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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**23 December 2024**

**RECOMMENDED CASH AND SHARE OFFER  
FOR DIRECT LINE INSURANCE GROUP PLC ("DIRECT LINE")  
BY AVIVA PLC ("AVIVA")**

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

- The boards of Aviva and Direct Line are pleased to announce they have reached agreement on the terms of a recommended cash and share offer for Direct Line (the "**Acquisition**").
- The Acquisition builds on Aviva's strong performance over the last four years, with Aviva having been transformed into a high-performing business with a clear strategy. The Acquisition will accelerate Aviva's momentum and will offer customers and shareholders a number of benefits as set out below.
- Under the terms of the Acquisition, each Direct Line Shareholder will be entitled to receive:

**For each Direct Line Share held:**

**0.2867 New Aviva Shares;  
129.7 pence in cash; and  
up to 5 pence (in aggregate) in the form of  
dividend payments to be paid (subject to the  
approval of the Direct Line Board) prior to  
Completion  
(together, the "Offer Consideration")**

- Based on the Closing Price of Aviva Shares of 489.3 pence on 27 November 2024 (being the last closing share price before the commencement of the Offer Period), this values each Direct Line Share at 275 pence and values the entire diluted share capital of Direct Line at approximately £3.7 billion.
- This represents a premium of approximately:
  - 73.3 per cent. to the Closing Price of 158.7 pence per Direct Line Share on 27 November 2024; and
  - 49.7 per cent. to the six month volume weighted average price of 183.7 pence per Direct Line Share to 27 November 2024.
- Upon Completion, it is expected that Aviva Shareholders will own approximately 87.5 per cent. and Direct Line Shareholders will own approximately 12.5 per cent. of the issued and to be issued share capital of Aviva.

Aviva and Direct Line have agreed certain arrangements with regard to the payment of further dividends and returns of capital prior to the Effective Date. Further details are set out in paragraph 11 (*Dividends*).

**Commenting on the Acquisition, Dame Amanda Blanc, Group Chief Executive Officer of Aviva, said:**

*"This deal is excellent news for the customers and shareholders of Aviva and Direct Line. It builds on our track record of delivering four years of strong financial performance and, in line with our strategy, it accelerates our growth in capital light business.*

*Aviva and Direct Line share a deep commitment to excellence in looking after customers, and this will remain a top priority following the Acquisition. The financial strength and scale of the Combined Group means customers will benefit from competitive pricing, an enhanced claims experience and even better service.*

*The acquisition of Direct Line by Aviva will bring together a number of the UK's leading brands in a more efficient business, which is very well positioned to generate strong returns for all shareholders."*

**Commenting on the Acquisition, Danuta Gray, Chair of Direct Line, said:**

*"The Board of Direct Line is pleased to recommend Aviva's offer for the company, which delivers significant value for Direct Line Shareholders. The offer represents a substantial premium and reflects the attractiveness of Direct Line, a high quality business with powerful insurance brands, excellent customer focus, and exceptional people.*

*The Board of Direct Line has been very pleased with the progress made by its new management team, but Direct Line is in the early stages of an extensive turnaround, and it believes the offer allows Direct Line Shareholders to realise the value of their investment in the near term. Direct Line's customers and employees will be joining an established, successful business with a wide array of insurance products that is well-placed to deliver for all its stakeholders."*

**Adam Winslow, Chief Executive Officer of Direct Line, commented:**

*"Direct Line is an excellent business, home to many well-loved insurance brands, and this year we have made fast progress on our turnaround strategy. Bringing Direct Line and Aviva together offers the opportunity to create a strengthened and enlarged business, with both organisations sharing a deep passion for serving customers and for supporting their people. In a highly competitive UK general insurance marketplace, the combined entity will be very well placed to deliver for its customers. I am proud of what Direct Line has achieved to date, and this offer will enable the business to continue to succeed as part of a combined group with Aviva."*

**Background to and reasons for the Acquisition**

In 2020, Aviva announced its strategic priorities, including plans to simplify its operations and become a leading Insurance, Wealth, and Retirement business. Since then, Aviva has refocused its portfolio on its core markets in the UK, Ireland and Canada, aiming to deliver profitable growth for shareholders whilst maintaining the financial strength to reinvest in the business, selectively pursue M&A and deliver additional shareholder returns.

As part of this strategy, Aviva has executed eight international disposals, rebuilt its financial strength, and enhanced its core businesses with bolt-on M&A, providing greater scale and capabilities. The proceeds from the disposals, combined with strong operational execution, have enabled Aviva to return £9 billion to shareholders between 2020 and 2023, while positioning the Aviva Group as the UK's leading diversified insurer across Insurance, Wealth and Retirement.

The Acquisition builds on Aviva's strong momentum and is expected to result in the following benefits:

- **Creating a leading UK Personal Lines franchise:** the Combined Group will be well-positioned to address this attractive market segment, which generated at least £26 billion of gross written premium ("GWP") in 2023, and will be able to build on the strong momentum delivered to date by Aviva's Personal Lines management team.
- **Accelerating Aviva's capital-light strategy:** surpassing the existing ambition of generating 70 per cent. of operating profits from capital-light businesses by 2026.
- **Delivering better outcomes for customers:** including competitive pricing, faster claims payments supported by stronger supply chains, a comprehensive range of products and services, advanced digital capabilities and greater investment in technology.
- **Creating significant value for Aviva and Direct Line shareholders:** expected EPS accretion of ~10 per cent. once pre-tax cost synergies of £125 million are fully realised, with underlying EPS accretion expected from the first full year post-Completion.
- **Enhancing shareholder distributions:** as part of its commitment to shareholder returns, Aviva currently intends to declare a mid-single digit percentage uplift in the dividend per share following Completion. Aviva further intends to maintain the current guidance of mid-single digit growth in the cash cost of the dividend from this rebased level.

The Acquisition is also consistent with Aviva's capital management framework. Aviva expects its Solvency II shareholder cover ratio to remain at the upper end of the Aviva Group's working range, with upside from material capital synergies over time. The Acquisition is not expected to impact the Aviva Group's credit ratings and Aviva expects centre liquidity to remain above £1 billion, in line with its capital management framework.

**Background to and reasons for the recommendation**

Direct Line is one of the UK's leading general insurance companies, with a leading personal lines customer franchise, scaled market positions and some of the most recognisable brands in the market across a complementary and diverse portfolio.

Direct Line recently appointed a new, highly experienced senior leadership team to execute an ambitious turnaround strategy aimed at unlocking value by achieving attractive and sustainable growth in profitability, capital generation and shareholder returns after a period of disappointing performance. This strategy builds on Direct Line's strong foundations. Following Adam Winslow's appointment as Direct Line's CEO and the completion of a comprehensive strategic review across the Direct Line Group, Direct Line outlined its strategy at its Capital Markets Day in July 2024. This strategy focused on accelerating a turnaround to target leading positions in Direct Line's core markets of Motor, Home, Commercial Direct and Rescue, and building a strong culture of performance.

As recently evidenced in Direct Line's H1 2024 and Q3 2024 trading updates, Direct Line has demonstrated early progress in executing this turnaround strategy at pace. This includes a return to group profitability in H1 2024, a well-developed product build for the launch of the Direct Line brand on price comparison websites ("PCW") for Motor, further progress on re-platforming the Home segment and the implementation of a series of initiatives supporting the expected delivery of around £50 million of gross cost savings in 2025. In doing so, Direct Line has demonstrated material progress towards the Direct Line Group's target of delivering at least £100 million gross run-rate cost

savings by the end of 2025.

Despite this early strategic progress, the Direct Line Directors do not believe that Direct Line's share price and valuation was appropriately reflecting the potential for the business, with Direct Line's share price trading close to a 12-month low prior to Aviva's initial approach regarding a possible offer for Direct Line in November 2024.

Against this backdrop, whilst the Direct Line Directors have considerable conviction in the delivery of Direct Line's turnaround strategy under its new senior leadership team, it has concluded, alongside its advisers and following extensive consultation with Direct Line Shareholders during the Offer Period, that Aviva's offer to acquire Direct Line delivers Direct Line Shareholders an attractive valuation of Direct Line today when taking into account the risks inherent in a multi-year turnaround and the prevailing market backdrop.

In considering the terms of the offer, the Direct Line Directors have taken into account a number of factors, including the premium and the consideration mix, and offering Direct Line Shareholders exposure to the significant synergies and substantial additional value upside potential in the Combined Group which are expected to accrue to these shareholders in excess of receiving an attractive headline premium on Completion.

### **Recommendation**

The Direct Line Directors, who have been so advised by Morgan Stanley, Robey Warshaw LLP and RBC Capital Markets as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their advice to the Direct Line Directors, Morgan Stanley, Robey Warshaw LLP and RBC Capital Markets have taken into account the commercial assessments of the Direct Line Directors. Morgan Stanley and Robey Warshaw LLP are providing independent financial advice to the Direct Line Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the Direct Line Directors intend to recommend unanimously that Direct Line Shareholders vote (or procure votes) in favour of the Scheme at the Court Meeting and to vote (or procure votes) in favour of the Direct Line Resolution(s) at the General Meeting (or, in the event the Acquisition is implemented by way of a Takeover Offer, to accept, or procure acceptance of, such Takeover Offer) as the Direct Line Directors who (or whose immediate family) beneficially hold Direct Line Shares have irrevocably undertaken to do (or procure to be done) in respect of their entire beneficial holdings of 556,447 Direct Line Shares in total, representing in aggregate approximately 0.04 per cent. of Direct Line's ordinary share capital in issue as at the Latest Practicable Date. These irrevocable undertakings remain binding in the event a higher competing offer is made for Direct Line by a third party.

### **Aviva Board Statement**

The Acquisition constitutes a "significant transaction" for Aviva for the purposes of the Listing Rules and this Announcement constitutes a notification pursuant to Chapter 7 of the Listing Rules.

The Aviva Directors believe that the Acquisition is in the best interests of Aviva Shareholders as a whole.

### **Information relating to Aviva**

Aviva is one of the UK's leading diversified insurers across Insurance, Wealth and Retirement, with 19.2 million customers in the UK, Ireland and Canada. Aviva's purpose is to protect the things that matter most to its customers: their homes and belongings, their health and wealth, their future and their families. Aviva has a clear strategy to achieve its purpose based on accelerating its growth in capital light business, providing a digitally-led customer experience, efficiency and sustainability. As at 30 June 2024, the total group assets under management of the Aviva Group were £398 billion, the estimated Solvency II shareholder capital surplus was £8.2 billion and the Aviva Group's solvency capital ratio (shareholder view) was 205 per cent.

### **Information relating to Direct Line**

Direct Line is one of the UK's leading insurance companies. The Direct Line Group's vision is to create a world where insurance is personal, inclusive and a force for good. Through its well-known brands which include Direct Line, Churchill, Privilege, Darwin, Direct Line for Business and Green Flag, Direct Line helps people to carry on with their lives, giving them peace of mind now and in the future. Its brands offer a wide range of general insurance products across Motor, Home, Commercial Direct, Travel, Pet and Rescue, both direct to customers and through PCW and it underwrites insurance products distributed by its third-party partners. The Direct Line Group believes that by embracing sustainable practices it creates a better corporate culture able to provide more reliable products and bring long-term rewards for its customers, people and shareholders. For the year ended 31 December 2023, the Direct Line Group generated GWP and associated fees of £3.1 billion. As at 30 June 2024, the estimated Solvency II shareholder capital surplus was £1.1 billion and the Direct Line Group's solvency capital ratio (shareholder view) was 198 per cent.

### **Timetable and Conditions**

- It is intended that the Acquisition will be effected by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. However, Aviva reserves the right to elect to implement the Acquisition by way of a Takeover Offer, subject to the consent of the Panel (where necessary) and the terms of the Co-operation Agreement.
- The Acquisition is conditional on, among other things, the approval of the requisite majority of the Scheme Shareholders at the Court Meeting and Direct Line Shareholders at the General Meeting. In order to become Effective, the Scheme must be approved by a majority in number of the Scheme Shareholders present and voting at the Court Meeting, either in person or by proxy, representing at least 75 per

cent. in value of the Scheme Shares voted. In addition, the approval of the Direct Line Resolution(s) by Direct Line Shareholders representing at least 75 per cent. of votes cast at the General Meeting (expected to be held immediately after the Court Meeting) is also required for the implementation of the Scheme. Following the Court Meeting, the Scheme must also be sanctioned by the Court. Finally, a copy of the Court Order must be delivered to the Registrar of Companies, upon which the Scheme will become Effective. The Scheme must become Effective by no later than the Long Stop Date.

- The Acquisition will be made in accordance with the Takeover Code and on the terms and subject to the Conditions which are set out in Appendix 1 to this Announcement and on the further terms and conditions that will be set out in the Scheme Document, including approvals from the PRA, the FCA and the CMA.
- A short extension to the customary 28-day period for publication of the Scheme Document has been requested of, and consented to by, the Panel having regard to, amongst other things, the time required to report on the new Aviva 2025 Profit Forecast, the availability of Court dates and ensuring that the Scheme Document contains the most recent information as at the time of the Court Meeting and General Meeting. Accordingly, it is expected that the Scheme Document containing further information about the Acquisition and notices of the Court Meeting and the General Meeting, and which will be accompanied by the Forms of Proxy, will be published beginning-mid February 2025. The Court Meeting and General Meeting are expected to be held in March 2025. The Scheme Document will specify the actions to be taken by Direct Line Shareholders and will contain an expected timetable for the implementation of the Scheme.
- The Scheme is expected to become Effective in mid-2025, subject to the satisfaction or, where permitted, waiver of the Conditions set out in Appendix 1 to this Announcement.

**This summary should be read in conjunction with, and is subject to, the full text of this Announcement and its Appendices.**

**The Acquisition will be subject to the Conditions and further terms set out in Appendix 1 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document. Appendix 2 to this Announcement contains the sources of information and bases of calculations of certain information contained in this Announcement. Appendix 3 contains a summary of the irrevocable undertakings received in relation to this Acquisition. For a discussion of the risks to Aviva as a result of the Acquisition see Appendix 4. Information relating to the Quantified Financial Benefits Statement made in this Announcement and the reports of the Aviva reporting accountants and financial advisers are set out in Appendix 5. Appendix 6 contains a confirmation from the Aviva Directors in respect of the Aviva 2026 Profit Forecast. Appendix 7 contains definitions of certain expressions used in this summary and in this Announcement.**

**For the purposes of Rule 28 of the Takeover Code, quantified financial benefits statements contained in this Announcement are the responsibility of Aviva and the Aviva Directors. Appendix 5 sets out the anticipated quantified financial benefits relating to cost savings and synergies arising out of the Acquisition and provides underlying information and bases of belief. Appendix 5 also includes reports from Aviva's reporting accountant, PwC, and its joint financial advisers, Goldman Sachs International and Citi, in connection with the anticipated quantified financial benefits statements, as required pursuant to Rule 28.1(a) of the Takeover Code, and provides underlying information and bases for the reporting accountants' and financial advisers' respective reports. Each of PwC, Goldman Sachs International and Citi has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.**

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**Important notices about financial advisers**

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

*Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Aviva and no one else in connection with the matters referred to in this Announcement 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 connection with the matters referred to in this Announcement.*

*Morgan Stanley & Co. International plc ("Morgan Stanley"), which is authorised by the PRA and regulated by the PRA and the FCA in the United Kingdom, is acting exclusively for Direct Line and for no one else in connection with the possible offer and neither Morgan Stanley nor any of its affiliates, nor their respective directors, officers, employees or agents will be responsible to anyone other than Direct Line for providing the protections afforded to its clients or for providing advice in relation to the possible offer, the contents of this Announcement or any other matters referred to in this Announcement.*

*Robey Warshaw LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser exclusively for Direct Line and no one else in connection with the matters referred to in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than Direct Line for providing the protections afforded to clients of Robey Warshaw LLP, nor for providing advice in relation to the matters referred to in this Announcement.*

*RBC Europe Limited, which is authorised by the PRA and regulated by the PRA and the FCA in the United Kingdom, is acting exclusively for Direct Line and for no one else in connection with the possible offer and neither RBC Europe Limited nor any of its affiliates, nor their respective directors, officers, employees or agents will be responsible to anyone other than Direct Line for providing the protections afforded to its clients or for providing advice in relation to the possible offer, the contents of this Announcement or any other matters referred to in this Announcement.*

**Inside Information**

*This Announcement contains inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this Announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain.*

*The person responsible for making this Announcement on behalf of Aviva is Susan Adams, Company Secretary.*

*The person responsible for making this Announcement on behalf of Direct Line is Jane Poole, Chief Financial Officer.*

**Further Information**

*This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, any offer to sell or an invitation to purchase any securities; a solicitation of an offer to buy, otherwise acquire, subscribe for, sell or otherwise dispose of any securities pursuant to the Acquisition or otherwise; or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise; nor shall there be any purchase, sale, issuance or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation, sale issuance or exchange is unlawful. The Acquisition will be made solely by means of the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document) which, together with any related Forms of Proxy, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Scheme. Any decision in respect of, or other response to, the Acquisition should be made only on the basis of the information contained in the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document).*

*Direct Line will prepare the Scheme Document to be distributed to Direct Line Shareholders. Direct Line and Aviva urge Direct Line Shareholders to read the Scheme Document (or any other document by which the Acquisition is made) in full when it becomes available*

because it will contain important information relating to the Acquisition, including details of how to vote in respect of the Scheme.

The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and publication of this Announcement shall not give rise to any implication that there has been no change in the facts set forth in this Announcement since such date.

This Announcement does not constitute a prospectus or prospectus equivalent document.

### **Overseas jurisdictions**

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom, and the availability of the Acquisition to Direct Line Shareholders who are not resident in the United Kingdom, may be restricted by the laws of those jurisdictions and therefore persons into whose possession this Announcement comes should inform themselves about and observe such restrictions. In particular, the ability of persons who are not resident in the United Kingdom to vote their Direct Line Shares with respect to the Scheme at the Court Meeting, or to execute and deliver forms of proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Further details in relation to Overseas Shareholders will be contained in the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document). Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by Aviva or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction, and persons receiving this Announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such Restricted Jurisdiction. If the Acquisition is implemented by way of Takeover Offer (unless otherwise permitted by applicable law or regulation), the Takeover Offer may not be made, directly or indirectly, in or into, or by use of mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Takeover Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

This Announcement has been prepared in connection with proposals in relation to a scheme of arrangement pursuant to and for the purpose of complying with English law and the Takeover Code and information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this Announcement should be relied on for any other purpose.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.

### **Additional information for US investors**

The Acquisition relates to the shares of an English company and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer or proxy solicitation rules under the US Securities Exchange Act of 1934 (the "**US Exchange Act**"). Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the US tender offer and proxy solicitation rules.

If, in the future, Aviva exercises its right to implement the Acquisition by way of a Takeover Offer, which is to be made into the US, such Takeover Offer will be made in compliance with the applicable US laws and regulations, including Section 14(e) and Regulation 14E under the US Exchange Act. Such a Takeover Offer would be made in the US by Aviva and no one else.

In the event that the Acquisition is implemented by way of Takeover Offer, in accordance with, and to the extent permitted by, the Takeover Code and normal UK market practice, Goldman Sachs International and Citi, and their respective affiliates, may continue to act as exempt principal traders or exempt market makers in Direct Line Shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, as permitted by Rule 14e-5(b)(9) under the US Exchange Act. In addition, Aviva, its affiliates, their advisors and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Direct Line outside the Acquisition, such as in open market purchases or privately negotiated purchases, during the period in which the Acquisition remains open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the US and would comply with applicable law, including United Kingdom laws and the US Exchange Act. Any such purchases by Aviva or its affiliates will not be made at prices higher than the price of the Acquisition provided in this Announcement unless the price of the Acquisition is increased accordingly. Any information about such purchases or arrangements to purchase shall be disclosed as required under United Kingdom laws and will be available to all investors (including US investors) via the Regulatory Information Service and shall be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will, as applicable, also be publicly disclosed in the United States.

It may be difficult for US holders of Direct Line Shares to enforce their rights and any claim arising out of the US federal securities laws in connection with the Acquisition, since Aviva and Direct Line are located in a non-US jurisdiction, and some or all of their officers and

directors may be residents of a non-US jurisdiction. US holders of Direct Line Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The New Aviva Shares to be issued pursuant to the Acquisition have not been registered under the US Securities Act 1933 or under any laws or with any securities regulatory authority of any state, district or other jurisdiction, of the US, and may only be offered or sold in the US in reliance on an exemption from registration requirements of the US Securities Act including in the case of the proposed scheme of arrangement, Section 3(a)(10) thereunder.

The financial information included in this Announcement, has been prepared in accordance with accounting standards applicable in the United Kingdom and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US ("US GAAP"). US GAAP differs in certain significant respects from accounting standards applicable in the United Kingdom. None of the financial information in this Announcement has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

Neither the Acquisition nor this Announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority; nor have such authorities approved or disapproved or passed judgement upon the fairness or the merits of the Acquisition, or determined if the information contained in this Announcement is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the United States.

The receipt of New Aviva Shares and/or cash pursuant to the Acquisition by a US holder as consideration for the transfer of its Direct Line Shares pursuant to the Acquisition may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each US holder of Direct Line Shares is urged to consult their independent legal, tax and financial advisers regarding the tax consequences of the Acquisition applicable to them, including under applicable US state and local, as well as overseas and other, tax laws.

#### **American Depositary Shares and American Depositary Receipts**

Aviva is aware that there is an "unsponsored" American Depositary Receipt Program concerning Direct Line Shares. The Acquisition is not being made for American Depositary Shares representing Direct Line Shares ("ADSs"), nor for American Depositary Receipts evidencing such ADSs ("ADRs"). However, the Acquisition is being made for the Direct Line Shares that are represented by the ADSs. Holders of ADSs and ADRs are encouraged to consult with the appropriate depository regarding the tender of Direct Line Shares that are represented by ADSs. Aviva is unaware of whether any respective depository will make arrangements to tender the underlying Direct Line Shares into the Acquisition on behalf of holders of ADSs or ADRs.

Generally, holders of ADSs may be able to present their ADSs to the appropriate depository for cancellation and (upon compliance with the terms of the deposit agreement relating to the "unsponsored" American Depositary Receipt Program concerning Direct Line Shares, including payment of the depository's fees and any applicable transfer fees, taxes and governmental charges) delivery of Direct Line Shares to them, in order to become shareholders of the Direct Line. The Direct Line Shares delivered to holders of ADSs upon such cancellation may then be tendered into the Acquisition. Holders of ADSs should consult with the relevant depository regarding their ability to obtain the underlying Direct Line Shares and the applicable procedures. Holders of ADSs should be aware, however, that in order to tender in this manner, they may need to have an account in the United Kingdom into which the Direct Line Shares can be delivered.

#### **Forward-looking statements**

This Announcement (including information incorporated by reference in this Announcement), oral statements made regarding the Acquisition, and other information published by Aviva or Direct Line may contain statements about Aviva and Direct Line that are or may be deemed to be forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward looking statements.

Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "shall", "should", "anticipates", "estimates", "projects", "is subject to", "budget", "scheduled", "forecast" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) the ability to complete the Acquisition in a timely manner; (ii) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy; losses and future prospects; (iii) business and management strategies and the expansion and growth of Aviva's or Direct Line's operations and potential synergies resulting from the Acquisition; and (iv) the effects of government regulation on the wider Aviva Group's or the wider Direct Line Group's business.

Such forward looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Aviva and Direct Line about future events, and are therefore subject to 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, including: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally; market developments and government actions, changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments, a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including pandemics) on our business activities and results of operation, the transitional,

*litigation and physical risks associated with climate change, failure to understand and respond effectively to the risks associated with sustainability, regulatory approval of changes to the Aviva Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules, the impact of recognising an impairment of our goodwill or intangibles with indefinite lives, changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities, the effect of legal proceedings and regulatory investigations, the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data), increased competition, the loss of or damage to one or more key customer relationships, changes to habits, the outcome of business or industry restructuring, the outcome of any litigation, changes in global, political, social, business and economic conditions, changes in the level of capital investment, currency fluctuations, changes in interest and tax rates, changes in market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key employees, or the timing and success of future offer opportunities or major investment projects and the impact of any acquisitions or similar transactions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward looking statements.*

*Such forward looking statements should therefore be construed in light of such factors. Neither Aviva nor Direct Line, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. 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. All subsequent oral or written forward looking statements attributable to any member of the Aviva Group or the Direct Line Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.*

*Aviva and Direct Line expressly disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.*

#### **No profit forecast or estimates**

*Other than the Aviva 2026 Profit Forecast, no statement in this Announcement is intended as, or is to be construed as, a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per Direct Line Share or Aviva Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Direct Line Shares or Aviva Shares.*

#### **Quantified financial benefits**

*Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the quantified financial benefit statements nor any other statement in this Announcement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following implementation of the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Aviva or Direct Line for the relevant preceding financial period or any other period.*

#### **Disclosure requirements of the Takeover Code**

*Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by*



the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### **Publication on website**

A copy of this Announcement and the documents required to be published pursuant to Rule 26 of the Takeover Code will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Aviva's website at <https://www.aviva.com/investors/> and Direct Line's website at <https://www.directlinegroup.co.uk/en/investors> by no later than 12.00 noon (London Time) on the Business Day following the publication of this Announcement.

For the avoidance of doubt, the contents of these websites and any websites accessible from hyperlinks on these websites are not incorporated into and do not form part of this Announcement.

#### **Information relating to Direct Line Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by Direct Line Shareholders, persons with information rights and other relevant persons for the receipt of communications from Direct Line may be provided to Aviva during the Offer Period as required under Section 4 of Appendix 4 of the Takeover Code.

#### **Right to receive documents in hard copy form**

In accordance with Rule 30.3 of the Takeover Code, Direct Line Shareholders, participants in the Direct Line Share Plans and persons with information rights may request a hard copy of this Announcement, free of charge, by contacting Direct Line's registrars, Computershare Investor Services PLC, during business hours on +44 (0)370 873 5880, or by submitting a request in writing to The Pavilions, Bridgwater Road, Bristol BS99 6ZY. If calling from outside of the UK, please ensure the country code is used. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information in relation to the Acquisition are sent to them in hard copy form. Please note that Computershare Investor Services PLC cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **Rounding**

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

#### **General**

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

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**23 December 2024**

**RECOMMENDED CASH AND SHARE OFFER**

**FOR DIRECT LINE INSURANCE GROUP PLC ("DIRECT LINE")**

**BY AVIVA PLC ("AVIVA")**

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

#### **1. Introduction**

The boards of Aviva and Direct Line are pleased to announce they have reached agreement on the terms of a recommended cash and share offer for the entire issued and to be issued ordinary share capital of Direct Line (the "**Acquisition**"). It is intended that the Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

#### **2. The Acquisition**

Under the terms of the Acquisition, which will be subject to the Conditions and further terms set out below and in Appendix 1 to this Announcement, and to be set out in the Scheme Document, each Direct Line Shareholder will be entitled to receive:

<b>For each Direct Line Share held:</b>	<b>0.2867 New Aviva Shares;</b>
	<b>129.7 pence in cash; and</b>
	<b>up to 5 pence (in aggregate) in the form of dividend payments to be paid (subject to the approval of the Direct Line Board) prior to Completion</b>
	<b>(together, the "Offer Consideration")</b>

- Based on the Closing Price of Aviva Shares of 489.3 pence on 27 November 2024 (being the last closing share price before the commencement of the Offer Period), this values each Direct Line Share at 275 pence per Direct Line Share and values the entire issued and to be issued share capital of Direct Line at approximately £3.7 billion on a fully diluted basis.
- This represents a premium of approximately:
  - 73.3 per cent. to the Closing Price of 158.7 pence per Direct Line Share on 27 November 2024; and
  - 49.7 per cent. to the six month volume weighted average price of 183.7 pence per Direct Line Share to 27 November 2024.
- Upon Completion, it is expected that Aviva Shareholders will own approximately 87.5 per cent. and Direct Line Shareholders will own approximately 12.5 per cent. of the issued and to be issued share capital of Aviva.

Aviva and Direct Line have agreed certain arrangements with regard to the further payment of dividends and other distributions and returns of capital prior to the Effective Date. Further details on dividend arrangements are set out in paragraph 11 (*Dividends*) of this Announcement.

It is expected that the Scheme Document (including details of the Court Meeting and the General Meeting), and the Forms of Proxy accompanying the Scheme Document, will be published beginning-mid February 2025. The Court Meeting and General Meeting are expected to be held in March 2025 and the Scheme is expected to become Effective in mid-2025, subject to the satisfaction or, where permitted, waiver of the Conditions set out in the Appendix 1 to this Announcement.

An expected timetable of principal events relating to the Acquisition and further information on the actions to be taken by the Direct Line Shareholders will be provided in the Scheme Document.

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

#### ***Summary***

In 2020, Aviva announced its strategic priorities, including plans to simplify its operations and become a leading Insurance, Wealth, and Retirement business. Since then, Aviva has refocused its portfolio on its core markets in the UK, Ireland and Canada, aiming to deliver profitable growth for shareholders whilst maintaining the financial strength to reinvest in the business, selectively pursue M&A and deliver additional shareholder returns.

As part of this strategy, Aviva has executed eight international disposals, rebuilt its financial strength, and enhanced its core businesses with bolt-on M&A, providing greater scale and capabilities. The proceeds from the disposals, combined with strong operational execution, have enabled Aviva to return £9 billion to shareholders between 2020 and 2023, while positioning the Aviva Group as the UK's leading diversified insurer across Insurance, Wealth and Retirement.

The Acquisition builds on Aviva's strong momentum and aligns with its clear strategy of investing for the future and supplementing organic growth with M&A.

The Aviva Board believes that the Acquisition will result in the following benefits:

#### ***Creating a leading UK Personal Lines franchise***

Aviva's strong Personal Lines management team continues to deliver profitable organic growth, particularly within the Retail segment, including through its innovative Aviva Zero proposition. Aviva's Personal Lines business now serves 6.4 million customers in the UK and, in its Q3 2024 trading update, Aviva announced the delivery of a year-to-date UK Personal lines premium growth of 26 per cent., driven by 43 per cent. growth in Retail and supported by 13 per cent. growth in Motor policy count.

The UK Personal Lines market benefits from attractive market fundamentals, generating at least £26 billion of GWP in 2023 and recording a growth rate of 11 per cent. from 2020 to 2023. The UK personal lines market is fragmented and faces rising costs, a distribution shift towards PCW, regulatory pressures and increasing focus on brand recognition. The Combined Group will be well-placed to succeed in this market through enhanced scale with 18.1 million policies in force, utilising Direct Line's well-recognised and leading customer-centric brands, broadening Aviva's existing product offering through the addition of new attractive lines such as Pet, Rescue and SME Direct, and offering Direct Line's value-added services such as Green Flag to Aviva customers. The Acquisition will also accelerate Aviva's pivot towards more profitable Retail distribution, which is expected to rise from 51 per cent. in 2023 to over ~70 per cent. immediately post Completion. The Combined Group would have enhanced scale, with pro-forma Personal Lines GWP for FY2023 of £5.4 billion and would deliver an improved and compelling offering to a wider customer base.

### *Accelerating Aviva's capital-light strategy*

Aviva is majority capital-light with ~55 per cent. of operating profit generated from its Insurance, Wealth and Aviva Investors businesses in 2023. Aviva has continued to make important and deliberate investments to accelerate growth in these capital-light businesses to achieve its existing ambition of generating 70 per cent. of operating profit from these businesses by 2026. The Acquisition will further accelerate Aviva's capital-light strategy, surpassing its 70 per cent. capital-light ambition by 2026.

### *Delivering better outcomes for customers*

Aviva believes it has a strong cultural alignment with Direct Line, as both organisations share a deep commitment to customers. The Combined Group will be better positioned to serve the needs of its expanded customer base. This larger, more diversified, and financially robust organisation would offer customers competitive pricing and faster claims payment; supported by stronger supply chains, a complementary range of Aviva and Direct Line products and services, advanced digital capabilities and greater investment in technology.

### *Creating significant value for Aviva and Direct Line Shareholders*

Aviva plans to achieve annual run-rate pre-tax cost synergies of at least £125 million by the end of the third full year post-Completion, which would drive compelling value creation for all shareholders in the Combined Group. These synergies would be incremental to Direct Line's previously announced cost savings programme of £100 million of run-rate cost by the end of 2025. The cost synergies from the Acquisition are expected to be achieved through a reduction in overlapping roles across the combined insurance operations, economies of scale and increased efficiency, the integration of duplicative back and middle office IT platforms, as well as rationalisation of supporting teams and the reduction of overlapping roles in a number of shared service, head office and senior management functions. In order to realise these cost synergy benefits, one-off integration costs of approximately £250 million are expected to be incurred, of which approximately 75 per cent. are expected within the first two years post-Completion.

In addition, the Aviva Board believes that significant further value can be created through the realisation of incremental capital, reinsurance, claims and revenue synergies. Further detail on the quantified synergies and the cost to achieve them is set out in paragraph 5 below.

The Acquisition is expected to result in EPS accretion of ~10 per cent. once pre-tax cost synergies of £125 million are fully realised, with underlying EPS accretion expected from the first full year post-Completion.

The Aviva Board believes Aviva has the experience and expertise to achieve a successful integration of Direct Line and to deliver on the expected synergies. Aviva's management team has undertaken a significant number of portfolio changes in recent years, including the disposal of eight businesses, the integration of acquisitions including AIG UK, Probitas, Option and Succession Wealth, and the delivery of a £750 million cost reduction programme one year ahead of schedule.

In addition, Aviva's UK Personal Lines management team has a strong track record, having navigated COVID and a period of high inflation whilst delivering profitable growth. This team has shown innovation through the building and scaling of Aviva Zero and the development of value driven pricing, data and artificial intelligence capabilities alongside effective cost management.

Other than the Aviva 2026 Profit Forecast, no statement in this Announcement is intended as, or is to be construed as, a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per Direct Line Share or Aviva Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Direct Line Shares or Aviva Shares.

### *Enhancing shareholder distributions*

Aviva has a strong track record of delivering superior returns to shareholders with growing dividends and regular capital returns. Aviva's shareholders have received a TSR of ~145 per cent. since Amanda Blanc's appointment as CEO and over ~21 per cent. in the year to date. Aviva remains committed to delivering growing dividends and a sustainable return of capital to shareholders that reflects the Aviva Group's predictable and sustainable cash generation.

The Acquisition will enable the Aviva Group to raise dividends per Aviva Share and increase future buybacks, supported by increased cash and capital generation as well as material capital synergies to be realised over time. The Aviva Board currently expects to declare a mid-single digit percentage uplift in the dividend per Aviva Share following Completion. This uplift will apply to the enlarged share capital of Aviva post-Completion. The Aviva Board intends to maintain the current guidance of mid-single digit growth in the cash cost of the dividend from this rebased level.

Given the internal cash resources used towards funding the Acquisition, the Aviva Board does not expect to launch a share buyback in 2025. Aviva expects the transaction to result in a Group Solvency II coverage ratio towards the upper end of its 160-180 per cent. working range, before capital synergies are recognised over time. Aviva intends to maintain its guidance of regular and sustainable share buybacks from 2026 onwards, and its initial expectation is that the size of future buybacks will increase to reflect the increase in Aviva's share capital post-Completion, subject to PRA approval.

Aviva's Solvency II debt leverage ratio is expected to increase slightly to ~31-32 per cent. at Completion and is expected to return to below 30 per cent. over time. The Acquisition is not expected to impact Aviva Group's credit ratings. Aviva expects centre liquidity to remain above £1 billion post-Completion.

## **4. Background to and reasons for the recommendation**

Direct Line is one of the UK's leading general insurance companies, with a leading personal lines customer franchise, scaled market positions and some of the most recognisable brands in the market across a complementary and diverse portfolio. Direct Line and Churchill are two of the most iconic brands in the UK motor and home insurance markets. Direct Line owns a leading in-house garage network and Green Flag, which is the UK's third largest vehicle rescue brand in the UK. In September 2023 Direct Line welcomed over 700,000 customers under a partnership with Motability, further demonstrating a capability to offer a wide service proposition. Direct Line operates in the Commercial Direct segment with a focused proposition for SMEs and Landlords delivered under both the Direct Line and Churchill brands direct to customers and via PCW. This portfolio has enabled Direct Line to develop a strong customer franchise encompassing over 9 million customers, including in the UK Personal Lines segment.

Direct Line recently appointed a new, highly experienced senior leadership team to execute an ambitious turnaround strategy aimed at unlocking value by achieving attractive and sustainable growth in profitability, capital generation and shareholder returns after a period of disappointing performance. This strategy builds on Direct Line's strong foundations. Following Adam Winslow's appointment as Direct Line's CEO and the completion of a comprehensive strategic review across the Direct Line Group, Direct Line outlined its strategy at its Capital Markets Day in July 2024. This strategy focused on accelerating a turnaround to target leading positions in Direct Line's core markets of Motor, Home, Commercial Direct and Rescue, and building a strong culture of performance. Direct Line set clear financial targets including a 7-10 per cent. Compound Annual Growth Rate ("CAGR") for Non-Motor GWP between 2023 and 2026, the delivery of at least £100 million gross run-rate cost savings by the end of 2025, a 13 per cent. Net Insurance Margin in 2026 and the paying of around 60 per cent. of full year operating earnings as a regular dividend. In the medium term, Direct Line has been targeting a solvency capital ratio of around 180 per cent.; however, in the short term, as the turnaround plan is executed, Direct Line has been expecting to maintain a solvency capital ratio above that level.

As recently evidenced in Direct Line's H1 2024 and Q3 2024 trading updates, Direct Line has demonstrated early progress in executing this turnaround strategy at pace. This includes a return to group profitability in H1 2024, a well-developed product build for the launch of the Direct Line brand on PCW for Motor, further progress on re-platforming the Home segment and the implementation of a series of initiatives supporting the expected delivery of around £50 million of gross cost savings in 2025. In doing so, Direct Line has demonstrated material progress towards the Direct Line Group's target of delivering at least £100 million gross run-rate cost savings by the end of 2025.

Despite this early strategic progress, the Direct Line Directors do not believe that Direct Line's share price and valuation was appropriately reflecting the potential for the business, with Direct Line's share price trading close to a 12-month low prior to Aviva's initial approach regarding a possible offer for Direct Line in November 2024.

Against this backdrop, whilst the Direct Line Directors have considerable conviction in the delivery of Direct Line's turnaround strategy under its new senior leadership team, it has concluded, alongside its advisers and following extensive consultation with Direct Line Shareholders during the Offer Period, that Aviva's offer to acquire the entire issued and to be issued share capital of Direct Line delivers shareholders an attractive valuation of Direct Line today when taking into account the risks inherent in a multi-year turnaround and the prevailing market backdrop.

In considering the terms of the offer, the Direct Line Directors have taken into account a number of factors, including but not limited to, the Acquisition representing

- a significant premium of 73.3 per cent. to the Closing Price of 158.7 pence per Direct Line Share on 27 November 2024 (being the last closing share price before the commencement of the Offer Period);
- a premium of 49.7 per cent. to the six-month volume weighted average price of 183.7 pence per Direct Line Share to 27 November 2024; and
- the consideration mix consisting of a portion of fixed and certain cash consideration with the remaining consideration in Aviva Shares that together reflects the medium-term prospects of the Direct Line business. In particular, the Aviva share consideration provides Direct Line Shareholders with approximately 12.5 per cent. of the Combined Group and a meaningful share of the significant synergies and substantial additional value upside potential, which are expected to accrue to these shareholders in excess of receiving an attractive headline premium on Completion.

In addition to the financial terms, the Direct Line Directors have also taken into account Aviva's intentions concerning Direct Line's business, management team, employees and other stakeholders of Direct Line (as detailed in paragraph 10 of this Announcement), and have concluded that the Combined Group is well-placed to deliver for all its stakeholders. In particular, the Direct Line Directors have considered Aviva's view that the Combined Group would be well-placed to compete in the fragmented, highly competitive and dynamic general insurance market, including in offering competitive premiums across the UK Personal Lines segment and commercial insurance.

Accordingly, following careful consideration of the above factors, the Direct Line Directors intend to unanimously recommend that Direct Line Shareholders vote in favour of the Scheme at the Court Meeting and that Direct Line Shareholders vote in favour of the resolution(s) to be proposed at the General Meeting

##### **5. Potential synergies and integration planning**

Aviva expects that the Acquisition will generate significant synergies, driving material value creation for the shareholders of both Aviva and Direct Line. The Aviva Board are confident that the Aviva management team can deliver the anticipated synergies, given its collective experience and expertise in the UK General Insurance market.

The Aviva Directors, having reviewed and analysed the potential synergies of the Acquisition, based on their knowledge of Direct Line's business and the UK General Insurance market, and taking into account the factors they can influence, believe that the Acquisition can generate annual run-rate pre-tax cost synergies of at least £125 million by the end of the third year post-Completion, with the synergies expected to be delivered broadly equally in each of the three years post-Completion. These anticipated recurring synergies would be incremental to Direct Line's previously announced cost savings target of £100 million per annum.

The potential sources of quantified synergies are currently envisaged to include:

- approximately 50 per cent. derived from the reduction of overlapping roles in a number of shared service, head office and senior management functions, as well as rationalisation of related external costs;
- approximately 30 per cent. derived from the reduction of overlapping roles across the combined insurance operations and increased efficiency resulting from the Combined Group's greater scale; and
- approximately 20 per cent. derived from the integration of duplicative back and middle-office IT platforms, as well as rationalisation of supporting teams.

The integration of the businesses will involve combining the Direct Line business and group functions into the Aviva UK Personal Lines business. It is intended that Direct Line's core brands will be maintained, including Direct Line, Churchill and Green Flag.

It is envisaged that the realisation of the potential quantified synergies will result in one-off integration costs of approximately £250 million (in aggregate) and approximately 75 per cent. of these are expected to be incurred in years 1 and 2 post-Completion. Aside from these one-off integration costs, no material dis-synergies are expected in connection with the Acquisition. The identified synergies will accrue as a direct result of the Acquisition and would not be achieved on a standalone basis.

In addition to these potential quantified synergies, the Aviva Directors believe that significant further value can be created through realisation of potential incremental synergies, including:

- material capital synergies arising from Aviva's complementary risk profile and efficient capital model, enabled by a combination of tools, including renewal of existing business into Aviva Insurance Limited, internal reinsurance and successful completion of a Part VII Transfer into Aviva Insurance Limited;
- alignment of externally purchased reinsurance programmes, potentially benefitting from economies of scale and Aviva's larger capital base;
- application of Aviva's indemnity management framework, across pricing, fraud prevention etc., as well as potential scale benefits and efficiencies from the Combined Group's enlarged repair network; and
- potential revenue opportunities from an enhanced product offering and extended suite of value-added services following the Acquisition.

These statements of estimated cost savings and identified synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the estimated cost savings and identified synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Takeover Code, the statements of estimated cost savings and synergies contained in this Announcement are solely the responsibility of Aviva and the Aviva Directors.

These statements are not intended as a profit forecast and should not be interpreted as such.

Appendix 5 includes a copy of these statements of estimated quantified cost savings and identified synergies arising out of the Acquisition and provides underlying information and bases of belief. References in this Announcement to the Quantified Financial Benefits Statement should be read in conjunction with Appendix 5. Appendix 5 also includes reports from Aviva's reporting accountants, PwC, and its joint financial advisers, Citi and Goldman Sachs International, in connection with the anticipated quantified financial benefits statement, as required pursuant to Rule 28.1(a) of the Takeover Code, and provides underlying information and bases for the reporting accountants' and financial advisers' respective reports. Each of PwC, Citi, and Goldman Sachs International has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included as required pursuant to Rule 23.2 of the Takeover Code.

It is not anticipated that the Acquisition will require any immediate changes to the capital structure of the Aviva Group, the Direct Line Group or the Combined Group as a whole. Aviva and Direct Line intend to simplify and align their capital structures over time as part of broader integration planning.

## 6. Recommendation

The Direct Line Directors, who have been so advised by Morgan Stanley, Robey Warshaw LLP and RBC Capital Markets as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their advice to the Direct Line Directors, Morgan Stanley, Robey Warshaw LLP and RBC Capital Markets have taken into account the commercial assessments of the Direct Line Directors. Morgan Stanley and Robey Warshaw LLP are providing independent financial advice to the Direct Line Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the Direct Line Directors intend to recommend unanimously that Direct Line Shareholders vote (or procure votes) in favour of

Accordingly, the Direct Line Directors intend to irrevocably undertake (or procure to do) to accept (or procure to accept) the Scheme at the Court Meeting and to vote (or procure votes) in favour of the Direct Line Resolution(s) at the General Meeting (or, in the event the Acquisition is implemented by way of a Takeover Offer, to accept, or procure acceptance of, such Takeover Offer) as the Direct Line Directors who (or whose immediate family) beneficially hold Direct Line Shares have irrevocably undertaken to do (or procure to be done) in respect of their entire beneficial holdings of 556,447 Direct Line Shares in total, representing in aggregate approximately 0.04 per cent. of Direct Line's ordinary share capital in issue as at the Latest Practicable Date. These irrevocable undertakings remain binding in the event a higher competing offer is made for Direct Line by a third party. Further details of these irrevocable undertakings, including the circumstances in which they may lapse, are set out in Appendix 3 to this Announcement.

#### **7. Aviva Board Statement**

The Acquisition constitutes a "significant transaction" for Aviva for the purposes of the Listing Rules and this Announcement constitutes a notification pursuant to Chapter 7 of the Listing Rules.

The Aviva Directors believe that the Acquisition is in the best interests of Aviva Shareholders as a whole.

#### **8. Information relating to Aviva**

Aviva is one of the UK's leading diversified insurers across Insurance, Wealth and Retirement, with 19.2 million customers in the UK, Ireland and Canada. Aviva's purpose is to protect the things that matter most to its customers: their homes and belongings, their health and wealth, their future and their families. Aviva has a clear strategy to achieve its purpose based on accelerating its growth in capital light business, providing a digitally-led customer experience, efficiency and sustainability. As at 30 June 2024, the total group assets under management of the Aviva Group were £398 billion, the estimated Solvency II shareholder capital surplus was £8.2 billion and the Aviva Group's solvency capital ratio (shareholder view) was 205 per cent.

#### **9. Information relating to Direct Line**

Direct Line is one of the UK's leading insurance companies. The Direct Line Group's vision is to create a world where insurance is personal, inclusive and a force for good. Through its well-known brands which include Direct Line, Churchill, Privilege, Darwin, Direct Line for Business and Green Flag, Direct Line helps people to carry on with their lives, giving them peace of mind now and in the future. Its brands offer a wide range of general insurance products across Motor, Home, Commercial Direct Travel, Pet and Rescue, both direct to customers and through PCW and it underwrites insurance products distributed by its third-party partners. The Direct Line Group believes that by embracing sustainable practices it creates a better corporate culture able to provide more reliable products and bring long-term rewards for its customers, people and shareholders. For the year ended 31 December 2023, the Direct Line Group generated GWP and associated fees of £3.1 billion. As at 30 June 2024, the estimated Solvency II shareholder capital surplus was £1.1 billion and the Direct Line Group's solvency capital ratio (shareholder view) was 198 per cent.

#### **10. Strategic plans, directors, management, employees, pensions, research and development and locations**

##### ***Aviva's strategic plans for Direct Line***

Aviva believes that the acquisition of Direct Line will build on its existing strengths within the Personal Lines segment and further accelerate the Aviva Group's shift towards its capital-light business lines. The Acquisition is expected to broaden Aviva's product range by bringing in new products such as Pet and Rescue and enhance Aviva's existing Direct SME capability. Aviva believes it has a strong cultural alignment with Direct Line, as both organisations share a deep commitment to customer service and desire to deliver good outcomes for their customers. The complementary fit of these two businesses would create a Combined Group that Aviva believes is optimally positioned to serve the needs of its expanded customer base. This will remain a key priority for Aviva post-Acquisition.

Aviva intends to fully integrate Direct Line into its existing operations over the three years following Completion, with the integration process commencing shortly after Completion. As part of the integration process, Aviva intends to effect a Part VII Transfer from UK Insurance Limited, Direct Line's primary operating entity, into Aviva Insurance Limited and, until then, business is expected to renew into Aviva Insurance Limited where possible. Prior to completion of a Part VII Transfer and as part of its comprehensive integration planning Aviva will consider other options to optimise the capital efficiency of the Direct Line business, including via internal and external reinsurance, subject to PRA approval.

Aviva intends to maintain Direct Line's core brands, including Direct Line, Churchill and Green Flag, and intends to continue with Direct Line's existing plans to launch the Direct Line brand on PCW. Aviva will conduct a review of other brands prior to Completion. Subject to further engagement with Direct Line's existing distribution partners, Aviva intends to maintain these partnerships, with the exception of those from which Direct Line has already publicly indicated its intent to exit, being the so-called "Run-off Partnerships" and Original Equipment Manufacture (OEM) Motor partnerships.

With respect to technology, Aviva intends to fully integrate any duplicative back and middle office IT platforms of Aviva and Direct Line over time. For core platforms (including policy administration and claims systems) and supporting technology, Aviva intends to conduct an internal review as soon as practicable following Completion, to determine the end-state systems across each of the Combined Group's products and distribution channels on a "best-of-both" basis. The review will include an assessment of a range of factors including architecture, security, resilience, digital capability, and risk analysis. No definitive decisions have been made as to which end-state systems will be retained. At all times, the Combined Group will continue to aim to provide an optimal experience for its customers.

##### ***Employees and management***

Aviva recognises that the talented employee base of Direct Line will be critical to the success of the Acquisition. Aviva believes that the Acquisition will bring together two businesses with strongly aligned cultural values, with Direct Line employees benefitting from being part of a larger, more diversified Combined Group and one that offers a compelling and competitive value proposition to its employees.

The synergy analysis carried out by Aviva to date has confirmed the potential to generate expected cost synergies for the Combined Group. Aviva intends to work with Direct Line prior to Completion to undertake a detailed evaluation of the Direct Line Group and develop its plans to integrate their respective businesses. The Aviva Board anticipates that, in order to achieve the expected benefits of the Acquisition there will be a reduction in the workforce as a result of overlapping functions, including operational, shared service, group/head office and senior management functions; in aggregate this would constitute between approximately 5 per cent. and 7 per cent. of the Combined Group's employee base. Aviva expects these reductions would be mitigated by:

- phasing over an anticipated three years post-Completion;
- natural attrition, noting that ordinary course turnover at Aviva comprised approximately 1,300 employees across the UK in 2024 (up to end of November 2024); and
- seeking to redeploy employees where possible, noting
  - approximately 800 UK-based vacancies currently across the Aviva Group; and
  - the potential creation of new positions as Aviva Group continues to deliver on its strong organic growth ambitions.

Any workforce changes would be subject to comprehensive planning and any required information and consultation with any affected employees and/or their representatives in accordance with applicable law. Save as set out above, Aviva does not intend to make material headcount reductions from the Combined Group. Following the Scheme becoming Effective, the existing contractual and statutory employment rights, including in relation to pensions and redundancy policies, of all Direct Line Group employees will be fully safeguarded in accordance with applicable law. Aviva does not intend to make any material changes to the conditions of employment of Direct Line Group employees, taken as a whole.

It is intended that, with effect from the Effective Date, certain of the non-executive directors of Direct Line shall resign from their office but some are expected to remain in place to ensure continuity and to meet regulatory requirements. Aviva has not entered into, nor had any discussions regarding, any form of incentive arrangements with any member of Direct Line's management and does not intend to enter into any such discussions prior to the Effective Date.

#### ***Pensions***

Direct Line has a legacy UK pension scheme which is closed to members and was closed to future accrual in 2003 (the "**Pension Scheme**"). The Pension Scheme has defined benefit and defined contribution sections. The Pension Scheme is managed by a trustee, who acts independently of Direct Line and is responsible for investment policy with regard to the assets of the Pension Scheme.

In October 2022, the trustee entered into a £53.9 million bulk annuity insurance buy-in transaction whereby most of the assets held in respect of defined benefit liabilities in the Pension Scheme were replaced with an insurance policy asset. The buy-in policy is designed to provide cash flows that exactly match the value and timing of the defined benefits payable to the Pension Scheme's members.

The trustee has indicated that it expects to be in a position to transfer responsibility for paying scheme benefits to its buy-in insurer during 2025. There was no deficit revealed by the last completed formal actuarial valuation of the Pension Scheme as at 1 October 2020. No employer contributions are currently being paid to the Pension Scheme. Aviva's intention is for the Pension Scheme to remain closed to new members and further accrual as it completes its transition process. Aviva intends to work constructively with the trustee of the Pension Scheme going forward, and if a deficit arises in the Pension Scheme before it is wound-up Aviva will consider any trustee request for further employer contributions.

#### ***Headquarters, locations, fixed assets and research and development***

As part of its integration planning process, Aviva will look to simplify the Combined Group's office footprint. Where there is geographic overlap, Aviva intends, where feasible, to consolidate the existing sites and in these cases, the aim would be to relocate staff to nearby locations of the Combined Group as required, subject to any required information and consultation with affected employees and/or their representatives in accordance with applicable law. Aviva anticipates maintaining Direct Line's head office in central London for at least the twelve months from Completion. Aviva expects to review the Combined Group's repair centre sites to consider consolidations of a small number as part of its overall integration planning following Completion, but no decisions have been made at this stage. Save as set out above, Aviva does not have any current intention to redeploy any of the fixed assets of the Direct Line Group.

Direct Line does not have a dedicated research and development function, although it has a technology centre in Birmingham which carries out car technology development, testing and training. Aviva has no intentions to change these functions.

#### ***Trading Facilities***

Direct Line Shares are currently admitted to trading on the London Stock Exchange main market. As set out in paragraph 18, an application will be made for the cancellation of trading of Direct Line Shares on the London Stock Exchange with effect from or shortly following the Effective Date.

None of the statements in this paragraph 10 are "noct-offer undertakings" for the purposes of Rule 19.5 of the Takeover Code.

#### 11. Dividends

Pursuant to the Offer Consideration, Direct Line Shareholders are entitled to receive up to 5.0 pence of dividends per Direct Line Share prior to the Effective Date (subject to Direct Line Board approval).

Aviva and Direct Line have further agreed that, until the Effective Date, Aviva will declare its dividends in accordance with the Aviva Dividend Policy.

Aviva and Direct Line expect the Scheme to become Effective in mid-2025. The Long Stop Date allows for the possibility of a later Effective Date and the parties have agreed certain further arrangements relating to dividends to cater for a situation where the Acquisition completes later than expected:

- If the Effective Date occurs after the record date for Aviva's FY25 interim dividend, Direct Line will be entitled to declare and pay additional dividends prior to the Effective Date of up to 2.0 pence per Direct Line Share in aggregate (subject to Direct Line Board approval).
- In addition, if the Effective Date occurs after the record date for Aviva's FY25 final dividend, Direct Line will be entitled to declare and pay additional dividends prior to the Effective Date in accordance with the Direct Line Dividend Policy of up to 10.6 pence per Direct Line Share in aggregate (subject to Direct Line Board approval).
- In addition, if the Effective Date occurs after the record date for Aviva's FY26 interim dividend, Direct Line will be entitled to declare and pay additional dividends prior to the Effective Date in accordance with the Direct Line Dividend Policy of up to 4.2 pence per Direct Line Share in aggregate (subject to Direct Line Board approval).

If on or after the date of this Announcement and prior to the Effective Date:

- Any dividend is declared by Direct Line which exceeds the limitations agreed with Aviva, Aviva shall be entitled to reduce the cash element of the Offer Consideration accordingly.
- Any dividend is declared by Aviva which exceeds the limitations agreed with Direct Line, Direct Line shall be entitled to declare an equalising dividend to Direct Line Shareholders.

Further detail on these arrangements can be found in Clause 3 of the Co-operation Agreement and will be set out in the Scheme Document.

#### 12. Current Trading

##### *Aviva*

Since Aviva's Q3 trading update announcement on 14 November 2024, Aviva's financial performance has been in line with management's expectations. Please see further details on the Aviva 2026 Profit Forecast in Appendix 6.

##### *Direct Line*

Since Direct Line's Q3 trading update announcement on 11 November 2024, Direct Line's financial performance has been in line with management's expectations.

#### 13. Ratings and Outlook

Aviva's long-term credit ratings as at 16 September 2024 were Aa3, AA- and AA- with respect to the Insurance Financial Strength Rating by Moody's, S&P and Fitch respectively, and A2, A and A+ with respect to the Insurance Credit Rating by Moody's, S&P and Fitch respectively. The outlook given by all rating agencies is stable. Following the commencement of the Offer Period, on 10 December 2024, 6 December 2024 and 12 December 2024, respectively, Moody's, S&P and Fitch released press statements to affirm Aviva's aforementioned credit ratings and outlook.

Direct Line's long-term credit ratings as at 30 October 2024 were A2 for the Insurance Financial Strength Rating of U K Insurance Limited, Baa2 for its subordinated debt rating and Ba1 for its restricted tier 1 securities - preferred stock non-cumulative rating. Following commencement of the Offer Period, on 10 December 2024, Moody's placed Direct Line's ratings on review for upgrade. Previously the outlooks were stable.

Following the Acquisition becoming Effective, the earnings, assets and liabilities of the Direct Line Group would be consolidated into the earnings, assets and liabilities of the Aviva Group. The earnings, assets and liabilities of the Aviva Group would thereby be increased. In addition, the cash and cash equivalents position of the Aviva Group would be decreased to reflect the payment of the Offer Consideration to Scheme Shareholders in connection with the Acquisition.

#### 14. Direct Line Share Plans

Participants in the Direct Line Share Plans will be contacted regarding the effect of the Acquisition on their options and awards under the Direct Line Share Plans and appropriate proposals will be made to such participants in accordance with Rule 15 of the Takeover Code. Further details on such proposals will be set out in the Scheme Document and in separate letters to be sent to participants in the Direct Line Share Plans.

#### 15. Financing



The cash consideration payable under the terms of the Acquisition will be funded from Aviva's existing cash resources. In addition, Aviva has entered into the Facility Agreement in an amount of up to £1.85 billion to satisfy the certain funds requirement of the Takeover Code.

Goldman Sachs International and Citi, in their capacity as joint financial advisers to Aviva, are satisfied that sufficient resources are available to Aviva to enable it to satisfy in full the cash consideration payable under the terms of the Acquisition.

Further information on the financing of the Acquisition will be set out in the Scheme Document.

## 16. Acquisition-related arrangements

### *Confidentiality Agreement*

On 8 December 2024, Aviva and Direct Line entered into a confidentiality agreement (the "**Confidentiality Agreement**") in connection with the Acquisition, pursuant to which, amongst other things, each of Aviva and Direct Line has undertaken to keep confidential information relating to the other party and/or to the Acquisition and not to disclose it to third parties (with certain exceptions). These confidentiality obligations will remain in force for 24 months from the date of the Confidentiality Agreement, except where expressly provided otherwise in the terms of the Confidentiality Agreement.

The Confidentiality Agreement also contains undertakings from Aviva that, for a period of 12 months from the date of the Confidentiality Agreement, Aviva shall not solicit or endeavour to entice away certain employees of Direct Line or the Direct Line Group.

### *Clean Team Agreement and Joint Defence Agreement*

On 12 December 2024, Aviva and Direct Line entered into a clean team agreement which sets out, among other things, how confidential information that is competitively sensitive can be disclosed, used or shared between Aviva's clean team individuals and/or external advisers and Direct Line's clean team individuals and/or external advisers.

On 9 December 2024, Aviva, Direct Line and their respective external counsel entered into a Confidentiality and Joint Defence Agreement, the purpose of which is to ensure that the exchange and/or disclosure of certain materials relating to the parties and in relation to, in particular, the anti-trust and regulatory workstream only takes place between their respective external counsel and external experts, and does not diminish in any way the confidentiality of such materials and does not result in a waiver of any privilege, right or immunity that might otherwise be available.

### **Co-operation Agreement**

On the date of this Announcement, Aviva and Direct Line entered into a co-operation agreement ("**Co-operation Agreement**") in relation to the Acquisition. Pursuant to the Co-operation Agreement, among other things:

- Aviva has agreed to use all reasonable endeavours to obtain the regulatory clearances and authorisations necessary to satisfy the Conditions set out in paragraphs 3(a) and 3(c) of Part A of Appendix 1 to this Announcement as soon as is reasonably practicable and in any event in sufficient time to enable the Effective Date to occur prior to the Long Stop Date;
- Aviva and Direct Line have agreed to certain customary undertakings to co-operate in relation to such regulatory clearances and authorisations;
- Aviva has agreed to pay a break fee of £60 million to Direct Line if the Condition set out in paragraph 3(c)(ii) of Part A of Appendix 1 to this Announcement is invoked or is not satisfied by the Long Stop Date;
- the parties have agreed certain arrangements and limitations in relation to the payments of dividends, as summarised in paragraph 11 above;
- the parties have agreed to (i) certain provisions that shall apply with respect to the Direct Line Share Plans, its other incentive arrangements and other employee-related matters (further details of which will be provided in the Scheme Document); and (ii) certain provisions if the Acquisition should switch to a Takeover Offer; and
- Aviva has also agreed to provide Direct Line with certain information for the purposes of the Scheme Document and to otherwise assist with the preparation of the Scheme Document.

The Co-operation Agreement records the intention of Aviva and Direct Line to implement the Acquisition by way of the Scheme, subject to Aviva's right to switch to a Takeover Offer in certain circumstances. Aviva and Direct Line have agreed to certain customary provisions if the Scheme should switch to a Takeover Offer.

The Co-operation Agreement shall terminate in certain customary circumstances, including but not limited to:

- if agreed in writing between Aviva and Direct Line;
- upon written notice served by Aviva to Direct Line if the Direct Line Directors' recommendation in respect of the Acquisition changes in a manner that is adverse in the context of the Acquisition;
- upon written notice by either Aviva or Direct Line to the other if: (i) prior to the Long Stop Date, a third party offer for Direct Line becomes effective or is declared or becomes unconditional; (ii) if the Acquisition (whether implemented by way of the Scheme or the Takeover Offer) is withdrawn, terminates or lapses in accordance with its terms and (where required) with the permission of the Panel, unless such lapse or withdrawal: (a) is as a result of a switch to a Takeover Offer; or (b) is to be followed promptly by a

firm intention announcement (under Rule 2.7 of the Takeover Code) made by Aviva or any person acting in concert with Aviva to implement the Acquisition by a different offer or scheme on substantially the same or improved terms, and such announcement is made within 5 Business Days of such lapse or withdrawal; (iii) prior to the Long Stop Date: (a) any Condition which has not been waived is (or has become) incapable of satisfaction by the Long Stop Date and, notwithstanding that it has the right to waive such Condition, Aviva has stated in writing that it shall not do so; or (b) any Condition which is incapable of waiver is (or has become) incapable of satisfaction by the Long Stop Date, in each case in circumstances where the invocation of the relevant Condition is permitted by the Panel; (iv) if the Scheme is not approved at the Court Meeting, the Direct Line Resolution(s) are not passed at the General Meeting or the Court refuses to sanction the Scheme; (v) (other than where Aviva has switched to a Takeover Offer), if the Court Meeting, General Meeting or Sanction Hearing are not held on or before the 22<sup>nd</sup> day after the expected date of such hearing or meeting as set out in the Scheme Documents; (vi) a break fee has become payable by Aviva; or (vii) unless otherwise agreed by the parties in writing or required by the Panel, the Effective Date has not occurred by the Long Stop Date; and

- on the Effective Date.

## 17. Structure of the Acquisition

### Structure

It is intended that the Acquisition will be implemented by means of a Court-sanctioned scheme of arrangement between Direct Line and the Scheme Shareholders under Part 26 of the Companies Act. Aviva reserves the right to elect to effect the Acquisition by way of a Takeover Offer (subject to the consent of the Panel (where necessary) and the terms of the Co-operation Agreement).

The purpose of the Scheme is to provide for Aviva to become the holder of the entire issued and to be issued ordinary share capital of Direct Line. This is to be achieved by the transfer of the Scheme Shares to Aviva, in consideration for which Scheme Shareholders will receive the Offer Consideration on the basis set out in paragraph 2 of this Announcement.

The cash consideration payable under the terms of the Acquisition will be despatched, and the New Aviva Shares will be issued by Aviva, to Scheme Shareholders no later than 14 days after the Effective Date.

### Conditions to the Acquisition

The Acquisition is subject to the Conditions, certain further terms referred to in Appendix 1 to this Announcement and the full terms and conditions to be set out in the Scheme Document, and shall only become Effective if, among other things, the following events occur on or before the Long Stop Date:

- a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Court Meeting, either in person or by proxy, representing at least 75 per cent. in value of the Scheme Shares voted by those Scheme Shareholders;
- the Direct Line Resolution(s) required to implement the Acquisition are duly passed by Direct Line Shareholders at the General Meeting (which will require approval of Direct Line Shareholders representing at least 75 per cent. of the votes validly cast at such General Meeting, either in person or by proxy);
- certain regulatory approvals as described in Appendix 1 (including approvals from the PRA and the FCA, (being the primary regulators of the Direct Line Group's businesses), as well as the CMA) are obtained (or waived, as applicable);
- the FCA having acknowledged that the application for Admission has been approved and the London Stock Exchange having acknowledged that the New Aviva Shares will be admitted to trading on the Main Market;
- following the Court Meeting and the General Meeting, the Scheme is sanctioned by the Court (without modification, or with modification on terms agreed by Aviva and Direct Line); and
- following such sanction, a copy of the Court Order is delivered to the Registrar of Companies.

The Conditions in paragraph 2 of Part A of Appendix 1 to this Announcement provide that the Scheme will lapse if:

- the Court Meeting and the General Meeting are not held on or before the 22<sup>nd</sup> day after the expected date of such meetings to be set out in the Scheme Document in due course (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow);
- the Court hearing to sanction the Scheme is not held on or before the 22<sup>nd</sup> day after the expected date of such hearing to be set out in the Scheme Document in due course (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow); or
- the Scheme does not become Effective on or before the Long Stop Date (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow).

### Effect of the Scheme and publication of the Scheme Document

Subject to the satisfaction (or, where applicable, waiver) of the Conditions and the further terms set out in Appendix 1 to this Announcement, the Scheme is expected to become Effective in mid-2025.

Upon the Scheme becoming Effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and if they attended and voted, whether or not they voted in favour); (ii) entitlements to Direct Line Shares held within the CREST system will be cancelled; and (iii) share certificates in respect of Direct Line Shares will cease to be valid. Direct Line Shareholders shall be required to return share certificates to Direct Line or destroy them following the Effective Date.

Any Direct Line Shares issued before the Scheme Record Time will be subject to the terms of the Scheme and any Direct Line Shares issued following the Scheme Record Time will be transferred to Aviva (or as it may direct) in exchange for the same consideration as would be due under the Scheme (in each case, subject to the Scheme becoming Effective in accordance with its terms). The Direct Line Resolution(s) at the General Meeting will, amongst other matters, provide that the Direct Line Articles be amended to incorporate provisions requiring any Direct Line Shares issued after the Scheme Record Time (other than to Aviva and/or its nominees) to be automatically transferred to Aviva on the same terms as the Acquisition (other than terms as to timings and formalities). The provisions of the Direct Line Articles (as amended) will avoid any person (other than Aviva and its nominees) holding shares in the capital of Direct Line after the Effective Date.

Further details of the Scheme, including expected times and dates for each of the Court Meeting, the General Meeting and the Sanction Hearing, together with notices of the Court Meeting and General Meeting, will be set out in the Scheme Document.

A short extension to the customary 28-day period for publication of the Scheme Document has been requested of, and consented to by, the Panel having regard to, amongst other things, the time required to report on the new Aviva 2025 Profit Forecast, the availability of Court dates, and ensuring that the Scheme Document contains the most recent information as at the time of the Court Meeting and General Meeting. Accordingly, it is expected that the Scheme Document together with the associated Forms of Proxy, will be published beginning mid February 2025. The Court Meeting and General Meeting are expected to be held in March 2025. The General Meeting is expected to be held immediately after the Court Meeting.

The Scheme will be governed by English law and is subject to the jurisdiction of the Court. The Scheme will also be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.

#### 18. Cancellation of trading of shares

Prior to the Scheme becoming Effective, it is intended that an application will be made to the FCA and the London Stock Exchange to, subject to the Acquisition becoming Effective, cancel the listing of Direct Line Shares on the Official List and the trading of Direct Line Shares on the London Stock Exchange respectively, with effect from or shortly following the Effective Date.

The last day of dealings in, and registration of transfers of, Direct Line Shares on the London Stock Exchange is expected to be the Business Day immediately prior to the Effective Date and no transfers will be registered after 6:00 p.m. (London time) on that date.

If the Acquisition is effected by way of a Takeover Offer, it is anticipated that the cancellation of Direct Line's listing on the Official List and admission to trading on the London Stock Exchange's market for listed securities will take effect no earlier than 20 Business Days following the date on which the Takeover Offer becomes or is declared unconditional provided Aviva has obtained 75 per cent. or more of the voting rights of Direct Line.

On the Effective Date, share certificates in respect of Direct Line Shares will cease to be valid and entitlements to Direct Line Shares held within the CREST system will be cancelled. Direct Line Shareholders shall be required to return share certificates to Direct Line or destroy them following the Effective Date.

#### 19. Admission to Official List and to trading on the London Stock Exchange and dealings in New Aviva Shares

Application will be made to the FCA and the London Stock Exchange for the New Aviva Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that Admission will become effective and that dealings for normal settlement in the New Aviva Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date.

#### 20. Disclosure of interests in Direct Line

As at the Latest Practicable Date, Aviva and those persons acting in concert (within the meaning of the Takeover Code) with it had the following interests in Direct Line securities:

##### *Direct Line Shares*

Name	Number of Direct Line Shares	Percentage of Direct Line Shares
Aviva Plc	3,876,358*	0.29 per cent.

\*Aviva plc does not have investment discretion over 3,507,981 shares, however full voting authority is retained.

##### *Securities Borrowing and Lending*

Name	Number of Direct Line Shares	Nature of interest	Percentage of Direct Line Shares
Goldman Sachs Bank Europe SE	72,249	Lent	0.01 per cent.

Save for the details above, as at the Latest Practicable Date, neither Aviva, nor any of its directors, nor, so far as Aviva is aware, any person acting in concert (within the meaning of the Takeover Code) with any of them for the purposes of the Acquisition had:

- (i) any interest in or right to subscribe for any relevant securities of Direct Line;
- (ii) any short positions in respect of relevant securities of Direct Line (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (iii) borrowed or lent any relevant securities of Direct Line (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed relevant securities of Direct Line which had been either on-lent or sold; or
- (iv) entered into any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Takeover Code.

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

## 21. General

The New Aviva Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Aviva Shares, including the right to receive and retain in full all dividends and other distributions (if any) made, paid or declared by reference to a record date falling on or after the Effective Date. The New Aviva Shares to be issued pursuant to the Acquisition are not being offered to the public by means of this Announcement.

Fractions of New Aviva Shares will not be allotted or issued to Direct Line Shareholders. Instead, all fractional entitlements will be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares will be aggregated and sold in the market as soon as practicable after the Acquisition becomes Effective. The net proceeds of such sale (after deduction of all expenses and commissions incurred in connection with the sale) will be distributed in due proportions to Direct Line Shareholders who would otherwise have been entitled to such fractions, save that if the entitlement of any Direct Line Shareholder in respect of the proceeds of sale of fractional entitlements amounts to less than £5, such proceeds will be retained for the benefit of the Combined Group.

Aviva reserves the right to elect (with the consent of the Panel and subject to the terms of the Co-operation Agreement) to implement the Acquisition by way of a Takeover Offer for the entire issued and to be issued ordinary share capital of Direct Line as an alternative to the Scheme. In such event, the Acquisition will be implemented on substantially the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect, among other things, the change in method effecting the Acquisition (including, without limitation) inclusion of an acceptance condition set at 75 per cent. of the Direct Line Shares (or such lesser percentage as Aviva may decide after, to the extent necessary, consultation with the Panel, being in any case more than 50 per cent. of the Direct Line Shares), the inclusion of a long-stop date on which the Takeover Offer will cease to proceed, will lapse or will be withdrawn in certain circumstances, and those amendments required by, or deemed appropriate by, Aviva under applicable law.

The Acquisition will be subject to the Conditions and further terms set out in Appendix 1 to this Announcement and the full terms and conditions to be set out in the Scheme Document in due course. The sources and bases of certain financial information contained in this Announcement are set out in Appendix 2 to this Announcement. A summary of the irrevocable undertakings given in relation to the Acquisition is contained in Appendix 3 to this Announcement. For a discussion of the risks to Aviva as a result of the Acquisition see Appendix 4. Information relating to the Quantified Financial Benefits Statement made in this Announcement and the reports of the Aviva reporting accountants and financial advisers are set out in Appendix 5. Appendix 6 contains a confirmation from the Aviva Directors in respect of the Aviva 2026 Profit Forecast. Certain terms used in this Announcement are defined in Appendix 7 to this Announcement.

For the purposes of Rule 28 of the Takeover Code, the Quantified Financial Benefits Statement contained in this Announcement is the responsibility of Aviva and the Aviva Directors. Appendix 5 sets out the Quantified Financial Benefits Statement relating to anticipated cost savings and synergies arising out of the Acquisition and provides underlying information and bases of belief. Appendix 5 also includes reports from Aviva's reporting accountants, PwC, and its joint financial advisers, Goldman Sachs International and Citi, in connection with the Quantified Financial Benefits Statement, as required pursuant to Rule 28.1(a) of the Takeover Code, and provides underlying information and bases for the reporting accountants' and financial advisers' respective reports. Each of PwC, Goldman Sachs International and Citi has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included pursuant to Rule 23.2 of the Takeover Code.

Goldman Sachs International, Citi, Morgan Stanley, Robey Warshaw LLP and RBC Capital Markets have each given and not withdrawn their consent to the inclusion in this Announcement of the references to their names in the form and context in which they appear.

The availability of the Acquisition to Direct Line Shareholders who are not resident in and citizens of the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. Direct Line Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant

jurisdiction without delay.

## 22. Documents available on website

Copies of the following documents will be made available on Aviva's and Direct Line's websites at <https://www.aviva.com/investors/> and Direct Line's website at <https://www.directlinegroup.co.uk/en/investors> respectively by no later than noon on the Business Day following this Announcement and until the end of the Acquisition:

- this Announcement;
- the irrevocable undertakings referred to in paragraph 6 of this Announcement and summarised in Appendix 3 to this Announcement;
- the documents relating to the financing of the Acquisition referred to in paragraph 15 of this Announcement;
- the Confidentiality Agreement referred to in paragraph 16 of this Announcement;
- the Clean Team Agreement referred to in paragraph 16 of this Announcement;
- the Joint Defence Agreement referred to in paragraph 16 of this Announcement;
- the Co-operation Agreement referred to in paragraph 16 of this Announcement; and
- the written consent letter from each of Goldman Sachs International, Citi, Morgan Stanley, Robey Warshaw LLP, RBC Capital Markets, and PwC as referred to in paragraph 21 of this Announcement.

The contents of the websites referred to in this Announcement and any websites accessible from hyperlinks on these websites are not incorporated into and do not form part of this Announcement.

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Clifford Chance LLP is acting as legal adviser to Aviva and Slaughter and May is acting as legal adviser to Direct Line.

### Important notices about financial advisers

*Citigroup Global Markets Limited ("Citi"), which is authorised by the Prudential Regulation Authority ("PRA") and regulated in the UK by the Financial Conduct Authority ("FCA") and the PRA is acting as financial adviser exclusively for Aviva and for no one else in connection with the matters described in this Announcement, and will not be responsible to anyone other than Aviva for providing the protections afforded to its clients nor for providing advice in relation to the matters referred to in this Announcement. Neither Citi nor any of its affiliates,*

directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, consequential, whether in contract, tort, in delict, under statute or otherwise) to any person who is not a client of Citi in connection with this Announcement, any statement contained herein or otherwise.

Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Aviva and no one else in connection with the matters referred to in this Announcement 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 connection with the matters referred to in this Announcement.

Morgan Stanley & Co. International plc ("Morgan Stanley"), which is authorised by the PRA and regulated by the PRA and the FCA in the United Kingdom, is acting exclusively for Direct Line and for no one else in connection with the possible offer and neither Morgan Stanley nor any of its affiliates, nor their respective directors, officers, employees or agents will be responsible to anyone other than Direct Line for providing the protections afforded to its clients or for providing advice in relation to the possible offer, the contents of this Announcement or any other matters referred to in this Announcement.

Robey Warshaw LLP, which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser exclusively for Direct Line and no one else in connection with the matters referred to in this Announcement and will not regard any other person as its client in relation to the matters referred to in this Announcement and will not be responsible to anyone other than Direct Line for providing the protections afforded to clients of Robey Warshaw LLP, nor for providing advice in relation to the matters referred to in this Announcement.

RBC Europe Limited, which is authorised by the PRA and regulated by the PRA and the FCA in the United Kingdom, is acting exclusively for Direct Line and for no one else in connection with the possible offer and neither RBC Europe Limited nor any of its affiliates, nor their respective directors, officers, employees or agents will be responsible to anyone other than Direct Line for providing the protections afforded to its clients or for providing advice in relation to the possible offer, the contents of this Announcement or any other matters referred to in this Announcement.

#### **Inside Information**

This Announcement contains inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this Announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain.

The person responsible for making this Announcement on behalf of Aviva is Susan Adams, Company Secretary.

The person responsible for making this Announcement on behalf of Direct Line is Jane Poole, Chief Financial Officer.

#### **Further Information**

This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, any offer to sell or an invitation to purchase any securities; a solicitation of an offer to buy, otherwise acquire, subscribe for, sell or otherwise dispose of any securities pursuant to the Acquisition or otherwise; or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise; nor shall there be any purchase, sale, issuance or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation, sale issuance or exchange is unlawful. The Acquisition will be made solely by means of the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document) which, together with any related forms of proxy, will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Scheme. Any decision in respect of, or other response to, the Acquisition should be made only on the basis of the information contained in the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document).

Direct Line will prepare the Scheme Document to be distributed to Direct Line Shareholders. Direct Line and Aviva urge Direct Line Shareholders to read the Scheme Document (or any other document by which the Acquisition is made) in full when it becomes available because it will contain important information relating to the Acquisition, including details of how to vote in respect of the Scheme.

The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and publication of this Announcement shall not give rise to any implication that there has been no change in the facts set forth in this Announcement since such date.

This Announcement does not constitute a prospectus or prospectus equivalent document.

#### **Overseas jurisdictions**

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom, and the availability of the Acquisition to Direct Line Shareholders who are not resident in the United Kingdom, may be restricted by the laws of those jurisdictions and therefore persons into whose possession this Announcement comes should inform themselves about and observe such restrictions. In particular, the ability of persons who are not resident in the United Kingdom to vote their Direct Line Shares with respect to the Scheme at the Court meeting, or to execute and deliver forms of proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Further details in relation to Overseas Shareholders will be contained in the Scheme Document (or, if the Acquisition is implemented by way of a Takeover Offer, the offer document). Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by Aviva or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction. Accordingly, copies of this Announcement and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction, and persons receiving this Announcement and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such Restricted Jurisdiction. If the Acquisition is implemented by way of Takeover Offer (unless otherwise permitted by applicable law or regulation), the Takeover Offer may not be made, directly or indirectly, in or into, or by use of mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Takeover Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

This Announcement has been prepared in connection with proposals in relation to a scheme of arrangement pursuant to and for the purpose of complying with English law and the Takeover Code and information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom. Nothing in this Announcement should be relied on for any other purpose.

The Acquisition shall be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.

#### **Additional information for US investors**

The Acquisition relates to the shares of an English company and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer or proxy solicitation rules under the US Securities Exchange Act of 1934 (the "**US Exchange Act**"). Accordingly, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the US tender offer and proxy solicitation rules.

If, in the future, Aviva exercises its right to implement the Acquisition by way of a Takeover Offer, which is to be made into the US, such Takeover Offer will be made in compliance with the applicable US laws and regulations, including Section 14(e) and Regulation 14E under the US Exchange Act. Such a Takeover Offer would be made in the US by Aviva and no one else.

In the event that the Acquisition is implemented by way of Takeover Offer, in accordance with, and to the extent permitted by, the Takeover Code and normal UK market practice, Goldman Sachs International and Citi, and their respective affiliates, may continue to act as exempt principal traders or exempt market makers in Direct Line Shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, as permitted by Rule 14e-5(b)(9) under the US Exchange Act. In addition, Aviva, its affiliates, their advisors and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Direct Line outside the Acquisition, such as in open market purchases or privately negotiated purchases, during the period in which the Acquisition remains open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the US and would comply with applicable law, including United Kingdom laws and the US Exchange Act. Any such purchases by Aviva or its affiliates will not be made at prices higher than the price of the Acquisition provided in this Announcement unless the price of the Acquisition is increased accordingly. Any information about such purchases or arrangements to purchase shall be disclosed as required under United Kingdom laws and will be available to all investors (including US investors) via the Regulatory Information Service and shall be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com). To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will, as applicable, also be publicly disclosed in the United States.

It may be difficult for US holders of Direct Line Shares to enforce their rights and any claim arising out of the US federal securities laws in connection with the Acquisition, since Aviva and Direct Line are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Direct Line Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The New Aviva Shares to be issued pursuant to the Acquisition have not been registered under the US Securities Act 1933 or under any laws or with any securities regulatory authority of any state, district or other jurisdiction, of the US, and may only be offered or sold in the US in reliance on an exemption from registration requirements of the US Securities Act including in the case of the proposed scheme of arrangement, Section 3(a)(10) thereunder.

The financial information included in this Announcement, has been prepared in accordance with accounting standards applicable in the United Kingdom and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US ("**US GAAP**"). US GAAP differs in certain significant respects from accounting standards applicable in the United Kingdom. None of the financial information in this Announcement has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

Neither the Acquisition nor this Announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities approved or disapproved or passed judgement upon the fairness or the merits of the Acquisition, or determined if the information contained in this Announcement is

adequate, accurate or complete. Any representation to the contrary is a criminal offence in the United States.

The receipt of New Aviva Shares and/or cash pursuant to the Acquisition by a US holder as consideration for the transfer of its Direct Line Shares pursuant to the Acquisition may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each US holder of Direct Line Shares is urged to consult their independent legal, tax and financial advisers regarding the tax consequences of the Acquisition applicable to them, including under applicable US state and local, as well as overseas and other, tax laws.

#### **American Depositary Shares and American Depositary Receipts**

Aviva is aware that there is an "un-sponsored" American Depositary Receipt Program concerning Direct Line Shares. The Acquisition is not being made for American Depositary Shares representing Direct Line Shares ("ADSs"), nor for American Depositary Receipts evidencing such ADSs ("ADRs"). However, the Acquisition is being made for the Direct Line Shares that are represented by the ADSs. Holders of ADSs and ADRs are encouraged to consult with the appropriate depository regarding the tender of Direct Line Shares that are represented by ADSs. Aviva is unaware of whether any respective depository will make arrangements to tender the underlying Direct Line Shares into the Acquisition on behalf of holders of ADSs or ADRs.

Generally, holders of ADSs may be able to present their ADSs to the appropriate depository for cancellation and (upon compliance with the terms of the deposit agreement relating to the "un-sponsored" American Depositary Receipt Program concerning Direct Line Shares, including payment of the depository's fees and any applicable transfer fees, taxes and governmental charges) delivery of Direct Line Shares to them, in order to become shareholders of the Direct Line. The Direct Line Shares delivered to holders of ADSs upon such cancellation may then be tendered into the Acquisition. Holders of ADSs should consult with the relevant depository regarding their ability to obtain the underlying Direct Line Shares and the applicable procedures. Holders of ADSs should be aware, however, that in order to tender in this manner, they may need to have an account in the United Kingdom into which the Direct Line Shares can be delivered.

#### **Forward-looking statements**

This Announcement (including information incorporated by reference in this Announcement), oral statements made regarding the Acquisition, and other information published by Aviva or Direct Line may contain statements about Aviva and Direct Line that are or may be deemed to be forward looking statements. All statements other than statements of historical facts included in this Announcement may be forward looking statements.

Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "shall", "should", "anticipates", "estimates", "projects", "is subject to", "budget", "scheduled", "forecast" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) the ability to complete the Acquisition in a timely manner; (ii) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy; losses and future prospects; (iii) business and management strategies and the expansion and growth of Aviva's or Direct Line's operations and potential synergies resulting from the Acquisition; and (iv) the effects of government regulation on the wider Aviva Group's or the wider Direct Line Group's business.

Such forward looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Aviva and Direct Line about future events, and are therefore subject to 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, including: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally; market developments and government actions, changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments, a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including pandemics) on our business activities and results of operation, the transitional, litigation and physical risks associated with climate change, failure to understand and respond effectively to the risks associated with sustainability; regulatory approval of changes to the Aviva Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules, the impact of recognising an impairment of our goodwill or intangibles with indefinite lives, changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities, the effect of legal proceedings and regulatory investigations, the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data), increased competition, the loss of or damage to one or more key customer relationships, changes to habits, the outcome of business or industry restructuring, the outcome of any litigation, changes in global, political, social, business and economic conditions, changes in the level of capital investment, currency fluctuations, changes in interest and tax rates, changes in market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key employees, or the timing and success of future offer opportunities or major investment projects and the impact of any acquisitions or similar transactions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward looking statements.

Such forward looking statements should therefore be construed in light of such factors. Neither Aviva nor Direct Line, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Announcement will actually occur. 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. All subsequent



oral or written forward looking statements attributable to any member of the Aviva Group or the Direct Line Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

Aviva and Direct Line expressly disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law or by the rules of any competent regulatory authority; whether as a result of new information, future events or otherwise.

#### **No profit forecast or estimates**

Other than the Aviva 2026 Profit Forecast, no statement in this Announcement is intended as, or is to be construed as, a profit forecast or profit estimate for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per Direct Line Share or Aviva Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Direct Line Share or Aviva Share.

#### **Quantified financial benefits**

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the quantified financial benefit statements nor any other statement in this Announcement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following implementation of the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Aviva or Direct Line for the relevant preceding financial period or any other period.

#### **Disclosure requirements of the Takeover Code**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### **Publication on website**

A copy of this Announcement and the documents required to be published pursuant to Rule 26 of the Takeover Code will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Aviva's website at <https://www.aviva.com/investors/> and Direct Line's website at <https://www.directlinegroup.co.uk/en/investors> by no later than 12.00 noon (London Time) on the Business Day following the publication of this Announcement.

For the avoidance of doubt, the contents of these websites and any websites accessible from hyperlinks on these websites are not incorporated into and do not form part of this Announcement.

#### **Information relating to Direct Line Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by Direct Line Shareholders, persons with

include or under their addresses, electronic addresses and certain other information provided by Direct Line Shareholders, persons with information rights and other relevant persons for the receipt of communications from Direct Line may be provided to Aviva during the Offer Period as required under Section 4 of Appendix 4 of the Takeover Code.

#### **Right to receive documents in hard copy form**

In accordance with Rule 30.3 of the Takeover Code, Direct Line Shareholders, participants in the Direct Line Share Plans and persons with information rights may request a hard copy of this Announcement, free of charge, by contacting Direct Line's registrars, Computershare Investor Services PLC, during business hours on +44 (0)370 873 5880, or by submitting a request in writing to The Pavilions, Bridgewater Road, Bristol BS99 6ZY. If calling from outside of the UK, please ensure the country code is used. For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information in relation to the Acquisition are sent to them in hard copy form. Please note that Computershare Investor Services PLC cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **Rounding**

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

#### **General**

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

## **APPENDIX 1**

### **CONDITIONS AND FURTHER TERMS OF THE SCHEME AND THE ACQUISITION**

#### **PART A: CONDITIONS TO THE SCHEME AND THE ACQUISITION**

##### **Long Stop Date**

1. The Acquisition will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Takeover Code, by not later than the Long Stop Date.

##### **Scheme approval Conditions**

2. The Scheme will be subject to the following Conditions:
  - (a) (i) its approval by a majority in number of the Scheme Shareholders who are present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required (or any adjournment thereof), and who represent not less than 75 per cent. in value of the Scheme Shares voted by those Scheme Shareholders; and (ii) such Court Meeting and any such separate class meeting (or any adjournment thereof) being held on or before the 22<sup>nd</sup> day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow);
  - (b) (i) the Direct Line Resolution(s) being duly passed by the requisite majority or majorities of Direct Line Shareholders at the General Meeting (or any adjournment thereof); and (ii) such General Meeting being held on or before the 22<sup>nd</sup> day after the expected date of such meeting to be set out in the Scheme Document in due course (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow); and
  - (c) (i) the sanction of the Scheme by the Court (with or without modification, but subject to any such modification being on terms acceptable to Direct Line and Aviva) and the delivery of a copy of the Court Order to the Registrar of Companies; and (ii) the Court hearing to sanction the Scheme being held on or before the 22<sup>nd</sup> day after the expected date of such hearing to be set out in the Scheme Document in due course (or such later date, if any, (a) as Aviva and Direct Line may agree or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow).

##### **General Conditions**

3. In addition, subject as stated in Part B of this Appendix 1, and to the requirements of the Panel, Aviva and Direct Line have agreed that the Acquisition will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

1. Definition:

## regulatory

- (a) the appropriate regulator (as defined in section 178(2A) of FSMA) of each UK authorised person (as defined in section 191G of FSMA) within the Direct Line Group in which Aviva and any other person who, for the purposes of section 178 of FSMA, would be a controller (as such term is defined under section 422 of FSMA) (each a "**Controller**"), as a result of the implementation of the Acquisition, will acquire control or (if applicable) increase control over (within the meaning of Part XII FSMA):
- ( i ) having given notice for the purpose of section 189(4)(a) of FSMA that it has determined to approve such acquisition of or increase in control unconditionally;
  - ( i i ) having given notice for the purpose of section 189(7) of FSMA that it has determined to approve such acquisition of or increase in control subject to conditions, with such conditions being satisfactory to Aviva or such other Controller (as applicable) (acting reasonably); or
  - ( i i i ) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control;
- where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemptions) Order 2009 (as amended from time to time);
- (b) the SRA having given notice:
- (i) for the purpose of paragraph 27(2) of Schedule 13 to the LSA that it has determined to approve the acquisition of a restricted interest (as defined in paragraph 2(1) of Schedule 13 to the LSA (a "**Restricted Interest**") by Aviva and any other person who, for the purposes of paragraph 3(1) of Schedule 13 to the LSA, would hold a material interest in DLG Legal Services Limited (a "**Material Interest Holder**") unconditionally; or
  - (ii) for the purpose of paragraph 28(7) of Schedule 13 to the LSA that it has determined to approve the acquisition of a Restricted Interest by a Material Interest Holder in DLG Legal Services Limited subject to conditions, with such conditions being satisfactory to Aviva or such other Material Interest Holder (as applicable) (acting reasonably);

## Antitrust

- (c) either:
- ( i ) the CMA confirming, on terms reasonably satisfactory to Aviva, that the Acquisition or any matter arising therefrom or related thereto or any part of it will not be subject to a Phase 2 reference under section 33 of the Enterprise Act 2002 or on any other statutory basis (a "**Phase 2 CMA Reference**"), or the applicable time period for the CMA to make a Phase 2 CMA Reference having expired without the CMA having made such a Phase 2 CMA Reference; or
  - ( i i ) in the event that there is a Phase 2 CMA Reference and the Condition set out in paragraph 3(c)(i) above is waived or not invoked by Aviva: (i) confirmation from the CMA that the Acquisition and any matter arising therefrom and related thereto, and all parts of it, may proceed on terms reasonably satisfactory to Aviva; and (ii) to the extent relevant, all conditions or obligations to which such confirmation is subject and which are required to be satisfied and/or complied with prior to Completion of the Acquisition having been satisfied or complied with;

## Admission of consideration shares

- (d) (i) the FCA having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Aviva Shares to the Equity Shares (Commercial Companies) category of the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("**listing conditions**")), admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and (ii) the London Stock Exchange having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that the New Aviva Shares will be admitted to trading on the London Stock Exchange's Main Market for listed securities;

## Other third party clearances

- (e) other than in respect of or in connection with the Conditions set out in paragraph 3(a) to 3(d), no Third Party having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
- ( i ) require, prevent or materially delay the divestiture or alter the terms envisaged for such divestiture by any member of the Wider Aviva Group or by any member of the Wider Direct Line Group of all or any part of its

businesses, assets or property (including shares, or other securities (or equivalent)) or impose any limitation on the ability of all or any of them to conduct their businesses (or any part thereof) or to own, control or manage any of their assets or properties (or any part thereof) to an extent which is material in the context of the Wider Aviva Group or the Wider Direct Line Group, in either case taken as a whole;

- (ii) require any member of the Wider Aviva Group or the Wider Direct Line Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider Direct Line Group or the Wider Aviva Group or any asset owned by any third party (other than in the implementation of the Acquisition);
- (iii) or, if applicable, pursuant to sections 974 to 991 of the Companies Act, which is material in the context of the Wider Aviva Group or the Wider Direct Line Group, in either case taken as a whole;
- (iv) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider Aviva Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider Direct Line Group;
- (v) otherwise materially adversely affect any or all of the business, assets, profits, or prospects of the Wider Direct Line Group and the Wider Aviva Group taken as a whole;
- (vi) result in any member of the Wider Direct Line Group or any member of the Wider Aviva Group ceasing to be able to carry on business under any name under which it presently carries on business, to an extent which is material in the context of the Wider Aviva Group or the Wider Direct Line Group, in either case taken as a whole;
- (vii) make the Acquisition or its implementation void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly prevent or prohibit, restrict, restrain, or materially delay or materially interfere with the implementation of, or impose material additional conditions or obligations with respect to, or otherwise materially challenge, impede or interfere with, or require material amendment of the Acquisition; or
- (viii) save as Disclosed, impose any material limitation on or result in any material delay in the ability of any member of the Wider Aviva Group or any member of the Wider Direct Line Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Wider Aviva Group and/or the Wider Direct Line Group in a manner which is materially adverse in the context of the Wider Aviva Group or Wider Direct Line Group, in either case taken as a whole,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Acquisition or otherwise intervene having expired, lapsed or been terminated;

- (f) other than in respect of or in connection with the Conditions set out in paragraphs 3(a) to 3(d), all filings, applications and/or notifications which are necessary in connection with the Acquisition having been made and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Acquisition or the carrying on by any member of the Wider Direct Line Group of a material part of its business;
- (g) other than in respect of or in connection with the Conditions set out in paragraphs 3(a) to 3(d), all necessary Authorisations for the proposed Acquisition to acquire any shares or other securities in, or control of, Direct Line by any member of the Wider Aviva Group having been obtained on terms and in a form reasonably satisfactory to Aviva from all necessary Third Parties, and all such Authorisations, together with all Authorisations which are necessary or appropriate to carry on the business of any member of the Wider Direct Line Group that is material in the context of the Wider Aviva 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, suspend, restrict, modify or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

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

- (h) except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, franchise, permit or other instrument to which any member of the Wider Direct Line Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, as a consequence of the Acquisition or because of a change in the control or management of any member of the Wider Direct Line Group or otherwise, would reasonably be expected to result in, in each case to an extent which is material in the context of the

Wider Direct Line Group or the Wider Aviva Group, in either case, taken as a whole or in the context of the Acquisition:

- (i) any monies borrowed by, or any other indebtedness or liabilities, actual or contingent, of, or any grant available to, any member of the Wider Direct Line Group being or becoming repayable, or capable of being declared repayable, immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
- (ii) the rights, liabilities, obligations, interests or business of any member of the Wider Direct Line Group or any member of the Wider Aviva Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Wider Direct Line Group or any member of the Wider Aviva Group in or with any other person or body or firm or company (or any agreement or arrangement relating to any such interests or business) being or becoming capable of being terminated, or adversely modified or affected or any onerous obligation or liability arising or any action being taken thereunder;
- (iii) any member of the Wider Direct Line Group ceasing to be able to carry on business under any name under which it presently carries on business, to an extent which is material in the context of the Wider Direct Line Group taken as a whole;
- (iv) any assets or interests of any member of the Wider Direct Line Group being or failing to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider Direct Line Group otherwise than in the ordinary course of business;
- (v) the creation, save in the ordinary and usual course of business, or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider Direct Line Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen), becoming enforceable;
- (vi) the business, assets, profits, value of, or the financial or trading position or prospects of, any member of the Wider Direct Line Group being prejudiced or adversely affected;
- (vii) the creation or acceleration of any liability (actual or contingent) by any member of the Wider Direct Line Group, other than trade creditors or other liabilities incurred in the ordinary course of business;
- (viii) any liability of any member of the Wider Direct Line Group to make any severance, termination, bonus or other payment to any of its directors or other officers other than in the ordinary course of business or as permitted or countenanced by the Co-operation Agreement; or
- (ix) any requirement of any member of the Wider Direct Line Group to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent),

and, no event having occurred which, under any provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider Direct Line Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would or would reasonably be expected to result in any of the events or circumstances as are referred to in Conditions 3(h)(i) to 3(h)(ix), in each case to an extent or in a manner which is material in the context of the Wider Direct Line Group taken as a whole;

**Certain events occurring since 31 December 2023**

- (i) except as Disclosed, no member of the Wider Direct Line Group having since 31 December 2023:
  - (i) save as between Direct Line and its wholly-owned subsidiaries or between such wholly-owned subsidiaries and save for the issue of Direct Line Shares on the exercise of options and the vesting of awards under the Direct Line Share Plans, issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue, of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Direct Line Shares out of treasury;
  - (ii) other than the Direct Line Permitted Dividends (if any), recommended, declared, paid or made or proposed or agreed to recommend, declare, pay or make any bonus issue, dividend or other distribution (whether payable in cash or otherwise) other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly-owned subsidiary of Direct Line to Direct Line or any of its wholly-owned subsidiaries;
  - (iii) other than pursuant to the Acquisition (and except for transactions between Direct Line and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Direct Line and transactions in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect,

authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or offer or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings, in each case to an extent which is material in the context of the Wider Direct Line Group taken as a whole;

- (iv) except for transactions between Direct Line and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Direct Line and except for transactions in the ordinary course of business disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any asset or authorised, proposed or announced any intention to do so to an extent which, in each case, is material in the context of the Wider Direct Line Group taken as a whole;
- (v) except for transactions between Direct Line and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Direct Line issued, authorised, made or proposed or announced an intention to issue, authorise or make any change in or to the terms of any debentures or loan capital or become subject to any contingent liability or incurred or increased any indebtedness to an extent which, in each case, is material in the context of the Wider Direct Line Group taken as a whole;
- (vi) entered into any licence or other disposal of intellectual property rights of any member of the Wider Direct Line Group, which are material in the context of the Wider Direct Line Group taken as a whole and outside of the ordinary course of business;
- (vii) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) (otherwise than in the ordinary course of business) which is of a long term, unusual or onerous nature or magnitude or which is or which involves or could reasonably be expected to involve an obligation of a nature or magnitude which in any such case, is material in the context of the Direct Line Group, or which is or is reasonably expected to be materially restrictive on the business of any member of the Wider Direct Line Group to an extent which, in each case, is material in the context of the Wider Direct Line Group taken as a whole;
- (viii) entered into or varied or authorised, proposed or announced its intention to enter into or vary the terms of, or made any offer (which remains open for acceptance) to enter into or vary the terms of any contract, service agreement, commitment or arrangement with any director or senior executive of any member of the Wider Direct Line Group, except for salary increases, bonuses or variations of terms in the ordinary course;
- (ix) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any employee of the Wider Direct Line Group, which, taken as a whole, are material in the context of the Wider Direct Line Group taken as a whole;
- (x) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, except in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital, to an extent which is material in the context of the Wider Direct Line Group taken as a whole;
- (xi) waived, compromised or settled any claim otherwise than in the ordinary course of business which is material in the context of the Wider Direct Line Group taken as a whole;
- (xii) terminated or varied the terms of any agreement or arrangement between any member of the Wider Direct Line Group and any other person in a manner which would, or would reasonably be expected to, have a material adverse effect on the financial position of the Wider Direct Line Group taken as a whole;
- (xiii) made any alteration to its memorandum or articles of association or other incorporation documents (in each case, other than in connection with the Acquisition);
- (xiv) in relation to any pension scheme or other retirement, leaving service or death benefit arrangement established for any directors, former directors, employees or former employees of any entity in the Wider Direct Line Group or their dependants and established by a member of the Wider Direct Line Group (a "**Relevant Pension Plan**"), except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to any change to:
  - (A) the terms of the trust deeds and rules constituting any Relevant Pension Plan;
  - (B) the contributions payable to any Relevant Pension Plan or to the benefits which accrue, or to the pensions which are payable, thereunder;
  - (C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
  - (D) the basis upon which the liabilities (including pensions) of any Relevant Pension Plan are funded, valued, made, agreed or consented to,

which are material in the context of the Wider Direct Line Group taken as a whole;

where to do so nas, or is reasonably likely to, have a material impact on the wider Direct Line Group;

- (xv) established or proposed the establishment of any Relevant Pension Plan to the extent which is material in the context of the Wider Direct Line Group taken as a whole, and other than as required in accordance with applicable law;
- (xvi) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which is material in the context of the Wider Direct Line Group taken as a whole;
- (xvii) (other than in respect of a member of the Wider Direct Line Group which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, manager, administrative receiver, trustee or similar officer of all or any material part of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed;
- (xviii) entered into or implemented any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities which is material in the context of the Wider Direct Line Group taken as a whole;
- (xix) taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Direct Line Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code; or
- (xx) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition 3(i);

**No adverse change, litigation, regulatory enquiry or similar**

- (j) except as Disclosed, since 31 December 2023 there having been:
  - (i) no adverse change and no circumstance having arisen which would be or would reasonably be expected to result in any material adverse change in, the business, assets, value, financial or trading position or profits or prospects or operational performance of any member of the Wider Direct Line Group which is material in the context of the Wider Direct Line Group taken as a whole or is material in the context of the Acquisition;
  - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Direct Line Group is or may become a party (whether as claimant, defendant or otherwise) having been threatened, announced, instituted or remaining outstanding by, against or in respect of, any member of the Wider Direct Line Group, in each case which is or would be expected to be material in the context of the Wider Direct Line Group taken as a whole or is material in the context of the Acquisition;
  - (iii) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider Direct Line Group having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the Wider Direct Line Group, in each case which would reasonably be expected to have a material adverse effect on the Wider Direct Line Group taken as a whole or is material in the context of the Acquisition;
  - (iv) no contingent or other liability having arisen or become apparent to Aviva or increased other than in the ordinary course of business which is reasonably likely to affect adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider Direct Line Group to an extent which is material in the context of the Wider Direct Line Group taken as a whole;
  - (v) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Direct Line Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which would reasonably be expected to have a material adverse effect on the Wider Direct Line Group taken as a whole or is material in the context of the Acquisition; and
  - (vi) no member of the Wider Direct Line Group having conducted its business in breach of any applicable laws and regulations in manner which is material in the context of the Wider Direct Line Group taken as a whole;

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

- (k) except as Disclosed, Aviva not having discovered that:
  - (i) any financial, business or other information concerning the Wider Direct Line Group publicly announced before

the date of the Announcement or disclosed at any time to any member of the Wider Aviva Group by or on behalf of any member of the Wider Direct Line Group before the date of this Announcement is misleading, contains a misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading and which is, in any case, material in the context of the Wider Direct Line Group taken as a whole or is material in the context of the Acquisition;

- (i) any member of the Wider Direct Line Group or any partnership, company or other entity in which any member of the Wider Direct Line Group has a significant economic interest and which is not a subsidiary undertaking of Direct Line is subject to any liability, contingent or otherwise, which is material in the context of the Wider Direct Line Group taken as a whole; or
- (iii) any past or present member of the Wider Direct Line Group has not complied with any applicable legislation, regulations or other requirements of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human or animal health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any material liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Wider Direct Line Group, in each case to an extent which is material in the context of the Wider Direct Line Group taken as a whole;

#### **Intellectual property**

- (1) except as Disclosed and since 31 December 2023, no circumstance having arisen or event having occurred in relation to any intellectual property owned or used by any member of the Wider Direct Line Group which would have a material adverse effect on the Wider Direct Line Group taken as a whole, including:
  - (i) any member of the Wider Direct Line Group losing its title to any intellectual property used in its business, or any intellectual property owned by any member of the Wider Direct Line Group and material to its business being revoked, cancelled or declared invalid; or
  - (ii) any claim being asserted in writing or threatened in writing by any person challenging the ownership of any member of the Wider Direct Line Group to, or the validity or effectiveness of, any of its intellectual property; or
  - (iii) any agreement regarding the use of any intellectual property licensed to or by any member of the Wider Direct Line Group being terminated or varied; and

#### **Anti-corruption, sanctions and criminal property**

- (m) except as Disclosed, Aviva not having discovered:
  - (i) (i) any past or present member, director, officer or employee of the Wider Direct Line Group, in connection with their position at the Wider Direct Line Group, is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended, or any other anti-corruption legislation applicable to the Wider Direct Line Group or (ii) any past or present member of the Wider Direct Line Group or any person that performs or has performed services for or on behalf of the Wider Direct Line Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, as amended, or any other applicable anti-corruption legislation;
  - (ii) any asset of any member of the Wider Direct Line Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
  - (iii) any past or present member, director, officer or employee of the Wider Direct Line Group or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US, UK or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by applicable US, UK or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Revenue & Customs; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the United Kingdom, the European Union or any of its member states or any other governmental or supranational body or authority in any jurisdiction, except as may have been licensed by the relevant authority; or
  - (iv) a member of the Wider Direct Line Group has engaged in any transaction or conduct which would cause any member of the Wider Direct Line Group or the Wider Aviva Group to be in breach of any applicable law or



member of the wider Direct Line Group or the wider Aviva Group to be in breach of any applicable law or regulation upon the completion of the Acquisition, including any economic sanctions of the United States Office of Foreign Assets Control or HM Revenue & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the United Kingdom or the European Union or any of its member states.

## **PART B: FURTHER TERMS OF THE ACQUISITION**

1. The Conditions set out in paragraphs 2(a), 2(b) and 3(a) to 3(d) (inclusive) of Part A above must each be fulfilled, or (if capable of waiver) be waived by Aviva prior to the commencement of the Sanction Hearing failing which the Scheme will lapse.
2. Notwithstanding the paragraph above, subject to the requirements of the Panel and the Takeover Code, Aviva reserves the right in its sole discretion to waive:
  - (a) the deadlines set out in paragraph 1 of Part A above, and any of the deadlines set out in paragraphs 2(a)(ii), 2(b)(ii) and 2(c)(ii) of Part A above for the timing of the Court Meeting, the General Meeting and/or the Sanction Hearing. If any such deadline is not met, Aviva will make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with Direct Line to extend the deadline in relation to the relevant Condition. For the avoidance of doubt, the Conditions set out in paragraphs 2(a)(i), 2(b)(i), and 2(c)(i) of Part A above cannot be waived; and
  - (b) in whole or in part, all or any of the above Conditions set out in paragraphs 3(a) to (m) (inclusive) of Part A above.
3. Aviva shall be under no obligation to waive or treat as satisfied any of the Conditions that it is entitled (with the consent of the Panel and subject to the requirements of the Takeover Code) to waive, by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that the other Conditions 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.
4. If Aviva is required by the Panel to make an offer for Direct Line Shares under the provisions of Rule 9 of the Takeover Code, Aviva may make such alterations to any of the above Conditions and terms of the Acquisition as are necessary to comply with the provisions of Rule 9.
5. Under Rule 13.5(a) of the Takeover Code and subject to paragraph 6, Aviva may only invoke a Condition that is subject to Rule 13.5(a) of the Takeover Code so as to cause the Acquisition not to proceed, to lapse or to be withdrawn with the consent of the Panel and any Condition that is subject to Rule 13.5(a) of the Takeover Code may be waived by Aviva. The Panel will normally only give its consent if the circumstances which give rise to the right to invoke the Condition are of material significance to Aviva in the context of the Acquisition. This will be judged by reference to the facts of each case at the time that the relevant circumstances arise.
6. Conditions 1, 2(a), 2(b), 2(c) and 3(d) of Part A above and, if applicable, any acceptance condition if the Acquisition is implemented by means of a Takeover Offer, are not subject to Rule 13.5(a) of the Takeover Code.
7. The Direct Line Shares to be acquired under the Acquisition will be acquired with full title guarantee, fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions and any return of capital (whether by reduction of share capital or share premium account or otherwise) declared, made, paid or becoming payable by reference to a record date falling on or after the Effective Date and any dividend, distribution or return of capital in respect of which a corresponding reduction in the consideration payable under the terms of the Acquisition has been made as described in paragraph 8 below.
8. Subject to the terms of the Acquisition, if, on or after the date of this Announcement and on or prior to the Effective Date, any dividend and/or other distribution and/or return of capital is authorised, declared, made or paid or becomes payable in respect of Direct Line Shares other than the Direct Line Permitted Dividends, Aviva reserves the right to reduce the cash portion of the Offer Consideration payable under the terms of the Acquisition by an amount equal to all or part of any such dividend and/or other distribution and/or return of capital, in which case: (a) any reference in this Announcement or in the Scheme Document to the Offer Consideration for the Direct Line Shares will be deemed to be a reference to the Offer Consideration as so reduced; and (b) the relevant Direct Line Shareholders will be entitled to receive and retain any such dividend and/or other distribution and/or return of capital authorised, declared, made or paid. To the extent that any such dividend, distribution or return of capital is authorised, declared, made or paid or becomes payable: (x) pursuant to the Acquisition on a basis which entitles Aviva to receive the dividend or distribution or return of capital and to retain it; or (y) is subsequently cancelled, the Offer Consideration will not be subject to change in accordance with this paragraph. Any exercise by Aviva of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition.
9. Aviva reserves the right to elect (with the consent of the Panel (where necessary) and subject to the terms of the Co-operation Agreement) to implement the Acquisition by way of a Takeover Offer as an alternative to the Scheme. In such event, the offer will be implemented on substantially the same terms subject to appropriate amendments, including (without limitation) an acceptance condition set at 75 per cent. (or such lesser percentage as Aviva may decide after, to the extent necessary, consultation with the Panel being in any case more than 50 per cent. of the Direct Line Shares) so far as applicable, as those which would apply to the

Takeover Offer (being in any case more than 50 per cent. of the Direct Line Shares), so far as applicable, as those which would apply to the Scheme. Further, if sufficient acceptances of such Takeover Offer are received and/or sufficient Direct Line Shares are otherwise acquired, it is the intention of Aviva to apply the provisions of the Companies Act to acquire compulsorily any outstanding Direct Line Shares to which such Takeover Offer relates.

10. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable legal and regulatory requirements.
11. The Acquisition is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction.
12. The Scheme will be governed by English law and is subject to the jurisdiction of the Court and to the Conditions and further terms set out in this Appendix 1 to this Announcement, and to the full terms and Conditions to be set out in the Scheme Document. The Acquisition will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.
13. Each of the Conditions will be regarded as a separate Condition and will not be limited by reference to any other Condition.

## APPENDIX 2

### SOURCES AND BASES OF INFORMATION

Unless otherwise stated in this Announcement:

1. all references to Direct Line Shares are to Direct Line ordinary shares of 10<sup>10</sup>/<sub>11</sub> pence each;
2. references to the entire diluted issued share capital of 1,331,723,248 Direct Line Shares have been calculated based on:
  - (a) 1,311,388,157 Direct Line Shares in issue as at the Latest Practicable Date, plus
  - (b) a maximum of 29,730,719 Direct Line Shares which may be issued on the exercise of options and vesting of awards on or after the date of this Announcement under the Direct Line Share Plans as at the Latest Practicable Date, less
  - (c) 9,395,628 Direct Line Shares held by the employee benefit trust operated by Direct Line that can be used to satisfy the exercise of options and vesting of awards under the Direct Line Share Plans as at the Latest Practicable Date;
3. the value of the Acquisition based on the Offer Consideration of 0.2867 New Aviva Shares, 129.7 pence in cash, and up to 5 pence (in aggregate) in dividends to be paid (subject to the approval of the Direct Line Board) prior to Completion is calculated on the basis of the issued and to be issued entire diluted issued share capital of Direct Line (as set out in paragraph 2 above);
4. the enlarged share capital of Aviva immediately following Completion has been calculated as the sum of:
  - (a) the share capital of Aviva of 2,677,646,728 Aviva Shares as at the Latest Practicable Date, plus
  - (b) up to 381,805,055 Aviva Shares, which may be issued under the terms of the Acquisition (calculated as the entire diluted issued share capital of Direct Line as set out in paragraph 2 above multiplied by the Exchange Ratio of 0.2867 New Aviva Shares in exchange for each Direct Line share);

The total number of Aviva shares following Completion will therefore be up to 3,059,451,783 (excluding any new awards granted by Direct Line between the date of this Announcement and Completion);
5. the percentage ownership of the Combined Group which would be held by Aviva Shareholders and Direct Line Shareholders respectively if the Acquisition completes are based on the entire diluted share capital of Direct Line as set out in paragraph 2 and the current share capital of Aviva as set out in paragraphs 4(a);
6. unless stated otherwise, all prices quoted for Direct Line Shares are Closing Prices and are derived from Bloomberg
7. volume weighted average prices are derived from Bloomberg
8. certain figures included in this Announcement have been subject to rounding adjustments; and
9. unless otherwise stated, the financial information relating to Aviva and Direct Line are extracted from the annual and interim accounts of Aviva and Direct Line respectively for the relevant years.

## APPENDIX 3

### DETAILS OF IRREVOCABLE UNDERTAKINGS

#### 1. Direct Line Directors

The following Direct Line Directors have given irrevocable undertakings in respect of the following Direct Line Shares beneficially held by them (or their immediate family) to vote (or procure the voting) in favour of the Scheme at the Court Meeting and the Direct Line Resolution(s) at the General Meeting (or, if the Acquisition is implemented by means of a Takeover Offer, to accept or procure the acceptance of the Takeover Offer):

Name	Number of Direct Line Shares	Percentage of Direct Line existing issued ordinary share capital
Adam Winslow	517,022	0.04 per cent.
Jane Poole*	0	0.00 per cent.
Carol Hagh	10,000	0.00 per cent.
Danuta Gray	26,500	0.00 per cent.

\* Jane Poole does not hold any Direct Line Shares but has given an irrevocable undertaking in respect of her awards and options held under the Direct Line Share Plans.

These irrevocable undertakings also extend to any Direct Line Shares acquired by the Direct Line Directors as a result of the vesting of awards or the exercise of options under the Direct Line Share Plans, other than any Direct Line Shares acquired under the Direct Line Group Share Incentive Plan.

The obligations of the Direct Line Directors under these irrevocable undertakings remain binding in the event a higher competing offer is made for Direct Line and will cease to be binding on the earlier of the following occurrences:

- if Aviva announces its election to implement the Acquisition by way of a Takeover Offer, and the formal document containing the Takeover Offer is not published within 28 days (or such longer period as the Panel may agree) after the date of the announcement of such election unless, on or before that date (as extended, if applicable), Aviva announces its election to implement the Acquisition by way of a Scheme or otherwise;
- the Scheme or Takeover Offer lapses or is withdrawn in accordance with its terms and Aviva publicly confirms that it does not intend to proceed with the Acquisition or to implement the Acquisition by way of a Takeover Offer or Scheme or otherwise;
- Aviva announces, with the consent of the Panel, that it does not intend to make or proceed with the Acquisition and no new, revised or replacement offer or scheme is announced in accordance with Rule 2.7 of the Takeover Code at the same time;
- the Scheme has not become effective by the Long Stop Date; or
- any competing offer for Direct Line is declared unconditional or, if proceeding by way of a scheme of arrangement, becomes effective.

#### APPENDIX 4 RISK FACTORS

As the Acquisition constitutes a "significant transaction" for Aviva for the purposes of the Listing Rules, Aviva is required to describe any risks associated with the Acquisition which are summarised below.

***The Acquisition is subject to the Conditions which may not be satisfied or waived***

Completion of the Acquisition is subject to the Conditions being satisfied (or, if permitted, waived). A summary of the principal Conditions to which the Acquisition is subject is set out at paragraph 17 above and the Conditions are set out in full in Appendix 1 to this Announcement. The Conditions must be satisfied, or where permitted, waived, by the Long Stop Date (subject to the Takeover Code). However, the Acquisition is currently expected to complete in mid-2025.

There is no guarantee that the Conditions will be satisfied in the necessary time frame (or waived, if applicable). The applicable regulatory authorities have discretion in imposing conditions in granting their consent, which could result in a delay in Completion of, or a decision not to complete, the Acquisition. Failure to satisfy (or, where permitted, waive) these Conditions may result in the Acquisition not being completed.

Delay in completing the Acquisition will prolong the period of uncertainty for the Aviva Group and the Direct Line Group and both delay and failure to complete the Acquisition may result in the accrual of additional costs to their respective businesses without any of the potential benefits of the Acquisition having been achieved.

Aviva's ability to invoke a Condition (other than the Conditions set out in paragraphs 1, 2(a), 2(b), 2(c) and 3(d) of Part A of Appendix 1 to this Announcement) to either lapse its offer or to delay completion of the Acquisition is subject to the Panel's consent. In granting its consent, the Panel would need to be satisfied that the underlying circumstances are of "material significance" to Aviva in the context of the Acquisition and this is a high threshold to fulfil. Consequently, there is a significant risk that Aviva may be required to complete the Acquisition even where certain Conditions have not been satisfied or where a material adverse change has occurred to the Direct Line Group. If any of the events described above were to occur, they may result in additional costs and/or the delay or the failure (partial or otherwise) to realise the financial benefits and synergies relating to the Acquisition identified by the parties or may otherwise impact Aviva's strategy and operations.

***The Combined Group's success will be dependent upon its ability to integrate the Direct Line Group and deliver the value of the combined underlying businesses; the financial benefits and synergies expected from the Acquisition may not be fully achieved.***

The Combined Group's future prospects will, in part, be dependent upon the Combined Group's ability to integrate the Direct Line Group successfully, without disruption to the existing business.

The integration process following Completion may be more complex than anticipated. Successful integration will require a significant amount of management time and may affect the ability of the management team of the Combined Group to run the business effectively during the period of integration and to execute the Aviva Group's existing strategic priorities. If the integration process proves more difficult than is being anticipated, there is a risk to the operational performance of the Combined Group.

The Combined Group will face various challenges when integrating the Direct Line Group into the Aviva Group, including among others, harmonising ways of working and integration of employee groups, standardising policies and procedures, processes and systems, aligning shared values, integrating brands and legal entities and retention of key employees of the Combined Group. If the Combined Group does not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of resources in the Combined Group, and could impair the ability of the Combined Group to properly execute the integration of the Direct Line Group.

Whilst the Aviva Directors believe that the Acquisition will achieve material cost and capital synergies, and that these have been reasonably estimated, unanticipated events, liabilities, tax impacts or unknown pre-existing issues may arise or become apparent (whether as a result of a decision or action taken by a regulator with jurisdiction over the Combined Group's business or otherwise) which could result in the costs of integration being higher and the realisable benefits/synergies being lower than expected, resulting in a material adverse effect on the business, results of operations, financial condition and/or prospects of the Combined Group and the market price of the Aviva Shares. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits within the assumed time frame.

***The prospect of Completion could disrupt the businesses of the Aviva Group and/or the Direct Line Group, which could have material adverse effects on the business, financial condition, results of operations and prospects of the Aviva Group, Direct Line Group or the Combined Group and the market price of the Aviva Shares.***

The prospect of Completion could disrupt the businesses of the Aviva Group and the Direct Line Group. For example, current and prospective customers may, in response to the announcement of the Acquisition, terminate, change or defer their custom, which could materially and adversely affect the revenues and profits of the Aviva Group or the Direct Line Group and/or any anticipated growth in revenues. Furthermore, some current and prospective employees of the Direct Line Group or the Aviva Group may experience uncertainty about their future roles within the Combined Group, which may adversely affect the Direct Line Group's and the Aviva Group's abilities to retain or recruit key managers and other employees. Also, market reaction to and/or speculation regarding the likelihood of Completion could increase the volatility of the price of Aviva Shares.

If the Aviva Group and/or the Direct Line Group fail to manage these risks effectively, the business and financial results of the Aviva Group, the Direct Line Group and/or the Combined Group could be adversely affected. In addition, the Aviva Group may incur higher than expected transaction and integration related costs.

## APPENDIX 5

### QUANTIFIED FINANCIAL BENEFITS STATEMENT

#### PART A - QUANTIFIED FINANCIAL BENEFITS STATEMENT

Paragraph 5 of this Announcement (*Potential synergies and integration planning*) includes statements of estimated cost savings and synergies expected to arise from the Acquisition (together, the "**Quantified Financial Benefits Statement**"). As identified in paragraph 5 of this Announcement, finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies and unions.

A copy of the Quantified Financial Benefits Statement is set out below:

The Aviva Directors, having reviewed and analysed the potential synergies of the Acquisition, based on their knowledge of Direct Line's business and the UK General Insurance market, and taking into account the factors they can influence, believe that the Acquisition can generate annual run-rate pre-tax cost synergies of at least £125 million by the end of the third year post-Completion, with the synergies expected to be delivered broadly equally in each of the three years post-Completion. These anticipated recurring synergies would be incremental to Direct Line's previously announced cost savings target of £100 million per annum.

The potential sources of quantified synergies are currently envisaged to include:

- approximately 50 per cent. derived from the reduction of overlapping roles in a number of shared service, head office and senior management functions, as well as rationalisation of related external costs;
- approximately 30 per cent. derived from the reduction of overlapping roles across the combined insurance operations and increased efficiency resulting from the Combined Group's greater scale; and
- approximately 20 per cent. derived from the integration of duplicative back and middle-office IT platforms, as well as rationalisation of supporting teams.

The integration of the businesses will involve combining the Direct Line business and group functions into the Aviva UK Personal Lines business. It is intended that Direct Line's core brands will be maintained, including Direct Line, Churchill and Green Flag.

It is envisaged that the realisation of the potential quantified synergies will result in one-off integration costs of approximately £250 million (in aggregate) and approximately 75 per cent. of these are expected to be incurred in years 1 and 2 post-Completion. Aside from these one-off integration costs, no material dis-synergies are expected in connection with the Acquisition. The identified synergies will accrue as a direct result of the Acquisition and would not be achieved on a standalone basis.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

#### **Bases of Belief**

Following initial discussions regarding the Acquisition in November 2024, a synergy development team was established to evaluate and assess the potential synergies available from the Acquisition and the integration and to undertake an initial planning exercise. The team

worked in conjunction with Direct Line management on development of the cost synergy plan.

The team, which comprises senior Aviva commercial and financial personnel, has worked collaboratively to identify, challenge and quantify potential synergies as well as estimate any associated costs to achieve such synergies. The team has engaged with the relevant functional heads and other personnel within the Aviva Group to provide input into the development process and to test synergy assumptions and to agree on the nature and quantum of the identified synergy initiatives.

In preparing the Quantified Financial Benefits Statement, both Aviva and Direct Line have shared certain operating and financial information to facilitate the analysis in support of evaluating the potential synergies available from the Acquisition. However, as is typical of these exercises, confidentiality and regulatory considerations have limited the extent of the sharing of data and information. Where data has been limited for commercial or other reasons, the team has made estimates and assumptions to aid its development of individual synergy initiatives. The assessment and quantification of the potential synergies have, in turn, been informed by the Aviva management's teams industry experience and knowledge of the existing businesses.

In general, the synergy assumptions have been risk adjusted, exercising a degree of prudence in the calculation of the estimated synergy benefits set out above.

In arriving at the Quantified Financial Benefits Statements, the Aviva Directors have assumed:

- no material change to current prevailing global macroeconomic and political conditions in the markets in which Aviva and Direct Line operate;
- no significant impact on the underlying operations of either business as a result of the Acquisition;
- no material impact on either Aviva or Direct Line's respective businesses as a result of legislative or regulatory matters;
- no material change in accounting standards applied by either business; and
- no material acquisitions or divestments made by either business.

The baselines used for the quantified cost synergies were:

- For Aviva: Aviva's UK General Insurance operating expenses for the financial year ended 31 December 2023; and
- For Direct Line: Direct Line's operating expenses for the financial year ended 31 December 2023, adjusted for previously announced cost saving initiatives.

## **Reports**

As required by Rule 28.1(a) of the Takeover Code, PwC, as reporting accountants to Aviva, have provided a report stating that, in their opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated. In addition Citi and Goldman Sachs International, as joint financial advisers to Aviva, have each provided a report stating that, in their view, the Quantified Financial Benefits Statement has been prepared with due care and consideration. Copies of these reports are included at Parts B and C of this Appendix 5. Each of PwC, Goldman Sachs International and Citi has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included pursuant to Rule 23.2 of the Takeover Code.

## **Notes**

These statements are not intended as a profit forecast and should not be interpreted as such. These statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the Quantified Financial Benefits Statement nor any other statement in this Announcement (other than the 2026 Profit Forecast) should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following implementation of the Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Aviva or Direct Line for the relevant preceding financial period or any other period.

Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.

## **PART B - REPORT FROM PwC**

The directors (the "**Directors**")

Aviva plc

80 Fenchurch Street

London

EC3M 4AE

Citigroup Global Markets Limited ("**Citi**")

Citigroup Centre

Canada Square  
Canary Wharf  
London  
E14 5LB

Goldman Sachs International ("Goldman Sachs")

Plumtree Court  
25 Shoe Lane  
London  
EC4A 4AU

(Citi and Goldman Sachs together are the "Financial Advisers")

23 December 2024

Dear Ladies and Gentleman

#### **Report on Quantified Financial Benefits Statement by Aviva plc (the "Company")**

We report on the quantified financial benefits statement (the "Statement") by the Directors included in Part A of Appendix 5 of the announcement dated 23 December 2024 (the "Announcement") to the effect that:

*"The Aviva Directors, having reviewed and analysed the potential synergies of the Acquisition, based on their knowledge of Direct Line's business and the UK General Insurance market, and taking into account the factors they can influence, believe that the Acquisition can generate annual run-rate pre-tax cost synergies of at least £125 million by the end of the third year post-Completion, with the synergies expected to be delivered broadly equally in each of the three years post-Completion. These anticipated recurring synergies would be incremental to Direct Line's previously announced cost savings target of £100 million per annum.*

*The potential sources of quantified synergies are currently envisaged to include:*

- *approximately 50 per cent. derived from the reduction of overlapping roles in a number of shared services, head office and senior management functions, as well as rationalisation of related external costs;*
- *approximately 30 per cent. derived from the reduction of overlapping roles across the combined insurance operations and increased efficiency resulting from the Combined Group's greater scale; and*
- *approximately 20 per cent. derived from the integration of duplicative back and middle-office IT platforms, as well as rationalisation of supporting teams.*

*The integration of the businesses will involve combining the Direct Line business and group functions into the Aviva UK Personal Lines business. It is intended that Direct Line's core brands will be maintained, including Direct Line, Churchill and Green Flag.*

*It is envisaged that the realisation of the potential quantified synergies will result in one-off integration costs of approximately £250 million (in aggregate) and approximately 75 per cent. of these are expected to be incurred in years 1 and 2 post-Completion. Aside from these one-off integration costs, no material dis-synergies are expected in connection with the Acquisition. The identified synergies will accrue as a direct result of the Acquisition and would not be achieved on a standalone basis."*

This report is required by Rule 28.1(a)(i) of the City Code on Takeovers and Mergers (the "Takeover Code") and is given for the purpose of complying with that requirement and for no other purpose.

#### **Opinion**

In our opinion, the Statement has been properly compiled on the basis stated.

The Statement has been made in the context of the disclosures in Part A of Appendix 5 of the Announcement setting out the basis of the Directors' belief (including the principal assumptions and sources of information) supporting the Statement and their analysis and explanation of the underlying constituent elements.

#### **Responsibilities**

It is the responsibility of the Directors to prepare the Statement in accordance with the requirements of Rule 28 of the Takeover Code.

It is our responsibility to form our opinion, as required by Rule 28.1(a)(i) of the Takeover Code, as to whether the Statement has been properly compiled on the basis stated and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed or to the shareholders of the Company as a result of the inclusion of this report in the Announcement, and for any responsibility arising under Rule 28.1(a)(i) of the Takeover Code to any person as and to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the Takeover Code, consenting to its inclusion in the Announcement.

#### **Basis of preparation of the Statement**

The Statement has been prepared on the basis stated in Part A of Appendix 5 to the Announcement.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("FRC") in the United Kingdom. We are independent in accordance with the Revised Ethical Standard 2019 issued by the FRC as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have discussed the Statement, together with the underlying plans (relevant bases of belief/including sources of information and assumptions), with the Directors and the Financial Advisers. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement has been properly compiled on the basis stated.

We do not express any opinion as to the achievability of the benefits identified by the Directors in the Statement.

Since the Statement and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we express no opinion as to whether the actual benefits achieved will correspond to those anticipated in the Statement and the differences may be material.

Yours faithfully

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.*

#### **PART C- REPORT FROM GOLDMAN SACHS INTERNATIONAL AND CITI**

The Directors  
Aviva Plc  
80 Fenchurch Street  
  
London  
  
United Kingdom  
  
EC3M 4AE  
  
23 December 2024

Dear Sirs,

#### **Offer for Direct Line Insurance Group plc ("Direct Line")**

We refer to the statement regarding the quantified financial benefits, the bases of belief thereof and the notes thereto (together the "Statement") made by Aviva Plc ("Aviva") set out in Part A of Appendix 5 of this Announcement, for which the Directors of Aviva (the "Directors") are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "Code").

We have discussed the Statement, (including the assumptions, bases of calculation and sources of information referred to therein), with the Directors and those officers and employees of Aviva and its subsidiaries who developed the underlying plans, as well as with PricewaterhouseCoopers LLP. The Statement is subject to uncertainty as described in this Announcement and our work did not involve any independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by, or on behalf of, Aviva, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter

otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any opinion as to the achievability of the quantified financial benefits identified by Aviva.

In giving the confirmation set out in this letter, we have reviewed the work carried out by PricewaterhouseCoopers LLP and have discussed with them the conclusions and the bases of calculation set out in Part B of Appendix 5 of this Announcement.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code, and for no other purpose. We accept no responsibility to Direct Line or its or Aviva's shareholders or any other person, other than the Directors of Aviva, in respect of, arising out of, or in connection with, this letter. No person other than the Directors of Aviva can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its content or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which you as Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Citigroup Global Markets Limited

Goldman Sachs International

## APPENDIX 6

### PROFIT FORECAST

On 7 March 2024, Aviva released its full-year results and accompanying presentation for the 12 months ended 31 December 2023. Included within these results was the following statement, which for the purposes of Rule 28 of the Takeover Code constitutes an ordinary course profit forecast for the period up to 31 December 2026 (the "**Aviva 2026 Profit Forecast**"):

- Group operating profit: £2 billion by 2026\*

The Aviva Directors confirm that, as at the date of this Announcement, the Aviva 2026 Profit Forecast remains valid and has been properly compiled on the basis of the principal assumptions stated below and that the basis of accounting used is consistent with Aviva's accounting policies as set out below.

#### **Basis of preparation**

The Aviva 2026 Profit Forecast is based on the Aviva Group's current internal forecast for the period up to 31 December 2026, using economic assumptions as at 31 October 2024. The basis of accounting used for the Aviva 2026 Profit Forecast is consistent with the Aviva Group's existing accounting policies, which: (i) are in accordance with UK adopted International Accounting Standards; (ii) were applied in the preparation of the Aviva Group's financial statements for the year ending 31 December 2023; and (iii) are expected to be applied in the preparation of the Aviva Group's financial statements for the period up to 31 December 2026. The Aviva 2026 Profit Forecast has been prepared on the basis referred to above and subject to the principal assumptions set out below. The Aviva 2026 Profit Forecast is inherently uncertain and there can be no guarantee that any of the factors referred to under "Principal Assumptions" below will not occur and/or, if they do, their effect on the Aviva Group's results of operations, financial condition, or financial performance, may be material. The Aviva 2026 Profit Forecast should therefore be read in this context and construed accordingly.

#### **Principal Assumptions**

##### ***Factors outside the influence or control of the Aviva Directors for the period up to 31 December 2026:***

- no material change to current prevailing global macroeconomic and political conditions in the markets and regions in which the Aviva Group operates or intends to operate;
- no change in general sentiment towards the Aviva Group and/or its operations which has an impact on its ability to attract customers and to operate its business;
- no business disruption affecting the Aviva Group, its customers or other stakeholders (including but without limitation, any pandemic-related lockdowns and restrictions or similar, natural disasters, acts of terrorism, cyberattacks, workforce shortage or labour disputes);
- no material movements in UK interest rate, economic growth (GDP) or inflation expectations compared with the Aviva Group's estimates;
- no material deviation in weather-related and large loss experience within the Aviva Group's General Insurance businesses compared to the long-term averages assumed in the Aviva Group's estimates;
- no material change in reinsurance terms available in the market at the time of renewal compared to those assumed in the forecast;
- no change in legislation, taxation or regulatory environment relating to the Aviva Group or which may impact demand for the Aviva



Group's products and propositions amongst both existing and prospective customers;

- no material change in the Aviva Group's existing debt arrangements, except for those already reflected in the forecast, or its ability to access external financing; and
- no litigation or contractual disputes which are material in the context of the Aviva Group.

***Factors within the influence or control of the Aviva Directors for the period up to 31 December 2026:***

- no material acquisitions, disposals, distribution partnerships, joint ventures or other commercial agreements, other than those already assumed within the forecast;
- no material changes in the Aviva Group's accounting policies and/or the application thereof; and
- no material changes in key management or strategy of the Aviva Group.

**2024 and 2025**

Under Rule 28.2(b) of the Takeover Code, Aviva is required to provide a corresponding profit forecast for the current financial year and each intervening financial year. The Panel has provided its consent to Aviva addressing these requirements as follows:

- for the current financial year (being the financial year ending 31 December 2024): by way of Aviva's audited financial results, due to be announced on 27 February 2025, being published at least 7 days prior to the Court Meeting and General Meeting; and
- for the financial year ending 31 December 2025: by way of a corresponding profit forecast to be provided in the Scheme Document (the "**Aviva 2025 Profit Forecast**").

\* Reference to operating profit represents Group adjusted operating profit which is a non-GAAP Alternative Performance Measure ("**APM**") and is not bound by the requirements of IFRS. Various items excluded from Aviva Group adjusted operating profit, but included in IFRS profit before tax, are a) investment variances and economic assumption changes, b) impairment, amortisation and profit or loss on disposal, c) integration and restructuring costs and d) other items. Further details of the measure are included in the 'Other information' section of the Aviva FY2023 ARA.

**APPENDIX 7  
DEFINITIONS**

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

" <b>Acquisition</b> "	the recommended Acquisition by Aviva of the entire issued and to be issued ordinary share capital of Direct Line not already owned or controlled by the Aviva Group on the terms and subject to the conditions set out in this Announcement, to be implemented by means of the Scheme (or by way of a Takeover Offer, where Aviva so elects under certain circumstances described in this Announcement) and, where the context requires, any subsequent revision, variation, extension or renewal thereof;
" <b>Admission</b> "	the admission of the New Aviva Shares by the FCA to the Official List and to trading on the London Stock Exchange's main market for listed securities;
" <b>Announcement</b> "	this announcement;
" <b>Authorisations</b> "	regulatory authorisations, orders, determinations, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions, exemptions or approvals;
" <b>Aviva</b> "	Aviva plc, a public limited company incorporated under the laws of England and Wales with registered number 02468686;
" <b>Aviva 2025 Profit Forecast</b> "	has the meaning given in Appendix 6;
" <b>Aviva 2026 Profit Forecast</b> "	has the meaning given in Appendix 6;
" <b>Aviva Directors</b> " or " <b>Aviva Board</b> "	the directors of Aviva;
" <b>Aviva Dividend Policy</b> "	means the dividend policy announced by Aviva alongside its FY23 results on 7 March 2024;
" <b>Aviva FY2023 ARA</b> "	the annual report and accounts of Aviva for FY2023;
" <b>Aviva Group</b> "	Aviva and its subsidiary undertakings and where the context permits, each of them;

"Aviva Shareholders"	the holders of Aviva Shares
"Aviva Shares"	the existing ordinary shares of 32 <sup>17</sup> / <sub>19</sub> pence each in the capital of Aviva;
"Business Day"	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in the City of London;
"Citi"	Citigroup Global Markets Limited
"Clean Team Agreement"	the clean team agreement between Aviva and Direct Line dated 12 December 2024;
"Closing Price"	the closing middle market price of a Direct Line Share or Aviva Share (as applicable) on a particular trading day as derived from Bloomberg
"CMA"	the Competition and Markets Authority;
"Combined Group"	the enlarged group following Completion comprising the Aviva Group and the Direct Line Group;
"Companies Act"	the Companies Act 2006 (as amended from time to time);
"Completion"	the Acquisition becoming Effective in accordance with its terms
"Conditions"	the conditions to the implementation of the Acquisition, as set out in Part A of Appendix 1 to this Announcement and to be set out in the Scheme Document;
"Confidentiality Agreement"	the confidentiality agreement between Aviva and Direct Line dated 8 December 2024;
"Co-operation Agreement"	the agreement dated the date of this Announcement between Aviva and Direct Line relating to, among other things, the implementation of the Acquisition;
"Court"	the High Court of Justice in England and Wales;
"Court Meeting"	the meeting of Scheme Shareholders to be convened pursuant to an order of the Court under Part 26 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme, including any adjournment thereof;
"Court Order"	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act;
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear;
"Direct Line"	Direct Line Insurance Group plc, a public limited company incorporated in England and Wales with registered number 02280426;
"Direct Line Articles"	the articles of association of Direct Line in force from time to time;
"Direct Line Buyout Awards"	options or awards granted over Direct Line Shares to Direct Line employees in connection with the recruitment to compensate for forfeited awards granted to the Direct Line employee by their former employer;
"Direct Line Directors" or "Direct Line Board"	the directors of Direct Line;
"Direct Line Dividend Policy"	means the dividend policy announced by the Direct Line at its Capital Markets Day on 10 July 2024;
"Direct Line FY2023 ARA"	the annual report and accounts of Direct Line for FY2023;
"Direct Line Group"	Direct Line and its subsidiary undertakings and where the context permits, each of them;
"Direct Line Permitted Dividends"	the dividends permitted to be announced, declared or paid by Direct Line prior to the Effective Date pursuant to the terms of the Co-operation Agreement;
"Direct Line Resolution(s)"	such shareholder resolution(s) of Direct Line as are

<b>"Direct Line Resolution(s)"</b>	such shareholder resolution(s) of Direct Line as are necessary to approve, implement and effect the Scheme and the Acquisition including, amongst other things, to make certain amendments to the Direct Line Articles;
<b>"Direct Line Share Plans"</b>	means the Direct Line Group Deferred Annual Incentive Plan, the Direct Line Group Share Incentive Plan, the Direct Line Group Long-Term Incentive Plan, the Direct Line Group Restricted Shares Plan and the Direct Line Buyout Awards (in each case as amended from time to time);
<b>"Direct Line Shareholders"</b>	the holders of Direct Line Shares;
<b>"Direct Line Shares"</b>	the existing unconditionally allotted or issued and fully paid ordinary shares of 10 <sup>10</sup> / <sub>11</sub> pence each in the capital of Direct Line and any further such ordinary shares which are unconditionally allotted or issued;
<b>"Disclosed"</b>	the information: (i) disclosed by, or on behalf of Direct Line; (ii) in the Direct Line FY2023 ARA; (iii) in the interim results of Direct Line for the six month period ending on 30 June 2024; (iv) in this Announcement; (v) in any other announcement to a Regulatory Information Service by, or on behalf of Direct Line in the two years before the publication of this Announcement; (vi) in the virtual data room operated on behalf of Direct Line for the purposes of the Acquisition (which Aviva and/or its advisers were able to access prior to the date of this Announcement); (vii) in any filings made by Direct Line with the Registrar of Companies in England in the last three years; or (viii) as otherwise fairly disclosed to Aviva (or its officers, employees, agents or advisers in each case in their capacity as such) before the date of this Announcement;
<b>"Effective Date"</b>	the date on which either: (i) the Scheme becomes effective in accordance with its terms; or (ii) (if Aviva elects to implement the Acquisition by way of a Takeover Offer, subject to Panel consent and the terms of the Co-operation Agreement), the date on which such Takeover Offer becomes or is declared unconditional in accordance with the requirements of the Takeover Code, and <b>"Effective"</b> shall be construed accordingly;
<b>"Euroclear"</b>	Euroclear UK & International Limited;
<b>"Excluded Shares"</b>	(i) any Direct Line Shares of which Aviva or any member of the Aviva Group is the holder or in which Aviva or any member of the Aviva Group is beneficially interested at the Scheme Record Time; or (ii) any Direct Line Shares which are for the time being held by Direct Line as treasury shares (within the meaning of the Companies Act);
<b>"Facility Agreement"</b>	the bridge facility agreement dated the date of this Announcement and entered into between, amongst others, Aviva as borrower and Citibank N.A, London branch as mandated lead arranger and Citibank Europe plc, UK branch, acting as agent;
<b>"FCA" or "Financial Conduct Authority"</b>	the Financial Conduct Authority or any successor regulatory body;
<b>"Forms of Proxy"</b>	the forms of proxy in connection with each of the Court Meeting and General Meeting which will accompany the Scheme Document;
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 (as amended from time to time);
<b>"FY2023"</b>	the financial year ended 31 December 2023;
<b>"General Meeting"</b>	the general meeting of Direct Line Shareholders (including any adjournment thereof) to consider and, if thought fit, pass the Direct Line Resolution(s);
<b>"Joint Defence Agreement"</b>	the joint defence agreement between Aviva and Direct Line dated 9 December 2024;
<b>"Latest Practicable Date"</b>	20 December 2024, being the last Business Day prior to the date of this Announcement;
<b>"Listing Rules"</b>	the listing rules made by the FCA under Part VI of FSMA

and contained in the publication of the same name, as amended from time to time or (as applicable) any set of rules and regulations replacing the same from time to time;

"London Stock Exchange"	London Stock Exchange plc;
"Long Stop Date"	11.59 pm on 31 December 2025, or in the event that there is a Phase 2 CMA Reference and the Condition set out in paragraph 3(c)(i) of Part A of Appendix 1 is not waived or invoked by Aviva, 27 October 2026, or, in either case, such later time or date, if any, (a) as Direct Line and Aviva may agree in writing, or (b) (in a competitive situation) as may be specified by Aviva with the consent of the Panel, and in each case that (if so required) the Court may allow;
"LSA"	the Legal Services Act 2007 (as amended from time to time);
"Morgan Stanley"	Morgan Stanley & Co. International plc;
"New Aviva Share"	Aviva's ordinary shares of 32 <sup>17</sup> / <sub>19</sub> pence each proposed to be issued credited as fully paid pursuant to the Acquisition;
"Offer Period"	the offer period (as defined by the Takeover Code) relating to Direct Line, which commenced on 27 November 2024;
"Official List"	the official list maintained by the FCA pursuant to Part 6 of FSMA;
"Opening Position Disclosure"	has the same meaning as in Rule 8 of the Takeover Code;
"Overseas Shareholders"	Direct Line Shareholders (or nominees of, or custodians or trustees for Direct Line Shareholders) not resident in, or nationals or citizens of the United Kingdom;
"Panel"	the Panel on Takeovers and Mergers;
"Part VII Transfer"	an insurance business transfer scheme under Part VII of FSMA;
"PRA"	the Prudential Regulation Authority as defined in FSMA, or any successor regulatory authority;
"PwC"	PricewaterhouseCoopers LLP;
"Quantified Financial Benefits Statement"	the statement described as such and set out in Appendix 5;
"RBC Capital Markets"	RBC Europe Limited;
"Registrar of Companies"	the Registrar of Companies in England and Wales;
"Regulatory Information Service"	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;
"Restricted Jurisdiction"	any jurisdiction (other than the United Kingdom) into which making the Acquisition, distributing information relating to the Acquisition, or paying consideration pursuant to the Acquisition may result in a significant risk of civil, regulatory or criminal exposure or would or may require Aviva to comply with any requirements which in its absolute discretion is regarded as unduly onerous;
"Run-off Partnerships"	means the Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expired in the first half of 2024;
"Sanction Hearing"	the hearing of the Court of the application to sanction the Scheme under Part 26 of the Companies Act;
"Scheme"	the proposed scheme of arrangement under Part 26 of the Companies Act between Direct Line and Scheme Shareholders in connection with the Acquisition, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Direct Line and Aviva;
"Scheme Document"	the document to be sent to Direct Line Shareholders containing amongst other things the Scheme and the

	<p>containing amongst other things, the Scheme and the notices convening the Court Meeting and General Meeting</p>
"Scheme Record Time"	<p>the time and date to be specified in the Scheme Document, expected to be 6.00 pm on the date of the Court hearing to sanction the Scheme;</p>
"Scheme Shareholder"	<p>a holder of Scheme Shares;</p>
"Scheme Shares"	<p>all Direct Line Shares:</p> <p>(i) in issue at the date of the Scheme Document and which remain in issue at the Scheme Record Time;</p> <p>(ii) (if any) issued after the date of the Scheme Document and before the Scheme Voting Record Time, which remain in issue at the Scheme Record Time; and</p> <p>(iii) (if any) issued at or after the Scheme Voting Record Time but on or before the Scheme Record Time either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, so bound, and in each case which remain in issue at the Scheme Record Time,</p> <p>in each case other than any Excluded Shares;</p>
"Scheme Voting Record Time"	<p>the date and time to be specified in the Scheme Document by reference to which entitlement to vote at the Court Meeting will be determined;</p>
"SRA"	<p>the Solicitors Regulation Authority, or any successor regulatory body;</p>
"Takeover Code"	<p>the City Code on Takeovers and Mergers (as amended from time to time);</p>
"Takeover Offer"	<p>subject to the consent of the Panel and the terms of the Co-operation Agreement, should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of Aviva to acquire the entire issued and to be issued share capital of Direct Line, other than Direct Line Shares owned or controlled by the Aviva Group and, where the context admits, any subsequent revision, variation, extension or renewal of such offer;</p>
"Third Party"	<p>each of a central bank, state, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, professional, fiscal or investigative body, court, trade agency, association, institution, body, employee representative body, any entity owned or controlled by any government or state, or any other body or person whatsoever in any jurisdiction;</p>
"uncertificated"	<p>a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the Uncertificated Securities Regulations 2001 (as amended) may be transferred by means of CREST;</p>
"United Kingdom" or "UK"	<p>the United Kingdom of Great Britain and Northern Ireland;</p>
"United States" or "US"	<p>the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub-division thereof;</p>
"US Exchange Act"	<p>the United States Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder;</p>
"Wider Aviva Group"	<p>Aviva Group and associated undertakings and any other body corporate, partnership, joint venture or person in which Aviva and all such undertakings (aggregating their interests) have a direct or indirect interest of more than 20 per cent. of the voting or equity capital or the equivalent; and</p>
"Wider Direct Line Group"	<p>Direct Line and associated undertakings and any other body corporate, partnership, joint venture or person in which Direct Line and all such undertakings (aggregating their interests) have a direct or indirect interest of more</p>

their interests) have a direct or indirect interest of more than 20 per cent. of the voting or equity capital or the equivalent.

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

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

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

References to the singular include the plural and vice versa.

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