

28 August 2008

**FOR IMMEDIATE RELEASE**

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

**Recommended cash offer by Liverpool Victoria Insurance Company Limited for Highway Insurance Group Plc**

**Summary**

- The Boards of Liverpool Victoria Insurance Company Limited ('LVIC') and Highway Insurance Group Plc ('Highway') are pleased to announce the terms of a recommended cash offer, to be made by LVIC, for the whole of the issued and to be issued share capital of Highway.
- Under the terms of the Offer, Highway Shareholders will receive, for each Highway Share held, 73.35 pence in cash. Highway Shareholders will also receive the interim dividend of 1.65 pence per share with respect to the six months ended 30 June 2008 announced today by Highway in the Interim Results Announcement, and payable on 2 October 2008 to Shareholders on the register on 5 September 2008. In aggregate therefore, under the terms of the Offer, and inclusive of the Interim Dividend, Highway Shareholders will receive, for each Highway Share held, 75 pence in cash.
- The Offer values the entire issued share capital of Highway at approximately £150 million.
- The Offer represents a premium of approximately 47 per cent. to the Closing Price of 49.75 pence per Highway Share on 26 August 2008, being the last Business Day prior to Highway announcing that it was in discussions regarding a possible offer for Highway; and a premium of 45 per cent. to the average of the Closing Prices over the 30 Business Days up to and including 26 August 2008 of 50.63 pence per Highway Share.
- LV believes that there is strong industrial logic to a combination of Highway and LV's general insurance businesses. The Acquisition will help to accelerate LV's ambitions in the broker underwriting channel, adding scale and expertise as well as broadening the product range. The Enlarged Group will have a compelling proposition in the broker channel, with brokers benefiting from the Enlarged Group's wider product range, enhanced operational scale and deeper financial resources.
- The Board of Highway, which has been so advised by Lexicon Partners, considers the terms of the Offer to be fair and reasonable. In providing its advice to the Board of Highway, Lexicon Partners has taken into account the commercial assessments of the Board of Highway.
- Accordingly, the Highway Directors intend unanimously to recommend the Offer and have irrevocably undertaken to accept the Offer in respect of their entire beneficial holdings of Highway Shares, which amount in aggregate to 908,347 Highway Shares, representing approximately 0.44 per cent. of Highway's existing issued share capital. These irrevocable undertakings will continue to be binding if any higher Independent Competing Offer is made for Highway unless the Offer lapses or is withdrawn without having become wholly unconditional.
- The Offer Document, containing further information about the Offer, will be posted to Highway Shareholders as soon as practical and, in any event, within 28 days of this announcement.
- Fenchurch Advisory Partners is acting as exclusive Financial Adviser to LV. Shore Capital Stockbrokers is acting as corporate broker to LV. Lexicon Partners is acting as exclusive Financial Adviser to Highway. Numis Securities is acting as corporate broker to Highway.

**Mike Rogers, Group Chief Executive of Liverpool Victoria Friendly Society Limited, said:**

“General insurance is central to LV’s growth plans and our stated ambition is to become a top five insurer in our chosen markets by 2012. This transaction has the potential to accelerate that aim, giving us considerably greater scale in the broker channel.

“Our general insurance management team has a strong track record of successfully acquiring and building businesses, and delivering value. Highway is highly complementary to our existing general insurance operations and will provide a strong platform for growth.

“This offer for Highway follows a series of strategic acquisitions we have made over the last couple of years, which have helped to transform the LV business overall and its future prospects.”

**Andrew Gibson, Group Chief Executive of Highway Insurance Group Plc, said:**

“This transaction represents an attractive financial result for Highway’s shareholders.

“The Board also believes that this will be a good overall outcome for Highway’s customers and employees. Highway and LV share important values, being strongly relationship driven and committed to technical and service excellence. The combined business will also have greater resources to capitalise on opportunities in the broader general insurance market.”

This summary should be read in conjunction with the full text of the attached Announcement and the appendices. Appendix I sets out the conditions and certain further terms of the Offer. Appendix II contains source notes relating to certain information contained in this summary announcement and the Announcement. Appendix III contains details of the irrevocable undertakings to accept the Offer received by LVIC. Appendix IV contains definitions of certain terms used in this summary announcement and the Announcement.

**Enquiries:**

**Liverpool Victoria Friendly Society**  
Mike Rogers, Group Chief Executive

Tel: 01202 502304

**Fenchurch Advisory Partners** (Financial adviser to LV)  
Malik Karim  
Richard Locke

Tel: 020 7382 2222

**Shore Capital Stockbrokers** (Corporate broker to LV)  
Simon Fine  
Pascal Keane

Tel: 020 7408 4080

**Citigate Dewe Rogerson** (PR adviser to LV)  
Grant Ringshaw

Tel: 020 7282 2851  
07534 220614

**Highway Insurance Group Plc**  
Andrew Gibson, Group Chief Executive

Tel: 01277 266 298

**Lexicon Partners** (Financial adviser to Highway)  
Mark Hennessy  
Ollie Clayton

Tel: 020 7653 6000

**Numis Securities** (Corporate broker to Highway)  
Tom Booth

Tel: 020 7260 1000

**M:Communications** (PR adviser to Highway)  
Jonathan Gollins  
Marylène Guernier

Tel: 020 7153 1269

*Terms used in this announcement shall have the same meaning as given to them in the Announcement.*

*Fenchurch Advisory Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for LV and no-one else in connection with the Offer and will not be responsible to anyone other than LV for providing the protections afforded to customers of Fenchurch Advisory Partners or for providing advice in relation to the Offer or in relation to the contents of this announcement or any transaction or arrangement referred to herein.*

*Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Highway and no-one else in connection with the Offer and will not be responsible to anyone other than Highway for providing the protections afforded to customers of Lexicon Partners or for providing advice in relation to the Offer or in relation to the contents of this announcement or any transaction or arrangement referred to herein.*

*Shore Capital Stockbrokers, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for LV and no-one else in connection with the Offer and will not be responsible to anyone other than LV for providing the protections afforded to customers of Shore Capital Stockbrokers or for providing advice in relation to the Offer or in relation to the contents of this announcement or any transaction or arrangement referred to herein.*

*Numis Securities, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Highway and no-one else in connection with the Offer and will not be responsible to anyone other than Highway for providing the protections afforded to customers of Numis Securities or for providing advice in relation to the Offer or in relation to the contents of this announcement or any transaction or arrangement referred to herein.*

*This announcement is not intended to and does not constitute, or form any part of, an offer or an invitation to sell or purchase any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Offer Document and, in the case of certain certificated Highway Shares, the Form of Acceptance, which will together contain the full terms and conditions of the Offer, including details of how to accept the Offer. Any acceptance or other response to the Offer should be made solely on the basis of the information contained in the Offer Document and, in the case of certificated Highway Shares, the Form of Acceptance.*

*The laws of relevant jurisdictions may affect the availability of the Offer to persons who are not citizens, residents or nationals of the United Kingdom. Persons who are not resident in the United Kingdom, or who are citizens, residents or nationals of a jurisdiction outside of the United Kingdom, or who are otherwise subject to the laws of any jurisdiction other than the United Kingdom, or who are a nominee of, or custodian or trustee for, any citizen, resident or national of any country other than the United Kingdom (in each case, an "overseas person"), should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any such overseas person to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities. Any overseas person will be responsible for the payment of any issue, transfer or other taxes or duties due in that jurisdiction of whomsoever payable and LV and Fenchurch Advisory Partners and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as such person may be required to pay. If you are an overseas person and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any failure to comply with the laws and regulatory requirements of the relevant jurisdiction may constitute a violation of the securities laws of any such jurisdiction.*

*The release, publication or distribution of this announcement in jurisdictions other than the UK may be restricted by law and/or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*This announcement is not an offer for securities for sale or purchase in any jurisdiction. Unless otherwise determined by LVIC and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interests or foreign commerce of, or by any facilities of a national, state or other securities exchange of any Restricted Jurisdiction, and the Offer may not be accepted by*

any other such use, means, instrumentality or facility from or within any Restricted Jurisdiction. Accordingly, unless otherwise determined by LVIC and permitted by applicable law and regulation, copies of this announcement and any other documents related to the Offer are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into any Restricted Jurisdiction. All persons receiving this announcement (including, without limitation, custodians, nominees and trustees) should observe these restrictions and any applicable legal or regulatory requirements of their jurisdiction and must not mail or otherwise forward, send or distribute this announcement in, into or from any Restricted Jurisdiction.

The Offer Document will be available for public inspection and will also be posted on the websites of LV and Highway. It is expected that the Offer Document will be posted to Highway Shareholders as soon as practical and, in any event, within 28 days of this announcement (or such longer period as the Panel may agree).

The Offer will be for the securities of a corporation organised under the laws of England and will be subject to the procedure and disclosure requirements of England. Since this announcement has been prepared in accordance with English law and the City Code, the information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

### **Cautionary statement regarding forward looking statements**

This announcement, including information included or incorporated by reference in this announcement, may contain "forward-looking statements" concerning the Offer, LV and Highway. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. LV and Highway assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable law.

### **Dealing disclosure requirements**

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, 'interested' (directly or indirectly) in one per cent. or more of any class of 'relevant securities' of Highway, all 'dealings' in any 'relevant securities' of Highway (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by no later than 3.30 pm (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the 'offer period' otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an 'interest' in 'relevant securities' of Highway they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all 'dealings' in 'relevant securities' of Highway by LVIC or Highway or by any of their respective 'associates', must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a 'dealing' under Rule 8, you should consult the Panel.

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**Recommended cash offer by Liverpool Victoria Insurance Company Limited for Highway Insurance Group Plc**

**1. INTRODUCTION**

The Boards of LVIC and Highway are pleased to announce the terms of a recommended cash offer, to be made by LVIC, for the whole of the issued and to be issued share capital of Highway.

Under the terms of the Offer, Highway Shareholders will receive, for each Highway Share held, 73.35 pence in cash. Highway Shareholders will also receive the interim dividend of 1.65 pence per share with respect to the six months ended 30 June 2008 announced today by Highway in the Interim Results Announcement, and payable on 2 October 2008 to Shareholders on the register on 5 September 2008. In aggregate therefore, under the terms of the Offer, and inclusive of the Interim Dividend, Highway Shareholders will receive, for each Highway Share held, 75 pence in cash.

The Offer values the entire existing issued share capital of Highway at approximately £150 million.

**2. RECOMMENDATION**

The Board of Highway, which has been so advised by Lexicon Partners, considers the terms of the Offer to be fair and reasonable. In providing its advice to the Board of Highway, Lexicon Partners has taken into account the commercial assessments of the Board of Highway.

Accordingly, the Highway Directors intend unanimously to recommend that Highway Shareholders accept the Offer as they have irrevocably undertaken to do in respect of their own entire beneficial holdings of Highway Shares, which amount in aggregate to 908,347 Highway Shares, representing approximately 0.44 per cent. of the existing issued share capital of Highway. These undertakings will continue to be binding if any higher Independent Competing Offer is made for Highway unless the Offer lapses or is withdrawn without having become wholly unconditional.

**3. SUMMARY OF THE OFFER**

Under the Offer, which will be subject to the terms and conditions set out below and in Appendix I to the Announcement and to the full terms and conditions to be set out in the Offer Document and, in the case of Highway Shares held in certificated form, the Form of Acceptance, Highway Shareholders will receive 73.35 pence in cash for each Highway Share.

Highway Shareholders will also receive the interim dividend of 1.65 pence per share with respect to the six months ended 30 June 2008 announced today by Highway in the Interim Results Announcement. The Interim Dividend will be paid on 2 October 2008 to Shareholders on the register on 5 September 2008. Highway Shares will be quoted ex-dividend from 3 September 2008.

The Offer values the entire existing issued share capital of Highway at approximately £150 million.

The amount Highway Shareholders will receive under the Offer represents:

- A premium of approximately 47 per cent. to the Closing Price of 49.75 pence per Highway Share on 26 August 2008, being the last Business Day prior to Highway announcing that it was in discussions regarding a possible offer for Highway; and
- A premium of approximately 45 per cent. to the average of the Closing Prices over the 30 Business Days up to and including 26 August 2008 of 50.63 pence per Highway Share.

Further details of the sources and bases for certain information set out in this Announcement are contained in Appendix II.

Highway Shares will be acquired fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever together with all rights attaching thereto, including without limitation voting rights and the right to receive and retain all dividends and other distributions (if any) announced, declared, made or paid hereafter, other than the Interim Dividend.

#### **4. IRREVOCABLE UNDERTAKINGS**

The Highway Directors have irrevocably undertaken to accept the Offer in respect of their entire beneficial holdings of Highway Shares which amount to in aggregate 908,347 Highway Shares, representing approximately 0.44 per cent. of the existing issued share capital of Highway. These irrevocable undertakings will continue to be binding if a higher Independent Competing Offer is made for Highway unless the Offer lapses or is withdrawn without having become wholly unconditional.

Further details on the irrevocable undertakings are set out in Appendix III to this Announcement.

#### **5. BACKGROUND TO AND REASONS FOR THE OFFER**

LV believes that there is strong industrial logic to a combination of Highway and LV's general insurance business. The Acquisition will help to accelerate LV's ambitions in the broker underwriting channel, adding scale and expertise as well as broadening the product range.

Highway has strong insurance underwriting and personal lines intermediary businesses, a highly regarded management team, dedicated employees, an excellent reputation and a relationship driven approach to customer service.

The Enlarged Group will have a compelling proposition in the broker channel, with brokers benefiting from the Enlarged Group's wider product range, enhanced operational scale and deeper financial resources.

#### **6. INFORMATION ON LVFS AND LVIC**

LVIC is a wholly owned subsidiary of LVFS. It offers car, home, travel and pet insurance direct to consumers by telephone from its UK call centres in Bournemouth, Bristol and Croydon and online from its website at [www.lv.com](http://www.lv.com). The business currently insures over 650,000 cars and 430,000 households in the UK. As well as offering insurance direct to consumers, the company underwrites insurance for a number of partners including the Royal College of Nursing, UNISON, Intune, and Haymarket publishing. In addition LVIC offers personal lines and commercial insurance products to the broker market under the trading name ABC Insurance.

LVFS is the UK's largest friendly society with around 1 million members and in excess of 2.5 million customers and £7.5 billion<sup>1</sup> of assets.

In the year to 31 December 2007, LV's total income was approximately £1.1 billion, with profits after tax of £49.7 million. LV's general insurance business is one of the leading motor and household insurers, writing approximately £347 million of gross premiums in 2007.

LV's strategy is focused on building long-term member value, growing its two core businesses, life and general insurance, into leading participants in their respective markets with the scale and product offering to compete effectively and grow profitably.

LV has sought to achieve growth both organically, through a combination of excellent service and competitive products, and through carefully selected acquisitions. LV has successfully executed a number of strategic acquisitions in recent years, including Frizzell Group (1996), Landmark Insurance (1997), Permanent Insurance (2000), The Royal National Pension Fund for Nurses (2001), ABC Insurance (2006), Britannia Rescue (2007) and the new business capabilities of GE Life (2007).

## **7. INFORMATION ON HIGHWAY**

The Highway Group comprises two principal operating units: Highway Insurance and Hero Insurance Services.

Highway Insurance is a personal lines insurer underwriting motor insurance in the UK and Ireland. It underwrites across a number of business classes including private car, specialist, fleet, motorcycle and commercial vehicles. Highway Insurance's products are distributed exclusively through some 1,280 independent intermediaries.

Hero Insurance Services is a leading personal lines distribution business which sells policies via tele-sales and the internet. Since its creation four years ago, Hero is now one of the UK's top 10 personal lines intermediaries with nearly 265,000 policies. Hero provides its customers with a range of general insurance products including private car, vans, motorcycle, household and travel.

For the year ended 31 December 2007, Highway reported an operating profit of £26.4 million (2006: £20.4 million), profit after tax of £17.5 million (2006: £13.7 million) and basic earnings per share of 8.6 pence (2006: 6.7 pence). As at 31 December 2007, Highway had net assets of £102.7 million.

For the six months ended 30 June 2008, Highway reported an operating profit of £2.7 million (1H 2007: £12.4 million), profit after tax of £1.0 million (2007: £8.3 million) and basic earnings per share of 0.5 pence (2007: 4.1 pence). As at 30 June 2008, Highway had net assets of £98.0 million. All figures with respect to the six months ended 30 June 2007 and 30 June 2008 are unaudited.

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<sup>1</sup> This figure is an adjustment from the corresponding figure in the LVFS annual report and accounts for the year ended 31 December 2007.

## **8. FINANCING THE OFFER**

The consideration payable under the Offer will be funded using LVIC's existing resources. Fenchurch Advisory Partners is satisfied that financial resources are available to LVIC to enable it to satisfy in full the consideration payable by LVIC under the terms of the Offer.

## **9. MANAGEMENT AND EMPLOYEES**

The Board of LVIC has given assurances to the Highway Directors that, upon the Offer becoming or being declared wholly unconditional, the existing employment rights, including pension rights, of all employees of the Highway Group will be fully honoured.

## **10. HIGHWAY SHARE PLANS**

The Offer will affect share options and incentive awards granted under the Highway Share Plans. Participants in the Highway Share Plans will be contacted regarding the effect of the Offer on their rights under these schemes and appropriate proposals will be made to such participants in due course.

## **11. DISCLOSURE OF INTERESTS IN HIGHWAY**

Liverpool Victoria Asset Management has an interest in 291,600 Highway Shares, held in the normal course of its investment business activities.

Mr Philip Bunker, a director of LVIC, has an interest in 2,596 Highway Shares.

With the exception of those holdings listed above and the irrevocable undertakings referred to in paragraph 4, as at 27 August 2008, the last practicable date prior to the date of this Announcement, neither LVIC nor any of the directors of LVIC nor, so far as LVIC is aware, any person acting in concert with LVIC for the purposes of the Offer, has any interest in, or has any right to subscribe for, or has borrowed or lent any relevant securities of Highway, nor does any such person have any short position (whether conditional or absolute and whether in the money or otherwise), including short positions under derivatives, agreements to sell or any delivery obligations or rights to require another person to take delivery in relation to relevant securities of Highway, or any arrangement in relation to such securities. For these purposes, the term "**arrangement**" includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities of Highway which may be an inducement to deal or refrain from dealing in such securities.

## **12. DE-LISTING AND COMPULSORY ACQUISITION**

Subject to LVIC acquiring, by virtue of the Offer or otherwise, Highway Shares carrying at least 75 per cent. of the voting rights of Highway, and subject to the Offer becoming or being declared unconditional in all respects, and to any applicable requirements of the Financial Services Authority, LVIC intends to procure the making of applications by Highway to the Financial Services Authority for the cancellation of the listing of Highway Shares on the Official List and to the London Stock Exchange for the cancellation of the admission to trading of Highway Shares on its market for listed securities. It is anticipated that the de-listing and cancellation of the admission to trading will take effect no earlier than 20 Business Days after the earlier of: (i) the date on which LVIC has, by virtue of its shareholdings and acceptances of the Offer, acquired or agreed to acquire Highway Shares carrying at least 75 per cent. of the voting rights of Highway and (ii) the first date of issue of compulsory acquisition notices under Chapter 3 of Part 28 of the

Companies Act. The cancellation of the listing would significantly reduce the liquidity and marketability of any Highway Shares not assented to the Offer at that time.

If LVIC receives acceptances under the Offer in respect of, or otherwise acquires, 90 per cent. in value or more of the Highway Shares to which the Offer relates (and not less than 90 per cent. of the voting rights carried by the Highway Shares) and assuming all of the other conditions of the Offer have been satisfied or waived (if capable of being waived), LVIC intends to exercise its rights pursuant to Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining Highway Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

### **13. INDUCEMENT FEE AND OTHER ARRANGEMENTS**

Highway and LVIC have entered into an agreement under which Highway has agreed to pay LVIC:

- a) in the event that Relevant Circumstance 1 occurs before Relevant Circumstance 2 has occurred, a fee of £1,400,000 (inclusive of VAT except to the extent that such VAT is recoverable by Highway); or
- b) in the event that Relevant Circumstance 2 occurs before Relevant Circumstance 1 has occurred:
  - i) a fee of £700,000 (inclusive of VAT except to the extent that such VAT is recoverable by Highway); and
  - ii) in the event that Relevant Circumstance 1 subsequently occurs, a further fee of £700,000 (inclusive of VAT except to the extent that such VAT is recoverable by Highway).

"**Relevant Circumstance 1**" means the Offer lapses or is withdrawn in accordance with its terms and:

- a) before the Offer lapses or is withdrawn an intention (whether conditional or not) which conforms to Rules 2.4 or 2.5 of the Code is announced or publicly proposed to make an Independent Competing Offer or an Independent Competing Offer is made; and
- b) such Independent Competing Offer is declared unconditional in all respects or is otherwise completed.

"**Relevant Circumstance 2**" means the Offer lapses or is withdrawn in accordance with its terms and, before the Offer lapses or is withdrawn, Highway's Directors have withdrawn or, in a manner materially adverse to LVIC, modified their approval or recommendation of the Offer.

The maximum inducement fee payable is £1,400,000. Nothing in the inducement fee agreement or in the agreement relating to the non-solicitation provisions (as described below) obliges Highway to pay any amount which the Panel determines would not be permitted by Rule 21.2 of the Code.

Highway has also agreed that until the date that the Offer completes, lapses or is withdrawn (the "**Exclusivity Date**") Highway shall procure that neither it, nor any of its directors, officers, employees, agents or professional advisers of Highway or its subsidiaries ("**Associates**") shall, except with LVFS's prior consent, directly or indirectly solicit or invite enquiries, proposals or offers relating to the Acquisition from any third party.

Highway has undertaken that if at any time before the Exclusivity Date an unsolicited approach or offer is received from a third party in connection with an offer or possible offer for Highway then, subject to confidentiality restrictions, Highway will advise LVFS as soon as is reasonably practicable of the fact that an approach or offer has been made and shall procure that its Associates comply with such undertaking.

## 14. OTHER

The availability of the Offer to persons not resident in the UK may be affected by the laws of their relevant jurisdiction. The Offer Document is to be posted as soon as possible and, in any event, within 28 days of the Announcement (or such longer period as the Panel may agree). Any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements. Highway Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

The Offer, and acceptances thereof, will be governed by English law and will be subject to the jurisdiction of the English courts. The Offer will be subject to the applicable requirements of the City Code and other legal and regulatory requirements.

Appendix I sets out the conditions and certain further terms of the Offer. Appendix II contains source notes relating to certain information contained in the Announcement. Appendix III contains details of the irrevocable undertakings received by LVIC. Certain terms used in the Announcement are defined in Appendix IV to the Announcement.

### Enquiries:

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Mike Rogers, Group Chief Executive

Tel: 01202 502304

**Fenchurch Advisory Partners** (Financial adviser to LV)  
Malik Karim  
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*Lexicon Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Highway and no-one else in connection with the Offer and will not be responsible to anyone other than Highway for providing the protections afforded to customers of Lexicon Partners or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

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*Numis Securities, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Highway and no-one else in connection with the Offer and will not be responsible to anyone other than Highway for providing the protections afforded to customers of Numis Securities or for providing advice in relation to the Offer or in relation to the contents of the Announcement or any transaction or arrangement referred to herein.*

*The Announcement is not intended to and does not constitute, or form any part of, an offer or an invitation to sell or purchase any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Offer Document and, in the case of certain certificated Highway Shares, the Form of Acceptance, which will together contain the full terms and conditions of the Offer, including details of how to accept the Offer. Any acceptance or other response to the Offer should be made solely on the basis of the information contained in the Offer Document and, in the case of certificated Highway Shares, the Form of Acceptance.*

*The laws of relevant jurisdictions may affect the availability of the Offer to persons who are not citizens, residents or nationals of the United Kingdom. Persons who are not resident in the United Kingdom, or who are citizens, residents or nationals of a jurisdiction outside of the United Kingdom, or who are otherwise subject to the laws of any jurisdiction other than the United Kingdom, or who are a nominee of, or custodian or trustee for, any citizen, resident or national of any country other than the United Kingdom (in each case, an "overseas person"), should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any such overseas person to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities. Any overseas person will be responsible for the payment of any issue, transfer or other taxes or duties due in that jurisdiction of whomsoever payable and LV and Fenchurch Advisory Partners and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as such person may be required to pay. If you are an overseas person and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any failure to comply with the laws and regulatory requirements of the relevant jurisdiction may constitute a violation of the securities laws of any such jurisdiction.*

*The release, publication or distribution of the Announcement in jurisdictions other than the UK may be restricted by law and/or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements.*

*The Announcement is not an offer for securities for sale or purchase in any jurisdiction. Unless otherwise determined by LVIC and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, by mail, telephonically or electronically by way of internet or otherwise) of interests or foreign commerce of, or by any facilities of a national, state or other securities exchange of any Restricted Jurisdiction, and the Offer may not be accepted by any other such use, means, instrumentality or facility from or within any Restricted Jurisdiction.*

Accordingly, unless otherwise determined by LVIC and permitted by applicable law and regulation, copies of the Announcement and any other documents related to the Offer are not being, and must not be, mailed or otherwise forwarded, distributed or sent in or into any Restricted Jurisdiction. All persons receiving the Announcement (including, without limitation, custodians, nominees and trustees) should observe these restrictions and any applicable legal or regulatory requirements of their jurisdiction and must not mail or otherwise forward, send or distribute the Announcement in, into or from any Restricted Jurisdiction.

The Offer Document will be available for public inspection and will also be posted on the websites of LV and Highway. It is expected that the Offer Document will be posted to Highway Shareholders as soon as practical and, in any event, within 28 days of the Announcement (or such longer period as the Panel may agree).

The Offer will be for the securities of a corporation organised under the laws of England and will be subject to the procedure and disclosure requirements of England. Since this Announcement has been prepared in accordance with English law and the City Code, the information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

### **Cautionary statement regarding forward looking statements**

The Announcement, including information included or incorporated by reference in the Announcement, may contain "forward-looking statements" concerning the Offer, LV and Highway. Generally, the words "will", "may", "should", "could", "would", "can", "continue", "opportunity", "believes", "expects", "intends", "anticipates", "estimates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. LV and Highway assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable law.

### **Dealing disclosure requirements**

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, 'interested' (directly or indirectly) in one per cent. or more of any class of 'relevant securities' of Highway, all 'dealings' in any 'relevant securities' of Highway (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by no later than 3.30 pm (London time) on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the 'offer period' otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an 'interest' in 'relevant securities' of Highway they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all 'dealings' in 'relevant securities' of Highway by LVIC or Highway or by any of their respective 'associates', must be disclosed by no later than 12.00 noon (London time) on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed, and the number of such securities in issue, can be found on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

*Terms in quotation marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a 'dealing' under Rule 8, you should consult the Panel.*

## ***Appendix I***

### ***CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE OFFER***

#### ***PART A - CONDITIONS TO THE OFFER***

The Offer will be subject to the following Conditions:

- a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 1.00 pm (London time) on the first closing date of the Offer (or such later time(s) and/or date(s) as LVIC may, subject to the rules of the City Code, decide) in respect of not less than 90 per cent of Highway Shares to which the Offer relates (or such lesser percentage as LVIC may decide), provided that this condition shall not be satisfied unless LVIC (and/or its subsidiaries) shall have acquired, or agreed to acquire, whether pursuant to the Offer or otherwise, and whether directly or indirectly, Highway Shares carrying in aggregate more than 50 per cent of the voting rights then normally exercisable at general meetings of Highway including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to Highway Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

For the purposes of this Condition:

- i) the expression "Highway Shares to which the Offer relates" shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act;
  - ii) Highway Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights which they will carry upon issue; and
  - iii) valid acceptances shall be deemed to have been received in respect of Highway Shares which are treated for the purposes of Chapter 3 of Part 28 of the Companies Act as having been acquired or contracted to be acquired by LVIC by virtue of acceptance of the Offer;
- b) the Financial Services Authority having notified LVIC in writing and in terms satisfactory to LVIC that it does not object to any person who will, pursuant to the Offer, become a controller of Highway or any other member of the Highway Group for the purposes of the FSMA or the period allowed under the FSMA for the Financial Services Authority to notify any objection to any such person becoming a controller having expired without notification of such objection and appropriate consent in terms satisfactory to LVIC being given by any other regulatory authority having jurisdiction over Highway or any member of the Highway Group;
  - c) the Financial Services Authority not having revoked, suspended or withdrawn, or varied or amended in any respect, the permission held by any member of the Wider Highway Group under Part IV of the FSMA to carry on insurance business in the United Kingdom and not having notified any member of the Wider Highway Group of its intention to do so;
  - d) all necessary notifications and filings have been made in connection with the Offer and all necessary waiting periods (including any extension(s) thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the Wider LV Group of any shares in, or control of, Highway or any member of the Wider Highway Group and all Approvals necessary or appropriate in any jurisdiction for or in respect of the Offer, the acquisition or the proposed acquisition of any shares in, or control of, Highway or any member of the Wider Highway Group by any member of the

Wider LV Group or any other matter arising from the Offer having been obtained on terms and in a form reasonably satisfactory to LVIC from all Relevant Authorities and, without prejudice to the generality of the foregoing, from any persons or bodies in any jurisdiction with whom any member of the Wider Highway Group has entered into material contractual arrangements and all such Approvals together with all Approvals necessary or appropriate for the carrying on of the business of each member of the Wider Highway Group remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, restrict, amend or not to renew any of the same at the time at which the Offer becomes otherwise unconditional;

- e) no Relevant Authority having intervened in any way which would or could reasonably be expected to:
  - i) make the Offer void, illegal or unenforceable in or under the laws of any jurisdiction, or otherwise, directly or indirectly, prevent, prohibit, or restrain, restrict or delay or impose additional conditions or obligations which are adverse with respect to, or impede, challenge or otherwise interfere with the Offer, its implementation, the acquisition or proposed acquisition of any shares in, or control of, Highway or any member of the Wider Highway Group by any member of the Wider LV Group or any other matter arising from the Offer, in each case in a manner which is material in the context of the Offer;
  - ii) require a divestiture by any member of the Wider LV Group of a material portion of the shares in Highway;
  - iii) require, prevent or delay or alter the terms envisaged for any proposed divestiture or otherwise affect any divestiture by any member of the Wider LV Group or by any member of the Wider Highway Group of all or any part of their respective businesses, assets or property (which, in each case, would be material in the context of the LV Group or Highway Group taken as a whole);
  - iv) impose any limitation on, or result in any delay in, the ability of any member of the Wider LV Group or any member of the Wider Highway Group to conduct any of their respective businesses, or to own their respective assets or property or any part thereof or to integrate or co-ordinate such businesses or any part thereof with other businesses, or to hold or exercise effectively, directly or indirectly, any rights of ownership of shares or other securities (or the equivalent) in, or to exercise effectively management rights or control over, any of the businesses or assets or any part thereof of any member of the Wider LV Group or Wider Highway Group (which, in each case, would be material in the context of the LV Group or the Highway Group, as the case may be, in each case taken as a whole);
  - v) require, other than pursuant to the Offer or the application of section 983 of the Companies Act in relation to Highway Shares, any member of the Wider LV Group or any member of the Wider Highway Group to acquire or to offer to acquire any shares or other securities (or the equivalent) or interest in, or any asset owned by any third party (where such acquisition would be material to the LV Group or the Highway Group, as the case may be, or any of their respective businesses);
  - vi) prevent any member of the Wider LV Group or the Wider Highway Group from operating all or any part of their businesses under any name or in any jurisdiction under or in which it currently does so (the consequences of which would be material in the context of the Highway Group or the LV Group (as the case may be), in each case taken as a whole); or
  - vii) otherwise adversely affect any or all of the businesses, assets, liabilities, profits, financial or trading position of any member of the Wider Highway Group (in a manner which would be material in the context of the Highway Group or the LV Group, as the case may be, taken as a whole);
- f) save as Disclosed, no member of the Wider Highway Group having since 31 December 2007:
  - i) other than in respect of the Interim Dividend, recommended, declared, paid or made any dividend or other distribution, whether payable in cash or otherwise or made any bonus issue, other than to Highway or to a wholly-owned subsidiary of Highway;

- ii) save as between Highway and its wholly-owned subsidiaries or upon the exercise of options granted in the ordinary course under the Highway Share Plans or under any contract of employment prior to the Announcement Date, issued or agreed to issue or authorised the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire any such shares or convertible securities;
- iii) made or authorised any change to its share or loan capital save as referred to in paragraph (i) above;
- iv) purchased, redeemed or repaid any of its shares or other securities or reduced or made any other change to any part of its share capital save as referred to in paragraph (i) above;
- v) save for transactions between Highway and its wholly-owned subsidiaries (and other than in the ordinary course of business), issued or authorised any debentures or made any change in or to any debentures or incurred or increased any indebtedness or liability, actual or contingent, which in each case is material in the context of the Wider Highway Group taken as a whole;
- vi) save for transactions between Highway and its wholly-owned subsidiaries (and other than in the ordinary course of business) merged or demerged with any body corporate, acquired or disposed of, transferred, mortgaged or encumbered or created any security interest over any business or assets or any right, title or interest in any business or assets (including shares in any undertaking and trade investments), which in each case is material in the context of the Wider Highway Group taken as a whole;
- vii) save for transactions between Highway and its wholly-owned subsidiaries (and other than in the ordinary course of business) implemented or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or other equivalent transaction or arrangement or acquisition or disposal of assets or shares in any undertaking which in each case is material in the context of the Wider Highway Group taken as a whole;
- viii) entered into, authorised or varied any contract, agreement, transaction, arrangement, commitment or obligation (whether in respect of capital expenditure or otherwise) which is loss making or of a long-term (which shall mean not terminable by the giving of 12 months' notice or less), onerous or unusual nature or magnitude or otherwise not in the ordinary course of business, and which involves or could involve an obligation of such a nature or magnitude and which in each case is material in the context of the Wider Highway Group taken as a whole;
- ix) entered into, authorised or varied in any material respect any contract, agreement, transaction, arrangement, commitment or obligation which is or could be materially restrictive on the business of any member of the Wider Highway Group or Wider LV Group taken as a whole;
- x) entered into or changed (other than to comply with relevant applicable legislation) or made any offer (which remains open for acceptance) to enter into or change (other than to comply with relevant applicable legislation) the terms of any service agreement or other contract, instrument, arrangement, commitment or obligation with or for the benefit of any director or senior executive or any connected person of any such person (within the meaning of section 252 of the Companies Act) of Highway or any member of the Wider Highway Group, including any retirement, death or disability benefit or any share option or bonus scheme;
- xi) waived or compromised any claim which is material in the context of the Wider Highway Group taken as whole;
- xii) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution, administration or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer over all or any of its material assets or revenues or any analogous proceedings or steps in any jurisdiction or had any analogous person appointed in any jurisdiction which is material in the context of the Wider Highway Group taken as whole;

- xiii) been unable, or admitted in writing that it is unable, to pay its debts 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 material part of its business which is material in the context of the Wider Highway Group taken as whole;
  - xiv) made any alteration to its memorandum or articles of association or other constitutional documents which is material in the context of the Offer;
  - xv) made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation, which in each case would be material in the context of the Wider Highway Group taken as a whole; and
  - xvi) entered into any contract, agreement, transaction, arrangement or commitment or passed any shareholder or board resolution or made any proposal or made any offer (which remains open for acceptance) with respect to or announced any intention to, or proposed to, effect any of the transactions, matters or events referred to in this condition, which in each case would be material in the context of the Wider Highway Group taken as a whole;
- g) save as Disclosed, there being no provision of any arrangement, agreement, permit, licence, lease or other instrument to which any member of the Wider Highway Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which would or could reasonably be expected to, as a consequence of the Offer or its implementation or the acquisition or proposed acquisition by any member of the Wider LV Group of any or all of the shares or other securities in Highway or because of a change of control or management of Highway or otherwise, result in (in each case to an extent which is material in the context of the Wider Highway Group taken as a whole):
- i) any such arrangement, agreement, permit, licence, lease or other instrument or the rights, liabilities, obligations or interests thereunder being, or becoming capable of being, terminated or adversely modified or affected or any obligation or liability arising or any adverse action being taken thereunder;
  - ii) the rights, liabilities, obligations, interests or business of any member of the Wider Highway Group in or with any other person, firm, company, body or venture, or any agreements or arrangements relating to any such interests or business, being, or becoming capable of being, terminated or adversely modified or affected;
  - iii) any interest or asset of any member of the Wider Highway Group being or falling to be disposed of or charged or any right arising under which any such interest or asset could be required to be disposed of or charged;
  - iv) any monies borrowed by, any other indebtedness (actual or contingent) of, or grant available to any member of the Wider Highway Group, being or becoming repayable or capable of being or becoming declared repayable immediately or prior to their or its stated maturity date or repayment date or the ability of any such member to borrow monies or to incur any indebtedness being withdrawn, inhibited or adversely affected or being capable of becoming or being withdrawn, inhibited or adversely affected;
  - v) any mortgage, charge or other security interest being created over the whole or any part of the business, property, assets or interests of any member of the Wider Highway Group or any such security (whenever arising or having arisen) being enforced or becoming enforceable;
  - vi) any requirement on any member of the Wider Highway Group to acquire, subscribe, pay-up or repay any shares or other securities;
  - vii) any member of the Wider Highway Group ceasing to be able to carry on business under any name or in any jurisdiction under or in which it presently does so;

- viii) the creation or assumption of any liabilities (actual or contingent) by or in respect of any member of the Wider Highway Group other than in the ordinary course of business;
- ix) any liability of any member of the Wider Highway Group to make any severance, termination, bonus or other payment to any of its directors or other officers; or
- x) the business, assets, liabilities, profits, financial or trading position of any member of the Wider Highway Group being prejudiced or adversely affected,

and no event having occurred which, under any such arrangement, agreement, permit, licence, lease or other instrument could reasonably be expected to result in any of the events or circumstances referred to in paragraphs (i) to (x) of this condition;

- h) save as Disclosed:
  - i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits of Highway or any member of the Wider Highway Group which in any such case is material to the Wider Highway Group taken as a whole;
  - ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, announced or threatened or remaining outstanding to which any member of the Wider Highway Group is or may become a party (whether as claimant, defendant or otherwise) which, in any such case would or could reasonably be expected to adversely affect any member of the Wider Highway Group and which is or would be material in the context of the Wider Highway Group taken as a whole;
  - iii) no investigation or enquiry by, or complaint or reference to, any Relevant Authority against or in respect of any member of the Wider Highway Group having been threatened, announced, implemented or instituted or remaining outstanding by, against or in respect of any member of the Wider Highway Group which, in any such case would or could reasonably be expected to adversely affect any member of the Wider Highway Group and which is or would be material in the context of the Wider Highway Group taken as a whole;
  - iv) no amendment or termination of any joint venture or partnership to which any member of the Wider Highway Group is a party having been agreed or permitted which would be material to the Wider Highway Group;
  - v) no claim having been made, and no circumstances having arisen which could reasonably be expected to lead to a claim being announced, threatened or made, under any insurance policy taken out by or in favour of any member of the Wider Highway Group which would be material to the Wider Highway Group taken as a whole; and
  - vi) no liability, contingent or otherwise of any member of the Wider Highway Group having arisen, become apparent or been increased which, in any such case could reasonably be expected to adversely and materially effect the Wider Highway Group taken as a whole;
- i) save as Disclosed, LVIC not having discovered that:
  - i) any financial, business or other information concerning Highway and the Wider Highway Group as contained in the information disclosed at any time by or on behalf of any member of the Wider Highway Group whether publicly, to any member of the Wider LV Group or otherwise is misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make the information contained therein accurate or not misleading and which was not subsequently corrected by such a disclosure prior to the Announcement Date and which information is material in the context of the Wider Highway Group taken as a whole;
  - ii) any information which affects (in the context of the Offer) the import of any information disclosed at any time by or on behalf of any member of the Wider Highway Group and which is material in the context of the Wider Highway Group taken as a whole;
  - iii) any member of the Wider Highway Group or any partnership, company or other entity in which any member of the Wider Highway Group has an interest and which is not a subsidiary undertaking of Highway is subject to any liability,

contingent or otherwise, which is not disclosed or reflected in the Annual Report and/or the Interim Results Announcement, or in any public announcement made by or on behalf of Highway (by delivery of an announcement to a Regulatory Information Service) prior to the Announcement Date and which information is material in the context of the Wider Highway Group taken as a whole;

- j) save as Disclosed, LVIC not having discovered that:
- i) any past or present member of the Wider Highway Group has not complied with all applicable legislation, regulations or other requirements of any relevant jurisdiction with regard to the use, treatment, storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or that there has otherwise been a material emission, discharge, disposal, spillage or leak of waste or hazardous substance or any substance likely to impair the environment or harm human health (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) on or from any land or property of any description or other asset now or previously owned, occupied or made use of by any past or present member of the Wider Highway Group or in which any such member may now or previously have had an interest which would, in any case, be likely to give rise to any liability (whether actual or contingent) on the part of any member of the Wider Highway Group which is material in the context of the Wider Highway Group taken as a whole;
  - ii) there is or is likely to be any liability (whether actual or contingent) on the part of any member of the Wider Highway Group to make good, repair, reinstate or clean up any property of any description or other asset now or previously owned, occupied or made use of by any past or present member of the Wider Highway Group, or in which any such member may now or previously have had an interest, under any environmental legislation, regulation, notice, circular or order of any third party which is material in the context of the Wider Highway Group taken as a whole; or
  - iii) circumstances exist (whether as a result of the making of the Offer or otherwise) which would be likely to lead to any third party instituting (or whereby any member of the Wider Highway Group would be likely to be required to institute) an environmental audit or take any steps which would in any such case be likely to result in any actual or contingent liability to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property of any description or other asset now or previously owned, occupied or made use of by any member of the Wider Highway Group, or in which any such member may now or previously have had an interest, which is material in the context of the Wider Highway Group taken as a whole.

## **General**

Subject to the requirements of the Panel, LVIC reserves the right to waive, in whole or in part, all or any of the Conditions set out above in paragraphs (b) to (j) inclusive.

The Offer will lapse unless all of the Conditions contained in paragraphs (b) to (j) inclusive, have been fulfilled or (if capable of waiver) waived by midnight on the 21st day after the later of: (i) the first closing date of the Offer and (ii) the date on which Condition (a) is fulfilled (or, in each case, such later date as LVIC may, with the consent of the Panel, decide). LVIC shall be under no obligation to waive (if capable of waiver) or treat as satisfied any Condition until the latest date for the fulfilment of that Condition notwithstanding that the other Conditions of the Offer may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any of such Conditions may not be capable of fulfilment.

Save with the consent of the Panel, the Offer will not proceed if the European Commission initiates proceedings under Article 6(1)(c) of the EC Regulation or if the Offer is referred to the Competition Commission in the United Kingdom, in either case before 1:00 pm on the first closing

date of the Offer or the date on which the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

If the Offer lapses it will cease to be capable of further acceptance. Highway Shareholders who have accepted the Offer and LVIC shall then cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

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

LVIC will not invoke any condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to LVIC in the context of the Offer. This does not apply to the Condition contained in paragraph (a) of this Part A of this Appendix I.

### **Interpretation for the Conditions**

For the purposes of the Conditions, a Relevant Authority shall be regarded as having "intervened" if it has instituted, implemented, or threatened or having announced its intention to institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or having made, enacted or proposed any statute, regulation, decision or order or otherwise taken any other step or measure and "intervene" shall be construed accordingly.

### **Part B - Further terms of the Offer**

- The Highway Shares will be acquired by LVIC pursuant to the Offer fully paid and free from all liens, equities, charges, encumbrances and other interests together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends, interest and other distributions (if any) declared, made or payable after the date of this Announcement, other than the Interim Dividend.
- The Offer will be on the terms and will be subject, inter alia, to the Conditions set out in this Announcement and such other terms as may be set out in the Offer Document or as may be required to comply with the provisions of the City Code. This Announcement and any rights or liabilities arising hereunder and the Offer will be governed by English law and be subject to the jurisdiction of the English courts.
- The availability of the Offer to persons resident in, or citizens or nationals of, jurisdictions outside the UK, or to persons who are custodians, nominees or trustees for citizens or nationals or residents of jurisdictions outside the UK ("overseas persons") may be prohibited or affected by the laws of the relevant overseas jurisdiction. Such overseas persons should inform themselves about and observe any applicable requirements.

## **Appendix II**

### ***SOURCES AND BASES OF INFORMATION***

#### **In this Announcement:**

- Unless otherwise stated:
  - a) financial information relating to Highway has been extracted without material adjustment from the audited financial statements of Highway for the relevant financial year and from the unaudited interim financial statements of Highway for the relevant six month period; and
  - b) financial information relating to LVFS and LVIC has been extracted without material adjustment from the audited financial statements of LVFS and LVIC for the relevant financial year.
- The value attributed to the existing issued share capital of Highway is based upon 204,331,668 Highway Shares in issue.
- All historical share prices quoted for Highway Shares have been sourced from the Daily Official List and represent closing middle market prices for Highway Shares on the relevant dates.

## Appendix III

### *Irrevocable Undertakings*

LVIC has received the following irrevocable undertakings to accept the Offer:

<b>Name</b>	<b>Number of Highway Shares</b>	<b>Per cent. of Highway's issued share capital</b>
R A Gamble	250,000	0.12
P L Salsbury	75,000	0.04
A J Gibson	50,000	0.02
C D Hill	12,999	0.01
P N Cosh	324,098	0.16
A Milton	150,000	0.07
D F Barker	46,250	0.02
<b>Total</b>	<b>908,347</b>	<b>0.44</b>

*Notes:*

- 1. The Highway Directors have irrevocably undertaken to accept the Offer in respect of their entire beneficial holdings of Highway Shares which amount to in aggregate 908,347 Highway Shares, representing approximately 0.44 per cent. of the existing issued share capital of Highway. These irrevocable undertakings will continue to be binding if a higher Independent Competing Offer is made for Highway unless the Offer lapses or is withdrawn without having become wholly unconditional*
- 2. The irrevocable undertakings exclude from the undertaking to accept the Offer any Highway Shares acquired on behalf of or appropriated to the relevant Highway Directors pursuant to the Highway Insurance Group Plc Share Incentive Plan.*

## **Appendix IV**

### **Definitions**

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

<b>'Acquisition'</b>	the acquisition by LVIC pursuant to the Offer of the entire issued and to be issued share capital of Highway
<b>'Announcement'</b>	this announcement
<b>'Announcement Date'</b>	the date of this Announcement
<b>'Annual Report'</b>	the annual report and accounts of Highway for the year ended 31 December 2007
<b>'Approvals'</b>	approvals, authorisations, orders, grants, determinations, recognitions, confirmations, consents, licences, clearances, waivers, certificates and permissions
<b>'Board of LVIC'</b>	the board of directors of LVIC
<b>'Business Day'</b>	a day, not being a public holiday, Saturday or Sunday, on which clearing banks in London are open for normal business
<b>'City Code' or 'Code'</b>	the City Code on Takeovers and Mergers
<b>'Closing Price'</b>	the closing middle market price of a Highway Share, as derived from the Daily Official List
<b>'Companies Act'</b>	the Companies Act 2006
<b>'Conditions'</b>	the conditions to the Offer, as set out in Appendix I Part A
<b>'Daily Official List'</b>	the daily official list of the London Stock Exchange
<b>'Disclosed'</b>	disclosed in:  (i) the Annual Report or the Interim Results Announcement;  (ii) any documents delivered to an Information Recipient in respect of the Acquisition by or on behalf of Highway prior to the Announcement Date; and/or  (iii) any public announcement by Highway to a Regulatory Information Service prior to the Announcement Date
<b>'Enlarged Group'</b>	the LV Group and Highway Group following completion of the Acquisition
<b>'European Commission'</b>	the executive branch of the European Union created by the Merger Treaty (signed on 8 April 1965) as repealed or replaced by the Amsterdam Treaty 1997
<b>'Fenchurch Advisory Partners'</b>	Fenchurch Advisory Partners Limited, financial adviser to LV
<b>'Financial Services Authority' or 'FSA'</b>	the UK Financial Services Authority

<b>'Form of Acceptance'</b>	the Form of Acceptance for use by Highway Shareholders which will accompany the Offer Document
<b>'FSMA'</b>	the Financial Services and Markets Act 2000
<b>'Further Terms'</b>	the further terms of the offer, as set out in Appendix I Part B
<b>'Hero'</b>	Hero Insurance Services
<b>'Highway'</b>	Highway Insurance Group Plc
<b>'Highway Board' or 'Board of Highway'</b>	the board of directors of Highway
<b>'Highway Director'</b>	a director of Highway
<b>'Highway Group'</b>	Highway and its subsidiary undertakings
<b>'Highway Shareholders' or 'Shareholders'</b>	the holders of Highway Shares
<b>'Highway Share Plans' or 'Share Plans'</b>	the Highway Executive Share Option Plan, Performance Share Plan and Share Incentive Plan
<b>'Highway Shares' or 'Shares'</b>	(a) the existing unconditionally allotted or issued and fully paid ordinary shares of 20 pence each in the capital of Highway and (b) any further shares of 20 pence each in the capital of Highway which are unconditionally allotted or issued and fully paid before the Offer closes or before such earlier date as LVIC (subject to the City Code) may determine, not being earlier than the date on which the Offer becomes or is declared unconditional as to acceptances but excludes any shares held as treasury shares on such date as LVIC may determine before the Offer closes (which may be a different date to the date referred to above)
<b>'Independent Competing Offer'</b>	<p>an offer, scheme of arrangement, recapitalisation or other transaction which involves an offer or proposal to acquire more than 50 per cent. of the issued and to be issued share capital of Highway (when added to any shares in Highway already owned or agreed to be acquired by the person making or entering into the offer or proposal) and which:</p> <p>(a) is made or entered into by a person who is not acting in concert with or an affiliate of (as those terms are defined in the Code) LVIC; and</p> <p>(b) is for a cash amount per share in excess of that available under the Offer or which comprises all non-cash consideration or a mix of cash and non-cash consideration in either case in an amount which LVIC and Highway agree, or failing that agreement an independent financial adviser decides, has a value per share in excess of that available under the Offer</p>
<b>'Information Recipient'</b>	any director of LVIC and/or any professional advisers engaged by LVIC in connection with the Acquisition

<b>'Interim Dividend'</b>	the interim dividend of 1.65 pence per share with respect to the six months ended 30 June 2008 announced today by Highway in the Interim Results Announcement, and payable on 2 October 2008 to Shareholders on the register on 5 September 2008
<b>'Interim Results Announcement'</b>	the announcement today by Highway of its unaudited interim financial results for the six months to 30 June 2008
<b>'Lexicon Partners'</b>	Lexicon Partners Limited, financial adviser to Highway
<b>'Listing Rules'</b>	the listing rules made by the Financial Services Authority under section 73A of the FSMA
<b>'London Stock Exchange'</b>	London Stock Exchange plc or its successor
<b>'LVFS'</b>	Liverpool Victoria Friendly Society Limited
<b>'LV Group' or 'LV'</b>	LVFS and its subsidiary undertakings
<b>'LVIC'</b>	Liverpool Victoria Insurance Company Limited
<b>'Numis Securities'</b>	Numis Securities Limited, corporate broker to Highway
<b>'Offer'</b>	the proposed recommended cash offer to be made by LVIC to acquire all the Highway Shares on the terms and subject to the conditions to be set out in the Offer Document and in the Form of Acceptance including, where the context so requires, any subsequent revision, variation, renewal or extension of such offer and includes any election available in connection with it
<b>'Offer Document'</b>	the formal offer document to be sent to Highway Shareholders (and, for information only, to participants in the Highway Share Plans) setting out, inter alia, the terms and conditions of the Offer
<b>'Official List'</b>	the Official List maintained by the UK Listing Authority
<b>'Panel'</b>	the Panel on Takeovers and Mergers
<b>'Regulatory Information Service'</b>	any information service authorised from time to time by the UK Listing Authority for the purpose of the dissemination of regulatory announcements required by the Listing Rules
<b>'Relevant Authority'</b>	any government, government department or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, trade agency, association, institution, investigative body or professional or environmental body or any other such body or person in any jurisdiction
<b>'relevant securities'</b>	Highway Shares, other Highway share capital and any securities convertible into, or exchangeable for, and rights to subscribe for, any of the foregoing
<b>'Restricted Jurisdiction'</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure or prosecution if information concerning the Offer is sent or made available to Highway Shareholders in that jurisdiction

<b>'Shore Capital Stockbrokers'</b>	Shore Capital Stockbrokers Limited
<b>'United Kingdom' or the 'UK'</b>	the United Kingdom of Great Britain and Northern Ireland
<b>'UK Listing Authority' or 'UKLA'</b>	the Financial Services Authority in its capacity as the competent authority for listing under Part VI of FSMA
<b>'Wider Highway Group'</b>	Highway and the subsidiary undertakings and associated undertakings of Highway and any other body corporate, partnership, joint venture or person in which Highway and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent or more of the voting or equity capital or equivalent
<b>'Wider LV Group'</b>	LVFS and the subsidiary undertakings and associated undertakings of LVFS and any other body corporate, partnership, joint venture or person in which LVFS and such undertakings (aggregating their interests) have a direct or indirect interest of 20 per cent or more of the voting or equity capital or 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 the times referred to in this Announcement are London times unless otherwise stated.

References to the singular include the plural and vice versa.

£ and pence means pounds and pence sterling, the lawful currency of the United Kingdom.