into the US, Australia, Canada or Japan or to, or for the account or benefit of, any US person or any person resident in Australia, Canada or Japan.*

*Goldman Sachs International, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Aviva and no one else in connection with the Offer and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the Offer, or any matter referred to herein.*

*JPMorgan Cazenove Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for Aviva and no one else in connection with the Offer and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of JPMorgan Cazenove Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*Lazard & Co., Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for RAC and no one else in connection*

*with the Offer and will not be responsible for anyone other than RAC for providing the protections afforded to clients of Lazard & Co., Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*Hoare Govett Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting for RAC and no one else in connection with the Offer and will not be responsible to anyone other than RAC for providing the protections afforded to clients of Hoare Govett Limited or for providing advice in relation to the Offer, or any matter referred to herein.*

*This announcement contains certain forward-looking statements. Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Aviva disclaims any obligation to update any forward-looking or other statements contained herein, except as required by applicable law.*

*Any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control securities of Aviva or RAC, owns or controls, or becomes the owner or controller, directly or indirectly, of one per cent. or more of any class of securities of Aviva or RAC is generally required under the provisions of Rule 8 of the City Code to notify a Regulatory Information Service (as specified in the Listing Rules) and the Panel by not later than 12.00 noon on the Business Day following the date of the transaction of every dealing in such securities during the period to the date on which the Offer becomes or is declared unconditional as to acceptances or lapses or is otherwise withdrawn. Dealings by Aviva or RAC or by their respective associates (within the definition set out in the City Code) in any class of securities of Aviva or RAC until the end of such period must also be disclosed. Please consult your financial adviser immediately if you believe this Rule may be applicable to you.*

## APPENDIX I

### Conditions and certain further terms of the Offer

The Offer, which will be made by Goldman Sachs and JPMorgan Cazenove on behalf of Aviva, will comply with the applicable rules and regulations of the UK Listing Authority and the London Stock Exchange and the City Code.

#### Part A: Conditions of the Offer

The Offer will be subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. on the first closing date of the Offer (or such later time(s) and/or date(s) as Aviva may, with the consent of the Panel or in accordance with the City Code, decide) in respect of not less than 90 per cent. (or such lower percentage as Aviva may decide) in nominal value of the RAC Shares to which the Offer relates, provided that this condition (a) shall not be satisfied unless Aviva and/or any of its wholly-owned subsidiaries shall have acquired or agreed to acquire, whether pursuant to the Offer or otherwise, RAC Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at general meetings of RAC. For the purposes of this condition (a):
  - (i) RAC Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights they will carry on being entered into the register of members of RAC; and
  - (ii) the expression **RAC Shares to which the Offer relates** shall be construed in accordance with sections 428 to 430F of the Companies Act;
- (b) in the event that the Acquisition constitutes a concentration with a Community dimension within the scope of Council Regulation (EC) 139/2004 (the **Regulation**):
  - (i) the European Commission having confirmed, in terms satisfactory to Aviva, that it does not intend to initiate proceedings under Article 6(1)(c) of the Regulation in respect of the Acquisition or any aspect of the Acquisition;
  - (ii) in the event that a request under Article 9(2) of the Regulation has been made by a European Union or EFTA state, either:

- (I) the European Commission having confirmed, in terms satisfactory to Aviva, that it does not intend to refer the Acquisition or any aspect of the Acquisition to the competent authorities of such a European Union or EFTA state in accordance with Article 9(3) of the Regulation; or
  - (II) in the event the European Commission, in accordance with Article 9(3) of the Regulation, refers the Acquisition or any aspect of the Acquisition to the competent authorities of such a European Union or EFTA state, that competent authority indicating, in terms satisfactory to Aviva, that it does not intend to initiate second phase proceedings (as provided for under the national laws of the relevant European Union or EFTA state) in respect of the Acquisition or any aspect of the Acquisition; and
  - (iii) no indication having been made that a European Union or EFTA state may take appropriate measures to protect legitimate interests pursuant to Article 21(3) of the Regulation in relation to the Acquisition or any aspect of the Acquisition;
- (c) the Admission of the New Aviva Shares becoming effective or if Aviva and RAC so determine and (subject to the consent of the Panel) the UKLA agreeing to admit such shares to the Official List and the London Stock Exchange agreeing to admit such shares to trading subject only to (i) the allotment of such shares and/or (ii) the Offer becoming or being declared unconditional in all respects;
- (d) the Financial Services Authority having given notice in writing under section 184(1) of FSMA, in terms satisfactory to Aviva, of its approval in respect of any acquisition of or increase in control (as defined in section 179 of FSMA) over any member of the wider RAC Group which is a UK authorised person (as defined in section 178(4) of FSMA) which would result from the Acquisition, or being treated as having given its approval by virtue of section 184(2) of FSMA;
- (e) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, trade agency, association, institution or professional body having responsibility for the regulation or supervision of consumer credit or financial services having:
- (i) withdrawn or refused to renew, or threatened to withdraw or to refuse to renew, any licence or permission; or
  - (ii) instituted, implemented, taken or omitted, or threatened to take or to omit, any other action,

the effect of which would be materially and adversely to affect the businesses, assets, prospects or profits of the wider Aviva Group or of the wider RAC Group, as the case may be and upon no such licences or permissions terminating or otherwise becoming invalid as a result of the

Offer or its implementation the effect of which would be materially and adversely to affect the businesses, assets, prospects or profits of the wider RAC Group;

- (f) there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the wider RAC Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Offer or the proposed acquisition of any shares or other securities in RAC or because of a change in the control or management of RAC or otherwise, could or might result (in each case to an extent which is material in the context of the wider RAC Group) in:
- (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or modified or affected or any obligation or liability arising or any action being taken thereunder;
  - (iii) any assets or interests of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
  - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member;
  - (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
  - (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
  - (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
  - (viii) the creation of any liability, actual or contingent, by any such member,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the wider RAC Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this condition (f) (in each case to an extent which is material in the context of the wider RAC Group);

- (g) no government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental body, court or trade association in any jurisdiction (each a **Third Party**) having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to:
- (i) require, prevent or delay the divestiture, or alter the terms envisaged for any proposed divestiture by any member of the wider Aviva Group or any member of the wider RAC Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof, where this would have a material effect in the context of the wider RAC Group;
  - (ii) require, prevent or materially delay the divestiture by any member of the wider Aviva Group of any shares or other securities in RAC;
  - (iii) impose any limitation on, or result in a material delay in, the ability of any member of the wider Aviva Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the wider RAC Group or the wider Aviva Group or to exercise management control over any such member;
  - (iv) otherwise adversely affect the business, assets, profits or prospects of any member of the wider Aviva Group or of any member of the wider RAC Group to an extent which is material in the context of the wider RAC Group;
  - (v) make the Offer or its implementation or the acquisition or proposed acquisition by Aviva or any member of the wider Aviva Group of any shares or other securities in, or control of RAC void, illegal, and/or unenforceable under the laws of any

jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise materially interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith;

- (vi) require any member of the wider Aviva Group or the wider RAC Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the wider RAC Group or the wider Aviva Group owned by any Third Party;
- (vii) impose any material limitation on the ability of any member of the wider RAC Group to co-ordinate its business, or any part of it, with the businesses of any other members; or
- (viii) result in any member of the wider RAC Group ceasing to be able to carry on business under any name under which it presently does so,

and all applicable waiting and other time periods during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Offer or the Acquisition having expired, lapsed or been terminated;

- (h) all necessary filings or applications having been made in connection with the Offer and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the wider Aviva Group of any shares or other securities in, or control of, RAC and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals (collectively **Consents**) reasonably deemed necessary or appropriate by Aviva or any member of the Aviva Group for or in respect of the Offer or the proposed acquisition of any shares or other securities in, or control of, RAC by any member of the wider Aviva Group having been obtained in terms and in a form reasonably satisfactory to Aviva from all appropriate Third Parties or persons with whom any member of the wider RAC Group has entered into contractual arrangements and all such Consents together with all material Consents necessary or appropriate to carry on the business of any member of the wider RAC Group remaining in full force and effect and all filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Offer becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (i) except as disclosed in the RAC Annual Report and Accounts or as otherwise publicly announced by RAC (by the delivery of an announcement to a Regulatory Information Service as specified by the Listing Rules) prior to 9 March 2005, no member of the wider RAC Group having, since 31 December 2004:

- (i) save as between RAC and wholly-owned subsidiaries of RAC or for RAC Shares issued pursuant to the exercise of options granted under the RAC Share Option Schemes, issued, authorised or proposed the issue of additional shares of any class;
- (ii) save as between RAC and wholly-owned subsidiaries of RAC or for the grant of options under the RAC Share Option Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
- (iii) other than to another member of the RAC Group, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus in respect of shares, dividend or other distribution whether payable in cash or otherwise, save for the proposed RAC final dividend of 15.6p per share for the year ended 31 December 2004 which is expected to be paid on 5 May 2005;
- (iv) save for intra-RAC Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business;
- (v) save for intra-RAC Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital;
- (vi) issued, authorised or proposed the issue of any debentures or (save for intra-RAC Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;
- (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
- (viii) implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement

otherwise than in the ordinary course of business or entered into or changed the terms of any contract with any director or senior executive to the extent not fairly disclosed to the Aviva Group prior to 9 March 2005;

- (ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be materially restrictive on the businesses of any member of the wider RAC Group or the wider Aviva Group or which involves or could involve an obligation of such a nature or magnitude or which is other than in the ordinary course of business and in each such case is material in the context of the wider RAC Group;
- (x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it (and which in each such case is or are still extant) for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
- (xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the wider RAC Group or the wider Aviva Group, to an extent which is material in the context of the wider RAC Group other than to a nature and extent which is normal in the context of the business concerned;
- (xii) waived or compromised any claim which is material in the context of the wider RAC Group otherwise than in the ordinary course of business; or
- (xiii) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business which is material in the context of the wider RAC Group or passed any resolution or made any Offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition (i),

and, for the purposes of sub-paragraphs (iii), (iv), (v) and (vi) of this condition (i) only, the term **RAC Group** shall mean RAC and its wholly-owned subsidiaries;

- (j) since 31 December 2004 and save as disclosed in the RAC Annual Report and Accounts or as otherwise publicly announced by RAC (by the delivery of an announcement to a Regulatory Information Service as specified in the Listing Rules) prior to 9 March 2005:
- (i) no change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the wider RAC Group which is materially adverse in the context of the wider RAC Group;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the wider RAC Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the wider RAC Group having been instituted announced or threatened by or against or remaining outstanding in respect of any member of the wider RAC Group which in any such case might be expected to adversely affect the wider RAC Group;
  - (iii) no contingent or other liability having arisen or become apparent to Aviva which would be likely to adversely affect the wider RAC Group; and
  - (iv) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the wider RAC Group which is necessary for the proper carrying on of its business where the effect would be materially adverse to the wider RAC Group;
- (k) save as disclosed in the RAC Annual Report and Accounts or as otherwise publicly announced by RAC (by the delivery of an announcement to a Regulatory Information Service as specified in the Listing Rules) prior to 9 March 2005 or as otherwise fairly disclosed in writing to Aviva by RAC prior to 9 March 2005, Aviva not having discovered:
- (i) that any financial, business or other information concerning the wider RAC Group as contained in the information publicly disclosed at any time by or on behalf of any member of the wider RAC Group prior to 9 March 2005 is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading;
  - (ii) that any member of the wider RAC Group partnership, company or other entity in which any member of the wider RAC Group has a significant economic interest and which is not a subsidiary undertaking of RAC is subject to any liability (contingent or otherwise) which is material in the context of the wider RAC Group; or

- (iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the wider RAC Group to an extent which is material in the context of the wider RAC Group; and

(l) Aviva not having discovered that:

- (i) any past or present member of the wider RAC Group has failed to comply with any and/or all applicable legislation or regulation, of any jurisdiction with regard to the disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters, or that there has otherwise been any such disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) on the part of any member of the wider RAC Group to an extent which is material in the context of the wider RAC Group; or
- (ii) there is, or is likely to be, for that or any other reason whatsoever, any liability (actual or contingent) of any past or present member of the wider RAC Group to make good, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the wider RAC group, under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any jurisdiction where the cost is material in the context of the wider RAC Group.

For the purposes of these conditions the **wider RAC Group** means RAC and its subsidiary undertakings, associated undertakings and any other undertaking in which RAC and/or such undertakings (aggregating their interests) have a significant interest and the **wider Aviva Group** means Aviva and its subsidiary undertakings, associated undertakings and any other undertaking in which Aviva and/or such undertakings (aggregating their interests) have a significant interest and for these purposes **subsidiary undertaking**, **associated undertaking** and **undertaking** have the meanings given by the Companies Act, other than paragraph 20(1)(b) of Schedule 4A to the Companies Act which shall be excluded for this purpose, and **significant interest** means a direct or indirect interest in twenty per cent. or more of the equity share capital (as defined in the Companies Act).

Aviva reserves the right to waive, in whole or in part, all or any of the above conditions, except conditions (a) and (c).

Condition (c) must be fulfilled by, and conditions (b) and (d) to (l) (inclusive) fulfilled or waived by midnight on the 21st day after the later of the first closing date of the Offer and the date on which condition (a) is fulfilled (or in each such case such later date as Aviva may, with the consent of the Panel, decide). Aviva shall be under no obligation to waive or treat as satisfied any of the conditions (b) and (d) to (l) (inclusive) by a date earlier than the latest date specified above for the satisfaction thereof, notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

If Aviva is required by the Panel to make an offer for RAC Shares under the provisions of Rule 9 of the City Code, Aviva may make such alterations to any of the above conditions as are necessary to comply with the provisions of that Rule.

The Offer will lapse (unless otherwise agreed with the Panel) if the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority of the United Kingdom under Article 9(1) of the Regulation and there is then a reference to the Competition Commission before the later of 3.00 p.m. on the first closing date of the Offer and the date on which the Offer becomes or is declared unconditional as to acceptances.

If the Offer lapses, the Offer will cease to be capable of further acceptance and Aviva and the accepting RAC Shareholders will cease to be bound by acceptances submitted at or before the time when the Offer so lapses.

This Offer will be governed by English law and be subject to the jurisdiction of the English courts, to the conditions and further terms set out in this Appendix I and in the formal Offer Document and the related Form of Acceptance.

**Part B: Certain further terms of the Offer**

Fractions of New Aviva Shares will not be allotted or issued to persons accepting the Offer. Fractional entitlements to New Aviva Shares will be aggregated and sold in the market and the net proceeds of sale will be distributed pro rata to persons entitled thereto. However, individual entitlements to amounts of less than £3 will not be paid to persons accepting the Offer but will be retained for the benefit of the Enlarged Aviva Group.

The Offer will not be made, directly or indirectly, in, into or from, or by the use of mails or any means or instrumentality (including, without limitation telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, nor will it be made in, into or from the US, Australia, Canada or Japan and the Offer will not be

capable of acceptance by any such use, means, instrumentality or facility or from within the United States, Canada, Japan or Australia.

The New Aviva Shares to be issued pursuant to the Offer have not been and will not be registered under the US Securities Act nor under any of the relevant securities laws of Canada, Japan or Australia. Accordingly, the New Aviva Shares may not be offered, sold or delivered, directly or indirectly, in the United States, Canada, Japan or Australia nor to any United States person, except pursuant to exemptions from applicable requirements of any such jurisdiction.

The New Aviva Shares to be issued pursuant to the Offer will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Aviva Shares. The RAC Shareholders will not be entitled to Aviva's proposed final dividend of 16p per share for the year ended 31 December 2004.

RAC Shares will be acquired by or on behalf of Aviva under the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights and interests and together with all rights attaching thereto, including voting rights and the right to receive and retain all dividends and other distributions declared, made or paid after this announcement, save for the proposed RAC final dividend of 15.6p per share for the year ended 31 December 2004 proposed to be paid on 5 May 2005.

## **APPENDIX II**

### **Sources and bases of information**

Save as otherwise set out in this announcement, the following constitute the bases and sources of certain information referred to in this announcement:

1. The financial information relating to Aviva has been extracted from its audited annual accounts for the relevant periods and the interim audited financial statements for the relevant periods as published by Aviva, all of which are prepared in accordance with UK GAAP.
2. The financial information relating to NUI has been extracted from its audited annual accounts for the relevant periods as published by NUI, all of which are prepared in accordance with UK GAAP.
3. The financial information relating to RAC has been extracted from its audited annual accounts for the relevant periods and the interim audited financial statements for the relevant periods as published by RAC, all of which are prepared in accordance with UK GAAP.
4. The value placed on the entire issued ordinary share capital of RAC by the Acquisition is based on 118,807,243 RAC Shares in issue on 8 March 2005, being the last Business Day before this announcement.
5. All prices quoted for RAC Shares and Aviva Shares are Closing Prices.

## APPENDIX III

### Definitions used in this announcement

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

**Acquisition** means the proposed acquisition of the entire issued and to be issued share capital of RAC by Aviva;

**Admission** means the admission of New Aviva Shares to the Official List in accordance with the Listing Rules and the admission of such shares to trading on the London Stock Exchange's market for listed securities in accordance with the Admission and Disclosure Standards of the London Stock Exchange;

**Australia** means the Commonwealth of Australia and its dependent territories;

**Aviva** means Aviva plc;

**Aviva Group** means Aviva and its subsidiaries and, where the context permits, each of them;

**Aviva Shares** means the ordinary shares of 25 pence each in the capital of Aviva;

**Aviva Shareholders** means the holders of Aviva Shares;

**Business Day** means a day (excluding Saturdays, Sundays or public holidays) on which banks generally are open in the City of London for the transaction of normal banking business;

**Canada** means Canada, its possessions, territories and all areas subject to its jurisdiction or any political sub-division thereof;

**City Code** means the City Code on Takeovers and Mergers;

**Closing Price** means the closing middle market quotation of a RAC Share or an Aviva Share (as the context requires) as derived from the Daily Official List;

**Companies Act** means the Companies Act 1985;

**CREST** means the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CrestCo Limited;

**Daily Official List** means the daily official list of the London Stock Exchange;

**Enlarged Aviva Group** means the Aviva Group as enlarged on completion of the Acquisition;

**Form of Acceptance** means the form of acceptance relating to the Offer which will accompany the Offer Document;

**FSMA** means the Financial Services and Markets Act 2000;

**Goldman Sachs** means Goldman Sachs International;

**Hoare Govett** means Hoare Govett Limited;

**Japan** means Japan, its cities, prefectures, territories and possessions;

**JPMorgan Cazenove** means JPMorgan Cazenove Limited;

**Lazard** means Lazard & Co., Limited;

**Listing Rules** means the listing rules and regulations of the UK Listing Authority as amended from time to time, and contained in the UK Listing Authority's publication of the same name;

**London Stock Exchange** means London Stock Exchange plc or its successor;

**Mix and Match Facility** means the mix and match facility under which RAC Shareholders may, subject to availability, elect to vary the proportion of New Aviva Shares and cash they will receive under the Offer;

**New Aviva Shares** means the Aviva Shares proposed to be issued and credited as fully paid pursuant to the Offer;

**NUI** means Norwich Union Insurance Limited;

**Offer** means the recommended offer to be made by Goldman Sachs and JPMorgan Cazenove on behalf of Aviva to acquire all of the issued and to be issued RAC Shares (other than any already owned by a member of the Aviva Group) on the terms and subject to the conditions set out in this announcement and to be set out in the Offer Document and the Form of Acceptance and, where the context so requires, any subsequent revision, variation, extension or renewal of such Offer;

**Offer Document** means the document to be sent to RAC Shareholders which will contain, *inter alia*, the terms and conditions of the Offer;

**Official List** means the official list maintained by the UK Listing Authority;

**Panel** means the Panel on Takeovers and Mergers;

**RAC** means RAC plc;

**RAC Annual Report and Accounts** means the audited annual consolidated financial statements of the RAC Group for the financial year ended 31 December 2004;

**RAC Group** means RAC and its subsidiaries and, where the context permits, each of them;

**RAC Share Option Schemes** means the Sharesave Scheme, Executive Share Option Scheme (1994) and Executive Share Option Scheme (2001) and **RAC Share Option Scheme** means any one of them;

**RAC Shares** means the ordinary shares of 25 pence each in the capital of RAC;

**RAC Shareholders** means the holders of RAC Shares;

**Regulatory Information Service** means any of the services set out in Schedule 12 to the Listing Rules;

**UK Listing Authority** or **UKLA** means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;

**United Kingdom** or **UK** means the United Kingdom of Great Britain and Northern Ireland;

**US** or **United States** means the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia and all other areas subject to its jurisdiction; and

**US Securities Act** means the United States Securities Act of 1933 and the rules thereunder.

All references to legislation in this announcement are to English legislation unless the contrary is indicated.

Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

For the purposes of this announcement, **subsidiary** has the meaning under the Companies Act.

References to **£**, **pence** and **p** are to the lawful currency of the United Kingdom.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.