

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE ADMISSION OF EIG SHARES TO TRADING ON THE LONDON STOCK EXCHANGE'S MAIN MARKET FOR LISTED SECURITIES AND TO LISTING ON THE OFFICIAL LIST.

Part 2 of this document comprises an explanatory statement in compliance with section 897 of the Companies Act 2006. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or other appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or otherwise transferred all of your EIG Shares, please forward this document, together with the accompanying documents (other than documents or forms personalised to you) as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred part of your holding of EIG Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

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

Recommended cash acquisition
of
Ei GROUP PLC
by
STONEGATE PUB COMPANY BIDCO LIMITED
(a wholly-owned subsidiary of Stonegate Pub Company Limited)
to be effected by means of a Scheme of Arrangement
under Part 26 of the Companies Act 2006

Shareholders should read carefully the whole of this document, the information incorporated by reference into this document and the accompanying Forms of Proxy. This document is also available on the website of EIG at www.eigroupplc.com. Your attention is drawn to the letter from the Chairman of EIG in Part 1 of this document which contains the unanimous recommendation of the EIG Directors that you vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting. A statement explaining the Scheme in greater detail, which constitutes an explanatory statement in compliance with section 897 of the Companies Act 2006, appears in Part 2 of this document.

Notices convening the Court Meeting and the General Meeting, both of which will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF on 12 September 2019 are set out in Parts 10 and 11 of this document. The Court Meeting will start at 10.00 a.m. on that date and the General Meeting will start at 10.15 a.m. on that date (or as soon thereafter as the Court Meeting has concluded or been adjourned).

The action to be taken in respect of the Meetings is set out in paragraph 20 of Part 2 of this document. It is very important that EIG Shareholders use their votes so that the Court can be satisfied that there is a fair representation of their views. EIG Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting, and a white Form of Proxy for use in connection with the General Meeting.

Whether or not you intend to attend the Meetings in person, please complete and sign both of the enclosed Forms of Proxy in accordance with the instructions printed on them and return them to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY as soon as possible and, in any event, so as to be received at least 48 hours before the time appointed for the relevant Meeting (excluding any part of a day that is not a working day). Forms of Proxy returned by fax will not be accepted.

If the blue Form of Proxy for the Court Meeting is not returned by 10.00 a.m. on 10 September 2019, it may be handed to the Chairman of the Court Meeting or Computershare before the taking of the poll at the Court Meeting and will still be valid. However, in the case of the General Meeting, unless the white Form of Proxy is returned by 10.15 a.m. on 10 September 2019, it will be invalid.

You may appoint a proxy electronically by logging on to www.investorcentre.co.uk/proxy and entering your voting PIN, control number and shareholder reference number shown on your Form of Proxy. Full details of the procedure for appointing a proxy electronically are on the website. Further information is also included on the Forms of Proxy.

EIG Shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournments thereof may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST must be received by the Registrar at least 48 hours before the time appointed for the relevant Meeting (excluding any part of a day that is not a working day) or in the case of an adjournment, no later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting.

The completion and return of a Form of Proxy or the submission of a proxy via CREST or the appointment of a proxy or proxies electronically will not prevent you from attending, speaking and voting in person at either the Court Meeting or the General Meeting, or any adjournment thereof, if you so wish and if you are so entitled.

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call Computershare on 0370 889 4080 from within the UK or +44 (0) 370 889 4080 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scheme or the Acquisition nor give any personal, financial, legal or tax advice.

Certain terms used in this document are defined in Part 9 of this document.

Nomura International plc, which is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and the Financial Conduct Authority (“FCA”) in the United Kingdom, is acting as financial adviser to Bidco and Stonegate, and no one else in connection with the matters set out in this document and Nomura International plc, its affiliates and its respective officers, employees, agents, representatives and/or associates will not regard any other person as their client, nor will they be responsible to anyone other than Bidco and Stonegate for providing the protections afforded to clients of Nomura International plc nor for giving advice in relation to any matter or arrangement referred to in this document. Neither Nomura International plc nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Nomura International plc in connection with this document or any matter referred to herein.

Goldman Sachs International, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser to Bidco and Stonegate and no one else in connection with the matters described in this document and will not be responsible to anyone other than Bidco and Stonegate for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the matters described in this document or any matter referred to herein. Neither Goldman Sachs International nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Goldman Sachs International in connection with this document or any matter referred to herein.

Barclays, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser to Bidco and Stonegate and no one else in connection with the matters described in

this document and will not be responsible to anyone other than Bidco and Stonegate for providing the protections afforded to clients of Barclays, or for giving advice in connection with the matters described in this document or any matter referred to herein. Neither Barclays nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Barclays in connection with this document or any matter referred to herein. In accordance with the Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Exchange Act, Barclays and its affiliates will continue to act as exempt principal trader in EIG securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the PRA. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the PRA and the FCA. Details about the extent of its authorisation and regulation by the PRA, and regulation by the FCA, are available on request. Deutsche Bank, acting through its London branch ("Deutsche Bank"), is acting as joint corporate broker and financial adviser to EIG and no other person in connection with the contents of this document. Neither Deutsche Bank, nor any of its subsidiaries, branches or affiliates will be responsible to any person other than EIG for providing any of the protections afforded to clients of Deutsche Bank nor for providing advice in relation to any matters referred to in this document. Neither Deutsche Bank, nor any of its subsidiaries, branches or affiliates, nor any of its or their respective directors, officers or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Deutsche Bank in connection with this document, any statement contained herein, or otherwise.

N.M. Rothschild & Sons Limited ("Rothschild & Co"), which is authorised and regulated by the FCA in the United Kingdom, is acting as financial adviser to EIG and no one else in connection with the matters described in this document and will not be responsible to anyone other than EIG for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with any matter referred to herein. Neither Rothschild & Co nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Rothschild & Co in connection with this document, any statement contained herein, the Acquisition or otherwise.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the FCA, is acting as joint corporate broker exclusively for EIG and no one else in connection with the Acquisition and the other matters referred to in this document and will not regard any other person as its client in relation to such matters and will not be responsible to anyone other than EIG for providing the protections afforded to clients of Numis, nor for providing advice in relation to the Acquisition or any other matters referred to in this document.

IMPORTANT NOTICE

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons who are subject to the laws of any jurisdiction other than the United Kingdom into whose possession this document 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 EIG Shares with respect to the Scheme at the Court Meeting or the General Meeting, or to appoint another person as proxy to vote at the Court Meeting or the General Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. 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.

This document and the accompanying documents have 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 City Code and the Listing Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England and Wales. Nothing in this document or the accompanying documents should be relied on for any other purpose.

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

Further details in relation to Overseas Shareholders are contained in paragraph 16 of Part 2 of this document. All EIG Shareholders or other persons (including nominees, trustees and custodians) who would otherwise intend to or may have a contractual or legal obligation to forward this document and the accompanying Forms of Proxy to a jurisdiction outside the United Kingdom should refrain from doing so and seek appropriate professional advice before taking any action.

No person has been authorised to make any representations on behalf of EIG or Bidco concerning the Acquisition which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

The summary of the principal provisions of the Scheme contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part 3 of this document. Each EIG Shareholder is advised to read and consider carefully the text of the Scheme itself. This document, and in particular the letter from the Chairman of EIG and the Explanatory Statement, has been prepared solely to assist Scheme Shareholders in respect of voting on the resolution to approve the Scheme to be proposed at the Court Meeting and to assist EIG Shareholders in respect of voting on the Special Resolution to be proposed at the General Meeting.

EIG Shareholders should not construe the contents of this document as legal, tax or financial advice and should consult with their own advisers as to the matters described in this document.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and issue of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of BidCo, the Stonegate Group, EIG or the EIG Group except where otherwise stated.

Notice to US Shareholders

The Acquisition relates to the securities of an English company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under English law. A

transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Scheme is subject to procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company incorporated in England and Wales listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. If in the future Bidco exercises its right to implement the Acquisition by way of a Takeover Offer, such Takeover Offer will be made in compliance with all applicable laws and regulations, including, without limitation, to the extent applicable, Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such Takeover Offer would be made by Bidco and no one else. In addition to any such Takeover Offer, Bidco, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in EIG outside such Takeover Offer during the period in which such Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the United Kingdom, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website: <http://www.londonstockexchange.com/>.

The EIG financial information included in, and incorporated by reference into, this document has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, which may not be comparable to the financial statements of companies reporting their financial statements pursuant to home country generally accepted accounting principles (“GAAP”), which differ in certain significant respects from IFRS. None of the financial information included in, or incorporated by reference into, this document has been audited in accordance with GAAP under any such countries’ laws.

It may be difficult for US Shareholders to enforce their rights and claims arising out of the US federal securities laws, since Bidco and EIG are organised in countries other than the United States, and some or all of their officers and directors may be residents of, and some or all of their assets may be located in, jurisdictions other than the United States. US Shareholders may have difficulty effecting service of process within the United States upon those persons or recovering against judgments of US courts, including judgments based upon the civil liability provisions of the US federal securities laws. US Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of 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 judgment.

The receipt of cash pursuant to the Acquisition by a US Shareholder as consideration for the transfer of the Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as non-US and other, tax laws. Each EIG Shareholder is urged to consult his or her independent professional adviser immediately regarding the tax consequences of the Acquisition. Further details in relation to US Shareholders are contained in paragraph 17 of Part 2 of this document.

Neither the US Securities and Exchange Commission (the “SEC”) nor any US state securities commission has expressed an opinion about: (a) the Scheme or the Acquisition; (b) the merits or fairness of the Scheme or the Acquisition; or (c) the adequacy or accuracy of the disclosure in this document and it is an offence in the United States to claim otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document (including information incorporated by reference into this document), oral statements made regarding the Acquisition, and other information published by Bidco and EIG contains statements about Bidco and EIG that are or may be forward-looking statements. All statements other than statements of historical facts included in this document 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”, “anticipates”, “estimates”, “projects” 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) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Bidco’s or EIG’s operations and potential synergies resulting from the Acquisition; and (iii) the effects of government regulation on Bidco’s or EIG’s business.

Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date

hereof. Neither Bidco nor EIG, nor their respective associates, directors, officers or advisers, provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document (including information incorporated by reference into this document) will actually occur. Bidco and EIG disclaim any obligation to update any forward-looking or other statements contained herein, except as required by applicable law. Except as expressly provided in this document, they have not been reviewed by the auditors of EIG or Bidco. All subsequent oral or written forward-looking statements attributable to EIG or Bidco or any of their respective members, directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document.

DISCLOSURE REQUIREMENTS OF THE CITY CODE

Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (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 Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day following the date of the relevant dealing.

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

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

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

ELECTRONIC COMMUNICATIONS

Addresses, electronic addresses and certain other information provided by EIG Shareholders, persons with information rights and other relevant persons for the receipt of communications from EIG may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 to the City Code to comply with Rule 2.11(c) of the City Code.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

This document, together with all information incorporated into this document by reference to another source, will be available free of charge, subject to any applicable restrictions relating to persons resident in jurisdictions

outside the United Kingdom, on EIG's website at www.eigroupplc.com and Stonegate's website at www.stonegatepubs.com during the course of the Offer Period.

Save where expressly stated in this document, neither the contents of Stonegate's website, nor those of EIG's website, nor those of any other website accessible from hyperlinks on either Stonegate's or EIG's website are incorporated into or form part of this document.

You may request a hard copy of this document (and any information expressly incorporated by reference in this document) by contacting Computershare during usual business hours on 0370 889 4080 (or, if calling from outside the UK, on +44 (0) 370 889 4080) or by submitting a request in writing to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that calls to Computershare may be monitored or recorded and no advice on the Scheme or its merits, nor any legal, taxation or financial advice, can be given. It is important that you note that unless you make such a request, a hard copy of this document and any such information incorporated by reference in it will not be sent to you. You may also request that all future documents, announcements and information be sent to you in relation to the Acquisition should be in hard copy form.

SCHEME PROCESS

In accordance with Section 5 of Appendix 7 to the Code, EIG will announce through a Regulatory Information Service key events in the Scheme process including the outcomes of the Meetings and the Court Hearing.

Unless otherwise consented to by the Court and the Panel, any modification or revision to the Scheme will be made no later than the date which is 14 days prior to the Meetings (or any later date to which such Meetings are adjourned).

ROUNDING

Certain figures included in this document 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.

DATE

This document is published on 15 August 2019.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All times shown in this document are London times.

<u>Event</u>	<u>Time and/or date</u>
Publication of this document	15 August 2019
Latest time for lodging Forms of Proxy for the:	
Court Meeting (blue form)	10.00 a.m. on 10 September 2019¹
General Meeting (white form)	10.15 a.m. on 10 September 2019²
Voting Record Time for the Court Meeting and General Meeting	6.00 p.m. on 10 September 2019³
Court Meeting	10.00 a.m. on 12 September 2019
General Meeting	10.15 a.m. on 12 September 2019⁴
The following dates are indicative only and are subject to change⁵	
Court Hearing	A date expected to be in the first quarter of 2020 subject to regulatory clearances (“D”)
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, EIG Shares	D+1 Business Day
Scheme Record Time	6.00 p.m. on D+1 Business Day
Suspension of listing of and dealings in EIG Shares	7.30 a.m. on D+2 Business Days
Effective Date of the Scheme	D+2 Business Days
De-listing and cancellation of admission to trading of EIG Shares	By 8.00 a.m. on D+3 Business Days
Latest date for despatch of cheques or settlement through CREST in respect of the Cash Consideration.	Within 14 days of the Effective Date
Long-stop Date	15 June 2020⁶

The Court Meeting and the General Meeting will both be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The dates and times given are indicative only and are based on EIG’s current expectations and may be subject to change. If any of the expected times and/or dates above change, the revised times and/or dates will be notified to EIG Shareholders by announcement through a Regulatory Information Service, with such announcement being made available on Bidco’s and EIG’s websites respectively.

1 It is requested that blue Forms of Proxy for the Court Meeting be lodged at least 48 hours prior to the time appointed for the Court Meeting (excluding any part of a day that is not a working day). Blue Forms of Proxy not so lodged may be handed to the Chairman of the Court Meeting or Computershare before the taking of the poll at the Court Meeting. Please see “Action to be taken” in paragraph 20 of Part 2 of this document.

2 White Forms of Proxy for the General Meeting must be lodged at least 48 hours prior to the time appointed for the General Meeting (excluding any part of a day that is not a working day). White Forms of Proxy may NOT be handed to the Chairman of the General Meeting or Computershare at the General Meeting. Please see “Action to be taken” in paragraph 20 of Part 2 of this document.

3 If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the relevant adjourned Meeting will be 6.00 p.m. on the day which is two days before the date set for such adjourned Meeting (excluding any part of a day that is not a working day).

4 The General Meeting will commence at 10.15 a.m. on the day of the Court Meeting or as soon thereafter as the Court Meeting shall have concluded or been adjourned.

5 These dates and times are indicative only and will depend, among other things, upon the date upon which: (i) the merger control and other Conditions set out in Part 4 of this document are satisfied or (if applicable) waived; (ii) the Court sanctions the Scheme; and (iii) the Court Order is delivered to the Registrar of Companies. EIG will give notice of the change(s) by issuing an announcement through a Regulatory Information Service. All Scheme Shareholders whose names appear on the register at the Voting Record Time have the right to attend the Court Hearing.

6 This is the latest date by which the Scheme may become effective. However, the Long-stop Date may be extended to such later date as may be agreed between Bidco and EIG (and, if required, subject to the Panel’s consent and Court approval). Any such extension would require the lenders under each of the Senior Term Loan Facility Agreement and Second Lien Bridge Facility Agreement and AlbaCore Funds under the PIK Facility Agreement to agree to extend the availability periods under the relevant agreements.

ACTION TO BE TAKEN

ENCLOSED DOCUMENTS

Please check you have received the following with this document:

1. a blue Form of Proxy for use in respect of the Court Meeting;
2. a white Form of Proxy for use in respect of the General Meeting; and
3. a reply-paid envelope for use within the United Kingdom.

If you have not received all of these documents please contact Computershare on the helpline telephone number set out below.

INSTRUCTIONS ON THE ACTION TO BE TAKEN ARE SET OUT BELOW

THE COURT MEETING AND THE GENERAL MEETING

The Scheme will require approval at a meeting of the Scheme Shareholders convened by order of the Court to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF at 10.00 a.m. on 12 September 2019. Implementation of the Scheme will also require the passing of the Special Resolution by EIG Shareholders at the General Meeting to be held at the same place at 10.15 a.m. on 12 September 2019 (or as soon thereafter as the Court Meeting has concluded or been adjourned).

TO VOTE ON THE ACQUISITION USING THE FORMS OF PROXY

Whether or not you plan to attend the Meetings, you are requested to complete and sign:

1. the blue Form of Proxy; and
2. the white Form of Proxy,

and return them BOTH to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY as soon as possible, but in any event so as to be received by the following times and dates:

Blue Forms of Proxy for the Court Meeting	10.00 a.m. on 10 September 2019
White Forms of Proxy for the General Meeting	10.15 a.m. on 10 September 2019

(or, in the case of an adjourned Meeting, not less than 48 hours prior to the time and date set for the adjourned Meeting (excluding any part of a day that is not a working day)).

Return of your completed Forms of Proxy will enable your votes to be counted at the Meetings in the event of your absence. If the blue Form of Proxy for use at the Court Meeting is not lodged by 10.00 a.m. on 10 September 2019, it may be handed to the Chairman of the Court Meeting or to Computershare before the taking of the poll at the Court Meeting and will still be valid. If not lodged before the time set out above, the white Form of Proxy for use at the General Meeting will be invalid.

EIG Shareholders entitled to attend and vote at the Meetings may appoint a proxy electronically by logging on to www.investorcentre.co.uk/proxy and entering your voting PIN, control number and shareholder reference number shown on their Forms of Proxy. Full details of the procedure to be followed to appoint a proxy electronically are given on the website. Further information is also included in the instructions included on the Forms of Proxy.

Both Forms of Proxy and a reply-paid envelope (for postage from within the UK) are enclosed.

EIG Shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournments thereof may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST must be received by Computershare at least 48 hours before the time appointed for the relevant Meeting (excluding any part of a day that is not a working day).

IT IS IMPORTANT THAT, FOR THE COURT MEETING IN PARTICULAR, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR REPRESENTATION OF EIG SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY ENCOURAGED TO SIGN AND RETURN YOUR FORMS OF PROXY OR APPOINT AN ELECTRONIC OR CREST PROXY AS SOON AS POSSIBLE.

The completion and return of the Forms of Proxy or the submission of a proxy via CREST or the electronic appointment of a proxy will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so and should you be so entitled.

Multiple proxy voting instructions

As a registered EIG Shareholder, you are entitled to appoint a proxy in respect of some or all of your EIG Shares. You are also entitled to appoint more than one proxy. A space has been included on the Forms of Proxy to allow you to specify the number of EIG Shares in respect of which that proxy is appointed. The principles applied to multiple proxy voting instructions are detailed below.

Principles applied to multiple proxy voting instructions

If you wish to appoint more than one proxy in respect of your shareholding, you should photocopy the Forms of Proxy, as required. You may appoint more than one proxy in relation to each Meeting, provided that each proxy is appointed to exercise the rights attaching to a different EIG Share or EIG Shares held by you. The following principles will apply in relation to the appointment of multiple proxies:

1. EIG will give effect to the intention of members and include votes wherever and to the fullest extent possible.
2. Where a proxy does not state the number of EIG Shares to which it applies (a “blank proxy”) then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of EIG Shares registered in the name of the appointing member (the “member’s entire holding”). In the event of a conflict between a blank proxy and a proxy which does state the number of EIG Shares to which it applies (a “specific proxy”), the specific proxy shall be counted first, regardless of the time it was delivered or received (on the basis that, as far as possible, the conflicting forms of proxy should be judged to be in respect of different EIG Shares) and the remaining EIG Shares will be apportioned to the blank proxy (*pro rata* if there is more than one).
3. Where there is more than one proxy appointed and the total number of EIG Shares in respect of which proxies are appointed is no greater than the member’s entire holding, it is assumed that proxies are appointed in relation to different EIG Shares, rather than that conflicting appointments have been made in relation to the same EIG Shares. That is, there is only assumed to be a conflict where the aggregate number of EIG Shares in respect of which proxies have been appointed exceeds the member’s entire holding.
4. When considering conflicting proxies, later proxies will prevail over earlier proxies and a later proxy will be determined on the basis of which proxy is last delivered or received.
5. If conflicting proxies are delivered or received at the same time in respect of (or deemed to be in respect of) an entire holding and if EIG is unable to determine which was delivered or received last, none of them will be treated as valid.
6. Where the aggregate number of EIG Shares in respect of which proxies are appointed exceeds a member’s entire holding, all appointments will be rendered invalid.
7. If a member appoints a proxy or proxies and then decides to attend the Court Meeting or General Meeting in person and votes using his poll card (as applicable), then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member’s entire holding then all proxy votes will be disregarded. If, however, the member votes at the Meeting in respect of less than the member’s entire holding then, if the member indicates on his poll card that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member’s entire holding.
8. In relation to the preceding paragraph, in the event that a member does not specifically revoke proxies, it will not be possible for EIG to determine the intentions of the member in this regard. However, in the light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

HELPLINE

If you have any questions relating to this document or the completion and return of the Forms of Proxy, please call Computershare on 0370 889 4080 from within the UK or +44 (0) 370 889 4080 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scheme or Acquisition nor give any personal, financial, legal or tax advice.

PART 1
LETTER FROM THE CHAIRMAN OF Ei GROUP PLC

(Incorporated in England and Wales under company number 02562808)

Directors:

Robert Walker (Chairman)
Simon Townsend (Chief Executive Officer)
Neil Smith (Chief Financial Officer)
Adam Fowle (Senior Independent Director)
Peter Baguley (Independent Non-Executive Director)
Jane Bednall (Independent Non-Executive Director)
Marisa Cassoni (Independent Non-Executive Director)

Registered office:

3 Monkspath Hall Road
Solihull
West Midlands
B90 4SJ

15 August 2019

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

Dear Sir or Madam,

Recommended all-cash acquisition of Ei Group plc (“EIG”) by Stonegate Pub Company Bidco Limited (“Bidco”)

1. INTRODUCTION

On 18 July 2019, the Board of EIG and the Board of Bidco, a wholly-owned subsidiary of Stonegate Pub Company Limited (“**Stonegate**”), announced that they had reached agreement on the terms of a recommended all-cash acquisition pursuant to which Bidco will acquire the entire issued and to be issued ordinary share capital of EIG. The Acquisition is to be effected by means of a scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act.

I am now writing to you, on behalf of the Board of EIG, to set out the terms of the Acquisition, to explain the background to and reasons for its unanimous recommendation of the Acquisition and to seek your support and approval of the Scheme.

In order to approve the terms of the Scheme by which the Acquisition is to be implemented, a sufficient majority of Scheme Shareholders will need to vote in favour of the resolution to be proposed at the Court Meeting and EIG Shareholders will need to pass the Special Resolution to be proposed at the General Meeting (as each of the EIG Directors who own EIG Shares has irrevocably undertaken to do in respect of their own holdings, as set out in paragraph 5 of this letter). The actions you should take in this regard are set out in paragraph 12 of this letter. In addition, the Scheme will require the subsequent approval of the Court.

2. SUMMARY OF THE TERMS OF THE ACQUISITION

The Acquisition will, if approved, be effected by means of a scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act. In compliance with section 897 of the Companies Act, full details of the Scheme are set out in the Explanatory Statement in Part 2 of this document.

Under the terms of the Acquisition, which is subject to the satisfaction (or waiver) of the Conditions (and to the further terms of the Acquisition) as described in paragraph 7 below and set out in full in Part 4 of this document, Scheme Shareholders at the Scheme Record Time will be entitled to receive:

for each Scheme Share held: 285 pence in cash

The Offer Price of 285 pence per Scheme Share represents a premium of approximately:

- (a) 38.5 per cent. to the closing price per EIG Share of 205.8 pence on 17 July 2019 (being the last Business Day prior to the date of the Announcement);
- (b) 26.8 per cent. to the highest closing price over the last ten years prior to the date of the Announcement of 224.8 pence per EIG Share on 15 May 2019; and
- (c) 37.7 per cent. to the volume-weighted average price of 206.9 pence per EIG Share for the six-month period ended 17 July 2019 (being the last Business Day prior to the date of the Announcement).

The Acquisition values EIG’s entire issued, and to be issued, ordinary share capital at approximately £1,272.5 million. The terms of the Acquisition imply an enterprise value of £2,969.5 million and a

multiple of approximately 11.4 times EIG's underlying EBITDA of £261 million for the financial year ended 30 September 2018, adjusted for the transaction involving the disposal of 370 commercial properties. Properties disposed of in that transaction contributed £26 million to EIG Group EBITDA in the financial year ended 30 September 2018.

If, prior to the Effective Date, any dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares, Bidco shall be entitled to reduce the amount of consideration payable for such EIG Shares under the terms of the Acquisition by an amount equivalent to such dividend, other distribution or return of value.

3. INFORMATION ON BIDCO AND STONEGATE

Bidco is a wholly-owned subsidiary of Stonegate.

Bidco was incorporated on 5 July 2019 and has not traded since incorporation, nor has it entered into any obligations, other than in connection with the Acquisition and financing of the Acquisition.

The current directors of Bidco are Simon Longbottom, Brian Magnus, Ian Payne and David Ross.

Stonegate is a leading managed pub company and has a national estate of over 765 operating outlets across the UK. It was initially formed in November 2010 when Stonegate, an entity established by investment funds managed by TDR, acquired 333 managed pubs from Mitchells & Butlers. Since then, Stonegate has acquired an additional 495 sites through a series of 11 major acquisitions and has driven significant growth in its portfolio through enhanced operating performance across its estate.

By operating its business through a multi-format strategy, Stonegate has positioned itself across a wide range of customer demographics and various emerging consumer trends. Stonegate operates in geographically attractive locations with high exposure to the high street and in urban and suburban locations across the United Kingdom. The group uses a variety of operating formats and brands to optimise pub operating performance based upon the local operating environment and customer profile.

In addition to successfully developing Stonegate into one of the leading wet-led managed house operators in the UK, the senior management team has extensive experience of operating tenanted pub formats.

Stonegate is an experienced managed house operator with a track record of investing in its pub portfolio and driving strong financial results. Stonegate has invested more than £350 million into its estate since 2010, including £71 million in 2018. In 2018, Stonegate won a record five awards at the Publican Awards, including as Best Pub Employer, Best Managed Pub Company and Best Community Pub Operator.

Headquartered in Luton, with more than 13,400 employees nationwide as at 30 September 2018, Stonegate benefits from significant scale and experience in its market. In the 53 weeks ended 30 September 2018, Stonegate generated revenue of £774 million and, for the 12 months ended on 14 April 2019, adjusted EBITDA of £127.9 million.

The current directors of Stonegate are Manjit Dale, Simon Longbottom, Brian Magnus, Ian Payne and David Ross.

4. BACKGROUND TO AND REASONS FOR RECOMMENDING THE ACQUISITION

In May 2015, EIG embarked on a new strategy to develop optionality across the EIG estate, strengthen EIG's balance sheet through deleveraging and efficiently reinvest disposal proceeds in order to support the core estate and optimise value for EIG Shareholders.

This strategy led to consistent like-for-like net income growth in the Publican Partnerships business, the creation of a scaled Managed Pubs business which comprised 419 sites as at 31 March 2019, and the formation of a Commercial Properties business through the selective transfer and re-positioning of assets from the leased and tenanted estate into a commercial free-of-tie model with an intention to monetise those sites at an appropriate juncture.

In March 2019, EIG completed the disposal of the first significant tranche of its Commercial Properties portfolio for total net proceeds of £332.7 million. The disposal unlocked embedded value, provided an opportunity to return capital to EIG Shareholders and demonstrated EIG's ability to successfully execute against EIG's strategy.

Over recent years, the EIG Directors believe that the benefit of this new strategy has been reflected in EIG's share price, which has seen an increase of approximately 209 per cent. from a low of 72.8 pence in February 2016 to a ten year high of 224.8 pence in May this year, with the discount to the tangible net asset value also narrowing materially over the period.

Over the last five years EIG has achieved a net debt reduction of £780 million which has contributed to growth in equity value. EIG's ability to substantially reduce debt has provided EIG with the opportunity to provide greater, more immediate returns to EIG Shareholders. To demonstrate this commitment to EIG Shareholders, EIG announced that up to £65 million of the net proceeds from the recent disposal of 370 commercial properties would be used to fund share buybacks, which are in addition to the £20 million share buyback programme completed in January this year. As at 17 July 2019 (being the last Business Day prior to the date of the Announcement), EIG had bought back £103.3 million of EIG Shares for cancellation over the last four years at prices that have been accretive to both earnings and tangible net asset value per share. As a result of the Acquisition, EIG suspended its current share buyback programme following the Announcement.

Against this backdrop, Stonegate approached EIG with a proposal to combine Stonegate and EIG at a price of 270 pence per EIG Share. This proposal, as well as a second revised proposal, were both unanimously rejected by the EIG Directors on the grounds of failing to reflect what the EIG Board viewed as EIG's fundamental value and prospects. A further revised proposal of 285 pence per EIG Share was subsequently made by Stonegate.

Whilst the EIG Directors have confidence in executing EIG's current strategy and developing EIG's standalone business plan, the revised proposal was at a level where the EIG Directors felt able to enter into discussions with Stonegate.

In considering the terms of the Acquisition, the EIG Directors have taken into account various factors including the fact that the Offer Price represents:

- an EV/EBITDA multiple (based on the underlying September 2018 EBITDA, adjusted for the disposal of certain commercial properties) of 11.4 times — a premium to recent transactions announced in the sector, reflecting the quality of EIG's estate and cash flow generation;
- a premium of approximately 4.3 per cent. to the tangible net asset value per EIG Share as at 31 March 2019 (on a fully diluted basis)⁷; and
- a premium of approximately 37.7 per cent. to the volume-weighted average price of 206.9 pence per EIG Share for the six-month period ended 17 July 2019 (being the last Business Day prior to the date of the Announcement).

Whilst EIG could continue to execute its strategy, including realising assets at their fundamental value over time, the EIG Board acknowledges that there is a strong strategic rationale for combining the two groups which would create the opportunity to generate incremental benefits as a combined business that would not be available to EIG on its own. EIG believes that the strategic value of the combination is reflected in this offer to EIG Shareholders, at a 38.5 per cent. premium to the closing price of 205.8 pence per EIG Share on 17 July 2019 (being the last Business Day prior to the date of the Announcement), and has the potential to unlock this additional upside and deliver benefits to customers, tenants and employees of both the Stonegate Group and the EIG Group.

The Acquisition provides an opportunity for EIG Shareholders to exit their investment at a substantial premium to the share price prior to the date of the Announcement, at a premium to the tangible net asset value as at 31 March 2019 and at a level which allows them to realise the future benefits of EIG's strategy in the near term.

In considering their recommendation of the Acquisition to EIG Shareholders, the EIG Directors have given due consideration to the assurances given by Stonegate to employees within the EIG Group. The EIG Board welcomes Stonegate's statement of its intentions with respect to the future operation of the business and its employees as part of a larger business combined with Stonegate including, in particular, the intentions to observe the existing contractual and statutory employment rights of EIG employees and pension obligations and to make no change to the balance of skills and functions of employees across the EIG Group.

5. IRREVOCABLE UNDERTAKINGS

Bidco has received irrevocable undertakings from all of the EIG Directors who hold EIG Shares in respect of a total of 2,542,000 EIG Shares, representing approximately 0.58 per cent. of the issued ordinary share capital of EIG on the Latest Practicable Date, to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting.

⁷ The basis for calculation of EIG's tangible net asset value and the premium to tangible net asset value per EIG Share implied by the Offer Price is set out in paragraph 11 of Part 8 of this document. Valuation reports in respect of EIG's property portfolio are included in Part 7 of this document.

Further details of these irrevocable undertakings (including the circumstances in which they will lapse) are set out in paragraph 4 of Part 8 of this document.

6. STONEGATE'S INTENTIONS FOR THE ENLARGED GROUP

Stonegate's strategic plans for EIG

Stonegate recognises the large portfolio of high quality pubs that EIG has developed over time, the reputation of EIG's management team and the strategy and initiatives that they have created and are implementing to improve the portfolio and develop a managed pub business. Following completion of the Acquisition at which time EIG will become part of the Wider Stonegate Group, Stonegate intends to continue EIG's existing strategy of working to improve the quality of the estate by ensuring the right consumer proposition is available in each of its pubs supported by the best people.

Stonegate is an industry-leading pub company with a proven track record for successfully implementing and integrating strategic acquisitions. EIG and Stonegate both believe that there are strong strategic reasons for combining the two groups with their complementary portfolios and skills, and that this combination will deliver benefits to customers, tenants, employees and other stakeholders.

Following completion of the Acquisition, Stonegate will perform a detailed review of the estate. It is expected that, in line with EIG's existing stated policy, this will lead to a number of leased and tenanted pubs in the existing EIG estate being converted to managed pubs and a number of pubs, which is broadly consistent with recent years, being divested in the ordinary course of business.

With regard to the tied, leased and tenanted pub business, Stonegate expects to continue to invest in the estate and ensure that tenants have the necessary support to provide the best possible consumer proposition to customers and face the challenging operating environment in the sector. EIG's Publican Partnerships' tenants will continue to benefit from the rights afforded to them by the Pubs Code. In the managed pubs business of the combined group, Stonegate will seek to leverage its managed house infrastructure and operating experience to improve the performance of the managed pubs in EIG's estate. Across both parts of the combined business, Stonegate expects to make available capital and to focus on providing the operating flexibility to invest to deliver EIG's stated strategic development and drive growth.

Employees and management

Stonegate recognises that EIG has many committed and talented employees who have worked hard to support EIG and its pubs and recognises how important these employees are to the success of the combined group following the Acquisition. Stonegate has given assurances to the EIG Directors that the existing employment rights, including pension rights, of the management and employees of EIG shall be fully safeguarded. Stonegate's plans for EIG do not involve any change in the balance of skills and functions of employees and conditions of employment of EIG's employees, but may involve changes to the administration of payments to align with Stonegate's existing practices. These administrative changes are not expected to adversely affect employees.

Stonegate does not expect the Acquisition to impact the continued employment of employees at pubs across EIG's portfolio, including where, given the operating model of leased and tenanted pubs, pubs are divested in the ordinary course (as referred to above). In order to achieve some of the expected benefits of the combination of Stonegate and EIG, it will be necessary to perform a detailed review of how best to integrate the two businesses together. Stonegate believes that there may be potential to generate cost savings in the combined group through procurement savings and removal of certain central administration and operations costs where duplication exists. At this stage, Stonegate has not yet developed a proposal as to how such integration would be implemented and will only develop and implement such proposals once Stonegate has completed its review which is expected to take at least six months following completion of the Acquisition.

Subject to the outcome of the detailed review of the integration of both businesses, it is possible that there may be a small reduction in the combined group's headcount including in corporate and support functions at EIG's head office where there is duplication with Stonegate's existing functions or where the function was required to support EIG's public listing. However, at this stage Stonegate has not yet developed a proposal as to how any such headcount reductions might be implemented and will only develop and implement such a proposal once the review referred to above has been completed. Stonegate will consult as appropriate with relevant employees, any employee representatives and other stakeholders before any proposals are finalised.

It is intended that, with effect from the Effective Date, each of the non-executive members of the EIG Board shall resign from their office as a director of EIG. It is expected that the Chief Executive Officer and Chief Financial Officer of EIG will leave EIG with effect from completion of the Acquisition.

Pension schemes

The EIG pension scheme is currently closed to the admission of new members and future accrual of benefits and has recently completed a bulk annuity buy out of the scheme. It is not intended that any changes will be made to reopen this scheme to the admission of new members or to alter the future accrual of benefits.

Stonegate does not currently intend to make any change to the benefits provided by EIG's defined contribution pension arrangements and intends for the employer to continue to make contributions in line with the current arrangements.

Locations, headquarters and research and development

Following completion of the Acquisition, Stonegate will consider the migration and rationalisation of the combined head office function to allow for the better integration of both businesses. Stonegate has not yet concluded on its preferred outcome and will only develop and implement such a proposal once the review referred to above has been completed. Beyond the ordinary course of divestments described above, there are no further plans to change the locations of Stonegate's or EIG's places of business or redeploy the fixed assets of EIG.

EIG and Stonegate do not currently have a research and development function and Stonegate has no plans in this regard.

Trading facilities and re-registration

EIG is currently listed on the Official List and, subject to the Scheme becoming Effective, an application will be made to the London Stock Exchange to cancel the admission to trading of EIG Shares and to the FCA for the cancellation of the listing of the EIG Shares on the Official List and to the Registrar of Companies to re-register it as a private company.

Management incentivisation

No proposals have yet been made on the terms of any incentivisation arrangements to be provided by Stonegate for relevant EIG employees or management and no discussions have taken place or will take place prior to completion of the Acquisition regarding the terms of such arrangements. Following completion of the Acquisition and as part of the integration of EIG with Stonegate, Stonegate intends to put in place incentivisation arrangements for the senior employees of EIG.

Views of the EIG Board

In considering their recommendation of the Acquisition to EIG Shareholders, the EIG Directors have given due consideration to the assurances given to management and employees within the EIG Group. The EIG Board acknowledges that, following completion of the Acquisition, there may be a small reduction in the combined group's headcount including in corporate and support functions at EIG's head office where there is duplication with Stonegate's existing functions or where the function was required to support EIG's status as a publicly traded company listed on the premium segment of the Official List. The EIG Board expects that this integration process and any reductions that might occur will involve engagement and consultation with the relevant employees, any employee representatives and other stakeholders. Nevertheless, the EIG Board welcomes Stonegate's intentions with respect to the future operations of the business and its employees as part of a larger business combined with Stonegate including, in particular, the intentions to observe the existing contractual and statutory employment rights of EIG employees and pension obligations and to make no change to the balance of skills and functions of employees across the EIG Group.

In accordance with Rule 2.11 of the City Code, EIG has made available to employees and pension scheme trustees a copy of the Announcement and has informed employees of the right of employee representatives under Rule 25.9 of the City Code to require that a separate opinion of the employee representatives of the effects of the Scheme on employment be appended to this document. As at the date of publication of this document, no such opinion has been provided. If and to the extent that EIG is provided with such an opinion after the date of publication of this document, EIG will publish that opinion in accordance with the requirements of Rule 25.9 of the City Code.

7. STRUCTURE OF THE ACQUISITION

The Acquisition is to be effected by means of a Court-sanctioned scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act, the provisions of which are set out in full in paragraph 4 of Part 2 of this document, although Bidco reserves the right to elect to implement the Acquisition by way of a Takeover Offer (subject to Panel consent, where necessary, and the terms of the Cooperation Agreement). The Scheme involves an application by EIG to the Court to sanction the Scheme, which will involve the Scheme Shares being transferred to Bidco, in consideration for which Scheme Shareholders will receive the Cash Consideration on the basis set out in paragraph 2 above.

The implementation of the Scheme is subject to the Conditions and certain further terms set out in Part 4 of this document. To become effective, the Scheme will require, amongst other things, the following events to occur:

- (a) a resolution to approve the Scheme being passed by a majority in number of the Scheme Shareholders present and voting at the Court Meeting (or at an adjournment thereof), either in person or by proxy, representing not less than 75 per cent. in value of Scheme Shares voted at the Court Meeting (or at any adjournment thereof);
- (b) a special resolution to approve and implement the Scheme and amendments to the EIG Articles being passed by the requisite majority at the General Meeting; and
- (c) the sanction of the Scheme by the Court and a copy of the Court Order being delivered to the Registrar of Companies for registration.

The Acquisition will lapse if the Scheme does not become effective by 11.59 p.m. on the Long-stop Date (or such later date and time as Bidco and EIG may agree and the Court and the Panel may allow) or if:

- (a) insofar as the Acquisition or any matter arising from or relating to the Scheme or Acquisition constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority in the United Kingdom under Article 4(4) of the Regulation and there is then a CMA Phase 2 Reference; or
- (b) the Acquisition or any matter arising from or relating to the Scheme or Acquisition becomes subject to a CMA Phase 2 Reference,

in each case, before the date of the Court Meeting.

Upon the Scheme becoming Effective, 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).

If you wish the Scheme to become Effective, you are urged to sign and return the enclosed Forms of Proxy as soon as possible. You should note that if there is insufficient Scheme Shareholder support for the Scheme at the Meetings, the Scheme will not become Effective.

Further details of the Scheme and the Meetings are set out in paragraph 4 of Part 2 of this document.

8. ARRANGEMENTS BETWEEN BIDCO AND EIG MANAGEMENT

No proposals have yet been made on the terms of any incentivisation arrangements to be provided by Stonegate for relevant EIG employees or management and no discussions have taken place or will take place prior to completion of the Acquisition regarding the terms of such arrangements. Following completion of the Acquisition and as part of the integration of EIG with Stonegate, Stonegate intends to put in place incentivisation arrangements for the senior employees of EIG.

9. EIG SHARE PLANS

Participants in the EIG Share Plans will shortly receive high level details of the effect of the Scheme on their awards and options and, in due course, will receive further details of the action they can take in respect of their awards and options.

10. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to paragraph 16 of Part 2 of this document.

11. UNITED KINGDOM TAXATION

A summary of certain aspects of UK taxation, which is intended as a general guide only, is set out in Part 5 of this document.

If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the UK, you are strongly advised to consult an appropriate independent professional adviser immediately.

12. ACTION TO BE TAKEN

Your attention is drawn to paragraph 20 of Part 2 of this document which explains the actions you should take in relation to the Scheme.

Notices convening the Court Meeting and General Meeting are set out in Part 10 and Part 11 respectively of this document.

If you have any questions relating to this document or the completion and return of the Forms of Proxy, a helpline is available. Please see page 11 for details. Please note that calls to the helpline number may be monitored or recorded and that, for legal reasons, the helpline cannot provide advice on the merits of the Scheme or the Acquisition or give any personal, financial, legal or tax advice.

13. CURRENT TRADING AND PROSPECTS OF EIG

For details of EIG's current trading and prospects, please refer to EIG's unaudited interim results dated 14 May 2019 for the six months ended 31 March 2019, a link to which can be found in paragraph 1.1.3 of Part 6.

EIG Directors are not aware of any significant change in the financial or trading position of EIG since 31 March 2019, being the date to which EIG's unaudited interim results were prepared.

14. FURTHER INFORMATION

Your attention is drawn to the Explanatory Statement set out in Part 2 of this document and to the full Scheme set out in Part 3 of this document.

You are advised to read the whole of this document and accompanying documents and not just rely on the summary information contained in this letter or the Explanatory Statement.

15. RECOMMENDATION

The Board of EIG, which has been so advised by Deutsche Bank and Rothschild & Co as to the financial terms of the Acquisition, considers the terms of the Acquisition to be fair and reasonable. In providing their advice to the Board of EIG, Deutsche Bank and Rothschild & Co have taken into account the commercial assessments of the Board of EIG. Deutsche Bank and Rothschild & Co are providing independent financial advice to the EIG Directors for the purposes of Rule 3 of the Code.

Accordingly, the EIG Directors unanimously recommend that all Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that all EIG Shareholders vote in favour of the Special Resolution to be proposed at the General Meeting, as all EIG Directors who hold interests in EIG Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 2,542,000 EIG Shares, representing approximately 0.58 per cent. of the issued share capital of EIG on the Latest Practicable Date.

Yours faithfully,

Robert Walker
Chairman
Ei Group plc

**PART 2
EXPLANATORY STATEMENT**

(IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT)

15 August 2019

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

Dear Sir or Madam,

Recommended all-cash acquisition of Ei Group plc (“EIG”) by Stonegate Pub Company Bidco Limited (“BidCo”)

1. INTRODUCTION

On 18 July 2019, the Board of EIG and the Board of Bidco announced that they had reached agreement on the terms of a recommended all-cash acquisition pursuant to which Bidco, a wholly-owned subsidiary of Stonegate, will acquire the entire issued and to be issued ordinary share capital of EIG. The Acquisition is to be effected by means of a Court-sanctioned scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act.

Your attention is drawn to the letter from the Chairman of EIG, set out in Part 1 of this document, which forms part of this Explanatory Statement. That letter contains, amongst other things, the background to and reasons for the recommendation of the Acquisition by the Board of EIG (set out in paragraph 4 of Part 1 of this document) and states that the EIG Board, who have been so advised by Deutsche Bank and Rothschild & Co as to the financial terms of the Acquisition, considers the terms of the Acquisition to be fair and reasonable. In providing their advice, Deutsche Bank and Rothschild & Co have taken into account the commercial assessments of the Board of EIG.

The Board of EIG is unanimously recommending that all Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that EIG Shareholders vote in favour of the Special Resolution to be proposed at the General Meeting.

In providing their advice, Deutsche Bank and Rothschild & Co are advising the Board of EIG in relation to the Acquisition and are not acting for any EIG Director in his or her personal capacity nor for any EIG Shareholder in relation to the Acquisition. Neither Deutsche Bank nor Rothschild & Co will be responsible to any such person for providing the protections afforded to their clients or for advising any such person in relation to the Acquisition. In particular, neither Deutsche Bank nor Rothschild & Co will owe any duties or responsibilities to any particular EIG Shareholder concerning the Acquisition.

This Explanatory Statement contains a summary of the provisions of the Scheme. The terms of the Scheme are set out in Part 3 of this document. Your attention is also drawn to the Conditions and further terms of the Acquisition set out in Part 4 of this document and to the further information set out in the other parts of this document which all form part of this Explanatory Statement.

Statements made or referred to in this letter regarding Bidco’s reasons for the Acquisition, information concerning the business of the Stonegate Group, the financial effects of the Acquisition on Bidco and/or intentions or expectations of or concerning the Stonegate Group, reflect the views of the Board of Bidco. Statements made or referred to in this letter regarding the background to and reasons for the recommendation of the Board of EIG, information concerning the business of the EIG Group, and/or intentions or expectations of or concerning the EIG Group, reflect the views of the EIG Board.

EIG Shareholders should read the whole of this document before deciding whether or not to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting.

2. SUMMARY OF THE TERMS OF THE ACQUISITION

The Acquisition is to be implemented by way of a scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act. The Scheme is subject to the satisfaction (or waiver) of the Conditions as described in paragraph 3 below and set out in full in Part 4 of this document. If the

Scheme becomes Effective, all Scheme Shares will be transferred to Bidco and, in consideration for the Scheme Shares, Scheme Shareholders on EIG's register of members at the Scheme Record Time will be entitled to receive the Cash Consideration.

Under the terms of the Acquisition, Scheme Shareholders will receive:

for each Scheme Share: 285 pence in cash

The Offer Price of 285 pence per Scheme Share represents a premium of approximately:

- (a) 38.5 per cent. to the closing price of 205.8 pence per EIG Share on 17 July 2019 (being the last Business Day prior to the date of the Announcement);
- (b) 26.8 per cent. to the highest closing price over the last ten years prior to the date of the Announcement of 224.8 pence per EIG Share on 15 May 2019; and
- (c) 37.7 per cent. to the volume-weighted average price of 206.9 pence per EIG Share for the six-month period ended 17 July 2019 (being the last Business Day prior to the date of the Announcement).

The Acquisition values EIG's entire issued, and to be issued, ordinary share capital at approximately £1,272.5 million. The terms of the Acquisition imply an enterprise value of £2,969.5 million and a multiple of approximately 11.4 times EIG's underlying EBITDA of £261 million for the financial year ended 30 September 2018, adjusted for the transaction involving the disposal of 370 commercial properties. Properties disposed of in that transaction contributed £26 million to EIG Group EBITDA in the financial year ended 30 September 2018.

If, prior to the Effective Date, any dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares, Bidco shall be entitled to reduce the amount of consideration payable for such EIG Shares under the terms of the Acquisition by an amount equivalent to such dividend, other distribution or return of value (and, if such right is exercised, any reference in this document to the Cash Consideration payable under the Acquisition shall be deemed to be a reference to the Cash Consideration as so reduced).

If you wish the Scheme to become Effective, you are urged to sign and return the enclosed Forms of Proxy as soon as possible. You should note that if there is insufficient Scheme Shareholder support for the Scheme at the Meetings, the Scheme will not become Effective.

Details of the arrangements for the payment of the Cash Consideration are set out in paragraph 19 below.

3. CONDITIONS TO THE ACQUISITION

The Scheme and the Acquisition are conditional upon all Conditions having been satisfied (or, where applicable, waived) and the Scheme becoming Effective by no later than 11.59 p.m. on the Long-stop Date or such later date and time (if any) as EIG, Bidco and (if required) the Court and the Panel may agree. In particular, the Scheme is conditional upon, among other Conditions:

- (a) approval of the Scheme by the requisite majority of Scheme Shareholders at the Court Meeting or at any adjournment of such meeting as described in paragraph 4 below;
- (b) the Special Resolution necessary to implement the Scheme, as set out in the notice of the General Meeting contained in Part 11 of this document being duly passed by the requisite majority of EIG Shareholders at the General Meeting or at any adjournment of such meeting as described in paragraph 4 below;
- (c) merger control clearance having been received from the European Commission or the CMA, as applicable; and
- (d) the sanction (without modification or, as agreed by EIG and Bidco, with modification) of the Scheme by the Court as described in paragraph 4 below.

The Scheme can only become Effective if all Conditions, including those described above, have been satisfied (or, where applicable, waived). If any Condition is not capable of being satisfied (or, where applicable, waived) by the date specified therein (if any), Bidco shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by no later than 8.00 a.m. on the Business Day following the date so specified, stating whether Bidco has invoked that Condition, waived that Condition or, with the agreement of EIG, specified a new date by which that Condition must be satisfied. Bidco may not invoke a Condition (other than the conditions set out in paragraphs 1 and 2 of

Part A of Part 4 of this document) so as to cause the Acquisition not to proceed unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition.

The Scheme will become Effective upon a copy of the Court Order being delivered to the Registrar of Companies for registration. This is expected to occur in the first quarter of 2020.

The Acquisition will lapse if the Scheme does not become Effective by 11.59 p.m. on the Long-stop Date (or such later date and time as Bidco and EIG may agree and the Court and the Panel may allow), provided however that the deadline for the Scheme to become Effective may be waived by Bidco.

Under the terms of the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement, Bidco has agreed it will not amend or waive any condition relating to the Acquisition where to do so would be reasonably expected to be materially adverse to the interests of the Lenders (as defined therein) subject to certain exceptions including to the extent required by the City Code, the Panel or the Court or any other applicable law, regulation or regulatory body.

Under the terms of the PIK Facility Agreement, the PIK Parent has agreed it will not amend or waive any condition relating to the Acquisition where to do so would be reasonably expected to be materially adverse to the interests of the Lenders (as defined therein) subject to certain exceptions including to the extent required by the City Code, the Panel or the Court or any other applicable law, regulation or regulatory body.

The Conditions and further terms of the Acquisition are set out in full in Part 4 of this document.

4. THE SCHEME

4.1 Scheme mechanism

The Acquisition is being implemented by means of a scheme of arrangement between EIG and the Scheme Shareholders under Part 26 of the Companies Act.

The Scheme involves an application by EIG to the Court to sanction the Scheme, which will involve the Scheme Shares being transferred to Bidco, in consideration for which Scheme Shareholders will receive the Cash Consideration on the basis set out in paragraph 2 above.

On the Effective Date, share certificates in respect of the Scheme Shares will cease to be valid and should be destroyed upon receipt of the Cash Consideration. In addition, on the Effective Date, entitlements to Scheme Shares held within CREST will be cancelled.

The terms of the Scheme are set out in full in Part 3 of this document.

If the Scheme becomes Effective, 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 irrespective of whether or not they voted in favour of the resolutions at such Meetings).

4.2 The Meetings

The Scheme will require the approval of Scheme Shareholders at the Court Meeting and EIG Shareholders at the separate General Meeting, both of which will be held on 12 September 2019 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF. The Court Meeting is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme. The General Meeting is being convened to seek the approval of EIG Shareholders to enable the EIG Directors to implement the Scheme and to amend the EIG Articles as described in paragraph 4.3 below.

Notices of the Court Meeting and the General Meeting are set out in Part 10 and Part 11 of this document respectively. Entitlements to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to holdings of EIG Shares as shown in the register of members of EIG at the time specified in the notice of the relevant Meeting.

Any EIG Shares which Bidco or any other member of the Stonegate Group (or their respective nominees) may acquire before the Court Meeting are not Scheme Shares and therefore none of Bidco or any other member of the Stonegate Group (or their respective nominees) is entitled to vote at the Court Meeting in

respect of any EIG Shares held or acquired by it and will not exercise the voting rights attaching to these EIG Shares at the General Meeting.

4.2.1 *The Court Meeting*

The Court Meeting, which has been convened for 10.00 a.m. on 12 September 2019, is being held at the direction of the Court to seek the approval of the Scheme Shareholders for the Scheme. At the Court Meeting, voting will be by way of poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of those Scheme Shareholders present and voting, whether in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders.

Scheme Shareholders have the right to raise any objections they may have to the Scheme at the Court Meeting.

It is important that as many votes as possible are cast (whether in person or by proxy) at the Court Meeting so that the Court may be satisfied that there is a fair representation of Scheme Shareholder opinion.

You are therefore strongly encouraged to complete and return the blue Form of Proxy or appoint an electronic or CREST proxy for the Court Meeting as soon as possible and, in any event, so as to be received by 10.00 a.m. on 10 September 2019. A blue Form of Proxy for the Court Meeting not lodged at the relevant time may be handed to the Chairman of the Court Meeting or Computershare before the taking of the poll at the Court Meeting and will still be valid.

The notice convening the Court Meeting is set out in Part 10 of this document.

4.2.2 *The General Meeting*

In addition to the Court Meeting, the General Meeting has been convened for 10.15 a.m. on 12 September 2019 or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the Special Resolution (which requires votes in favour representing not less than 75 per cent. of the votes cast) to approve:

- (a) the authorisation of the EIG Directors to take all such actions as they may consider necessary or appropriate to give effect to the Scheme; and
- (b) certain amendments to the EIG Articles as described below.

Voting on the Special Resolution will be by way of a poll and each eligible EIG Shareholder present in person or by proxy will be entitled to one vote for each EIG Share held. All EIG Shareholders whose names appear on the register at the Voting Record Time will be entitled to vote on the Special Resolution. White Forms of Proxy may **NOT** be handed to the Chairman of the General Meeting or Computershare at the General Meeting.

You will find the notice of the General Meeting set out in Part 11 of this document.

4.3 **Amendments to the articles of association of EIG**

It is proposed that the EIG Articles be amended so as to ensure that any EIG Shares which are issued after the General Meeting but prior to the Scheme Record Time will be subject to and bound by the Scheme. It is also proposed that the EIG Articles be amended so that any EIG Shares issued to any person other than Bidco (or its nominee(s)) on or after the Scheme Record Time:

- 4.3.1 other than in connection with the exercise of any option granted under the SAYE Scheme, will be immediately transferred to Bidco (or as it may direct); and
- 4.3.2 in connection with the exercise of any option granted under the SAYE Scheme, may be transferred by that person to his or her spouse or civil partner and/or to an individual savings account (in each case for nil consideration), after which such shares shall be immediately transferred to Bidco (or as it may direct),

in each case in consideration for the payment by Bidco to the relevant person of such amount of Cash Consideration as would have been paid pursuant to the Scheme for each such share as if it were a Scheme Share.

The proposed amendments to the EIG Articles are set out in full in the notice of the General Meeting in Part 11 of this document.

4.4 Modifications to the Scheme

The Scheme contains a provision for EIG and Bidco jointly to consent on behalf of all concerned to any modifications, additions or conditions to the Scheme which the Court may think fit to approve or impose. The Court would be unlikely to approve of, or impose, any modifications, additions or conditions to the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Board of EIG, is of such a nature or importance as to require the consent of Scheme Shareholders at a further meeting, the EIG Directors will not take the necessary steps to make the Scheme Effective unless and until such consent is obtained.

4.5 Sanction of the Scheme by the Court

Under the Companies Act, the Scheme also requires the sanction of the Court. The Court Hearing to sanction the Scheme is expected to be held in the first quarter of 2020.

The Scheme will become Effective in accordance with its terms upon a copy of the Court Order being delivered to the Registrar of Companies for registration.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Special Resolution at the General Meeting. If the Scheme does not become Effective by 11.59 p.m. on the Long-stop Date (or such later date and time (if any) as Bidco and EIG may agree and (if required) the Court and the Panel may allow), the Scheme will not become Effective and the Acquisition will not proceed.

4.6 Alternative means of implementing the Acquisition

Bidco reserves the right to elect (with the consent of the Panel and subject to the terms of the Cooperation Agreement) (as further described in Part B of Part 4 of this document) to implement the Acquisition by way of a Takeover Offer 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, including (without limitation) an acceptance condition set at 75 per cent. (or such lesser percentage, being more than 50 per cent., as Bidco may decide after (to the extent necessary) consultation with the Panel). If Bidco does elect to implement the Acquisition by way of a Takeover Offer, and if sufficient acceptances of such Takeover Offer are received and/or sufficient EIG Shares are otherwise acquired, it is the intention of Bidco to apply the provisions of sections 979 to 982 (inclusive) of the Companies Act to acquire compulsorily any outstanding EIG Shares to which such offer relates.

5. BACKGROUND TO AND REASONS FOR RECOMMENDING THE ACQUISITION

The details of the background to and reasons for recommending the Acquisition are set out in full in paragraph 4 of the letter from the Chairman of EIG set out in Part 1 of this document.

6. INFORMATION ON EIG

EIG is the largest owner of pubs in the UK. Headquartered in Solihull, EIG began its trading operations in 1991 and had over 4,000 operating sites across England and Wales as at 31 March 2019 and employed more than 1,800 employees as at 30 September 2018.

EIG has three business units: Publican Partnerships, the core business comprising its leased and tenanted estate; Managed Pubs, comprising managed operations which represent 100 per cent. owned managed pubs and which operate in two unbranded formats (Craft Union and Bermondsey), and managed investments which are joint ventures with experienced retail partners; and Commercial Properties, which comprise EIG's free-of-tie and non-pub property businesses. Pubs are transferred to EIG's Managed Pubs and Commercial Properties businesses through the transfer of pubs from EIG's tied Publican Partnerships business.

EIG's scale and expertise allow it to provide substantial support and sustained capital investment to both its Publican Partnerships and Managed Pubs businesses in order to grow earnings and value, whilst the Commercial Properties business allows EIG to seek to maximise value from sites which no longer fit within either the Publican Partnerships or Managed Pubs businesses. Additionally, the scale of EIG's Commercial Property portfolio provides a substantial pool of assets with the flexibility to adapt to new business structures and make disposals when favourable opportunities arise.

For the financial year ended 30 September 2018, EIG generated revenue of £695 million and underlying EBITDA of £287 million. In EIG's interim results for the six months ended 31 March 2019, EIG reported underlying EBITDA growth for the first time in many years which the EIG Directors believe highlights the benefits of the strategic evolution of its businesses with a proven track record of like-for-like net income growth in its Publican Partnerships business, optimised managed performance, disciplined capital investment and growing asset values.

7. CURRENT TRADING AND PROSPECTS OF EIG

Details of the current trading and prospects of EIG are contained in paragraph 13 of the letter from the Chairman set out in Part 1 of this document.

8. INFORMATION ON BIDCO AND STONEGATE

Information on Bidco and Stonegate is contained in paragraph 3 of the letter from the Chairman of EIG set out in Part 1 of this document.

9. ASSET VALUATION

EIG has a policy to re-value assets in its property portfolio annually at market value by qualified external and internal valuers in accordance with the RICS Red Book and IFRS requirements.

Excluding 233 operating leasehold sites and 47 properties held for sale, as at 30 September 2018, EIG had an estate of 4,244 pubs which in aggregate was valued at £3.54 billion. Of these 4,244 properties which were subject to EIG's annual valuation, approximately 95 per cent. by value and number of sites of EIG's property portfolio was valued as at 30 September 2018 by independent external valuers, Avison Young and Colliers International. The remaining 5 per cent. of the property portfolio was valued by the internal Estates Director who is an employee of EIG and who is a qualified chartered surveyor.

Excluding changes in the number of operating leasehold sites and properties held for sale, between 30 September 2018 and 31 July 2019, EIG disposed of 406 properties, reducing the size of its estate to 3,838 properties. The aggregate valuation of these 3,838 properties as at 30 September 2018 was £3.17 billion. As explained further in the table below, of the 3,838 properties owned as at 31 July 2019, 1,780 were previously valued by Avison Young, 1,885 were previously valued by Colliers International, and 173 were valued internally by EIG's internal Estates Director. As at 15 August 2019, Colliers International and Avison Young have each confirmed that, in their opinion, subject to the assumptions set out in their reports, there has been no material change to the aggregate value of the relevant properties, which they each had respectively valued, since the date of their last completed property valuation, being 30 September 2018.

Furthermore, to provide an independent valuation of the 173 properties that were valued internally, Colliers International has independently reviewed the 30 September 2018 valuation undertaken by EIG's internal Estates Director and benchmarked the internal valuation against its work to ensure that a consistent methodology has been adopted. As part of this work, Colliers International has confirmed that both the freehold and leasehold properties subject to the internal valuation are of a similar nature and comparable to the respective freehold and leasehold properties subject to Colliers International's 30 September 2018 valuation. As at 15 August 2019, Colliers International has also confirmed that, in its opinion, subject to the assumptions set out in its report, there has been no material change to the value of the internally valued properties since the date of the last completed internal valuation, being 30 September 2018. In addition, Colliers International and Avison Young have also reviewed the most recent trading performance detail (as at June 2019) of EIG's property estate, in order to arrive at their opinion that there has been no material change to the aggregate value of the relevant properties since 30 September 2018.

For additional reference, valuation reports from each of Colliers International and Avison Young are set out in Part 7 of this document, summarising and repeating their respective 30 September 2018 property

valuations and including a confirmation that there has been no material change to the value of the relevant properties since 30 September 2018.

It should be noted that EIG's total property valuation of £3.62 billion as at 30 September 2018 includes various additions to the above figures including the value of assets held for sale, operating leasehold sites and other fixed assets. These items have not been independently valued and do not require an independent valuation for the purposes of Rule 29 of the Code. The total property values as at 30 September 2018 and 31 July 2019 are set out in the table below.

	<u>30 September 2018</u>		<u>31 July 2019⁽¹⁾</u>	
Avison Young valuation	£1,661 million	(1,948 pubs)	£1,518 million	(1,780 pubs)
Colliers International valuation	£1,713 million	(2,077 pubs)	£1,527 million	(1,885 pubs)
Internal valuation	£165 million	(219 pubs)	£129 million	(173 pubs)
Property sub-total⁽²⁾	£3,538 million	(4,244 pubs)	£3,174 million	(3,838 pubs)
Assets held for sale	£13 million		n/a	
Operating leasehold sites	£25 million		n/a	
Other fixed assets	£42 million		n/a	
Total property asset value	£3,618 million		n/a	

(1) 31 July 2019 valuation position based on 30 September 2018 valuation data adjusted for the disposal of 406 properties.

(2) Properties subject to Rule 29 of the Code.

For completeness it should be noted that the tangible net asset value of EIG as at 31 March 2019 of £1,261 million (calculated as described in paragraph 11.4 of Part 8 of this document) uses EIG's balance sheet as at 31 March 2019. As noted in EIG's interim results, the £3.28 billion property asset valuation as at this date reflected the valuation undertaken by Colliers International and Avison Young as at 30 September 2018, adjusted as set out below. Furthermore, EIG has been advised by its external valuers that there was no market evidence to suggest that the valuations of the retained properties would be materially different as at 31 March 2019.

The £335 million difference between the aggregate property valuations as at 30 September 2018 and 31 March 2019 is principally due to asset disposals, comprising a reduction of £324 million in the value of investment properties and a decrease in the value of property, plant and equipment of £33 million, offset in part by an increase in the value of assets held for sale of £23 million as the number of assets approved for disposal but not actually sold at 31 March 2019 increased.

10. INTENTIONS FOR THE ENLARGED GROUP

Your attention is drawn to the statement of Stonegate's intentions for the Enlarged Group on completion of the Acquisition, as set out in paragraph 6 of Part 1 of this document.

11. EFFECT OF THE SCHEME ON THE EIG SHARE PLANS

Participants in the EIG Share Plans will receive further details of the effect of the Scheme on their outstanding awards and options in separate letters which will be despatched to them in due course.

12. THE DIRECTORS OF EIG AND THE EFFECT OF THE SCHEME ON THEIR INTERESTS

The names of the EIG Directors and the details of their interests in the share capital of EIG are set out in paragraph 5.2 of Part 8 of this document.

As set out in paragraph 4.1 of Part 8 of this document, each of those mentioned EIG Directors has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting in respect of the number of EIG Shares in which he is interested.

Particulars of the service contracts and letters of appointment of the EIG Directors are set out in paragraph 6 of Part 8 of this document.

Certain of the EIG Directors are participants in the EIG Share Plans and paragraph 11 above will apply to their interests in such plans in the same manner as in the case of other participants in the EIG Share Plans.

Save as disclosed in this document, the effect of the Scheme on such interests of the EIG Directors does not differ from its effect on the like interests of any other person.

13. FINANCING

The Cash Consideration payable by Bidco under the terms of the Acquisition will be financed by: (a) equity to be invested by Stonegate and various investment funds managed by TDR; (b) committed PIK financing from the AlbaCore Funds; and (c) committed senior and second lien financing from Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc, the proceeds of which may be used towards, *inter alia*: (i) financing the consideration paid or payable under the terms of the Acquisition; (ii) refinancing existing indebtedness of EIG; (iii) refinancing existing indebtedness of Stonegate; and (iv) financing or refinancing any fees, costs and expenses related to or incurred or charged in connection with the Acquisition and/or its financing. The committed financing made available under the Credit Agreements is made available on a certain funds basis.

Nomura International plc, Goldman Sachs International, and Barclays, as joint financial advisers to Bidco and Stonegate, are satisfied that sufficient resources are available to Bidco to enable it to satisfy in full the Cash Consideration payable to the EIG Shareholders under the terms of the Acquisition.

Summaries of the financing arrangements are set out in Part 8 of this document.

14. OFFER-RELATED AGREEMENTS

Summaries of the offer-related agreements are set out in Part 8 of this document.

15. UNITED KINGDOM TAXATION

The summary in Part 5 of this document is intended as a general guide only. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the United Kingdom, you are strongly advised to consult your independent professional adviser immediately.

16. OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to vote their EIG Shares with respect to the Scheme at the Court Meeting or the General Meeting, or to appoint another person as proxy to vote at the Court Meeting or the General Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with such restrictions may constitute a violation of the securities laws of such jurisdictions. This document and the accompanying documents have been prepared for the purposes of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside England and Wales. 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.

Neither this document nor any of the accompanying documents constitute an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful. This document does not constitute a prospectus or a prospectus equivalent document. Unless otherwise determined by Bidco or required by the City Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws of that jurisdiction and no person may vote in favour of the Acquisition by any use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document will not be and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Acquisition will be made solely through this document, and, in the case of certificated EIG Shares, the Forms of Proxy, which will together contain the full terms and conditions of the Acquisition, including details of how to vote in favour of the Acquisition. Any response in relation to the Acquisition should be

made only on the basis of the information contained in this document, the Forms of Proxy or any other document by which the Acquisition is made.

The implications of the Scheme for Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

It may be difficult for EIG Shareholders who are persons resident in jurisdictions other than the home jurisdiction of EIG to enforce any rights and claims that they may have arising under any securities laws in respect of the Scheme due to the nature of where EIG is located, the residences of the EIG Directors and the enforceability of non-domestic judgements.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme.

17. US SHAREHOLDERS

The Acquisition relates to the securities of an English company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under English law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Scheme is subject to procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company incorporated in England and Wales and listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules. If in the future Bidco exercises its right to implement the Acquisition by way of a Takeover Offer, such Takeover Offer will be made in compliance with all applicable laws and regulations, including, without limitation, to the extent applicable, Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such Takeover Offer would be made by Bidco and no one else. In addition to any such Takeover Offer, Bidco, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in EIG outside such Takeover Offer during the period in which such Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the United Kingdom, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website: <http://www.londonstockexchange.com/>.

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

It may be difficult for US Shareholders to enforce their rights and claims arising out of the US federal securities laws, since Bidco and the EIG are organised in countries other than the United States, and some or all of their officers and directors may be residents of, and some or all of their assets may be located in, jurisdictions other than the United States. US Shareholders may have difficulty effecting service of process within the United States upon those persons or recovering against judgments of US courts, including judgments based upon the civil liability provisions of the US federal securities laws. US Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of 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 judgment.

The receipt of cash pursuant to the Acquisition by a US Shareholder as consideration for the transfer of the Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as non-US and other, tax laws. Each US Shareholder is urged to consult his or her independent professional adviser immediately regarding the tax consequences of the Acquisition.

18. DELISTING OF EIG SHARES AND RE-REGISTRATION

Prior to the Scheme becoming Effective, an application will be made to the London Stock Exchange for the cancellation of admission to trading of EIG Shares on the London Stock Exchange's main market for listed securities and the listing of EIG Shares on the Official List. It is expected that such cancellation will take effect shortly after the Effective Date.

The last day of dealings in, and for registration of transfers of, EIG Shares is expected to be the Business Day immediately after the Court Hearing, and at 7.30 a.m. on the second Business Day following the Court Hearing the trading of EIG Shares on the London Stock Exchange's main market for listed securities will be suspended. No transfers of EIG Shares will be registered after this time and date, other than the registration of EIG Shares released, transferred or issued under the EIG Share Plans and any corresponding transfers under the EIG Articles.

In addition, on the Effective Date, share certificates in respect of EIG Shares will cease to be valid and entitlements to EIG Shares held within the CREST system will be cancelled. It is intended that EIG will be re-registered as a private company shortly after the Effective Date.

19. SETTLEMENT

Subject to the Scheme becoming Effective, and in accordance with the terms of the Scheme, settlement of the Cash Consideration will be effected within 14 days of the Effective Date in the manner set out below.

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

Except with the consent of the Panel, settlement of the Cash Consideration will be implemented in full in accordance with the terms of the Scheme free of any lien, right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Where Scheme Shares are held in certificated form

Where, at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, cheques for settlement of Cash Consideration shall be despatched by first class post (or by such other method as may be approved by the Panel) no later than 14 days after the Effective Date.

All cheques shall be in Sterling drawn on the branch of a UK clearing bank. Payments made by cheque shall be payable to the Scheme Shareholder concerned except that, in the case of joint holders, Bidco reserves the right to make cheques payable to the holder whose name stands first in the register of members of EIG in respect of the joint holding concerned at the Scheme Record Time. The encashment of any such cheque as is referred to in this paragraph shall be a complete discharge for the moneys represented by it.

All deliveries of cheques required to be made pursuant to the Scheme shall be effected by posting them by first class post (or by such other method as may be approved by the Panel) in prepaid envelopes addressed to the persons entitled to them at their respective addresses as appearing in the register of members of EIG at the Scheme Record Time (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the register in respect of such joint holding at such time), and neither EIG, Bidco nor Stonegate shall be responsible for any loss or delay in the transmission or delivery of cheques sent in this way and such cheques shall be sent at the risk of the person entitled thereto.

Following settlement of the Cash Consideration to which an EIG Shareholder is entitled under the Scheme, such EIG Shareholder will be bound on the request of EIG either: (i) to destroy such certificate(s); or (ii) to return such certificate(s) to EIG, or to any person appointed by EIG, for cancellation.

Where Scheme Shares are held in uncertificated form (that is, in CREST)

On the Effective Date, Scheme Shares held within CREST will be cancelled. The payment of Cash Consideration to which CREST shareholders are entitled shall be effected by means of CREST by Bidco procuring the creation of a CREST payment obligation in favour of the appropriate CREST account through which the relevant Scheme Shareholder holds those uncertificated Scheme Shares in respect of the Cash Consideration due to that shareholder. The creation of an assured payment arrangement shall be a complete discharge of Bidco's obligations under the Scheme with reference to payments through CREST.

The CREST payment obligations will be created within 14 days after the Effective Date. As from the Effective Date, each holding of EIG Shares credited to any stock account in CREST will be disabled and all EIG Shares will be removed from CREST in due course thereafter.

Bidco reserves the right to pay Cash Consideration to all or any relevant CREST shareholders at the Scheme Record Time by cheque as set out above if for any reason it wishes to do so.

Dividends

If after the date of the Announcement and prior to the Effective Date, any dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares, Bidco shall be entitled to reduce the amount of consideration payable for such EIG Shares under the terms of the Acquisition by an amount equivalent to such dividend, other distribution or return of value.

20. ACTION TO BE TAKEN

The Scheme and the Acquisition are subject to the satisfaction or (where applicable) waiver of the Conditions set out in Part 4 of this document.

In order to become Effective, the Scheme must be approved by a majority in number of those Scheme Shareholders present and voting, whether in person or by proxy, representing not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders.

Implementation of the Scheme will also require the passing of the Special Resolution by EIG Shareholders at the General Meeting (or any adjournment thereof) (requiring the approval of EIG Shareholders representing not less than 75 per cent. of the votes cast on the Special Resolution at the General Meeting).

The Court Meeting and the General Meeting will both be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF. The Court Meeting will be held at 10.00 a.m. on 12 September 2019 and the General Meeting will be held at 10.15 a.m. on the same date (or as soon thereafter as the Court Meeting has concluded or been adjourned).

Under the Companies Act, the Scheme is also subject to the sanction of the Court at the Court Hearing where EIG Shareholders may be present and be heard in person or through representation to support or oppose the sanctioning of the Scheme.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders, including those who did not vote or who voted against it at either one or both of the Meetings.

You will find enclosed with this document:

1. a blue Form of Proxy for use in respect of the Court Meeting;
2. a white Form of Proxy for use in respect of the General Meeting; and
3. a reply-paid envelope for use within the United Kingdom.

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

Whether or not you plan to attend both or either of the Meetings in person, you are strongly encouraged to sign the enclosed Forms of Proxy and return them in accordance with the instructions printed on those forms by post or, during normal business hours only, by hand to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or appoint an electronic or CREST proxy as soon as possible but, in any event, so as to be received by the times and dates below:

Blue Forms of Proxy for the Court Meeting **10.00 a.m. on 10 September 2019**

White Forms of Proxy for the General Meeting **10.15 a.m. on 10 September 2019**

(or in the case of an adjourned Meeting not less than 48 hours prior to the time and date set for the adjourned Meeting (excluding any part of a day that is not a working day)).

If the blue Form of Proxy for use at the Court Meeting is not lodged by the relevant time, it may be handed to the Chairman of the Court Meeting or Computershare before the taking of the poll at the Court Meeting and will still be valid. However, in the case of the General Meeting, unless the white Form of Proxy is lodged so as to be received by the relevant time, or in the case of an adjourned meeting, at least

48 hours prior to the time and date set for the adjourned meeting (excluding any part of a day that is not a working day), it will be invalid. The completion and return of the Forms of Proxy, or the making of such appointment electronically or via CREST in accordance with the procedures below, will not prevent you from attending, speaking and voting at either the Court Meeting or the General Meeting, or any adjournment of such Meetings, in person should you wish to do so.

EIG Shareholders may appoint a proxy electronically by logging on to the website www.investorcentre.co.uk/proxy. You will need your Shareholder Reference Number, Control Number and PIN which are printed on the Forms of Proxy. Full details of the procedure are given on the website. If you wish to appoint more than one proxy please contact Computershare on 0370 889 4080 from within the UK or +44 (0) 370 889 4080 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scheme or Acquisition nor give any personal, financial, legal or tax advice. The proxy appointment and instructions must be received by Computershare by no later than 48 hours before the time appointed for holding the relevant Meeting (excluding any part of a day that is not a working day). Please note that any electronic communication that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the Meetings is governed by Computershare's conditions of use set out on the website www.investorcentre.co.uk/proxy, which may be read by logging on to that website and entering the Shareholder Reference Number, Control Number and PIN printed on the Forms of Proxy.

EIG Shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournments thereof may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST must be received by Computershare at least 48 hours before the time appointed for the relevant Meeting (excluding any part of a day that is not a working day).

If you have any questions relating to completion and return of the Forms of Proxy, please contact Computershare on the telephone numbers shown on page 11.

21. FURTHER INFORMATION

The terms of the Scheme are set out in full in Part 3 of this document. Your attention is also drawn to the further information contained in this document, in particular to the Conditions to the implementation of the Scheme and Acquisition in Part 4, the information on UK taxation in Part 5, the financial information on EIG in Part 6 and the additional information set out in Part 8 of this document.

Yours faithfully,

Charles Wilkinson

for and on behalf of

Deutsche Bank AG, London Branch

Alex Midgen

for and on behalf of

N.M. Rothschild & Sons Limited

**PART 3
THE SCHEME OF ARRANGEMENT**

CR—2019—004951

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)
INSOLVENCY AND COMPANIES COURT JUDGE BARBER**

**IN THE MATTER OF Ei GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006**

**SCHEME OF ARRANGEMENT
(under Part 26 of the Companies Act 2006)
between
Ei GROUP PLC
and
THE HOLDERS OF THE SCHEME SHARES
(as hereinafter defined)**

PRELIMINARY

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

- “**Announcement**” the announcement made under Rule 2.7 of the City Code on 18 July 2019 regarding the proposed acquisition of the entire issued and to be issued share capital of EiG by Bidco;
- “**Bidco**” Stonegate Pub Company Bidco Limited, a company incorporated in England and Wales with company number 12088247 with its registered office at Porter Tun House, 500 Capability Green, Luton, United Kingdom, LU1 3LS;
- “**Business Day**” a day, other than a Saturday or a Sunday or public holiday or bank holiday, on which banks are generally open for business in the City of London;
- “**Cash Consideration**” the cash consideration of 285 pence per Scheme Share payable to Scheme Shareholders for each Scheme Share transferred pursuant to this Scheme;
- “**certificated**” or “**in certificated form**” a share or other security which is not in uncertificated form (that is, not in CREST);
- “**City Code**” the City Code on Takeovers and Mergers;
- “**Companies Act**” the Companies Act 2006, as amended from time to time;
- “**Company**” or “**EiG**” Ei Group plc, a company incorporated in England and Wales with company number 02562808 with its registered office at 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ;
- “**Computershare**” Computershare Investor Services PLC, the registrar to the Company;
- “**Conditions**” the conditions to the implementation of the Scheme and the Acquisition which are set out in Part 4 of the Scheme Document;
- “**Court**” the High Court of Justice in England and Wales;
- “**Court Hearing**” the hearing by the Court of the application to sanction this Scheme under section 899 of the Companies Act, including any adjournments thereof;

“ Court Meeting ”	the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve (with or without modification) this Scheme, notice of which is set out in Part 10 of the Scheme Document, including any adjournment thereof;
“ Court Order ”	the order of the Court sanctioning this Scheme under section 899 of the Companies Act;
“ CREST ”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the relevant system (as defined in the Regulations) in respect of which Euroclear UK is the Operator (as defined in such Regulations);
“ Effective Date ”	the date on which this Scheme becomes effective in accordance with its terms;
“ EIG Share Plans ”	the EIG 2015 Save As You Earn Scheme, the EIG 2015 Share Incentive Plan, the EIG 2005 Employee Share Option Scheme, the EIG 2015 Long Term Incentive Plan, the EIG 2015 Annual Bonus Plan, the EIG Managing Directors 2012 Annual Bonus Plan, the EIG Senior Team Deferred Share Bonus Plan and the EIG 2019 Restricted Share Plan;
“ EIG Shares ”	ordinary shares with a nominal value of 2.5p each in the capital of EIG and “ EIG Share ” shall mean any one of them;
“ Euroclear ”	Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 02878738;
“ Excluded Shares ”	any EIG Shares: <ul style="list-style-type: none"> (a) held in treasury by EIG; or (b) legally or beneficially owned by any member of the Stonegate Group;
“ General Meeting ”	the general meeting of EIG Shareholders convened in connection with this Scheme, notice of which is set out in Part 11 of the Scheme Document, including any adjournment thereof;
“ holder ”	a registered holder of EIG Shares and includes any person entitled by transmission;
“ Latest Practicable Date ”	14 August 2019 (being the latest practicable date before the publication of this Scheme);
“ Long-stop Date ”	15 June 2020 or such later date as may be agreed between Bidco and EIG and, if required, the Panel and the Court may allow;
“ Panel ” or “ Takeover Panel ”	the Panel on Takeovers and Mergers;
“ Registrar of Companies ”	the Registrar of Companies in England and Wales;
“ Regulations ”	the Uncertificated Securities Regulations 2001 (SI 2001 number 3755) as amended from time to time;
“ Scheme ”	this scheme of arrangement made under Part 26 of the Companies Act between the Company and the Scheme Shareholders in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and/or agreed to by the Company and Bidco;
“ Scheme Document ”	the circular dated 15 August 2019 sent by EIG to the holders of EIG Shares and persons with information rights, of which this Scheme forms a part;
“ Scheme Record Time ”	6.00 p.m. on the Business Day immediately following the date of the Court Hearing or such later time as Bidco and EIG may agree;
“ Scheme Shareholders ”	the holders of Scheme Shares at any relevant date or time and a “ Scheme Shareholder ” shall mean any one of those Scheme Shareholders;
“ Scheme Shares ”	the EIG Shares;

- (a) in issue at the date of the Scheme Document;
- (b) (if any) issued after the date of the Scheme Document and before the Voting Record Time; and
- (c) (if any) issued on or after the Voting Record Time and on or prior to the Scheme Record Time, on terms that the original or any subsequent holders thereof will be bound by this Scheme or shall by such time have agreed in writing to be bound by this Scheme,

in each case, other than any Excluded Shares;

“Stonegate” Stonegate Pub Company Limited;

“Stonegate Group” Stonegate and its subsidiaries and subsidiary undertakings;

“subsidiary”, “subsidiary undertaking” or “associated undertaking” have the meanings ascribed to them under the Companies Act;

“UK” or “United Kingdom” the United Kingdom of Great Britain and Northern Ireland;

“uncertificated” or “in uncertificated form” a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST; and

“Voting Record Time” 6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting, in each case excluding any part of a day that is not a working day.

References to clauses are to clauses of this Scheme and references to time are to London time and references to EIG Shares held in treasury are to EIG Shares bought but not cancelled where the purchase was financed out of the Company’s distributable profits.

- (B) Where the context so admits or requires, the plural includes the singular and vice versa.
- (C) At the Latest Practicable Date, EIG had 487,910,075 ordinary shares of 2.5 pence each in issue and credited as fully paid of which 50,000,000 are held by EIG in treasury.
- (D) Awards and options to acquire 10,074,134 EIG Shares have been granted pursuant to the EIG Share Plans and remain unexercised at the date of this Scheme.
- (E) As at the date of this Scheme, no member of the Stonegate Group holds any EIG Shares.
- (F) Bidco has, subject to the prior satisfaction or, where applicable, waiver of the Conditions (other than paragraph 1(c) of the Conditions), agreed to appear by counsel at the Court Hearing, to consent to this Scheme and to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme (including, without limitation, settling the Cash Consideration payable to the Scheme Shareholders pursuant to this Scheme).

THE SCHEME

1. TRANSFER OF THE SCHEME SHARES

- 1.1 Upon and with effect from the Effective Date, Bidco (and/or its nominee(s) as are agreed between Bidco and the Company) shall acquire all the Scheme Shares fully paid up with full title guarantee, free from all liens, equities, charges, encumbrances, options, rights of pre-emption and other interests whatsoever, and together with all rights at the Effective Date or thereafter attached thereto, including (without limitation) voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the Effective Date in respect of the Scheme Shares.
- 1.2 For the purposes of such acquisition, the Scheme Shares shall be transferred to Bidco (and/or its nominee(s)) by means of a form of transfer or other instrument or instruction of transfer and, to give effect to such transfers, any person may be appointed by Bidco as attorney and/or agent and/or otherwise, and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the holder or holders concerned, to execute and deliver as transferor a form of transfer or other instrument of transfer, or give any instructions to transfer, or to procure the transfer by means of CREST or otherwise, by deed or otherwise, any Scheme Shares and every form or instrument of transfer so executed or instruction given shall be as effective as if it had been executed or given by the holder or holders of the Scheme Shares thereby transferred. Such form, instrument or instruction of transfer shall be deemed to be the principal instrument of transfer and the equitable or beneficial interest in the Scheme Shares shall only be transferred to Bidco, together with the legal interest in such Scheme Shares, pursuant to such form, instrument or instruction of transfer, or by means of CREST.
- 1.3 Pending the registration of Bidco as the holder of any Scheme Share to be transferred pursuant to this Scheme, each Scheme Shareholder irrevocably appoints Bidco, and Bidco shall be empowered upon and with effect from the Effective Date to act as attorney or, failing that, as agent and/or otherwise on behalf of each holder of any such Scheme Share to act in accordance with such directions as Bidco may give in relation to:
 - 1.3.1 any dealings with or disposal of such share (or any interest in such share);
 - 1.3.2 exercising any rights or privileges attached thereto (including but not limited to any voting rights attached thereto or the right to requisition the convening of a general meeting of EIG or of any class of its shareholders) or receiving any distribution or other benefit accruing or payable in respect thereof and the registered holder of such Scheme Share shall exercise all rights attaching thereto in accordance with the directions of Bidco but not otherwise;
 - 1.3.3 signing on behalf of such Scheme Shareholder such documents, and doing such things, as may in the opinion of Bidco and/or any one or more of its directors or agents be necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Scheme Shares (including without limitation the authority to sign any consent to short notice of a general or separate class meeting and on their behalf to execute a form of proxy in respect of such shares appointing any person nominated by Bidco and/or any one or more of its directors or agents to attend general and separate class meetings of EIG (or any adjournment thereof) and to exercise or refrain from exercising the votes attaching to the Scheme Shares on such Scheme Shareholder's behalf); and
 - 1.3.4 sending any notice, circular, warrant or other document or communication which may be required to be sent to them as a member of EIG,

such that from the Effective Date, no Scheme Shareholder shall be entitled to exercise any voting rights attached to the Scheme Shares or any other rights or privileges to the Scheme Shares without the consent of Bidco and shall not appoint a proxy or representative for or to attend any general meeting or separate class meeting of the Company.

2. CONSIDERATION FOR THE TRANSFER OF THE SCHEME SHARES

- 2.1 In consideration for the transfer of the Scheme Shares as provided in clause 1 of this Scheme, Bidco shall (subject to the remaining provisions of this Scheme) pay to, or for the account of, each Scheme Shareholder (as appearing in the register of members of the Company at the Scheme Record Time) 285 pence in cash for each Scheme Share held by that holder, provided that, if after the date of the Announcement, EIG declares, makes or pays any dividend and/or other distribution and/or other return of

value on or before the Effective Date, Bidco will have the right to reduce the price per Scheme Share by such amount payable by way of dividend and/or distribution and/or return of capital per Scheme Share. The exercise of such right shall not be regarded as constituting any revision or variation of the terms of the Scheme.

- 2.2 If Bidco exercises the right referred to in clause 2.1 of this Scheme to reduce the price per Scheme Share payable by Bidco by all or part of the amount of the dividend (or other distribution or return of value):
- 2.2.1 the Scheme Shareholders (appearing on the register of members of the Company, at the relevant record time as determined by the directors of EIG) shall be entitled to receive and retain that dividend (or other distribution or return of value) in respect of the Scheme Shares they hold;
- 2.2.2 any reference in this Scheme to the consideration payable under the Scheme shall be deemed a reference to the price per Scheme Share as so reduced; and
- 2.2.3 the exercise of such rights shall not be regarded as constituting any revision or variation of the terms of this Scheme.
- 2.3 To the extent that any such dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares and is (i) transferred pursuant to the Acquisition on a basis which entitles Bidco to receive and retain the dividend and/or other distribution and/or other return of value or (ii) cancelled, the Cash Consideration will not be subject to change in accordance with clause 2.1 of this Scheme.

3. PAYMENTS

- 3.1 As soon as practicable after the Effective Date, and in any event not more than 14 days after the Effective Date (or such other period as may be approved by the Panel), settlement of the Cash Consideration shall be effected as follows:
- 3.1.1 in the case of Scheme Shares which at the Scheme Record Time are in certificated form, Bidco shall despatch, or procure the despatch of, to the persons entitled thereto in accordance with the provisions of clause 3.2 of this Scheme, cheques for the Cash Consideration payable to them respectively pursuant to clause 2 of this Scheme; or
- 3.1.2 in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, Bidco shall ensure that a CREST assured payment obligation in respect of the Cash Consideration payable to the persons entitled thereto is created in accordance with the CREST payment arrangements, provided that Bidco reserves the right to make payment of the Cash Consideration by cheque as described in clause 3.1.1 above if, for any reason, it wishes to do so.
- 3.2 All deliveries of cheques required to be made under this Scheme shall be effected by posting the same by first class post in prepaid envelopes or by international standard post if overseas (or by such other method as may be approved by the Panel) addressed to the persons entitled to them at their respective addresses as appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, at the address of the joint holder whose name stands first in the register of members of the Company in respect of such joint holding at such time) or in accordance with any special instructions regarding communications, and none of Bidco, Stonegate, the Company, Computershare or their respective agents or nominee(s) shall be responsible for any loss or delay in the transmission of any cheque or payment sent in accordance with this clause 3 which shall be sent at the risk of the person entitled to it.
- 3.3 As from the Effective Date, each holding of Scheme Share credited to any stock account in CREST shall be disabled and all Scheme Shares will be removed from CREST in due course.
- 3.4 All cheques shall be in pounds sterling drawn on a UK clearing bank and payments shall be made to the holder (except that, in the case of joint holders, Bidco reserves the right to make cheques payable to the joint holder whose name stands first in the register of members of the Company in respect of such joint holding at the Scheme Record Time) and the encashment of any such cheque shall be a complete discharge to Bidco for the obligation to pay the monies represented thereby. In respect of payments made through CREST, Bidco shall ensure that an assured payment obligation is credited in accordance with CREST assured payment arrangements. The creation of such a payment arrangement shall be a complete discharge of Bidco's obligations under this Scheme with reference to payments made through CREST.

- 3.5 In the case of any Scheme Shares issued or transferred under the EIG Share Plans after the Court Hearing and before the Scheme Record Time, Bidco may satisfy the consideration due to the relevant Scheme Shareholders under clause 2 by the payment to EIG of the aggregate consideration no later than 14 days after the Effective Date and EIG will procure that any such sums paid to it are paid to the relevant Scheme Shareholders through the payroll of the relevant Scheme Shareholders' employing company as soon as practicable and subject to all deductions or withholdings required by law (including applicable income tax and social security contributions).
- 3.6 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law.

4. CERTIFICATES AND CANCELLATIONS

With effect from and including the Effective Date:

- 4.1 all certificates representing the Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein, and every holder thereof shall be bound at the request of the Company to deliver up such certificate(s) to the Company or as it may direct, or to destroy them;
- 4.2 in respect of those holders of Scheme Shares holding Scheme Shares in uncertificated form, Euroclear shall be instructed to cancel such holders' entitlements to such Scheme Shares;
- 4.3 following the cancellation of the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form, Computershare shall be authorised to re-materialise entitlements to such Scheme Shares; and
- 4.4 subject to completion of such form, instrument or instruction of transfer as may be required under clause 1 of this Scheme and the payment of any UK stamp duty thereon, the Company shall make appropriate entries in the register of members of the Company to reflect the transfer of the Scheme Shares with effect from the Effective Date.

5. EFFECTIVE DATE

- 5.1 This Scheme shall become effective in accordance with its terms upon a copy of the Court Order being delivered to the Registrar of Companies for registration.
- 5.2 Unless this Scheme shall become effective on or before 11.59 p.m. on the Long-stop Date or such later date and time (if any) as Bidco and the Company may, subject to the City Code and/or with the consent of the Panel, agree and the Court may allow, it shall lapse and no part of this Scheme shall ever become effective.

6. MODIFICATION

Bidco and the Company may jointly consent on behalf of all persons concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose. Any such modification or addition shall require the consent of the Panel where such consent is required under the City Code.

7. GOVERNING LAW

- 7.1 This Scheme and any dispute or claim arising out of or in connection with it shall be governed by and construed in accordance with English law. The rules of the City Code will, so far as they are appropriate, apply to this Scheme.
- 7.2 The courts of England shall have exclusive jurisdiction in relation to any dispute or claim arising out of or in connection with this Scheme.

Dated: 15 August 2019

PART 4
CONDITIONS AND FURTHER TERMS OF THE ACQUISITION AND THE SCHEME

Part A: The Conditions

The Acquisition will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the provisions of the Code, on or before the Long-stop Date or such later date (if any) as Bidco and EIG may, with the consent of the Panel, agree and (if required) the Court may approve.

Scheme approval

1. The Scheme will be conditional upon:
 - (a) approval of the Scheme by a majority in number representing not less than 75 per cent. in value of the Scheme Shares who are on the register of members of EIG (or the relevant class or classes thereof, if applicable) at the Voting Record Time in each case present and voting, whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meetings, provided that the Court Meeting may not be adjourned beyond the 22nd day after the expected date of the Court Meeting as set out in this document (or such later date (if any) as Bidco and EIG may agree and the Court may allow);
 - (b) all resolutions necessary to approve and implement the Scheme as set out in the notice of the General Meeting being duly passed by the requisite majority at the General Meeting or at any adjournment thereof, provided that the General Meeting may not be adjourned beyond the 22nd day after the expected date of the General Meeting as set out in this document (or such later date (if any) as Bidco and EIG may agree and the Court may allow); and
 - (c) the sanction of the Scheme by the Court (without modification, or with modification on terms acceptable to Bidco and EIG), provided that the Court Hearing may not be adjourned beyond the 22nd day after the expected date of the Court Hearing (or such later date (if any) as Bidco and EIG may agree and the Court may allow), and the delivery of the Court Order to the Registrar of Companies for registration.

In addition, Bidco and EIG have agreed that, subject as stated in Part B below and to the requirements of the Panel, the Acquisition will be conditional upon the following matters and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless such conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

Merger control

2. The Scheme shall be conditional on any one of the following conditions having been fulfilled:
 - (a) in the event that the purchase of EIG Shares constitutes a concentration with an EU dimension within the scope of Council Regulation (EC) 139/2004 (the “Merger Regulation”), the European Commission:
 - (i) shall have made a decision declaring the Scheme compatible with the internal market under Article 6(1)(b) of the Merger Regulation; or
 - (ii) is deemed to have declared the Scheme compatible with the internal market pursuant to the presumption in Article 10(6) of the Merger Regulation; or
 - (b) in the event that the European Commission has made a referral under Articles 4(4) or 9(1) of the Merger Regulation in connection with the Acquisition to the CMA, either in whole or in part, or is deemed to have made such a reference:
 - (i) issuance of a decision by the CMA pursuant to sections 22 or 33 of the Enterprise Act 2002 that a reference for an in-depth Phase 2 investigation will not be made in respect of the Acquisition either unconditionally or subject to conditions, obligations, undertakings or modifications in terms satisfactory to Bidco pursuant to section 73 of the Enterprise Act 2002; or
 - (ii) expiry of the period prescribed in section 34ZA of the Enterprise Act 2002 in which the CMA may issue a decision that a reference for an in-depth Phase 2 investigation will be made in respect of the Acquisition, but without such a decision having been issued, by the CMA pursuant to sections 22 or 33 of the Enterprise Act 2002, and in each case the CMA not having already

made an order pursuant to section 72(2) of the Enterprise Act 2002 in terms that would prevent the Scheme becoming Effective; or

- (iii) to the extent that the European Commission retains jurisdiction of parts of the Acquisition, the European Commission shall have made a decision in accordance with paragraph 2(a)(i) above or shall be deemed to have taken a decision in accordance with paragraph 2(a)(ii) above in respect of those parts.

Other regulatory clearances

- 3. The Scheme will be conditional upon in respect of the acquisition by Bidco of, or increase in control by Bidco with respect to, EIG, the FCA: (i) having given notice for the purposes of section 189(4) of FSMA that it has determined to approve such acquisition of or increase in control by any person who would as a result of the transaction be treated as a controller of EIG unconditionally; (ii) having given notice for the purposes of section 189(7) of FSMA that it has determined to approve such acquisition of or increase in control by any person who would as a result of the transaction be treated as a controller of EIG subject to conditions satisfactory to Bidco; or (iii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control, where references to acquiring or increasing control are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009.

General third party clearances

- 4. The Scheme will be conditional upon:
 - (a) excluding filings, applications, obligations, notifications, waiting and other time periods, and clearances relating to anti-trust or merger control (in respect of which only paragraph 2 above shall apply), all necessary filings or applications having been made, all necessary waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in connection with the Acquisition or the acquisition by any member of the Wider Stonegate Group of any shares or other securities in, or control of, any member of the Wider EIG Group, where the direct consequence of a failure to make such a notification or filing or to wait for the expiry, lapse, or termination of any such waiting or time period would be unlawful in any relevant jurisdiction.
 - (b) no Third Party having intervened (other than any Third Party having intervened in respect of anti-trust or merger control (in respect of which only paragraph 2 above shall apply)) and there not continuing to be outstanding any statute, regulation or order of any Third Party (other than any statute, regulation or order of any Third Party relating to anti-trust or merger control (in respect of which only paragraph 2 above shall apply)), in each case which would reasonably be expected to:
 - (i) make the Scheme or the Acquisition or, in each case, its implementation or the acquisition or proposed acquisition by Bidco or any member of the Wider Stonegate Group of any shares or other securities in, or control or management of, EIG or any member of the Wider EIG Group void, illegal or unenforceable in any jurisdiction, or otherwise directly or indirectly materially restrain, prevent, prohibit, restrict or materially delay, the same or impose additional material conditions or obligations with respect to the Scheme or the Acquisition or such acquisition, or otherwise materially impede, challenge or interfere with the Scheme or Acquisition or such acquisition, or require amendment to the terms of the Scheme or Acquisition or the acquisition or proposed acquisition of any EIG Shares or the acquisition of control or management of EIG or the Wider EIG Group by Bidco to an extent which is material in the context of the Wider EIG Group taken as a whole or in the context of the Acquisition;
 - (ii) materially limit or delay, or impose any material limitations on, the ability of any member of the Wider Stonegate Group or any member of the Wider EIG Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise management control over, any member of the Wider EIG Group or any member of the Wider Stonegate Group, in each case, to an extent which is material in the context of the Wider Stonegate Group or the Wider EIG Group, in either case taken as a whole, or in the context of the Acquisition;

- (iii) require, prevent or materially delay the divestiture or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Stonegate Group of any shares or other securities in EIG or of all or any portion of their respective businesses, assets or properties or materially limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof, in each case, to an extent which is material in the context of the Wider Stonegate Group or the Wider EIG Group, in either case taken as a whole, or in the context of the Acquisition;
- (iv) except pursuant to sections 974 to 991 of the Companies Act, require any member of the Wider Stonegate Group or of the Wider EIG Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party;
- (v) materially limit the ability of any member of the Wider Stonegate Group or of the Wider EIG Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Stonegate Group or of the Wider EIG Group in a manner which is adverse and material to the Wider Stonegate Group and/or the Wider EIG Group, in either case taken as a whole or in the context of the Acquisition; or
- (vi) otherwise materially adversely affect, the business, assets, profits, financial or trading position of any member of the Wider EIG Group or of the Wider Stonegate Group taken as a whole in the context of the Acquisition.

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

5. The Scheme will be conditional upon, except as Disclosed, there being no provision of any arrangement, agreement, licence, permit or other instrument to which any member of the Wider EIG Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject, which, in each case as a consequence of the Scheme or Acquisition or the acquisition or proposed acquisition of any shares or other securities in, or control of, EIG or any other member of the Wider EIG Group by any member of the Wider Stonegate Group or otherwise, would be expected to result in (in any case, to an extent which would reasonably be expected to be material and adverse in the context of the Wider EIG Group taken as a whole):
- (a) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider EIG Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or repayment date or the ability of any member of the Wider EIG Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (b) other than in the ordinary course of business, the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider EIG Group;
 - (c) any such arrangement, agreement, licence, permit or instrument, or the rights, liabilities, obligations or interests of any member of the Wider EIG Group thereunder, being terminated or modified or affected or any action being taken or any obligation or liability arising thereunder;
 - (d) any asset or interest of any member of the Wider EIG Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider EIG Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider EIG Group otherwise than in the ordinary course of business;
 - (e) the creation of any liabilities (actual or contingent) by any member of the Wider EIG Group other than trade creditors or other liabilities incurred in the ordinary course of business;
 - (f) the rights, liabilities, obligations or interests of any member of the Wider EIG Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated or adversely modified or affected; or
 - (g) the financial or trading position or the value of any member of the Wider EIG Group being prejudiced or adversely affected,

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, would or would reasonably be expected to result in any of the events or circumstances which are referred to in sub-paragraphs (a) to (g) of this paragraph 5 in any case to an extent which would be material and adverse in the context of the Wider EIG Group taken as a whole.

Certain events occurring since 30 September 2018

6. The Scheme will be conditional upon, except as Disclosed, no member of the Wider EIG Group having, since 30 September 2018:
- (a) issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities convertible into or exercisable or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury, in each case other than as between EIG and wholly-owned subsidiaries of EIG and save for the issue or transfer out of treasury of EIG Shares on the exercise of any options or vesting of any awards granted in the ordinary course under any of the EIG Share Plans;
 - (b) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital in each case to an extent which is material and adverse in the context of the Wider EIG Group taken as a whole, in each case other than as between EIG and wholly-owned subsidiaries of EIG;
 - (c) recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue (other than to EIG or a wholly-owned subsidiary of EIG);
 - (d) other than pursuant to the Acquisition (and except for transactions between EIG and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of EIG and transactions in the ordinary course of business) implemented, effected, authorised or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case to an extent which is material and adverse in the context of the Wider EIG Group taken as a whole or in the context of the Acquisition;
 - (e) save for intra-EIG Group transactions, made or authorised any change in its loan capital other than in connection with ordinary course financing arrangements in any case to an extent which is material and adverse in the context of the EIG Group taken as a whole;
 - (f) save for intra-EIG Group transactions, mortgaged, charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same (in each case, to an extent which is material and adverse in the context of the Wider EIG Group taken as a whole);
 - (g) save in the ordinary course of business, issued or authorised the issue of, or made any change in or to, any debentures or (save for intra-EIG Group transactions) incurred or increased any indebtedness or liability (actual or contingent) which in any case is material and adverse in the context of the Wider EIG Group taken as a whole;
 - (h) save in the ordinary course of business, entered into, varied or authorised any material agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term, onerous or unusual nature or magnitude or which is reasonably likely to involve an obligation of such nature or magnitude and which is likely to materially restrict the business of any member of the Wider EIG Group other than to a nature and extent which is normal in the context of the business concerned which is or would reasonably be expected to be material and adverse in the context of the Wider EIG Group taken as a whole;
 - (i) (other than in respect of a member of the Wider EIG Group which is dormant and was solvent at the relevant time) 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 or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction which in any case is material in the context of the Wider EIG Group taken as a whole;
 - (j) 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 substantial part of its business to an extent which is material in the context of the Wider EIG Group taken as a whole;

- (k) other than in respect of claims between EIG and wholly-owned subsidiaries of EIG, waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Wider EIG Group taken as a whole;
- (l) made any alteration to its memorandum or articles of association (in each case, other than in connection with the Scheme) which is material in the context of the Acquisition;
- (m) (except in relation to changes made or agreed as a result of, or arising from, legislation or changes to legislation) made or agreed or consented to:
 - (i) any material change to:
 - 1. the terms of the trust deeds constituting the pension scheme(s) established for its directors, employees or their dependents; or
 - 2. the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
 - 3. the basis on which qualification for, or accrual or entitlement to such benefits or pensions are calculated or determined; or
 - 4. the basis upon which the liabilities (including pensions) or such pension schemes are funded, valued or made,in each case, which is material in the context of the Wider EIG Group taken as a whole; or
 - (ii) any change to the trustees including the appointment of a trust corporation;
- (n) entered into or materially varied the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, agreement, commitment, transaction or arrangement with any director or senior executive which is material and adverse in the context of the Acquisition or which would reasonably be expected to have a material adverse effect on the financial position of the Wider EIG Group;
- (o) materially modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider EIG Group in each case which is material and adverse in the context of the Wider EIG Group taken as a whole; and
- (p) on or after the date of the Announcement, and other than with the consent of Bidco, no action having been taken or proposed by any member of the Wider EIG Group which requires or would require the approval of EIG Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Code.

No adverse change, litigation or regulatory enquiry

7. The Scheme will be conditional upon except as Disclosed, since 30 September 2018:
- (a) there having been no adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider EIG Group which in any case is material and adverse in the context of the Wider EIG Group taken as a whole;
 - (b) no contingent or other liability of any member of the Wider EIG Group having arisen or become apparent or increased which in any case is or would reasonably be expected to be material and adverse in the context of the Wider EIG Group taken as a whole;
 - (c) (other than as a result of or in connection with the Acquisition), no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider EIG Group is or may become a party (whether as plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider EIG Group having been threatened in writing, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider EIG Group which in any such case is or would reasonably be expected to be material and adverse in the context of the Wider EIG Group taken as a whole;

- (d) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider EIG 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 EIG Group taken as a whole; and
- (e) no member of the Wider EIG Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Wider EIG Group taken as a whole.

No discovery of certain matters

8. The Scheme will be conditional upon, except as Disclosed, since 30 September 2018, Bidco not having discovered:
- (a) that any financial or business or other information concerning the Wider EIG Group disclosed at any time by or on behalf of any member of the Wider EIG Group, whether publicly, to any member of the Wider Stonegate Group or to any of their advisers, is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which is not subsequently corrected by disclosure by or on behalf of the Wider EIG Group, in each case to an extent which is material in the context of the Wider EIG Group taken as a whole;
 - (b) that any member of the Wider EIG Group is subject to any liability (actual or contingent) which is material in the context of the Wider EIG Group taken as a whole;
 - (c) any past or present member of the Wider EIG Group has not complied in all material respects with all applicable legislation or regulations of any jurisdiction relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human health or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place), which non-compliance would be likely to give rise to any material liability including any penalty for non-compliance (whether actual or contingent) or cost on the part of any member of the Wider EIG Group, which in any case is material in the context of the Wider EIG Group as a whole; or
 - (d) there is any material liability (actual or contingent) to make good, repair, reinstate or clean up any property owned, occupied or made use of by any past or present member of the Wider EIG Group under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other regulatory body, agency, court, association or any other person or body in any jurisdiction, which in any case is material in the context of the Wider EIG Group taken as a whole.

Anti-corruption, sanctions and criminal property

9. The Scheme will be conditional upon, except as Disclosed, Bidco not having discovered that, to an extent which is material in the context of the Wider EIG Group taken as a whole:
- (a) any:
 - (i) past or present member of the Wider EIG Group; or
 - (ii) person that performs or has performed services on behalf of the Wider EIG Group, has at any time engaged in an activity, practice or conduct which would constitute an offence under the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation;
 - (b) any material asset of any member of the Wider EIG Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);

- (c) any past or present member of the Wider EIG Group has engaged in any business with, made any investments in, or made any payments or assets available to or received any funds or assets from:
 - (i) any government, entity, or individual with which US or European Union persons (or persons operating in those territories) are prohibited from engaging in activities, doing business or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs; or
 - (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states; or
 - (iii) a member of the EIG Group has engaged in a transaction which would cause Stonegate Group to be in breach of any law or regulation on completion of the Acquisition, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs or any government, entity or individual targeted by any of the economic sanctions of the United Nations, United States or the European Union or any of its member states.
10. For the purpose of these Conditions:
- (a) “Third Party” means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority, court, trade agency, association, institution or professional or environmental body in any relevant jurisdiction, including, for the avoidance of doubt, the Panel; and
 - (b) a Third Party shall be regarded as having “intervened” if it has given written notice to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made or enacted any statute, regulation, decision or order or required any action to be taken and “intervene” shall be construed accordingly.

Part B: Certain further terms of the Scheme and the Acquisition

1. Paragraphs 2 to 9 (inclusive) of the Conditions must be fulfilled, be determined by Bidco to be or remain satisfied or (if capable of waiver) be waived prior to the commencement of the Court Hearing, failing which the Scheme will lapse.
2. Notwithstanding the paragraph above, subject to paragraph 4 below and subject to the requirements of the Panel, Bidco reserves the right in its sole discretion to waive all or any of paragraphs 2 to 9 (inclusive) of the Conditions, in whole or in part and to proceed with the Court Hearing prior to the fulfilment, satisfaction or waiver of any of paragraphs 2 to 9 (inclusive) of the Conditions.
3. Bidco shall be under no obligation under the terms and Conditions of the Acquisition to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of paragraphs 2 to 9 (inclusive) of the Conditions by a date earlier than the latest date specified in paragraph 1 above, 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 Condition may not be capable of fulfilment.
4. Bidco reserves the right to elect to implement the Acquisition by way of a Takeover Offer, subject to the Code and the Panel’s consent and (while the Cooperation Agreement is continuing) to the terms of the Cooperation Agreement. In such event, such Takeover Offer will be implemented on the same terms and conditions (subject to appropriate amendments, including (without limitation and for so long as the Cooperation Agreement is continuing) an acceptance condition set at 75 per cent. of the shares to which the Takeover Offer relates (or such lesser percentage (being more than 50 per cent.), as Bidco may decide, subject to the Code and the terms of the Cooperation Agreement and with the consent of the Panel) so far as applicable, as those which would apply to the Scheme.
5. Under Rule 13.5(a) of the Code, Bidco may not invoke a Condition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition. The Conditions contained in paragraph 1 and paragraph 2 above and, if applicable, any acceptance condition if the Acquisition is implemented by means of a Takeover Offer, are not subject to this provision of the Code. However, it is noted that under the terms of the Cooperation Agreement, Bidco and Stonegate have agreed to use their respective best endeavours to secure such clearance from the CMA as is necessary to satisfy the CMA Condition promptly after the date of the Announcement with the aim of obtaining such clearance on or

before 31 January 2020. This obligation includes, to the extent necessary to secure the clearance of the CMA, agreeing to make disposals of public houses, which are either owned, leased, operated or managed by the Stonegate Group or the EIG Group; provided that neither Bidco nor Stonegate is required to agree to any remedies which require the sale or other disposal of 100 or more of such public houses in aggregate.

6. If the Panel requires Bidco to make an offer for EIG Shares under the provisions of Rule 9 of the Code, Bidco may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.
7. The Acquisition will be subject, *inter alia*, to the Conditions and certain further terms which are set out in this Part 4 and those terms which are set out in this document and such further terms as may be required to comply with the provisions of the Listing Rules and the provisions of the Code.
8. EIG Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them, including the right to receive and retain all dividends and distributions (if any) declared, made or paid after the Effective Date. If after the date of the Announcement and prior to the Effective Date, any dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares, Bidco shall be entitled to reduce the amount of consideration payable for such EIG Shares under the terms of the Acquisition by an amount equivalent to such dividend, other distribution or return of value. If any such dividend and/or other distribution and/or other return of value occurs and Bidco exercises its rights pursuant to this paragraph, any reference in this document to the Offer Price shall be deemed to be a reference to the Offer Price as so reduced. Any exercise by Bidco of its rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition. To the extent that any such dividend and/or other distribution and/or other return of value is declared, made or paid in respect of EIG Shares and is (i) transferred pursuant to the Acquisition on a basis which entitles Bidco to receive and retain the dividend and/or other distribution and/or other return of value or (ii) cancelled, the Offer Price will not be subject to change in accordance with this paragraph.
9. This document and any rights or liabilities arising hereunder, the Acquisition, the Scheme, and any proxies will be governed by the laws of England and Wales and be subject to the exclusive jurisdiction of the English courts. The Scheme will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the FCA and the Registrar of Companies.
10. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
11. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction. Any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. Further information in relation to Overseas Shareholders are contained in this document.
12. The Acquisition will lapse if:
 - (a) in so far as the Acquisition or any matter arising from or relating to the Scheme or the Acquisition constitutes a concentration with an EU dimension within the scope of Council Regulation (EC) 139/2004 (the “**Regulation**”), the European Commission either initiates proceedings under Article 6(1)(c) of Council Regulation (EC) 139/2004 or, makes a referral to a competent authority in the United Kingdom by the European Commission under Article 9(1) of that Regulation, and there is then a CMA Phase 2 Reference; or
 - (b) the Acquisition or any matter arising from or relating to the Scheme or Acquisition becomes subject to a CMA Phase 2 Reference,in each case before the earlier of the date of the Court Meeting.

PART 5 UNITED KINGDOM TAXATION

The following statements do not constitute tax advice, are intended as a general guide only and are based on current UK legislation and published HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change at any time, possibly with retrospective effect. They summarise certain aspects of the UK tax consequences of the Scheme and assume that the Acquisition is taking place for *bona fide* commercial reasons.

These statements deal only with the position of Scheme Shareholders who are resident (and, in the case of individuals only, domiciled) solely in the UK for tax purposes and who hold their Scheme Shares as an investment and who are the absolute beneficial owners of the Scheme Shares and of all dividends of any kind paid in respect of them. They do not apply to certain categories of Scheme Shareholders, such as persons to whom split-year treatment applies, dealers in securities or distributions, persons who have or are deemed to have acquired their Scheme Shares by reason of their or another's employment, persons who hold their Scheme Shares as part of hedging or conversion transactions, persons who hold their Scheme Shares in connection with a UK branch, agency or permanent establishment, persons who hold their Scheme Shares by virtue of an interest in any partnership, collective investment scheme, insurance company, life assurance company, mutual company, or to Scheme Shareholders or persons who hold their Scheme Shares in a personal equity plan or individual savings account.

Special tax provisions may apply to Scheme Shareholders who have acquired or who acquire their Scheme Shares by exercising options under the EIG Share Plans, including provisions imposing a charge to income tax. This summary does not apply to such shareholders and such shareholders are advised to seek independent professional advice.

Scheme Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

1. UK TAXATION ON CHARGEABLE GAINS

Liability to UK taxation on chargeable gains will depend on the individual circumstances of each Scheme Shareholder.

The receipt by a Scheme Shareholder of the Cash Consideration under the Scheme should constitute a disposal of their Scheme Shares for the purposes of UK taxation on chargeable gains which may, depending on the Scheme Shareholder's individual circumstances (including the availability of exemptions, reliefs and/or allowable losses), give rise to a liability to UK taxation on chargeable gains or an allowable loss.

For Scheme Shareholders who are individuals, capital gains tax is currently charged at a rate of either 10 per cent. or 20 per cent. depending on the total amount of the individual's taxable income, and the capital gains annual exemption (which is £12,000 for the tax year running from 6 April 2019 to 5 April 2020) should also be available to offset any chargeable gain (to the extent it is not otherwise utilised).

If an individual is only temporarily resident outside the UK for capital gains tax purposes at the date of disposal, the individual could, on becoming resident for tax purposes in the UK again, be liable to UK tax on chargeable gains in respect of disposals made while the individual was temporarily resident outside the UK.

For Scheme Shareholders within the charge to UK corporation tax (but which do not qualify for the substantial shareholdings exemption in respect of their Scheme Shares), corporation tax is payable on any chargeable gains at the rate applicable to the company. Indexation allowance should be available in respect of the period of ownership of the Scheme Shares up to 31 December 2017 to reduce any chargeable gain arising (but not to create or increase any allowable loss) on the disposal of a company's Scheme Shares.

2. UK STAMP DUTY AND STAMP DUTY RESERVE TAX ("SDRT")

No UK stamp duty or SDRT should be payable by Scheme Shareholders as a result of the transfer of their Scheme Shares under the Scheme.

PART 6

FINANCIAL AND RATINGS INFORMATION ON THE EIG GROUP, BIDCO AND STONEGATE

Recipients of this document should read the whole document and not just rely on the financial information incorporated by reference in this Part 6 of this document.

1. FINANCIAL AND RATINGS INFORMATION ON THE EIG GROUP

1.1 Financial information

The following sets out financial information in respect of EIG as required by Rule 24.3 of the City Code:

- 1.1.1 the audited accounts of EIG for the financial year ended 30 September 2018 are set out on pages 84 to 137 (both inclusive) in EIG's annual report for the financial year ended on 30 September 2018 available from EIG's website at www.eigroupplc.com/en/investors/results-and-reports.html;
- 1.1.2 the audited accounts of EIG for the financial year ended 30 September 2017 are set out on pages 74 to 127 (both inclusive) in EIG's annual report for the financial year ended on 30 September 2017 available from EIG's website at www.eigroupplc.com/en/investors/results-and-reports.html; and
- 1.1.3 the unaudited interim results of EIG for the six months ended 31 March 2019 available from EIG's website at www.eigroupplc.com/en/investors/results-and-reports.html.

The documents referred to in paragraphs 1.1.1, 1.1.2 and 1.1.3, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the City Code.

1.2 Ratings information

Prior to the Offer Period, EIG had been assigned a long-term corporate issuer rating of B1 (stable outlook) from Moody's and B (stable outlook) from S&P Global. Since the Offer Period began, Moody's has placed EIG's credit rating under review for downgrade based on the expected increase in financial leverage which may result from the Acquisition. Similarly, S&P has also placed EIG's credit rating on CreditWatch with negative implications.

2. FINANCIAL AND RATINGS INFORMATION ON BIDCO

As Bidco was incorporated on 5 July 2019, no financial information is available or has been published in respect of it and there is no rating or outlook currently publicly accorded to Bidco by any rating agency. Save for any costs incurred in connection with its incorporation and the Acquisition, Bidco has not, since its incorporation, traded prior to the date of this document or entered into any obligations other than in connection with the Acquisition or its financing. Certain of these obligations are summarised in paragraph 12 of Part 8 of this document.

3. FINANCIAL AND RATINGS INFORMATION ON STONEGATE

3.1 Financial information

The following sets out financial information in respect of Stonegate as required by Rule 24.3 of the City Code:

- 3.1.1 the annual report and accounts of Stonegate for the financial year ended 30 September 2018 are available from Stonegate's website at <http://www.stonegatepubs.com/eig-offer>; and
- 3.1.2 the annual report and accounts of Stonegate for the financial year ended 30 September 2017 are available from Stonegate's website at <http://www.stonegatepubs.com/eig-offer>.

The documents referred to in paragraphs 3.1.1 and 3.1.2 are incorporated into this document by reference pursuant to Rule 24.15 of the City Code.

3.2 Ratings information

As at the Latest Practicable Date, Stonegate held a corporate family rating of B2 and a probability of default rating of B2-PD from Moody's and an issuer credit rating and issue-level rating from S&P Global of B-(stable). Moody's has placed Stonegate's credit rating to 'developing' reflecting the fact that at this

stage the ultimate financing structure of the Enlarged Group is uncertain. Similarly, S&P has also placed Stonegate's credit rating on CreditWatch with 'developing' implications.

3.3 Effect of the Acquisition on earnings, assets and liabilities

With effect from the Effective Date, the earnings, assets and liabilities of the Stonegate Group will include the consolidated earnings, assets and liabilities of the EIG Group on the Effective Date.

4. AVAILABILITY OF HARD COPIES

EIG will provide, without charge, to each person to whom a copy of this document has been delivered, upon the oral or written request of such person, a hard copy of any or all of the documents which are incorporated by reference into this document within two Business Days of the receipt of such request. Copies of any documents or information incorporated by reference into this document will not be provided unless such a request is made.

PART 7
EIG PROPERTY VALUATION REPORTS



15 August 2019

The Directors
Ei Group plc
3 Monkspath Hall Road
Solihull
West Midlands
B90 4SJ

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB

N.M Rothschild & Sons Ltd
New Court
St Swithin's Lane
London
EC4N 8AL

Dear Sirs,

VALUATION OF 2,058 ASSETS OWNED DIRECTLY AND INDIRECTLY BY EI GROUP PLC AS AT 30 SEPTEMBER 2018

INTRODUCTION

Colliers International Property Advisers UK LLP (hereafter referred to as either “Colliers” or “we”) understand that you require our opinion of the valuations of 2,058 properties (the “Properties” and each a “Property”) which are owned by Ei Group plc (the “Company”) and one of its subsidiaries, and which form part of the Company’s wider UK estate of 4,074 similar properties (the “Portfolio”).

1,885 of the Properties (the “UPP Properties”) are owned by Unique Pub Properties Limited (“UPP”), and the remaining 173 Properties (the “Remaining Properties”) are owned by the Company.

This report (the “Report”) has been prepared under the requirements of Rule 29 of the Takeover Code (the “Code”), and will be included in the scheme document to be published by the Company in connection with the proposed acquisition of the entire issued and to be issued share capital of the Company by Stonegate Pub Company Bidco Limited (the “Purpose”).

PREVIOUS VALUATION

Colliers has undertaken annual re-valuations of the UPP Properties since 2015, with the valuations being used for financial reporting and for inclusion in the Company’s Annual Report and Accounts. Our most recent valuation of the UPP Properties was dated 30 September 2018 (the “Previous Valuation”).

As part of the Previous Valuation, we carried out an on-site review of 547 out of 2,077 Properties, with the other Properties valued on the basis of a desktop review.

Colliers International is the licensed trading name of Colliers International Property Advisers UK LLP which is a limited liability partnership registered in England and Wales with registered number OC385143. Our registered office is at 50 George Street, London W1U 7GA.

The Remaining Properties are owned by the Company and have previously been valued internally by the Company. The most recent valuation of the Remaining Properties was also dated 30 September 2018.

BASIS OF VALUATION

The basis of the Previous Valuation is that of Market Value, which is defined in the RICS Valuation—Global Standards 2017 (the “Red Book”) as;

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Although not prepared for the purposes of Rule 29 of the Code, the Previous Valuation is compliant with Rule 29 of the Code.

STATUS OF VALUER, VALUATION STANDARDS AND CONFLICTS OF INTEREST

This Report has been prepared by J C A Shorthouse BSc FRICS and P Macaulay BSc (Hons) MRICS who were also the signatories to the Previous Valuation, and who each fall within the requirements as to competence as set out in PS 2 of the Red Book and who are both valuers registered in accordance with the RICS Valuer Registration Scheme.

We confirm that both have sufficient current local and national knowledge of the property market involved, and have the skills and understanding to prepare the Report competently.

The Previous Valuation has been prepared in accordance with the Red Book (incorporating the International Valuation Standards) and the UK national supplement 2018 (the “Valuation Standards”).

In order to comply with these Valuation Standards our files may be subject to monitoring by the RICS.

We confirm that we have acted in the capacity of External Valuer as defined in the Red Book.

We confirm that Colliers comply with the requirements of independence and objectivity under PS 2.4 of the Red Book and that we have no conflict of interest in acting on behalf of the Company in this matter.

The total of fees earned by Colliers from the Company during 2018 account for less than 5% of Colliers total fee income. We do not expect this position to change in 2019.

SCOPE

In order to facilitate the directors of the Company in satisfying the requirements of Rule 29.5 of the Code, we have reviewed the Previous Valuation of the Properties to ascertain whether there has been a material change in value since the date of the Previous Valuation.

For the Remaining Properties we have reviewed the 30 September 2018 valuation undertaken by the Company, and benchmarked that valuation against our Previous Valuation to ensure that a consistent methodology and approach had been adopted.

THE PROPERTIES

The Properties are distributed across England and parts of Wales. The Properties are mostly freehold:

<u>Tenure</u>	<u>No. Properties</u>
Freehold	1,873 (91.0%)
Leasehold	185 (9.0%)
Total	<u>2,058</u>

The Properties range from iconic city centre bars to destination restaurants and a large number of community / urban pubs. The Portfolio is widely considered to be the UK’s best quality pub leased and tenanted estate, and to have benefited from active estate management and significant capital investment over a number of years.

The Properties each sit within one of four operating business units within the Company:

1. “Publican Partnerships”—properties held as investments let on full or partially tied agreements to a wide variety of operators, and where the Company receives multiple revenue streams; property rent, wholesale

margin from the supply of tied drinks and, in some cases, a share of revenues from some Amusements with Prizes machines.

2. “Managed Operations”—properties which are directly operated by the Company. Some of these properties are run under a fully managed model (“Bermondsey”), whereby the Company receives all retail sales, and bears the costs of purchases, operation, labour and occupation, and retains the operating profit, whilst others are run under an indirect managed model (“Craft Union”) whereby a third party operator manages the business on a day to day basis and employs all staff in return for a variable fee based on an agreed % of sales.
3. “Managed Investments”—a relatively small group of properties where the Company has entered into a joint venture with talented local or regional operators to run selected sites.
4. “Commercial”—properties which are properties let on free of tie agreements to third party operators and where the Company has a single revenue stream (rent) and a much lower level of day to day involvement with the tenant and their business. A number of these properties have been converted to alternative commercial uses.

The Properties covered by this Report now comprise:

<u>Grouping</u>	<u>No. Properties</u>
Publican Partnerships	1,747 (84.9%)
Managed Operations	237 (11.5%)
Managed Investments	30 (1.5%)
Commercial	<u>44 (2.1%)</u>
Total	<u>2,058</u>

ASSUMPTIONS AND SOURCES OF INFORMATION

The Previous Valuation was undertaken on the basis of a number of General and Special Assumptions and Definitions which are set out below and in the Appendix to this Report, and we confirm that similar Assumptions and Definitions would be adopted if we were undertaking valuations as at the date of this Report.

We have made the Special Assumption that there have been no material changes to any of the Properties since the date of the Previous Valuation, other than as notified to us by the Company and having made reasonable enquiry of the Directors.

We have also assumed that the information provided by the Company is accurate and can, if necessary, be verified, and that we have been supplied with all the information that has a material effect upon the value of the Properties.

The Properties have been valued individually, having reference to the Occupational Agreements which are, or could be, put in place. Most of these Occupational Agreements include a tie for the supply of beers and other drinks. The Previous Valuation makes the Special Assumption that the purchaser of the Properties (singly or in multiple asset transactions) is able to leverage the tie and negotiate commercial terms with brewers and other suppliers which are at least equal to those enjoyed by the Company.

For those Properties which are currently vacant, closed or let on temporary agreements the Previous Valuation is based on the Special Assumption that the Properties will be let on substantive tied Occupational Agreements which, so far as is possible, are not at risk of losing the tie under market rent only legislation (which, in certain circumstances, enables a tied-pub tenant to go free of tie).

For the Managed Operations and Managed Investments Properties we have disregarded any internal or inter-company leases which may currently exist.

TENURE

1,873 of the Properties are freehold. The 185 leasehold properties comprised within the Properties have a total annual rent charge of £242,000 per annum.

The Properties held within the Publican Partnerships business unit are let on a variety of leases and tenancies ranging from short Tenancies at Will to 30-year fully repairing and insuring leases.

The Publican Partnerships properties are let on agreements which contain a “tie” for the supply of some or all drinks, whilst the Properties held within the Commercial business unit are let on free of tie agreements.

TAXATION AND COSTS

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise on disposals.

As is the normal practice for the valuation of tied and managed public houses the Previous Valuation makes no allowance for costs of disposal, or purchaser's costs.

BREXIT

Following the referendum on the United Kingdom's continued membership of the European Union ("EU") held on 23 June 2016, there has been a three year period of negotiation of the terms of the UK's exit from, and the future trade and other relationship with, the EU.

At the date of the Previous Valuation it was expected that the UK would leave the EU on or before 29 March 2019, however this date has now been delayed until 31 October 2019, and the negotiations with the EU continue.

The UK has had a change of leadership, with Boris Johnson becoming Prime Minister on 24 July, and Mr Johnson's approach to the negotiations appears to be different to that of his predecessor. During the period leading up to 31 October 2019 it is expected that markets will continue to demonstrate volatility, in a continuation of the uncertainty which appertained at the 30 September 2018.

VALUATION APPROACH

The Properties are generally well established businesses which are income generating investments, and the Previous Valuation was undertaken using the Income Capitalisation Method as the primary valuation method.

In current market conditions this continues to be the approach which purchasers, and therefore valuers, would adopt if undertaking the valuations as at the date of this Report.

We have reviewed the internal valuations of the Remaining Properties and confirm that the methodology and valuation approach adopted by the Company is consistent with that which we adopted for the Previous Valuations of the UPP Properties.

The freehold Remaining Properties are similar in nature to the freehold UPP Properties, and the leasehold Remaining Properties are similar in nature to the leasehold UPP Properties.

We conclude that the Remaining Properties are comparable to the UPP Properties.

SUMMARY OF THE VALUATIONS AS AT 30 SEPTEMBER 2018

<u>Valued by</u>	<u>Number of Properties</u>	<u>Aggregate Market Value</u> <u>(billions)</u>
Colliers	2,077	£1.713
Company	<u>219</u>	<u>£0.165</u>
Total	<u>2,296</u>	<u>£1.877</u>

CHANGES SINCE THE PREVIOUS VALUATION

As would be expected with a portfolio of this size there have, as part of the ongoing management of the Company's wider business, been a number of changes to individual Properties between the date of the Previous Valuation and the date of this Report. Such changes have included the sale of 238 non-core sites, conversions from Publican Partnerships to Managed or Commercial, and transfers between the securitised UPP estate and the other financing vehicles and instruments which the Company employs.

The Company has also made capital investments in certain Properties.

VALUATION OF THE PROPERTIES

Following the completion of the 238 disposals there are, as at 31 July 2019, 2,058 Properties. The aggregate of the valuations of these 2,058 Properties as at 30 September 2018 is:

One Billion, Six Hundred and Fifty Six Million Pounds

Of which the 1,873 freehold Properties account for

One Billion, Five Hundred and Fifty Nine Million Pounds

And the 185 leasehold Properties account for

Ninety Seven Million Pounds

NO MATERIAL DIFFERENCE STATEMENT

Within a portfolio which encompasses thousands of individual properties there are, inevitably, short term changes in trading performance, changes in lease agreements, or in operating formats, all of which can cause individual properties to experience fluctuations in value, some of which will be positive, whilst others will be negative.

We have been informed by the Company that the aggregate trading performance of the Properties has not changed materially, and we have scrutinised recent market transactions and concluded that there has also been no material change in market sentiment or yields.

Having regard to the foregoing we conclude that there has been no material change in the aggregate of the Previous Valuations of the UPP Properties which are still owned by the Company as at the date of this Report, nor of the aggregate valuation of the Remaining Properties.

This statement is made in order to facilitate the directors of the Company in satisfying the requirements of Rule 29.5 of the Code, and on the basis of valuation set out above, and the assumptions and definitions set out within this Report.

RELIANCE ON THIS REPORT

This Report may only be relied upon by the Company and its shareholders, Deutsche Bank AG, London Branch and N.M Rothschild & Sons Ltd. No reliance may be placed on the Report, or any part of it, by any party for any purpose other than in connection with the stated Purpose.

LIABILITY AND PUBLICATION

For the avoidance of doubt, this Report is provided by Colliers International Property Advisers UK LLP and no partner, member or employee assumes any personal responsibility for it nor shall we owe a duty of care in respect of it.

It has been prepared for the benefit of the Addressees, and we accept no liability at all towards any third party.

Yours faithfully

**James Shorthouse BSc FRICS
HEAD OF ALTERNATIVE MARKETS
LICENSED & LEISURE**

**Philip Macauley MRICS
DIRECTOR
LICENSED & LEISURE**

**APPENDIX:
GENERAL ASSUMPTIONS AND DEFINITIONS**



GENERAL ASSUMPTIONS AND DEFINITIONS

Unless otherwise instructed, our valuations are carried out in accordance with the following assumptions, conditions and definitions. These form an integral part of our appointment.

Our Report and Valuation is provided in accordance with the RICS Valuation—Global Standards 2017 (Incorporating the IVSC International Valuation Standards) prepared by the Royal Institution of Chartered Surveyors (the “Red Book”), and with any agreed instructions. Any opinions of value are valid only at the valuation date and may not be achievable in the event of a future disposal or default, when both market conditions and the sale circumstances may be different.

Within the Report and Valuation, we make assumptions in relation to facts, conditions or situations that form part of the valuation. We assume that all information provided by the addressee of the report, any borrower or third party (as appropriate) in respect of the property is complete and correct. We assume that details of all matters relevant to value, such as prospective lettings, rent reviews, legislation and planning decisions, have been made available to us, and that such information is up to date. In the event that any of these assumptions prove to be incorrect then we reserve the right to review our opinion(s) of value.

VALUATION DEFINITIONS:

Market Value is defined in IVS 104 paragraph 30.1 as:

‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion’.

The interpretative commentary on Market Value, within the International Valuation Standards (IVS), has been applied.

Valuations produced for capital gains tax, inheritance tax and Stamp Duty Land Tax / Land and Buildings Transaction Tax purposes will be based on the statutory definitions, which are written in similar terms and broadly define Market Value as:

‘The price which the property might reasonably be expected to fetch if sold in the open market at that time, but that price must not be assumed to be reduced on the grounds that the whole property is to be placed on the market at one and the same time.’

SPECIAL ASSUMPTIONS

Where we are instructed to undertake valuations subject to a Special Assumption, these usually require certain assumptions to be made about a potential alternative use or status of the property. This is a hypothetical scenario that we consider realistic, relevant and valid as at the valuation date, but which may not necessarily be deliverable at a future date.

INSURANCE

In arriving at our valuation we assume that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on costs.

PURCHASE AND SALE COSTS, SDLT, LBTT AND TAXATION

No allowance is made for legal fees or any other costs or expenses which would be incurred on the sale of the property. However, where appropriate, and in accordance with market practice for the asset type, we make deductions to reflect purchasers’ acquisition costs. Trade-related properties are usually valued without deducting the costs of purchase. Where appropriate, purchasers’ costs are calculated based on professional fees

inclusive of VAT, together with the appropriate level of Stamp Duty Land Tax (SDLT) / Land and Buildings Transaction Tax (LBTT) / Land Transaction Tax (LTT).

Whilst we have regard to the general effects of taxation on market value, we do not take into account any liability for tax that may arise on a disposal, whether actual or notional, neither do we make any deduction for Capital Gains Tax, VAT or any other tax. We make no allowance for receipt or repayment of any grants or other funding.

PLANS, FLOOR AREAS AND MEASUREMENTS

We obtain floor areas in accordance with our instructions. This may comprise one or more of the following approaches (i) we measure the floor areas during the property inspection (ii) we calculate floor areas from plans provided to us, supported by check measurements on site where possible, (iii) we rely upon floor areas provided. Under approaches (ii) and (iii), we wholly rely upon the information provided, and assume that the areas have been calculated in accordance with market standards. We are unable to provide any warranties as to accuracy.

Measurement is in accordance with the current edition of RICS Property Measurement. If we are instructed not to adopt International Property Measurement Standards (IPMS), measurements are provided in accordance with the latest version of the Code of Measuring Practice. We adopt the appropriate floor area basis for our valuation analysis to reflect the analysis of floor areas in the comparable transactions. Where the basis of analysis of a comparable is uncertain, we adopt a default assumption for that asset type.

Although every reasonable care is taken to ensure the accuracy of the surveys there may be occasions when due to tenant's fittings, or due to restricted access, professional estimations are required. We recommend that where possible, we are provided with scaled floor plans in order to cross-reference the measurements. In the event that a specialist measuring exercise is undertaken for the property, we recommend that a copy is forwarded to us in order that we may comment on whether there may be an impact on the reported value.

Floor areas set out in our report are provided for the purpose described in the Report and Valuation and are not to be used or relied upon for any other purpose.

CONDITION, STRUCTURE AND SERVICES, HARMFUL / DELETERIOUS MATERIALS, HEALTH & SAFETY LEGISLATION AND EPCS

Our Report and Valuation takes account of the general condition of the property as observed from the valuation inspection, and is subject to access. Where we have noticed items of disrepair during the course of our inspections, they are reflected in our valuations, unless otherwise stated.

We do not undertake any form of technical, building or deleterious material survey and it is a condition of our appointment that we will in no way review, or give warranties as to, the condition of the structure, foundations, soil and services. Unless we are supplied with evidence to the contrary, we assume that the property is fully in compliance with building regulations and is fully insurable. We assume it is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects. We assume that none of the materials commonly considered deleterious or harmful are included within the property, such as, inter alia, asbestos, high alumina cement concrete, calcium chloride as a drying agent, wood wool slabs as permanent shuttering, aluminium composite cladding material, polystyrene and polyurethane cladding insulation.

In the event that asbestos is identified in a property, we do not carry out an asbestos inspection, nor are we able to pass comment on the adequacy of any asbestos registers or management plans. Where relevant, we assume that the property is being managed in full compliance with the Control of Asbestos Regulations 2012 and relevant HSE regulations, and that there is no requirement for immediate expenditure, nor any risk to health.

We do not test any services, drainage or service installations. We assume that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

We assume that the property has an economic life span similar to comparable properties in the market, subject to regular maintenance and repairs in accordance with appropriate asset management strategies.

We comment on the findings of Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs) if they are made available to us, but may be unable to quantify any impact on value. If we are not provided with an EPC, we assume that if one was available, its rating would not have had a detrimental impact upon our opinion value or marketability.

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we assume that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

We do not test any alarms or installations and assume that the property complies with, and will continue to comply with, fire regulations and the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 legislation.

Where a specialist condition or structural survey is provided to us, we reflect the contents of the report in our valuation to the extent that we are able to as valuation surveyors, and our assumptions should be verified by the originating consultant. Should any issues subsequently be identified, we reserve the right to review our opinion of value.

GROUND CONDITIONS, ENVIRONMENTAL MATTERS, CONSTRAINTS AND FLOODING

We are not chartered environmental surveyors and we will not provide a formal environmental assessment. Our investigations are therefore limited to observations of fact, obtained from third party sources, such as local authorities, the Environment Agency and professional reports that may be commissioned for the valuation.

We do not carry out any soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual features that may be harmful to people or property, or that would inhibit the actual or assumed use or development of the property. This includes, inter alia: ground conditions and load bearing qualities, subterranean structures or services, contamination, pollutants, mining activity, sink holes, archaeological remains, radon gas, electromagnetic fields and power lines, invasive plants and protected species.

We do not undertake any investigations into flooding, other than is available from public sources or professional reports provided to us. Our findings are outlined in the report for information only, without reliance or warranty. We assume in our valuation that appropriate insurance is in place and may be renewed to any owner of the property by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

Should our enquiries or any reports indicate the existence of environmental issues or other matters as described above, we expect them to contain appropriate actions and costings to address the issue. We rely on this information and use it as an assumption in our valuation. If such information is not available, we may not be able to provide an opinion of value.

We assume that the information and opinions we are given in order to prepare our valuation are complete and correct and that further investigations would not reveal more information sufficient to affect value. However, a purchaser in the market may undertake further investigations, and if these were unexpectedly to reveal issues, then this might reduce the values reported. We recommend that appropriately qualified and experienced specialists are instructed to review our report and revert to us if our assumptions are incorrect.

PLANT AND MACHINERY, FIXTURES AND FITTINGS

We disregard the value of all process related plant, machinery, fixtures and fittings, and those items which are in the nature of occupiers' trade fittings and equipment. We have regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where properties are valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title.

No equipment or fixtures and fittings are tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

OPERATIONAL ENTITIES

Where the properties are valued as an operational entity and reference is made to the trading history or trading potential of the property, we place reliance on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuations reported could be adversely affected. Our valuations do not make any allowance for goodwill.

TITLE, TENURE, OCCUPATIONAL AGREEMENTS AND COVENANTS

Unless otherwise stated, we do not inspect the Land Registry records, title deeds, leases or related legal documents and, unless otherwise disclosed to us, we assume good and marketable title that is free from onerous or restrictive covenants, rights of way and easements, and any other encumbrances or outgoing interests that may affect value. We disregard any mortgages (including regulated mortgages), debentures or other charges to which the property may be subject.

We assume that any ground rents, service charges other contributions are fair and proportionate, and are not subject to onerous increases or reviews.

Where we have not been supplied with leases, unless we have been advised to the contrary, we assume that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to market rent. We assume that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews. We assume that wherever rent reviews or lease renewals are pending, all notices have been served validly within the appropriate time limits, and they will be settled according to the assumptions we set out within the reports.

Unless informed otherwise, we assume that all rents and other payments payable by virtue of the leases have been paid to date and there are no arrears of rent, service charge or other breaches in the obligations of occupation.

In the case of property that is let, our opinion of value is based on our assessment of the investment market's perception of the covenant strength of the occupier(s). This is arrived at in our capacity as valuation surveyors on the basis of information that is publicly available. We are not accountants or credit experts and we do not undertake a detailed investigation into the financial status of the tenants. Our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness. We provide no warranties as to covenant strength and recommend that you make your own detailed enquiries if your conclusions differ from our own.

Where we are provided with a report on title and/or occupational agreement, we form our opinion of value reflecting our interpretation of that title. Your legal advisers should review our understanding of the title and confirm that this is correct.

PLANNING, LICENSING, RATING AND STATUTORY ENQUIRIES

We undertake online planning enquiries to the extent that we consider reasonable and appropriate to the valuation. We do not make formal verbal or written enquiries to local authorities. If a professional planning report is provided to us, we will take the findings into account in our valuation but will not be accountable for the advice provided within it, nor any errors of interpretation or fact within the third party report.

We assume that the property is constructed, used and occupied in full compliance with the relevant planning and building regulation approvals and that there are no outstanding notices, conditions, breaches, contraventions, non-compliance, appeals, challenges or judicial review. We assume that all consents, licenses and permissions are in place, that there are no outstanding works or conditions required by lessors or statutory, local or other competent authorities, and that no adverse planning conditions or restrictions apply. If we are instructed to value property on the Special Assumption of having the benefit of a defined planning permission or license, we assume that it will not be appealed or challenged at any point prior to, or following, implementation.

Our investigations are limited to identifying material planning applications on the property and observable constraints. We seek to identify any proposals in the immediate vicinity that may have an impact on the property, such as highway proposals, comprehensive development schemes and other planning matters.

We seek to obtain rateable values and council tax banding from the statutory databases, where available. The 2017 rating revaluation has resulted in some significant increases in rateable values. This may have an impact on the marketability and value of a property, and on vacancy rates or landlord non recoverable costs. However, unless there is evidence to the contrary, we will make the express assumption that any changes are affordable to occupiers, or will be subject to appropriate transitional relief. We do not reflect the impact of any rating appeals in our valuations unless they are formally concluded.

Given that statutory information is obtained from third party sources, we are unable to provide any warranty or reliance as to its accuracy. Your legal advisers should verify our assumptions and revert to us if required.

VALUATIONS ASSUMING DEVELOPMENT, REFURBISHMENT OR REPOSITIONING

Unless specifically instructed to the contrary, where we are provided with development costs and construction schedules by the addressee, a borrower or an independent quantity surveyor, we rely on this information as an assumption in arriving at our opinion of value. It forms an assumption within our valuation and we accept no liability if the actual costs or programme differ from those assumed at the valuation date.

We are not quantity surveyors and provide no reliance as to construction costs or timescale. Irrespective of the source of this information, a professional quantity surveyor should review our assumptions and revert to us if there are any issues of doubt, so that we may review our opinion of value.

We additionally assume that a hypothetical market purchaser will have the necessary resources, skills and experience to deliver the proposed development. It is not within our scope to assess the credentials of any actual purchaser, owner or developer of the property that is subject to our valuation. We accept no liability for any circumstances where a development or refurbishment does not achieve our concluded values.

If a property is in the course of development, our valuation assumes that the interest will be readily assignable to a market purchaser with all contractor and professional team warranties in place. Where an opinion of the completed development value is required, we assume that all works are completed in accordance with appropriate statutory and industry standards, and are institutionally acceptable.

RELIANCE

Our Report and Valuation is provided only for the addressee and for the identified purpose. It may not be disclosed to, or relied upon by any third party or for any other purpose. Real estate is a complex asset class and we assume that any addressee placing reliance on our Report and Valuation in a professional lending or investing capacity has sufficient expertise to fully review and understand its contents and the valuation conclusions reached. We strongly recommend that any queries are raised with us within a reasonable period of receiving our Report and Valuation and prior to committing any funds.

15 August 2019

The Directors
Ei Group plc
3 Monkspath Hall Road
Solihull
West Midlands B90 4SJ

Deutsche Bank AG, London Branch
London Branch
Winchester House
1 Great Winchester Street
London
EC2N 2DB

N.M Rothschild & Sons Ltd
New Court
St Swithin's Lane
London
EC4N 8AL

Dear Sirs,

VALUATION OF 1,780 ASSETS OWNED DIRECTLY AND INDIRECTLY BY EI GROUP PLC AS AT 30 SEPTEMBER 2018

INTRODUCTION

GVA Grimley Ltd t/a Avison Young (hereafter referred to as either "Avison Young" or "we") understand that you require our opinion of the valuation of 1,780 properties (the "Properties" and each "Property") which are owned by Ei Group plc (the "Company"), and which form part of the Company's wider UK estate of 4,074 similar properties (the "Portfolio").

This report (the "Report") has been prepared under the requirements of Rule 29 of the Takeover Code (the "Code"), and will be included in the scheme document to be published by the Company in connection with the proposed acquisition of the entire issued and to be issued share capital of the Company by Stonegate Pub Company Bidco Limited (the "Purpose").

PREVIOUS VALUATION

Avison Young has undertaken annual re-valuations of the Properties which are held as security for the Company's corporate bonds for in excess of 20 years, with the valuations being used for financial reporting. Our most recent valuation of the Properties was dated 30 September 2018 (the "Previous Valuation").

As part of the Previous Valuation, we carried out an on-site review of 409 out of 1,948 Properties, with the other Properties valued on the basis of a desktop review.

BASIS OF VALUATION

The basis of the Previous Valuation is that of Market Value, which is defined in the RICS Valuation—Global Standards 2017 (the "Red Book") as;

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Although not prepared for the purposes of Rule 29 of the Code, the Previous Valuation is compliant with Rule 29 of the Code.

Avison Young is the trading name of GVA Grimley Limited

Registered in England and Wales number 6382509

Registered office:
3 Brindley Place,
Birmingham B1 2JB

Regulated by RICS

STATUS OF VALUER, VALUATION STANDARDS AND CONFLICTS OF INTEREST

This Report has been prepared by Peter Constantine BSc FRICS and Gavin Brent BSc MRICS who were also the signatories to the Previous Valuation, and who each fall within the requirements as to competence as set out in PS 2 of the Red Book and who are both valuers registered in accordance with the RICS Valuer Registration Scheme.

We confirm that both have sufficient current local and national knowledge of the property market involved, and have the skills and understanding to prepare the Report competently.

The Previous Valuation has been prepared in accordance with the Red Book (incorporating the International Valuation Standards) and the UK national supplement 2018 (the “Valuation Standards”).

In order to comply with these Valuation Standards our files may be subject to monitoring by the RICS.

We confirm that we have acted in the capacity of External Valuer as defined in the Red Book.

We confirm that Avison Young complies with the requirements of independence and objectivity under PS 2.4 of the Red Book and that we have no conflict of interest in acting on behalf of the Company in this matter.

The total of fees earned by Avison Young from the Company during 2018 account for less than 5% of Avison Young total fee income. We do not expect this position to change in 2019.

SCOPE

In accordance with your instructions, in order to facilitate the directors of the Company in satisfying the requirements of Rule 29.5 of the Code, we have reviewed the Previous Valuation of the Properties to ascertain whether there has been a material change in value since the date of the Previous Valuation.

THE PROPERTIES

The Properties are distributed across England and parts of Wales. The Properties are mostly freehold:

<u>Tenure No</u>	<u>Properties</u>
Freehold	1,775
Leasehold	<u>5</u>
Total	<u><u>1,780</u></u>

The Properties range from destination eateries, to city centre bars and community/urban pubs. The Portfolio is considered to be one of the UK’s best quality pub leased and tenanted estate, and to have benefited from active estate management and significant capital investment over a number of years.

The Properties each sit within one of four operating business units within the Company:

1. “Publican Partnerships”—properties held as investments let on full or partially tied agreements to a wide variety of operators, and where the Company receives multiple revenue streams; property rent, wholesale margin from the supply of tied drinks and, in some cases, a share of revenues from some Amusements with Prizes machines.
2. “Managed Operations”—properties which are directly operated by the Company. Some of these properties are run under a fully managed model (“Bermondsey”), whereby the Company receives all retail sales, and bears the costs of purchases, operation, labour and occupation, and retains the operating profit, whilst others are run under an indirect managed model (“Craft Union”) whereby a third party operator manages the business on a day to day basis and employs all staff in return for a variable fee based on an agreed % of sales.
3. “Managed Investments”—a relatively small group of properties where the Company has entered into a joint venture with talented local or regional operators to run selected sites.
4. “Commercial”—properties which are properties let on free of tie agreements to third party operators and where the Company has a single revenue stream (rent) and a much lower level of day to day involvement with the tenant and their business. A number of these properties have been converted to alternative commercial uses.

The Properties covered by this Report now comprise;

<u>Grouping</u>	<u>No. of properties</u>	<u>Percentage of total</u>
Publican Partnerships	1,594	89.6%
Managed Operations	139	7.8%
Managed Investments	21	1.2%
Commercial Properties	26	1.5%
Total	<u>1,780</u>	<u>100%</u>

ASSUMPTIONS AND SOURCES OF INFORMATION

The Previous Valuation was undertaken on the basis of a number of General and Special Assumptions and Definitions which are set out below and in the Appendix to this Report and we confirm that similar Assumptions and Definitions would be adopted if we were undertaking valuations as at the date of this Report.

For the purposes of this report we have made the Special Assumption that there have been no material changes to any of the Properties since the date of the Previous Valuation, other than as notified to us by the Company and having made reasonable enquiry of the Directors.

We have also assumed that the Company has supplied us with all the information that has a material effect upon the value of the Properties and that this information is accurate and can, if necessary, be verified.

The Properties have been valued individually, having reference to the Occupational Agreements which are, or could be, put in place. Most of these Occupational Agreements include a tie for the supply of beers and other drinks. In undertaking the Previous Valuation, we have made the Special Assumption that the buyer of the Properties (singly or in multiple asset transactions) is able to leverage the tie and negotiate commercial terms with brewers and other suppliers which are at least equal to those enjoyed by the Company.

For those Properties which are currently vacant, closed or let on temporary agreements the Previous Valuation are based on the Special Assumption that the Properties will be let on substantive tied Occupational Agreements which, so far as is possible, are not at risk of losing the tie under market rent only legislation (which, in certain circumstances, enables a tied pub tenant to go free of tie).

For the Managed Operations and Managed Investments Properties we have disregarded any internal or inter-company leases which may currently exist.

TENURE

1,775 of the Properties are freehold. The 5 leasehold properties comprised within the Properties have a total annual rent charge of £13,300 per annum.

The properties held within the Publican Partnership business unit are let on a variety of leases and tenancies ranging from short Tenancies at Will to 30-year fully repairing and insuring leases. The Publican Partnership properties are let on agreements which contain a “tie” for the supply of some or all drinks, whilst the properties held within the Commercial business unit are let on free of tie agreements.

TAXATION AND COSTS

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise on disposals.

As is the normal practice for the valuation of tied and managed public houses the Previous Valuation make no allowance for costs of disposal, or purchaser’s costs.

BREXIT

Following the referendum (held on 23 June 2016) on the United Kingdom’s continued membership of the European Union (“EU”), there has been a three year period of negotiation of the terms of the UK’s withdrawal from the EU including its future trade and other relationships.

At the date of the Previous Valuation it was expected that the UK would leave the EU on or before 29 March 2019, however this date has now been delayed until 31 October 2019 with negotiations with the EU continuing.

The recent elevation of Boris Johnson to Prime Minister on the 24 July 2019 has seen a change in approach to the negotiations and confirmation that the UK will leave on the 31 October 2019 with or without a deal. During the period leading up to the 31 October 2019 it is expected that the markets will continue to demonstrate volatility.

VALUATION APPROACH

The Properties are generally well established businesses which are income generating investments, and the Previous Valuation was undertaken using the Income Capitalisation Method as the principle valuation method.

In current market conditions this continues to be the approach which purchasers, and therefore valuers, would adopt if undertaking the Previous Valuation as at the date of this Report.

SUMMARY OF THE PREVIOUS VALUATION AS AT 30 SEPTEMBER 2018

<u>Valued by</u>	<u>No. of properties</u>	<u>Aggregate Market Value</u> (millions)
Avison Young	1,948	£1,661

CHANGES SINCE THE PREVIOUS VALUATION

As would be expected with a portfolio of this size there have, as part of the on-going management of the Company’s wider business, been a number of changes to individual Properties between the date of the Previous Valuation and the date of this Report. Such changes have included the sale of 168 non-core sites, capital investments in certain Properties, the conversions from Publican Partnerships to Managed or Commercial, and transfers between the financing vehicles and instruments which the Company employs.

VALUATION OF THE PROPERTIES

Following the completion of the 168 disposals there are, as at 31 July 2019, 1,780 Properties. The aggregate of the valuations of these 1,780 Properties as at 30 September is:

£1,518,200,000

(One Billion, Five Hundred and Eighteen Million Two Hundred Thousand Pounds)

Of which the 1,775 freehold Properties account for:

£1,512,700,000

(One Billion, Five Hundred and Twelve Million Seven Hundred Thousand Pounds)

And the 5 leasehold Properties account for:

£5,500,000

(Five Million and Five Hundred Thousand Pounds)

NO MATERIAL DIFFERENCE STATEMENT

Within a portfolio which encompasses thousands of individual properties there are, inevitably, short term changes in trading performance, changes in lease agreements, or in operating formats, all of which can cause individual properties to experience fluctuations in value, some of which will be positive, whilst others will be negative.

We have been informed by the Company that the aggregate trading performance of the Properties has not materially changed, and upon scrutinisation of recent market transactions we have concluded that there has been no material change in yields or market sentiment.

Having regard to the foregoing we conclude that there has been no material change in the Previous Valuation of the Properties which are still owned by the Company as at the date of this Report, nor of the valuation of the Remaining Properties.

This statement is made in order to facilitate the directors of the Company in satisfying the requirements of Rule 29.5 of the Code, and on the basis of valuation set out above, and the assumptions and definitions set out within this Report.

RELIANCE ON THIS REPORT

This Report may only be relied upon by the Company and its shareholders, Deutsche Bank AG, London Branch and N.M Rothschild & Sons Ltd. No reliance may be placed on the Report, or any part of it, by any party for any purpose other than in connection with the stated Purpose.

LIABILITY AND PUBLICATION

For the avoidance of doubt, this Report is provided by GVA Grimley Ltd t/a Avison Young and no principal, director or employee assumes any personal responsibility for it nor shall we owe a duty of care in respect of it.

It has been prepared for the benefit of the Addressees, and we accept no liability at all towards any third party.

Yours faithfully

Peter Constantine BSc FRICS
Principal
Retail, Hotels & Leisure

Gavin Brent BSc MRICS
Principal
Retail, Hotels & Leisure

APPENDIX: GENERAL ASSUMPTIONS AND DEFINITIONS



Unless stated otherwise in the Report and Valuation or Terms of Engagement / Instruction Letter, our valuations are carried out in accordance with the following assumptions and definitions. These form an integral part of our appointment. If you require any clarification, please contact the individual named on the engagement correspondence.

Our Report and Valuations are provided in accordance with the 'RICS Valuation—Global Standards 2017 (Incorporating the IVSC International Valuation Standards)' prepared by the Royal Institution of Chartered Surveyors (the "Red Book"), and with Avison Young's Standard Terms of Business. Any opinions of value are valid only at the valuation date and may not be achievable in the event of a future disposal or default, when both market conditions and the sale circumstances may be different.

Within the Report and Valuation, we make assumptions in relation to facts, conditions or situations that form part of the valuation. We assume that all information provided by the addressee of the report, any borrower or third party (as appropriate) in respect of the property is complete and correct. We assume that details of all matters relevant to value, such as prospective lettings, rent reviews, legislation and planning decisions, have been made available to us, and that such information is up to date. In the event that any of these assumptions prove to be incorrect then we reserve the right to review our opinion(s) of value.

VALUATION DEFINITIONS:

Market Value is defined in IVS 104 paragraph 30.1 as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The interpretative commentary on Market Value, within the International Valuation Standards (IVS), has been applied.

Valuations produced for capital gains tax, inheritance tax and Stamp Duty Land Tax / Land and Buildings Transaction Tax purposes will be based on the statutory definitions, which are written in similar terms and broadly define Market Value as:

'The price which the property might reasonably be expected to fetch if sold in the open market at that time, but that price must not be assumed to be reduced on the grounds that the whole property is to be placed on the market at one and the same time.'

SPECIAL ASSUMPTIONS

Where we are instructed to undertake valuations subject to a Special Assumption, these usually require certain assumptions to be made about a potential alternative use or status of the property. This is a hypothetical scenario that we consider realistic, relevant and valid as at the valuation date, but which may not necessarily be deliverable at a future date.

INSURANCE

In arriving at our valuation we assume that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on costs.

PURCHASE AND SALE COSTS, SDLT AND TAXATION

No allowance is made for legal fees or any other costs or expenses which would be incurred on the sale of the property. However, where appropriate, and in accordance with market practice for the asset type, we make deductions to reflect purchasers' acquisition costs. Trade-related properties are usually valued without deducting the costs of purchase. Where appropriate, purchasers' costs are calculated based on professional fees

inclusive of VAT, together with the appropriate level of Stamp Duty Land Tax / Land and Buildings Transaction Tax.

Whilst we have regard to the general effects of taxation on market value, we do not take into account any liability for tax that may arise on a disposal, whether actual or notional, neither do we make any deduction for Capital Gains Tax, VAT or any other tax. We make no allowance for receipt or repayment of any grants or other funding.

PLANS, FLOOR AREAS AND MEASUREMENTS

Our assumptions as to site boundaries / demise should be verified by your legal advisers. If any questions of doubt arise the matter should be raised with us so that we may review our valuation.

We obtain floor areas in accordance with the approach agreed in our Terms of Engagement / Instruction Letter. This may comprise one or more of the following approaches:

- (i) We measure the floor areas during the property inspection
- (ii) We calculate floor areas from plans provided to us, supported by check measurements on site where possible,
- (iii) We rely upon floor areas provided.

Under approaches (ii) and (iii), we wholly rely upon the information provided, and assume that the areas have been calculated in accordance with market standards. We are unable to provide any warranties as to accuracy.

Measurement is in accordance with the current edition of RICS Property Measurement. If we are instructed not to adopt International Property Measurement Standards (IPMS), measurements are provided in accordance with the latest version of the Code of Measuring Practice. We adopt the appropriate floor area basis for our valuation analysis to reflect the analysis of floor areas in the comparable transactions.

Where the basis of analysis of a comparable is uncertain, we adopt a default assumption for that asset type.

Although every reasonable care is taken to ensure the accuracy of the surveys there may be occasions when due to tenant's fittings, or due to restricted access, professional estimations are required. We recommend that where possible, we are provided with scaled floor plans in order to cross-reference the measurements. In the event that a specialist measuring exercise is undertaken for the property, we recommend that a copy is forwarded to us in order that we may comment on whether there may be an impact on the reported value.

Floor areas set out in our report are provided for the purpose described in the Report and Valuation and are not to be used or relied upon for any other purpose.

CONDITION, STRUCTURE AND SERVICES, DELETERIOUS MATERIALS, SAFETY LEGISLATION AND EPCS

Our Report and Valuation takes account of the general condition of the property as observed from the valuation inspection, and is subject to access. Where we have noticed items of disrepair during the course of our inspections, they are reflected in our valuations, unless otherwise stated.

We do not undertake any form of technical, building or deleterious material survey and it is a condition of our appointment that we will in no way review, or give warranties as to, the condition of the structure, foundations, soil and services. Unless we are supplied with evidence to the contrary, we assume that the property is fully in compliance with building regulations and is fully insurable. We assume it is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects. We assume that none of the materials commonly considered deleterious or harmful are included within the property, such as, inter alia, asbestos, high alumina cement concrete, calcium chloride as a drying agent, wood wool slabs as permanent shuttering, aluminium composite material, polystyrene and polyurethane cladding insulation.

In the event that asbestos is identified in a property, we do not carry out an asbestos inspection, nor are we able to pass comment on the adequacy of any asbestos registers or management plans. Where relevant, we assume that the property is being managed in full compliance with the Control of Asbestos Regulations 2012 and relevant HSE regulations, and that there is no requirement for immediate expenditure, nor any risk to health.

We do not test any services, drainage or service installations. We assume that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

We assume that the property has an economic life span similar to comparable properties in the market, subject to regular maintenance and repairs in accordance with appropriate asset management strategies.

We comment on the findings of Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs) if they are made available to us, but may be unable to quantify any impact on value. If we are not provided with an EPC, we assume that if one was available, its rating would not have had a detrimental impact upon our opinion value or marketability.

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we assume that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

We do not test any alarms or installations and assume that the property complies with, and will continue to comply with, fire regulations and the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 legislation.

Where a specialist condition or structural survey is provided to us, we reflect the contents of the report in our valuation to the extent that we are able to as valuation surveyors, and our assumptions should be verified by the originating consultant. Should any issues subsequently be identified, we reserve the right to review our opinion of value.

GROUND CONDITIONS, ENVIRONMENTAL MATTERS, CONSTRAINTS AND FLOODING

We are not chartered environmental surveyors and we will not provide a formal environmental assessment. Our investigations are therefore limited to observations of fact, obtained from third party sources, such as local authorities, the Environment Agency and professional reports that may be commissioned for the valuation.

We do not carry out any soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual features that may be harmful to people or property, or that would inhibit the actual or assumed use or development of the property. This includes, inter alia: ground conditions and load bearing qualities, subterranean structures or services, contamination, pollutants, mining activity, sink holes, archaeological remains, radon gas, electromagnetic fields and power lines, invasive plants and protected species.

We do not undertake any investigations into flooding, other than is available from public sources or professional reports provided to us. Our findings are outlined in the report for information only, without reliance or warranty. We assume in our valuation that appropriate insurance is in place and may be renewed to any owner of the property by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

Should our enquiries or any reports indicate the existence of environmental issues or other matters as described above, we expect them to contain appropriate actions and costings to address the issue. We rely on this information and use it as an assumption in our valuation. If such information is not available, we may not be able to provide an opinion of value.

We assume that the information and opinions we are given in order to prepare our valuation are complete and correct and that further investigations would not reveal more information sufficient to affect value. However, a purchaser in the market may undertake further investigations, and if these were unexpectedly to reveal issues, then this might reduce the values reported. We recommend that appropriately qualified and experienced specialists are instructed to review our report and revert to us if our assumptions are incorrect.

PLANT AND MACHINERY, FIXTURES AND FITTINGS

We disregard the value of all process related plant, machinery, fixtures and fittings, and those items which are in the nature of occupiers' trade fittings and equipment. We have regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where properties are valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title.

No equipment or fixtures and fittings are tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

OPERATIONAL ENTITIES

Where the properties are valued as an operational entity and reference is made to the trading history or trading potential of the property, we place reliance on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuations reported could be adversely affected.

TITLE, TENURE, OCCUPATIONAL AGREEMENTS AND COVENANTS

Unless otherwise stated, we do not inspect the Land Registry records, title deeds, leases or related legal documents and, unless otherwise disclosed to us, we assume good and marketable title that is free from onerous or restrictive covenants, rights of way and easements, and any other encumbrances or outgoings that may affect value. We disregard any mortgages (including regulated mortgages), debentures or other charges to which the property may be subject.

We assume that any ground rents, service charges other contributions are fair and proportionate, and are not subject to onerous increases or reviews.

Where we have not been supplied with leases, unless we have been advised to the contrary, we assume that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to market rent. We assume that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews. We assume that wherever rent reviews or lease renewals are pending, all notices have been served validly within the appropriate time limits, and they will be settled according to the assumptions we set out within the reports.

Unless informed otherwise, we assume that all rents and other payments payable by virtue of the leases have been paid to date and there are no arrears of rent, service charge or other breaches in the obligations of occupation.

In the case of property that is let, our opinion of value is based on our assessment of the investment market's perception of the covenant strength of the occupier(s). This is arrived at in our capacity as valuation surveyors on the basis of information that is publicly available. We are not accountants or credit experts and we do not undertake a detailed investigation into the financial status of the tenants. Our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness. We provide no warranties as to covenant strength and recommend that you make your own detailed enquiries if your conclusions differ from our own.

Where we are provided with a report on title and/or occupational agreement, we form our opinion of value reflecting our interpretation of that title. Your legal advisers should review our understanding of the title and confirm that this is correct.

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We undertake online planning enquiries to the extent that we consider reasonable and appropriate to the valuation. We do not make formal verbal or written enquiries to local authorities. If a professional planning report is provided to us, we will take the findings into account in our valuation but will not be accountable for the advice provided within it, nor any errors of interpretation or fact within the third party report.

We assume that the property is constructed, used and occupied in full compliance with the relevant planning and building regulation approvals and that there are no outstanding notices, conditions, breaches, contraventions, non-compliance, appeals, challenges or judicial review. We assume that all consents, licenses and permissions are in place, that there are no outstanding works or conditions required by lessors or statutory, local or other competent authorities, and that no adverse planning conditions or restrictions apply. If we are instructed to value property on the Special Assumption of having the benefit of a defined planning permission or license, we assume that it will not be appealed or challenged at any point prior to, or following, implementation.

Our investigations are limited to identifying material planning applications on the property and observable constraints. We seek to identify any proposals in the immediate vicinity that may have an impact on the property, such as highway proposals, comprehensive development schemes and other planning matters.

We seek to obtain rateable values and council tax banding from the statutory databases, where available. The 2017 rating revaluation has resulted in some significant increases in rateable values. This may have an impact on the marketability and value of a property, and on vacancy rates or landlord non recoverable costs. However, unless there is evidence to the contrary, we will make the express assumption that any changes are affordable to

occupiers, or will be subject to appropriate transitional relief. We do not reflect the impact of any rating appeals in our valuations unless they are formally concluded.

Given that statutory information is obtained from third party sources, we are unable to provide any warranty or reliance as to its accuracy. Your legal advisers should verify our assumptions and revert to us if required.

VALUATIONS ASSUMING DEVELOPMENT, REFURBISHMENT OR REPOSITIONING

Unless specifically instructed to the contrary, where we are provided with development costs and construction schedules by the addressee, a borrower or an independent quantity surveyor, we rely on this information as an assumption in arriving at our opinion of value. It forms an assumption within our valuation and we accept no liability if the actual costs or programme differ from those assumed at the valuation date.

We are not quantity surveyors and provide no reliance as to construction costs or timescale. Irrespective of the source of this information, a professional quantity surveyor should review our assumptions and revert to us if there are any issues of doubt, so that we may review our opinion of value.

We additionally assume that a hypothetical market purchaser will have the necessary resources, skills and experience to deliver the proposed development. It is not within our scope to assess the credentials of any actual purchaser, owner or developer of the property that is subject to our valuation. We accept no liability for any circumstances where a development or refurbishment does not achieve our concluded values.

If a property is in the course of development, our valuation assumes that the interest will be readily assignable to a market purchaser with all contractor and professional team warranties in place. Where an opinion of the completed development value is required, we assume that all works are completed in accordance with appropriate statutory and industry standards, and are institutionally acceptable.

ALTERNATIVE INVESTMENT FUNDS

In the event that our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ('the AIFMD'), which relates to Alternative Investment Fund Managers ('AIFM'), applies, our instructions are solely limited to providing recommendations on the value of particular property assets (subject to the assumptions set out in our valuation report) and we are therefore not determining the net asset value of either the Fund or the individual properties within the Fund. Accordingly, we are not acting as an 'external valuer' (as defined under the AIFMD) but are providing our service in the capacity of a 'valuation advisor' to the AIFM.

RELIANCE

Our Report and Valuation is provided only for the addressee and for the identified purpose. It may not be disclosed to, or relied upon by any third party or for any other purpose. Real estate is a complex asset class and we assume that any addressee placing reliance on our Report and Valuation in a professional lending or investing capacity has sufficient expertise to fully review and understand its contents and the valuation conclusions reached. We strongly recommend that any queries are raised with us within a reasonable period of receiving our Report and Valuation and prior to committing any funds.

**PART 8
ADDITIONAL INFORMATION**

1. RESPONSIBILITY

1.1 EIG

The EIG Directors, whose names appear in paragraph 2.1 of this Part 8, each accept responsibility for the information (including any expressions of opinion) contained in this document other than information for which responsibility is taken under paragraph 1.2 below. To the best of the knowledge and belief of the EIG Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Stonegate

The Stonegate Directors whose names appear in paragraph 2.2 of this Part 8, each accept responsibility for the information (including any expressions of opinion) contained in this document relating to themselves (and their close relatives, related trusts and other persons connected with them), Stonegate, the Stonegate Group, Bidco and the Bidco Directors and persons deemed to be acting in concert with Bidco (as such term is defined in the Code). To the best of the knowledge and belief of the Stonegate Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS AND CORPORATE INFORMATION

2.1 The names of the EIG Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Robert Walker	Chairman
Simon Townsend	Chief Executive Officer
Neil Smith	Chief Financial Officer
Adam Fowle	Senior Independent Director
Peter Baguley	Independent Non-Executive Director
Jane Bednall	Independent Non-Executive Director
Marisa Cassoni	Independent Non-Executive Director

The registered office of EIG and the business address of all of the above directors is 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ. The company secretary of EIG is Loretta Togher.

2.2 The names of the Stonegate Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Ian Payne	Chairman
Simon Longbottom	Chief Executive Officer
David Ross	Chief Financial Officer
Brian Magnus	Non-Executive Director
Manjit Dale	Non-Executive Director

Stonegate is a private limited company incorporated in the Cayman Islands with registered number 244248. Stonegate's registered office is at Codan Trust Company (cayman) Limited, PO Box 2681, Cricket Square, Grand Cayman, Cayman Islands, KY1 1111. Stonegate is registered in the UK with the Registrar of Companies (at Companies House) as an overseas company under number FC029833.

2.3 The names of the Bidco Directors and their respective positions are as follows:

<u>Name</u>	<u>Position</u>
Simon Longbottom	Director
Brian Magnus	Director
Ian Payne	Director
David Ross	Director

The registered office of Bidco and the business address of all the above directors is Porter Tun House, 500 Capability Green, Luton, LU1 3LS.

3. PERSONS ACTING IN CONCERT

3.1 In addition to the Bidco Directors (together with their close relatives and related trusts) and members of the Wider Bidco Group (and their related pension schemes), the persons who, for the purposes of the Code, are acting in concert with Bidco in respect of the Acquisition include:

<u>Name</u>	<u>Registered office</u>	<u>Relationship</u>
TDR and funds managed or advised by TDR	20 Bentinck St, London W1U 2EU	Indirect shareholder of Stonegate
Portfolio companies of funds managed or advised by TDR	N/A	Portfolio companies of funds managed or advised by TDR
Landmark Equity Advisors LLC	10 Mill Pond Lane Simsbury, CT 06070 United States	Limited partner in funds managed or advised by TDR
Goldman Sachs International	Peterborough Court, 133 Fleet Street, London EC4A 2BB	Financial adviser
Nomura International Plc	1 Angel Lane, London, EC4R 3AB	Financial adviser
Barclays	1 Churchill Place, London E14 5HP	Financial adviser

3.2 In addition to the EIG Directors (together with their close relatives and related trusts) and members of the EIG Group (and their related pension schemes), the persons who, for the purposes of the Code, are acting in concert with EIG in respect of the Acquisition are:

<u>Name</u>	<u>Type</u>	<u>Registered office/address</u>	<u>Relationship</u>
Deutsche Bank	Financial Services	Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom	Lead Rule 3 financial adviser and corporate broker to EIG
N.M. Rothschild & Sons Limited	Financial Services	New Court, St Swithin's Lane, London EC4N 8AL	Rule 3 financial adviser to EIG
Numis Securities Limited	Financial Services	10 Paternoster Square, London EC4M 7LT	Corporate Broker
RetailLink Management Limited Pension Plan	Pension Scheme	c/o 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ	Pension scheme

4. IRREVOCABLE UNDERTAKINGS

4.1 The following EIG Directors, who hold EIG Shares, have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting in relation to the following EIG Shares:

<u>Name</u>	<u>Number of EIG Shares</u>	<u>% of issued EIG Shares</u>
Robert Walker	502,000	0.115
Simon Townsend	1,375,000	0.314
Neil Smith	565,000	0.129
Adam Fowle	100,000	0.023
TOTAL	2,542,000	0.580

The undertakings from the EIG Directors named above will cease to be binding only if: (i) the Panel consents to Bidco not proceeding with the Acquisition; (ii) the Scheme lapses or is withdrawn, or the

Scheme does not become Effective on or before the Long-stop Date (other than in circumstances where Bidco has elected (in accordance with the Cooperation Agreement) to exercise its right to proceed by way of a Takeover Offer and announced the same in accordance with the requirements of Paragraph 8 of Appendix 7 to the Code, the offer document has been despatched within 28 days of the date of issue of such announcement (or such longer period as the Panel may agree), and such Takeover Offer has not lapsed or been withdrawn); (iii) any competing offer for the entire issued and to be issued share capital of EIG is declared wholly unconditional or effective; (iv) Bidco announces that it does not intend to proceed with the Acquisition and no new, revised or replacement Scheme or Takeover Offer is announced in accordance with Rule 2.7 of the Code at the same time; or (v) the Scheme lapses or is withdrawn and Bidco publicly confirms that it does not intend to proceed with the Acquisition (or to implement it by way of a Takeover Offer). The undertakings will remain binding in the event that a higher competing offer for EIG is made.

5. INTERESTS, SHAREHOLDINGS AND DEALINGS

5.1 Definitions

5.1.1 For the purposes of this paragraph 5:

- “**acting in concert**” has the meaning given to it in the Code;
- “**arrangement**” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;
- “**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;
- “**dealing**” has the meaning given to it in the Code;
- “**derivative**” has the meaning given to it in the Code;
- “**director**” includes persons in accordance with whose instructions the directors or a director are accustomed to act;
- “**disclosure date**” means the Latest Practicable Date;
- “**disclosure period**” means the period commencing on 18 July 2018 (being the date 12 months prior to the commencement of the Offer Period) and ending on the disclosure date;
- “**relevant securities**” means: (i) the EIG Shares and any other securities of EIG conferring voting rights; (ii) the ordinary shares in the share capital of Bidco and any other securities of Bidco conferring voting rights; and (iii) securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to any of the foregoing (as appropriate), and “**EIG relevant securities**” and “**Bidco relevant securities**” shall be construed accordingly; and
- “**short positions**” means short positions, 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 obligations or right to require another person to purchase or take delivery.

5.1.2 A person has an “**interest**” or is “**interested**” in securities if he or she has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he or she only has a short position in such securities) and in particular covers:

- (a) legal title to and beneficial ownership (i.e. the ability to exercise, or control the exercise of, voting rights) of securities;
- (b) the right, option or obligation to acquire, call for or take delivery of securities under an option or derivative; or

(c) derivatives referenced to, or which may result in, a long position in securities.

5.2 Interests in EIG relevant securities

5.2.1 As at the disclosure date, the following EIG Directors and their immediate families, close relatives and related trusts and companies had the following interests in EIG relevant securities (other than options disclosed in paragraph 5.2.4 below):

<u>Name</u>	<u>Number of EIG Shares</u>
Robert Walker	502,000
Simon Townsend	1,375,000
Neil Smith	565,000
Adam Fowle	100,000

5.2.2 As at the disclosure date, none of the Bidco Directors and their immediate families, close relatives and related trusts and companies had any interests in EIG relevant securities.

5.2.3 As set out in paragraph 4.1 of this Part 8, each of those mentioned EIG Directors has given an irrevocable undertaking to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in respect of the number of EIG Shares in which he is interested.

5.2.4 As at the disclosure date, the following options and awards in respect of EIG Shares had been granted to EIG Directors under the EIG Share Plans and remain outstanding:

<u>Name</u>	<u>Award</u>	<u>Date of grant</u>	<u>Number of EIG Shares subject to award</u>	<u>Exercise price (p)</u>	<u>Exercise period (from)</u>	<u>Exercise period (to)</u>
Simon Townsend	LTIP 2015 ⁽¹⁾	9 February 2015	14,423	100.00	12 December 2019	12 May 2020
	LTIP 2016 ⁽¹⁾	12 February 2016	144,528	100.00	12 December 2019	12 May 2020
	LTIP 2016 ⁽¹⁾	12 February 2016	144,528	100.00	12 December 2020	12 May 2021
	LTIP 2017 ⁽¹⁾	9 February 2017	276,429	100.00	12 December 2019	12 May 2020
	LTIP 2017 ⁽¹⁾	9 February 2017	276,428	100.00	12 December 2020	12 May 2021
	LTIP 2017 ⁽¹⁾	9 February 2017	276,428	100.00	12 December 2021	12 May 2022
	LTIP 2018 ⁽¹⁾	9 February 2018	276,429	100.00	12 December 2020	12 May 2021
	LTIP 2018 ⁽¹⁾	9 February 2018	276,428	100.00	12 December 2021	12 May 2022
	LTIP 2018 ⁽¹⁾	9 February 2018	276,428	100.00	12 December 2022	12 May 2023
	Deferred Share Awards 2016 ⁽²⁾	14 December 2016	91,227	100.00	14 December 2019	14 June 2020
	Deferred Share Awards 2017 ⁽²⁾	14 December 2017	50,668	100.00	14 December 2020	14 June 2021
	Deferred Share Awards 2018 ⁽²⁾	14 December 2018	29,788	100.00	14 December 2021	14 June 2022
	SAYE	23 December 2014	17,437	86.88	1 February 2020	1 August 2020
	SAYE	15 December 2016	17,985	83.40	1 February 2022	1 August 2022
	2019 Restricted Share Plan ⁽³⁾	15 March 2019	219,320	Nil-cost option	Following announcement of results for the year ending 30 September 2023	25 March 2029
Neil Smith	LTIP 2015 ⁽¹⁾	9 February 2015	11,758	100.00	12 December 2019	12 May 2020
	LTIP 2016 ⁽¹⁾	12 February 2016	117,957	100.00	12 December 2019	12 May 2020
	LTIP 2016 ⁽¹⁾	12 February 2016	117,956	100.00	12 December 2020	12 May 2021
	LTIP 2017 ⁽¹⁾	9 February 2017	225,608	100.00	12 December 2019	12 May 2020
	LTIP 2017 ⁽¹⁾	9 February 2017	225,607	100.00	12 December 2020	12 May 2021
	LTIP 2017 ⁽¹⁾	9 February 2017	225,607	100.00	12 December 2021	12 May 2022
	LTIP 2018 ⁽¹⁾	9 February 2018	225,608	100.00	12 December 2020	12 May 2021
	LTIP 2018 ⁽¹⁾	9 February 2018	225,607	100.00	12 December 2021	12 May 2022
	LTIP 2018 ⁽¹⁾	9 February 2018	225,607	100.00	12 December 2022	12 May 2023
	Deferred Share Awards 2016 ⁽²⁾	14 December 2016	74,455	100.00	14 December 2019	14 June 2020
	Deferred Share Awards 2017 ⁽²⁾	14 December 2017	41,326	100.00	14 December 2020	14 June 2021
	Deferred Share Awards 2018 ⁽²⁾	14 December 2018	26,710	100.00	14 December 2021	14 June 2022
	2019 Restricted Share Plan ⁽³⁾	15 March 2019	181,158	Nil-cost option	Following announcement of results for the year ending 30 September 2023	25 March 2029

- (1) LTIP awards are subject to performance conditions assessed over a period of three years. In accordance with the rules of the 2015 LTIP approved by shareholders at EIG's annual general meeting in 2015, LTIP awards become exercisable as to one-third of the vested shares on the assessment by the Remuneration Committee of the performance conditions and a further one-third on each of the first and second anniversaries of assessment. Vested options can be exercised until the tenth anniversary of grant. £1.00 in aggregate is payable on the exercise of each year's award under the LTIP.
- (2) Deferred shares ordinarily vest after three years and are not subject to any further performance conditions but are subject to future service conditions. £1.00 in aggregate is payable on the exercise of each year's award under the bonus plan.
- (3) In accordance with the rules of the 2019 Restricted Share Plan approved by shareholders at EIG's annual general meeting in 2019, Restricted Share Plan awards are subject to performance underpins and vesting will be phased over a five-year period, with one-third vesting after three years, one-third after four years and one-third after five years. A holding period also applies such that no shares can be sold until at least five years after grant. Vested options can be exercised until the tenth anniversary of grant.

5.2.5 As at the disclosure date, none of the EIG Directors and their immediate families, close relatives and related trusts and companies had any short positions in respect of EIG relevant securities.

5.2.6 As at the disclosure date, none of the Bidco Directors and their immediate families, close relatives and related trusts and companies had any short positions in respect of EIG relevant securities.

5.2.7 As at the disclosure date, so far as EIG is aware, no person acting in concert with EIG (excluding the EIG Directors) held any interests, rights to subscribe and short positions in respect of EIG relevant securities.

5.2.8 As at the disclosure date, so far as Stonegate and Bidco is aware, the interests, rights to subscribe and short positions in respect of EIG relevant securities held by persons acting in concert with Bidco (excluding the Bidco Directors) were as follows:

<u>Name</u>	<u>Number of EIG Shares</u>	<u>% of EIG's existing share capital</u>	<u>Nature of Interest</u>
Goldman Sachs & Co LLC	57	0.00001	Cash-settled derivatives

5.2.9 As at the disclosure date, there were no interests, rights to subscribe and short positions in respect of EIG relevant securities held by any persons with whom Bidco or any person acting in concert with Bidco has any arrangement in relation to EIG relevant securities.

5.3 Dealings in EIG relevant securities

As at the disclosure date, no dealings by Bidco, the Bidco Directors, their respective immediate families, close relatives and related trusts and companies or persons acting in concert with Bidco, and persons with whom Bidco or any person acting in concert with Bidco has any arrangement in relation to EIG relevant securities, have taken place during the disclosure period.

5.4 General

Save as disclosed in this paragraph 5, as at the disclosure date:

5.4.1 neither Bidco, nor any other member of the Stonegate Group, the Bidco Directors, nor (in the case of the Bidco Directors) any member of their respective immediate families, close relatives or related trusts or companies, nor any person acting in concert with Bidco, nor any person with whom Bidco or any person acting in concert with Bidco had an arrangement, had any right to subscribe for, or had any short position in relation to, or was interested in, directly or indirectly, any relevant securities of EIG, as appropriate, and nor had any such person dealt in any relevant securities of EIG during the disclosure period;

5.4.2 neither EIG nor any of the EIG Directors, nor (in the case of the EIG Directors) any member of their respective immediate families, close relatives or related trusts or companies, nor any person acting in concert with EIG, nor any person with whom EIG or any person acting in concert with EIG had an arrangement owned or controlled or was interested in, directly or indirectly, nor had any right to subscribe for, or any short position in relation to, any relevant securities of EIG, as appropriate, and nor had any such person dealt in any relevant securities of EIG between the commencement of the Offer Period and the disclosure date;

- 5.4.3 neither EIG nor any of the EIG Directors, nor (in the case of the EIG Directors) any member of their respective immediate families, close relatives or related trusts or companies, nor any person acting in concert with EIG, nor any person with whom EIG or any person acting in concert with EIG had an arrangement had any interest in or right to subscribe for, or had any short position in relation to, any Bidco relevant securities, nor had any such person dealt in any Bidco relevant securities between the commencement of the Offer Period and the disclosure date;
- 5.4.4 neither EIG nor Bidco, nor any person acting or presumed to be acting in concert with EIG or Bidco, had borrowed or lent any relevant securities in EIG (save for any borrowed shares which have been either on-lent or sold); and
- 5.4.5 save for the irrevocable undertakings given by EIG Directors as described in paragraph 4 above, there is no arrangement relating to relevant securities in EIG which exists between Bidco or any person acting in concert with Bidco and any other person, nor between EIG or any person acting in concert with EIG and any other person.

6. SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT OF EIG DIRECTORS

- 6.1 Each of the following executive directors of EIG has entered into a service agreement with EIG. The principal terms of these service agreements are as follows:

<u>Name of Director</u>	<u>Date of agreement</u>	<u>Mutual notice period</u>	<u>Current base salary (per annum)</u>
Simon Townsend	31 October 2000	12 months	£500,000
Neil Smith	8 October 2010	12 months	£413,000

Service agreement—Simon Townsend

On 31 October 2000 Simon Townsend entered into a service agreement with EIG, terminable by either party on 12 months' prior written notice or by EIG immediately in the case of gross misconduct (amongst other circumstances), and by EIG on short notice (the statutory minimum period of time plus one week) should he become incapacitated for the requisite period of time and prevented from performing his duties as a director. The agreement contains provisions relating to pay, pension contributions payable by EIG and holiday entitlement. On notice of termination, EIG is entitled to make a payment in lieu of notice under the agreement. The agreement contains acknowledgements by Mr Townsend on conduct requirements in respect of confidential information, share dealings and conflicts of interest. Amongst other restrictions, for the 12 months following the termination of the agreement Mr Townsend undertakes not to i) hold any direct or indirect material interest in any business which is wholly or partly in competition with the business of EIG in certain geographical areas; ii) seek any business from customers; iii) attempt to persuade employees to leave the business of EIG; and iv) disclose confidential business information. The agreement automatically terminates on Mr Townsend's 60th birthday.

Service agreement—Neil Smith

On 8 October 2010 Neil Smith entered into a service agreement with EIG, terminable by either party on 12 months' prior written notice or by EIG immediately in the case of gross misconduct (amongst other circumstances), and by EIG on short notice (the statutory minimum period of time plus one week) should he become incapacitated for the requisite period of time and prevented from performing his duties as a director. The agreement contains provisions relating to pay, pension contributions payable by EIG and holiday entitlement. On notice of termination, EIG is entitled to make a payment in lieu of notice under the agreement. The agreement contains acknowledgements made by Mr Smith on conduct requirements in respect of confidential information, share dealings and conflicts of interest. Amongst other restrictions, for the 12 months following the termination of the agreement Mr Smith undertakes not to i) hold any direct or indirect material interest in any business which is wholly or partly in competition with the business of EIG in certain geographical areas; ii) seek any business from customers; iii) attempt to persuade employees to leave the business of EIG; and iv) disclose confidential business information. The agreement automatically terminates on Mr Smith's 65th birthday or when he reaches EIG's retirement age.

6.2 Each of the following non-executive directors of EIG has entered into a letter of appointment with EIG as summarised below:

<u>Name of Director</u>	<u>Date of letter</u>	<u>Unexpired term</u>	<u>Mutual notice period</u>	<u>Current fees (per annum)</u>
Robert Walker	9 February 2012	Rolling (subject to re-election)	6 months	£218,000
Adam Fowle	6 February 2014	Rolling (subject to re-election)	6 months	£67,300
Peter Baguley	31 January 2013	Rolling (subject to re-election)	6 months	£67,300
Jane Bednall	2 July 2018	Rolling (subject to re-election)	6 months	£60,700
Marisa Cassoni	1 April 2015	Rolling (subject to re-election)	6 months	£67,300

Each non-executive EIG Director’s appointment is subject to re-election where appropriate at any annual general meeting of EIG. Each non-executive EIG Director is entitled to receive a fee in relation to his or her appointment, payable in equal instalments monthly in arrears in addition to reasonable expenses and the cost of independent professional advice incurred in carrying out their duties. They are entitled to benefit from appropriate liability insurance put in place by EIG and must notify the Chief Executive Officer and/or the company secretary of any conflict of interest which arises as a result of their other business interests. Each non-executive EIG Director’s appointment may be terminated upon six months’ written notice, except in certain limited circumstances (including fraud or bankruptcy) in which case an appointment may be terminated immediately. On termination, each non-executive EIG Director will only be entitled to accrued fees as at the date of termination, together with reimbursement of any expenses properly incurred prior to that date.

6.3 Save as set out in this paragraph 6:

- 6.3.1 no EIG Director is entitled to commission or profit sharing arrangements;
- 6.3.2 and other than statutory compensation and payment in lieu of notice and as set out in this paragraph 6, no compensation is payable by EIG to any EIG Director upon early termination of their appointment; and
- 6.3.3 there are no service agreements or letters of appointment between any member of the Wider EIG Group and any EIG Director and no such agreement has been entered into or amended within six months preceding the date of this document.

7. MARKET QUOTATIONS

The following table lists the Closing Price for EIG Shares taken from the Daily Official List on:

- 7.1 the first trading day of each of the six months prior to the date of this document;
- 7.2 17 July 2019 (being the latest Business Day prior to the commencement of the Offer Period); and
- 7.3 the Latest Practicable Date:

<u>Date</u>	<u>EIG Share Price (p)</u>
Latest Practicable Date	280.6
17 July 2019	205.8
1 July 2019	199.6
3 June 2019	209.4
1 May 2019	213
1 April 2019	210
1 March 2019	206
1 February 2019	202

8. MATERIAL CONTRACTS OF EIG

Save as set out below there are no contracts, not being contracts entered into in the ordinary course of business, which have been entered into by EIG or any other member of the EIG Group since 17 July 2017 (being two years before the commencement of the Offer Period) and are, or may be, material:

Amendment and Restatement to a £150 Million Revolving Credit Facility Agreement

EIG is a party to a £150 million revolving credit facility agreement (the “RCF”) originally dated 24 October 2016 (and as amended and restated on 14 March 2017, 19 September 2017 and 14 August

2018) between, amongst others, EIG as borrower, Lloyds Bank plc, The Royal Bank of Scotland plc, BNP Paribas, London Branch, Deutsche Bank and AIB Group (UK) p.l.c. as mandated lead arrangers and lenders and Lloyds Bank plc as agent and security trustee. The RCF contains financial covenants and ongoing obligations on EIG and the principal terms of the RCF include:

- (i) Purpose: refinancing EIG's previous revolving credit facility with a syndicate of banks and, thereafter, for the general corporate purposes of the EIG Group;
- (ii) Term: termination date is 31 August 2022, subject to a one year extension option at each lender's option;
- (iii) Repayment: subject to mandatory prepayment on change of control, the RCF provides a fully revolving facility, so loans can be either repaid on the expiry of their interest period or rolled over for a further interest period, subject to all loans being repaid on or before the termination date;
- (iv) Rate of interest: LIBOR rate plus 3.00 per cent.;
- (v) Security: a floating charge over EIG's entire undertaking, property and assets and a share charge over the shares held by EIG in Unique Pubs Limited, the latter being shared with certain other creditors of EIG subject to an intercreditor agreement; and
- (vi) Governing law and jurisdiction: the facility is governed by English law and the courts of England have jurisdiction.

£150 million 7.50 per cent. Senior Notes due 2024

On 25 September 2018 EIG issued £150,000,000 7.50 per cent. Senior Notes due 2024 (the "Notes"). The net proceeds of the Notes were used to: (i) refinance indebtedness of EIG under certain secured bonds that matured in December 2018 and (ii) repurchase certain convertible bonds issued by Enterprise Funding Limited that were due to mature in September 2020 (the "**Convertible Bonds**") pursuant to a tender offer and consent solicitation.

The Notes are currently listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market.

Ranking

The Notes are senior obligations of EIG and rank *pari passu* in right of payment to any of EIG's existing and future senior debt and rank senior in right of payment to all of EIG's existing and future subordinated debt. The Notes are effectively subordinated to EIG's existing and future secured debt that is secured by property and assets of EIG, to the extent of the value of such property and assets. The Notes are not guaranteed by any of EIG's subsidiaries and are effectively subordinated to any indebtedness of EIG's subsidiaries.

Interest

The Notes accrue interest at a fixed rate of 7.50 per cent. per annum with interest being payable semi-annually in arrear on 15 March and 15 September in each year.

Redemption

Unless previously redeemed or purchased and cancelled in accordance with the terms and conditions of the Notes, EIG shall redeem the Notes at their principal amount on 15 March 2024.

EIG may redeem the Notes in whole or in part at any time on or after 15 September 2020, in each case, at a fixed redemption price set out in the terms and conditions of the Notes. Prior to 15 September 2020, EIG may, at its option, and on more than one occasion(s), redeem:

- (i) all or a portion of the Notes at a redemption price equal to 100 per cent. of the outstanding principal amount of the Notes plus accrued and unpaid interest, if any, to the relevant redemption date, plus a "make-whole" premium, as described in the terms and conditions of the Notes; and
- (ii) up to 40 per cent. of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings at a redemption price equal to 107.5 per cent. of the outstanding principal amount of the Notes plus accrued and unpaid interest, if any, to the relevant redemption date.

In addition, EIG may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price of 100 per cent. of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date of such repurchase.

Redemption following a Change of Control

Subject as provided in the terms and conditions of the Notes, if a Change of Control occurs at any time, EIG shall make an offer to repurchase all or any portion of the Notes at 101 per cent. of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase. It is expected that the Acquisition will constitute such a Change of Control for the purpose of the Notes.

Covenants

The Notes are “high-yield” bonds and contain a covenant package consistent with debt securities of such nature. Such covenant package, amongst other things, limits the ability of EIG and its restricted subsidiaries to, amongst other things and, in each case, subject to certain exceptions as set out in the terms and conditions of the Notes:

- (i) incur or guarantee additional indebtedness unless EIG’s consolidated net leverage ratio, after giving effect to the incurrence of such indebtedness and the application of the proceeds thereof, on a *pro forma* basis, is equal to or less than 7.35 to 1.00;
- (ii) make certain restricted payments and investments, including dividends or other distributions with regard to the shares of EIG or its restricted subsidiaries unless, amongst other things (A) EIG’s consolidated net leverage ratio would be less than or equal to 5.75 to 1.00 on a *pro forma* basis after giving effect to such payment or (B) any annual dividend or distribution does not exceed 5 per cent. of market capitalisation; and
- (iii) make certain asset sales.

Security

The Notes are secured by a first-ranking charge over the share capital of Unique Pubs Limited, which also secures on a *pari passu* basis EIG’s obligations under (i) the RCF, (ii) until the Convertible Bonds were redeemed and cancelled in October 2018, the Convertible Bonds and (iii) any future *pari passu* debt.

Governing Law

The Notes and any non-contractual obligations arising out of or in connection with the Notes, are governed by and construed in accordance with English law. The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes.

£50 million Term Loan Facility Agreement

EIG entered into a £50 million term loan facility agreement (the “**Term Loan**”) dated 19 September 2017 between, amongst others, EIG as borrower, Lloyds Bank plc and BNP Paribas, London Branch as mandated lead arrangers and lenders and Lloyds Bank plc as agent and security trustee. The Term Loan contains financial covenants and ongoing obligations on EIG and the principal terms of the Term Loan include:

- (a) Purpose: refinancing EIG’s indebtedness under certain secured bonds that matured in December 2018;
- (b) Term: final repayment date is 31 July 2020;
- (c) Repayment: subject to mandatory prepayment on change of control or from the proceeds of a new bond issue, bullet repayment on the final repayment date;
- (d) Rate of interest: LIBOR rate plus 3.30 per cent. for the first year following utilisation, 4.30 per cent. for the next six months thereafter and 4.80 per cent. at all times thereafter, subject to a reduction in margin if certain “green” covenants are met;
- (e) Security: legal mortgage over a portfolio of pubs owned by EIG, including a floating charge over all other assets of EIG; and

- (f) Governing law and jurisdiction: the facility is governed by English law and the courts of England have jurisdiction.

The Term Loan was drawn-down as to £35 million and has now been fully repaid. The facility is no longer available.

Sale Agreements

The sale agreements in respect of which a significant portion of EIG's Commercial Properties division, comprising 370 freehold and leasehold properties (the "**Portfolio**") were agreed to be sold pursuant to two conditional sale agreements (the "**First Tranche Sale Agreement**" and the "**Second Tranche Sale Agreement**", together the "**Sale Agreements**"). The Sale Agreements were entered into on 10 January 2019 between (1) the relevant sellers (being the Company, Unique Pub Properties Limited, Unique Pub Properties Alpha Limited, Unique Pub Properties Beta Limited, Unique Pub Properties Gamma Limited and Unique Pub Properties Theta Limited) (the "**Sellers**"), (2) Tavern Propco Limited (the "**Purchaser**") and (3) Tavern Subpropco Limited. The Sale Agreements are subject to the Standard Commercial Property Conditions (2nd Edition) provisions (save as may be expressly varied in the Sale Agreements).

The First Tranche Sale Agreement related to the first tranche of the Portfolio comprising 348 freehold and leasehold properties (the "**First Tranche**"). None of the leasehold properties within the First Tranche required landlord consent to be sold. Completion of the First Tranche (and the Second Tranche (as defined below)) was conditional on the following conditions: (i) the approval of the shareholder circular relating to the sale by the FCA; and (ii) shareholder approval of the sale resolution required to implement and give effect to the transactions contemplated by the First Tranche Sale Agreement and the Second Tranche Sale Agreement. Both of these conditions having been satisfied, completion of the sale of the First Tranche took place on 14 March 2019.

The Second Tranche Sale Agreement relates to the sale of 22 leasehold properties (or part leasehold properties) where the consent of a superior landlord is required for their sale (the "**Second Tranche**"). If any consents are not obtained within the period of 12 months, the relevant leasehold properties will be excluded from the sale and those properties will continue to comprise part of the Commercial Properties division of EIG. As at the date of this document: (i) superior landlord consent has been obtained for five of the properties within the Second Tranche and the sale of those properties has been completed; and (ii) superior landlord consent remains to be obtained for the balance of the properties within the Second Tranche.

The aggregate consideration received on completion of the First Tranche was £336.6 million. The aggregate amount to be received in respect of the Second Tranche is estimated to be £11.4 million (subject to customary rent apportionment mechanics at completion). The consideration for the Second Tranche will be received on a property by property basis.

Cooperation Agreement

See paragraph 10 of this Part 8 for the details of the Cooperation Agreement entered into by Stonegate, Bidco and EIG.

9. MATERIAL CONTRACTS OF BIDCO

Save as set out below there are no contracts, not being contracts entered into in the ordinary course of business, which have been entered into by Bidco or any other member of the Bidco Group since 17 July 2017 (being two years before the commencement of the Offer Period) and are, or may be, material:

Cooperation Agreement

See paragraph 10 of this Part 8 for the details of the Cooperation Agreement entered into by Stonegate, Bidco and EIG.

Credit Agreements

See paragraph 12 of this Part 8 for the details of the Credit Agreements entered into by Bidco and other members of the Stonegate Group.

Equity Commitment Letter

See paragraph 12 of this Part 8 for the details of the equity commitment letter entered into by Bidco.

10. OFFER-RELATED ARRANGEMENTS

Confidentiality Agreement

On 20 June 2019, Stonegate and EIG entered into the Confidentiality Agreement in relation to the Acquisition, pursuant to which, amongst other things, Stonegate has undertaken to: (a) subject to certain exceptions, keep information relating to EIG and the Acquisition confidential and not to disclose it to third parties; and (b) use such confidential information only in connection with the Acquisition. These confidentiality obligations will remain in force until 20 June 2021 or, if earlier, the date the Acquisition becomes Effective.

Joint Defence Agreement

On 21 June 2019, Stonegate, EIG and their respective external legal counsels entered into the Joint Defence Agreement, the purpose of which is to ensure that the exchange or disclosure of certain materials relating to the parties only takes place between their respective external legal counsels and external experts, and does not diminish in any way the confidentiality of such materials and does not result in a waiver of privilege, right or immunity that might otherwise be available.

Cooperation Agreement

On 18 July 2019, Stonegate, Bidco and EIG entered into a cooperation agreement. As announced on 5 August 2019, Stonegate, Bidco and EIG entered into the Cooperation Agreement on 2 August 2019, which replaced the original cooperation agreement, the terms of which are substantially the same as the cooperation agreement entered into on 18 July 2019. Pursuant to the Cooperation Agreement, Bidco and EIG have, amongst other things, each agreed to: (i) cooperate in relation to obtaining any consents, clearances, permissions, waivers and/or approvals as may be necessary, and the making of all filings as may be necessary, from or under the law, regulations or practices applied by any applicable regulatory authority in connection with the Acquisition; and (ii) cooperate in preparing and implementing appropriate proposals in relation to the EIG Share Plans. In addition, Bidco has agreed to certain provisions if the Scheme should switch to a Takeover Offer.

The Cooperation Agreement will terminate in certain circumstances, including if the Acquisition is withdrawn, terminated or lapses, a competing offer completes, becomes effective or is declared unconditional, or if prior to the Long-stop Date any Condition has been invoked by Bidco, if the EIG Directors withdraw their recommendation of the Acquisition or if the Scheme does not become Effective by the Long-stop Date or otherwise as agreed between Bidco and EIG.

Under the terms of the Cooperation Agreement, Bidco and Stonegate have agreed to use their respective best endeavours to secure such clearance from the CMA as is necessary to satisfy the CMA Condition promptly after the date of the Announcement with the aim of obtaining such clearance on or before 31 January 2020. This obligation includes, to the extent necessary to secure the clearance of the CMA, agreeing to make disposals of public houses, which are either owned, leased, operated or managed by the Stonegate Group or the EIG Group; provided that neither Bidco nor Stonegate is required to agree to any remedies which require the sale or other disposal of 100 or more of such public houses in aggregate.

11. SOURCES AND BASES

- 11.1 The value attributed to the existing issued and to be issued ordinary share capital of EIG is based on 437.9 million EIG Shares in issue plus the dilutive impact of 10.1 million EIG Shares subject to options and awards (the “Awards”) under the EIG Share Plans (other than the EIG 2015 Share Incentive Plan) less 1.5 million EIG Shares held by the EIG Employee Benefit Trust, which are shares used to satisfy Awards, in each case as at the Latest Practicable Date.

- 11.2 The enterprise value of EIG implied by the value of the Acquisition is £2,969.5 million, which is based on:
- 11.2.1 approximately £1,272.5 million for the entire issued and to be issued ordinary share capital of EIG calculated using the number of shares set out in paragraph 11.1 above and 285 pence per EIG Share; and
 - 11.2.2 total net leverage of £1,697 million as at 31 March 2019 comprising (i) corporate bonds of £1,175 million; (ii) securitised bonds of £862 million; (iii) cash of £338 million; (iv) capitalised debt issue costs of £17 million; (v) fair value adjustments on acquisition of bonds of £12 million; and (vi) finance lease payables of £3 million.
- 11.3 The implied enterprise value multiple of approximately 11.4 times EBITDA is based on the enterprise value set out in paragraph 2 of Part 1 and EIG's underlying EBITDA of £261 million for the financial year ended 30 September 2018, having been adjusted for disposal of 370 commercial properties. Properties involved in that transaction contributed £26 million to the EIG Group EBITDA in the financial year ended 30 September 2018. Non-underlying items that are excluded from underlying EBITDA include reorganisation costs and assignment premiums paid to a publican in order to take the assignment of a lease or to break a lease at any point other than at renewal during the period of strategic review.
- 11.4 The tangible net asset value of EIG as at 31 March 2019 is £1,261 million, which is based on the net asset value of £1,504 million post the deduction of goodwill of £273 million and add-back of liabilities of £30 million with regard to future commitments to a share buy-back programme not actioned as at 31 March 2019.
- 11.5 The premium implied by the Offer Price of approximately 4.3 per cent. to the tangible net asset value per EIG Share as at 31 March 2019 is based on the tangible net asset value set out in paragraph 11.4 above and the fully diluted number of EIG Shares as at 31 March 2019, calculated on the basis set out in paragraph 11.6 below.
- 11.6 The fully diluted number of EIG Shares outstanding as at 31 March 2019 is based on 454.1 million EIG Shares in issue, plus the dilutive impact of 9.3 million EIG Shares subject to Awards under the EIG Share Plans (other than the EIG 2015 Share Incentive Plan) and less 1.7 million EIG Shares held by the EIG Employee Benefit Trust as at 31 March 2019. The dilutive impact is calculated using the treasury share method which considers the exercise price of certain Awards where applicable and the closing market price of 213 pence per EIG Share as at 29 March 2019.
- 11.7 Unless otherwise stated, all prices for EIG Shares are closing middle market prices and are derived from the Daily Official List.
- 11.8 Volume-weighted average prices have been derived from Bloomberg and have been rounded to the nearest one decimal place.
- 11.9 Unless otherwise stated, the financial information relating to EIG is extracted from the audited consolidated financial statements of EIG for 30 September 2018, EIG's unaudited interim results for the six months ended 31 March 2019 and the audited consolidated financial statements of EIG for the financial year ended 30 September 2017.

12. FINANCING ARRANGEMENTS RELATING TO BIDCO

- 12.1 The Cash Consideration payable by Bidco under the terms of the Acquisition will be financed by: (a) equity to be invested by Stonegate and various investment funds managed by TDR; (b) committed PIK financing from the AlbaCore Funds; and (c) committed senior and second lien financing from Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc. The committed senior financing is made available under the Senior Term Loan Facility Agreement, the Revolving Facility Agreement and the Senior Bridge Facility Agreement. The committed second lien financing is made available under the Second Lien Bridge Facility Agreement. A summary of the senior and second lien committed financing, along with a summary of the PIK financing and the equity financing, is included in paragraphs 12.2 to 12.6 below.
- 12.2 The Senior Term Loan Facility Agreement provides for a sterling term loan facility in an aggregate principal amount of up to £450,000,000 (the "**Senior Term Facility**") under which Bidco may borrow upon the satisfaction of certain conditions. The Revolving Facility Agreement provides for a multi-currency revolving facility in an aggregate principal amount of up to £200,000,000 (the "**Revolving Facility**") under which Bidco (and upon accession, certain other subsidiaries of the Parent (as defined

therein)) may borrow upon the satisfaction of certain conditions. The Senior Bridge Facility Agreement provides for three sterling term loan facilities in an aggregate principal amount of up to £1,350,000,000 (the “**Senior Bridge Facilities**”) under which Bondco may borrow upon the satisfaction of certain conditions. Total commitments under Facility A of the Senior Bridge Facilities (“**Senior Bridge Facility A**”) are in an aggregate principal amount of up to £350,000,000, total commitments under Facility B of the Senior Bridge Facilities (“**Senior Bridge Facility B**”) are in an aggregate principal amount of up to £650,000,000 and total commitments under Facility C of the Senior Bridge Facilities (“**Senior Bridge Facility C**”) are in an aggregate principal amount of up to £350,000,000. The Second Lien Bridge Facility Agreement provides for a sterling term loan facility in an aggregate principal amount of up to £400,000,000 (the “**Second Lien Bridge Facility**”) under which Bondco may borrow upon the satisfaction of certain conditions. The Senior Term Facility will be redenominated into euros on the date of allocation of the Senior Term Facility in connection with the primary syndication of the Senior Term Facility.

The proceeds of borrowings under the Senior Term Facility, the Senior Bridge Facilities and the Second Lien Bridge Facility may be used, among other things, to finance the Cash Consideration that may become payable to EIG Shareholders pursuant to the Acquisition, to refinance existing indebtedness of the EIG Group and Stonegate Group and to pay fees and expenses relating to the Acquisition and such refinancing. The proceeds of borrowings under the Revolving Facility may be used, among other things, to finance the Cash Consideration that may become payable to EIG Shareholders pursuant to the Acquisition, to refinance certain existing indebtedness of the EIG Group and Stonegate Group or for general corporate and working capital purposes. The Senior Term Facility, the Senior Bridge Facilities and the Second Lien Bridge Facility are available from the dates of the Senior Term Loan Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement, respectively, and the Revolving Facility is available from the date on which the Senior Term Facility is first utilised. Subject to satisfaction of the conditions precedent set out in the relevant Credit Agreement, the Senior Term Facility, the Revolving Facility, the Senior Bridge Facilities and the Second Lien Bridge Facility are available to be drawn on a customary “certain funds basis” until the earlier of (a) where the Acquisition is to be implemented by means of a Scheme, (i) the date on which either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court unless prior to that date Bidco has elected to implement the Acquisition by way of a Takeover Offer; (ii) if an application for the issuance of the Court Order is made to the Court but the Court (in its final judgment) refuses to grant the Court Order, unless prior to that date Bidco has elected to implement the Acquisition by way of a Takeover Offer; (iii) 11.59 p.m. (London time) on the day falling 14 days after the Effective Date; or (iv) 11.59 p.m. (London time) on 30 June 2020; or (b) where the Acquisition is to be implemented by means of a Takeover Offer, (i) the date on which the Takeover Offer lapses or is withdrawn (or the offer documents are not published within 28 days following the date of the announcement of the Takeover Offer (or such longer period as the Panel may agree) (such that the Takeover Offer does not proceed)), (ii) the date which is 30 days after the later of (A) the date on which the Takeover Offer is declared or becomes unconditional in all respects, and (B) the date on which the Takeover Offer has closed for further acceptances or, in each case, if Bidco has issued the requisite notices to EIG Shareholders prior to such date, such longer period as is necessary to complete a squeeze-out procedure; or (iii) 11.59 p.m. (London time) on 30 June 2020, provided that, in each case, for so long as the first utilisation date under the relevant Credit Agreement has occurred on or before such date (which, in the case of the Revolving Facility Agreement, shall be the first utilisation date under the Senior Term Loan Facility Agreement), the “certain funds period” will be automatically extended to the date on which certain existing indebtedness of EIG Group is redeemed and/or repaid and cancelled in full (which, under the Credit Agreements, is required to occur by no later than 12 Business Days after first utilisation). After the expiry of the “certain funds period”, the Revolving Facility will continue to be available for drawing up to and including the date that is one month prior to the date of its final maturity.

The maturity of the Senior Term Facility is 84 months after the date of first utilisation of the Senior Term Facility. The maturity of the Revolving Facility is 54 months after the date of first utilisation of the Senior Term Facility. The Senior Bridge Facilities will initially be made available for 364 days from the Effective Date (the “**Senior Initial Maturity Date**”), with the maturity of the Senior Bridge Facility A and the Senior Bridge Facility B to be extended, in each case, to five years from the first utilisation date in respect thereof and the maturity of the Senior Bridge Facility C to be extended to seven years from the first utilisation date in respect thereof (subject, in each case, to certain conditions customary to bridge loan financings of this nature), in the event that the relevant Senior Bridge Facilities have been drawn but have not been refinanced by the end of that initial period. The Second Lien Bridge Facility will initially be made available for 364 days from the Effective Date (the “**Second Lien Initial Maturity Date**”), with the

maturity to be extended to eight years from the first utilisation date in respect thereof (subject to certain conditions customary to bridge loan financings of this nature), in the event that the Second Lien Bridge Facility has been drawn but has not been refinanced by the end of that initial period.

Loans under the Senior Term Facility will bear interest at a rate of LIBOR or EURIBOR, as appropriate, plus a margin of 5.25 per cent. per annum or, after redenomination into euros, 4.25 per cent. per annum. Loans under the Revolving Facility will bear interest at a rate of LIBOR or EURIBOR, as appropriate, plus a margin of 3.00 per cent. per annum. The margin for each loan under the Senior Term Facility and the Revolving Facility will be subject to adjustment based on group senior secured leverage. Loans under the Senior Bridge Facility A will bear interest at a rate of LIBOR plus a margin of 5.25 per cent. per annum from the first utilisation date in respect thereof and will step up by 0.50 per cent. per annum every three months thereafter to 6.75 per cent. per annum for the period commencing nine months after the first utilisation date. Loans under the Senior Bridge Facility B will bear interest at a rate of LIBOR plus a margin of 5.00 per cent. per annum from the first utilisation date in respect thereof and will step up by 0.50 per cent. per annum every three months thereafter to 6.50 per cent. per annum for the period commencing nine months after the first utilisation date. Loans under the Senior Bridge Facility C will bear interest at a rate of LIBOR plus a margin of 5.25 per cent. per annum from the first utilisation date in respect thereof and will step up by 0.50 per cent. per annum every three months thereafter to 6.75 per cent. per annum for the period commencing nine months after the first utilisation date. After the Senior Initial Maturity Date, loans under the Senior Bridge Facilities will bear interest at the “Total Cap” set out for each of the Senior Bridge Facility A, the Senior Bridge Facility B and the Senior Bridge Facility C in the Senior Bridge Facility Agreement. Loans under the Second Lien Bridge Facility will bear interest at a rate of LIBOR plus a margin of 8.25 per cent. per annum from the first utilisation date in respect thereof and will step up by 0.50 per cent. per annum every three months thereafter to 9.75 per cent. per annum for the period commencing nine months after the first utilisation date. After the Second Lien Initial Maturity Date, loans under the Second Lien Bridge Facility will bear interest at the “Total Cap” set out in the Second Lien Bridge Facility Agreement.

Fees in respect of the relevant Credit Agreements (including arrangement and takeout fees in respect of the Senior Term Facility, commitment fees and letter of credit fees in respect of the Revolving Facility, commitment fees, funding fees, rollover fees and takeout fees in respect of the Senior Bridge Facilities and the Second Lien Bridge Facility, among other fees) are also payable under the terms of the relevant Credit Agreements and ancillary documentation. Certain amendments in respect of, or voluntary prepayments of, the Senior Term Facility within six months of the first utilisation date of the Senior Term Facility are subject to a prepayment fee of one per cent. as set out in the Senior Term Loan Facility Agreement.

Loans under the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement are guaranteed by Holdco and certain of its subsidiaries. Holdco, Bidco and Bondco have, pursuant to an English law debenture dated 17 July 2019, granted security over their assets (including, with respect to Bidco, over any shareholding it acquires in EIG). In addition, it is a requirement under the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement that certain material members of the Enlarged Group and Stonegate Group provide guarantees and security in favour of the lenders following completion of the Acquisition, subject to certain limitations (including in respect of financial assistance laws). Subject to agreed security principles, the loans under the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement will be secured by, in the case of any obligor incorporated in England and Wales, an English law debenture over their assets and, in the case of an obligor which is a material company incorporated in a jurisdiction other than England and Wales, security over its material assets.

Under the terms of the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement, Bidco has agreed it will not amend or waive any condition relating to the Acquisition where to do so would be reasonably expected to be materially adverse to the interests of the Lenders (as defined therein) subject to certain exceptions including to the extent required by the City Code, the Panel or the Court or any other applicable law, regulation or regulatory body.

The Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement contain customary representations and warranties, affirmative and negative covenants (including limitations on indebtedness, restricted payments, liens, restrictions on distributions from restricted subsidiaries, sales of assets and subsidiary stock, affiliate

transactions, mergers and consolidation, impairment of security interests, taxes, corporate existence, additional guarantees and reporting). For the benefit of the lenders in respect of the Revolving Facility only, there is a requirement under the Revolving Facility Agreement to ensure that the consolidated leverage ratio does not exceed a certain threshold specified in the Revolving Facility Agreement provided that this covenant is only required to be satisfied if, on the last day of a fiscal quarter, the aggregate amount of outstanding Revolving Facility loans (and letters of credit in respect of which a demand has been made) exceed 40 per cent. of the total Revolving Facility commitments at that time.

- 12.3 On 17 July 2019 Bidco entered into an intercreditor agreement with, among others, Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc as senior term arrangers, revolving arrangers, senior bridge arrangers and second lien bridge arrangers and Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc as revolving lenders, senior term lenders, senior bridge lenders and second lien bridge lenders and Barclays Bank PLC as revolving agent, senior term agent, senior bridge agent and second lien bridge agent and Barclays Bank PLC as security agent (the “**Intercreditor Agreement**”).

The Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the debtors in the Enlarged Group (including, without limitation, Holdco and Bidco) (the “**Debtors**”), the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions. Pursuant to the provisions of the Intercreditor Agreement, the Revolving Facility (and certain hedging and operating facilities, if applicable) rank ahead of the Senior Term Facility, the Senior Bridge Facilities and the Second Lien Bridge Facility with respect to the proceeds of any realisation or enforcement of security. The Intercreditor Agreement additionally provides for hedge counterparties and operating facility lenders to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement.

- 12.4 The PIK Facility Agreement provides for a sterling term loan facility in an aggregate principal amount of up to £325,000,000 (the “**PIK Facility**”) under which PIKCo may borrow upon the satisfaction of certain conditions.

The proceeds of borrowings under the PIK Facility may be used, among other things, to finance the Cash Consideration pursuant to the Acquisition, to refinance existing indebtedness of the EIG Group and Stonegate Group and to pay fees and expenses relating to the Acquisition and such refinancing. The PIK Facility is available from the date of the PIK Facility Agreement. Subject to satisfaction of the conditions precedent set out in the PIK Facility Agreement, the PIK Facility is available to be drawn on a customary “certain funds basis” until the earlier of (a) where the Acquisition is to be implemented by means of a Scheme, (i) the date on which either the Scheme lapses or it is withdrawn with the consent of the Panel or by order of the Court unless prior to that date Bidco has elected to implement the Acquisition by way of a Takeover Offer; (ii) if an application for the issuance of the Court Order is made to the Court but the Court (in its final judgment) refuses to grant the Court Order, unless prior to that date Bidco has elected to implement the Acquisition by way of a Takeover Offer; (iii) 11.59 p.m. (London time) on the day falling 14 days after the Effective Date; or (iv) 11.59 p.m. (London time) on 30 June 2020; or (b) where the Acquisition is to be implemented by means of a Takeover Offer, (i) the date on which the Takeover Offer lapses or is withdrawn (or the offer documents are not published within 28 days following the date of the announcement of the Takeover Offer (or such longer period as the Panel may agree) (such that the Takeover Offer does not proceed)), (ii) the date which is 30 days after the later of (A) the date on which the Takeover Offer is declared or becomes unconditional in all respects, and (B) the date on which the Takeover Offer has closed for further acceptances or, in each case, if Bidco has issued the requisite notices to EIG Shareholders prior to such date, such longer period as is necessary to complete a squeeze-out procedure; or (iii) 11.59 p.m. (London time) on 30 June 2020, provided that, in each case, for so long as the first utilisation date under the PIK Facility Agreement has occurred on or before such date, the “certain funds period” will be automatically extended to the date on which certain existing indebtedness of the EIG Group is redeemed and/or repaid and cancelled in full (which, under the PIK Facility Agreement, is required to occur by no later than 12 Business Days after first utilisation).

The maturity of the PIK Facility is 102 months after the date of first utilisation of the PIK Facility. Loans under the PIK Facility will accrue interest at a rate of 12 per cent. per annum and the accrued interest will

be capitalised every six months and added to the outstanding principal of such loan unless the PIK Parent elects to pay it in cash for the relevant accrual period.

Fees in respect of the PIK Facility Agreement are payable under the terms of certain ancillary documentation.

Loans under the PIK Facility Agreement are guaranteed by the PIK Parent. The PIK Parent has, pursuant to an English law debenture dated 17 July 2019, granted security over its material assets (including, the shares it owns in PIKCo and its rights under certain intercompany agreements).

Under the terms of the PIK Facility Agreement, the PIK Parent has agreed it will not amend or waive any condition relating to the Acquisition where to do so would be reasonably expected to be materially adverse to the interests of the Lenders (as defined therein) subject to certain exceptions including to the extent required by the City Code, the Panel or the Court or any other applicable law, regulation or regulatory body.

The PIK Facility Agreement contains customary representations and warranties, and negative covenants (including limitations on indebtedness, restricted payments, liens, sales of assets and subsidiary stock, affiliate transactions, impairment of security interests, taxes, corporate existence, reporting, holding company activities and anti-layering).

12.5 In connection with its equity financing of Bidco, TDR has entered into an equity commitment letter, which sets out the basis on which TDR will invest, directly or indirectly, in immediately available funds, £185,000,000 and EUR 704,000,000 in Bidco for the purposes of financing the Cash Consideration. Pursuant to the terms of the equity commitment letter, TDR will procure that such investment has occurred on or before the date by which Bidco must pay the Cash Consideration due under the Scheme.

12.6 On the date of the first utilisation under the PIK Facility Agreement, the Original Lenders (as defined therein) will notionally subscribe for, and PIKCo will notionally allocate, notional ordinary shares in the capital of Holdings that would represent in aggregate 2.1036 per cent. of the equity of Holdings, assuming that the entire PIK Facility amount (being the PIK Facility less the fees payable to the Lenders) has been requested. If the entire PIK Facility amount is not requested at the first utilisation date, a proportionate amount of notional ordinary shares in the capital of Holdings will be allocated to the Lenders (as defined in the PIK Facility Agreement) at the time of each utilisation. The notional ordinary shares do not constitute actual securities and carry no voting rights but are a notional term used for the calculation of amounts payable by PIKCo from time to time.

13. OTHER INFORMATION

13.1 Save as disclosed in this document, no proposal exists in connection with the Acquisition that any payment or other benefit will be made or given to any of the EIG Directors as compensation for loss of office or as consideration for, or in connection with, his or her retirement from office.

13.2 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Bidco or any person acting in concert with Bidco for the purposes of the Acquisition and any of the directors, or recent directors, shareholders or recent shareholders of EIG or any person interested or recently interested in shares of EIG, having any connection with or dependence on, or which is conditional on the Scheme becoming Effective.

13.3 Save as disclosed in this document, neither Bidco nor any person acting in concert with Bidco for the purpose of the Acquisition, has any dealing arrangement with any person in relation to relevant securities of EIG. For these purposes “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

13.4 Deutsche Bank has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.

13.5 Rothschild & Co has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.

13.6 Nomura International plc has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.

13.7 Goldman Sachs has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.

- 13.8 Barclays has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.
- 13.9 Numis has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.
- 13.10 Avison Young has given and not withdrawn its written consent to the inclusion of the valuation report set out in Part 7 of this document and to the inclusion of references to its name in this document in the form and context in which it appears.
- 13.11 Colliers International has given and not withdrawn its written consent to the inclusion of the valuation report set out in Part 7 of this document and to the inclusion of references to its name in this document in the form and context in which it appears.
- 13.12 Save as disclosed in this document, the EIG Directors do not know of any significant change in the financial or trading position of the EIG Group since 31 March 2019, the date to which the unaudited interim results of EIG were published.
- 13.13 Save as disclosed in this document, no agreement, arrangement or understanding exists whereby the beneficial ownership of any EIG Shares to be transferred to Bidco pursuant to the Acquisition will be transferred to any other person save that Bidco reserves the right to transfer any such shares so acquired to any other member of the Bidco Group or nominee.
- 13.14 At the date of this document, EIG holds 50,000,000 EIG Shares in treasury.
- 13.15 There have been no material changes to any information previously published by EIG during the Offer Period.
- 13.16 There have been no material changes to any information previously published by Stonegate or Bidco during the Offer Period.
- 13.17 Except with the consent of the Panel, settlement of the consideration to which each Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be entitled, against such Scheme Shareholder.
- 13.18 The aggregate fees and expenses which are expected to be incurred by EIG in connection with the Acquisition are estimated to amount to £19,997,000 plus applicable VAT. This aggregate number consists of the following categories:
- 13.18.1 financial and corporate broking advice: £15,950,000 plus applicable VAT;
- 13.18.2 legal advice: £2,275,000 plus applicable VAT;⁽¹⁾
- 13.18.3 financing and accounting advice: nil;
- 13.18.4 public relations advice: £1,600,000 plus applicable VAT;
- 13.18.5 other professional services: £83,000 plus applicable VAT; and
- 13.18.6 other costs and expenses: £89,000 plus applicable VAT.
- (1) These services include services charged by reference to hourly rates. The amount included here reflects services incurred up to the Latest Practicable Date and an estimate of the residual amount of time required up to the time the Scheme becomes Effective.
- 13.19 The aggregate fees and expenses which are expected to be incurred by Bidco in connection with the Acquisition are estimated to amount to between £140,400,000 and £147,600,000 plus applicable VAT. This aggregate number consists of the following categories:
- 13.19.1 financing arrangements: £77,100,000 plus applicable VAT;
- 13.19.2 M&A, financial and corporate broking advice: £20,000,000 plus applicable VAT;⁽¹⁾
- 13.19.3 legal advice: £10,000,000 to £15,000,000 plus applicable VAT;⁽²⁾
- 13.19.4 financing and accounting advice: £1,300,000 to £1,500,000 plus applicable VAT;
- 13.19.5 public relations advice: nil; and

13.19.6 other costs and expenses: (make whole costs, stamp duty and other costs): £32,000,000 to £34,000,000 plus applicable VAT.

- (1) The total amount payable in respect of the aggregate fees and expenses for these services depends on whether the Scheme becomes Effective.
- (2) These services include services charged by reference to hourly or daily rates. The amounts included here reflect the services incurred up to the Latest Practicable Date and an estimate of the residual amount of time required up to the time that the Scheme becomes Effective.

14. PROPERTY VALUATIONS: NO MATERIAL DIFFERENCE

For the purposes of Rule 29.5 of the City Code, the EIG Directors confirm that:

- 14.1 Avison Young has confirmed to EIG that the value of the relevant proportion of EIG's property portfolio as at the date of this document would not be materially different from the valuation given by Avison Young as at 30 September 2018 and contained in Avison Young's valuation report set out in Part 7 of this document; and
- 14.2 Colliers International has confirmed to EIG that the value of the relevant proportion of EIG's property portfolio as at the date of this document would not be materially different from the valuation given by Colliers International as at 30 September 2018 and contained in Colliers International's valuation report set out in Part 7 of this document.

15. PROPERTY VALUATIONS: POTENTIAL TAX LIABILITY

In the event that the EIG Group's property portfolio was to be sold at the valuations contained in the valuation reports set out in Part 7 of this document, any gains realised on such disposals may be subject to taxation in the UK. The EIG Directors estimate that the potential tax liability that would arise would be approximately £156 million. In connection with the Acquisition it is not contemplated that the aforementioned liability to taxation will crystallise.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available, free of charge, on EIG's website at www.eigroupplc.com and Stonegate's website at www.stonegatepubs.com during the period up to and including the Effective Date or the date on which the Scheme lapses or is withdrawn whichever is the earlier:

- 16.1 the existing EIG Articles;
- 16.2 the draft articles of association of EIG as proposed to be amended by the resolution included in the notice of General Meeting set out in Part 11 of this document;
- 16.3 the audited consolidated accounts of EIG for the two years ended 30 September 2017 and 30 September 2018;
- 16.4 the unaudited interim results of EIG for the six months ended 31 March 2019;
- 16.5 the Property Valuation Reports;
- 16.6 the articles of association of Bidco;
- 16.7 the Confidentiality Agreement;
- 16.8 the Joint Defence Agreement;
- 16.9 the Cooperation Agreement;
- 16.10 the documents in respect of the financing arrangements referred to in paragraph 12 of this Part 8;
- 16.11 the annual reports and accounts of Stonegate for the financial years ended 30 September 2018 and 30 September 2017;
- 16.12 the irrevocable undertakings referred to in paragraph 4 of this Part 8;
- 16.13 the written consents referred to in paragraphs 13.4 to 13.11 of this Part 8; and
- 16.14 this document and the Forms of Proxy.

The content of the websites referred to in this document is not incorporated into and does not form part of this document.

**PART 9
DEFINITIONS**

The following definitions apply throughout this document (with the exception of Part 3) unless the context requires otherwise:

- “**£**”, “**pounds**”, “**p**” and “**pence**” pounds and pence sterling, the lawful currency of the United Kingdom;
- “**Acquisition**” the recommended direct or indirect acquisition of the entire issued and to be issued share capital of EIG (other than the Excluded Shares) by Bidco to be implemented by means of the Scheme (or a Takeover Offer under certain circumstances described in this document);
- “**AlbaCore Funds**” AlbaCore Partners I ICAV, an umbrella fund with segregated liability between sub-funds acting in respect of its sub-fund AlbaCore Partners I Master Fund and AlbaCore Partners II ICAV, an umbrella fund with segregated liability between sub-funds acting in respect of its sub-fund AlbaCore Partners II Master Fund;
- “**Announcement**” the announcement made under Rule 2.7 of the City Code on 18 July 2019 regarding the proposed acquisition of the entire issued and to be issued share capital of EIG by Bidco;
- “**Avison Young**” GVA Grimley Limited trading as Avison Young;
- “**Barclays**” Barclays Bank PLC, acting through its Investment Bank;
- “**Bidco**” Stonegate Pub Company Bidco Limited, a company incorporated in England and Wales with company number 12088247 with its registered office at Porter Tun House, 500 Capability Green, Luton, LU1 3LS;
- “**Bidco Directors**” the directors of Bidco as at the date of this document;
- “**Board of Bidco**” the board of directors of Bidco;
- “**Bondco**” Stonegate Pub Company Financing 2019 plc, a public limited company incorporated in England and Wales with company number 12092575 with its registered office at Porter Tun House, 500 Capability Green, Luton, LU1 3LS;
- “**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;
- “**Cash Consideration**” the cash consideration of 285 pence per EIG Share payable to Scheme Shareholders for each Scheme Share transferred pursuant to the Scheme;
- “**certificated**” or “**in certificated form**” a share or other security which is not in uncertificated form (that is, not in CREST);
- “**City Code**” or “**Code**” the City Code on Takeovers and Mergers;
- “**Closing Price**” the closing middle market price of a EIG Share on a particular trading day as derived from the Daily Official List;
- “**CMA**” the UK Competition and Markets Authority;
- “**CMA Condition**” the Condition set out in paragraph 2(b) of Part 4 to this document;
- “**CMA Phase 2 Reference**” . . . a reference of the Acquisition to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 (as amended);
- “**Colliers International**” . . . Colliers International Property Advisers UK LLP;
- “**Companies Act**” the Companies Act 2006, as amended from time to time;
- “**Company**” or “**EIG**” Ei Group plc, a company incorporated in England and Wales with company number 02562808 with its registered office at 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ;

“ Computershare ”	Computershare Investor Services PLC, the registrars to the Company;
“ Conditions ”	the conditions to the implementation of the Scheme and the Acquisition which are set out in Part 4 of this document;
“ Confidentiality Agreement ”	the confidentiality agreement entered into between Stonegate and EIG dated 20 June 2019, a summary of which is set out in paragraph 10 of Part 8 of this document;
“ Cooperation Agreement ”	the agreement entered into between Bidco, Stonegate and EIG dated 2 August 2019, a summary of which is set out in paragraph 10 of Part 8 of this document;
“ Court ”	the High Court of Justice in England and Wales;
“ Court Hearing ”	the hearing by the Court of the application to sanction the Scheme under section 899 of the Companies Act, including any adjournments thereof;
“ Court Meeting ”	the meeting of EIG Shareholders to be convened pursuant to an order of the Court under the Companies Act for the purpose of considering and, if thought fit, approving the Scheme, including any adjournment thereof, notice of which is set out in Part 10 of this document;
“ Court Order ”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act;
“ Credit Agreements ”	the PIK Facility Agreement, the Senior Term Loan Facility Agreement, the Revolving Facility Agreement, the Senior Bridge Facility Agreement and the Second Lien Bridge Facility Agreement;
“ CREST ”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in such Regulations);
“ CREST Manual ”	the CREST Manual published by Euroclear, as amended from time to time;
“ CREST payment ”	has the meaning given in the CREST Manual;
“ CREST shareholder ”	a EIG Shareholder who holds its EIG Shares in uncertificated form, that is in CREST;
“ Daily Official List ”	the daily official list of the London Stock Exchange;
“ Dealing Disclosure ”	has the same meaning as in Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer;
“ Deutsche Bank ”	Deutsche Bank AG, acting through its London Branch;
“ Disclosed ”	(a) information disclosed by, or on behalf of, EIG: <ul style="list-style-type: none"> i. in EIG’s annual report and accounts for the year ended 30 September 2018 or in its interim half-yearly results for the six months ended 31 March 2019; or ii. in the Announcement; or (b) fairly disclosed prior to the date of the Announcement by or on behalf of EIG to Stonegate or Bidco (or their respective officers, employees, agents or advisers in their capacity as such) (including via an online dataroom established by EIG for the purposes of the Acquisition or in writing by or on behalf of EIG to Stonegate or Bidco (or their respective officers, employees, agents or advisers in their capacity as such)); or <ul style="list-style-type: none"> (c) as otherwise publicly announced by EIG prior to the date of the Announcement (by the delivery of an announcement to a Regulatory Information Service);

“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA pursuant to section 73A of FSMA, as amended from time to time;
“EBITDA”	earnings before finance costs, taxation, depreciation and amortisation;
“Effective”	the Scheme having become effective in accordance with its terms;
“Effective Date”	the date on which the Scheme becomes Effective;
“EIG Articles”	the articles of association of EIG in force from time to time;
“EIG Board”, “EIG Directors” or “Board of EIG”	the directors of EIG;
“EIG Group”	EIG and its subsidiary undertakings and, where the context permits, each of them;
“EIG Share Plans”	the SAYE Scheme, the EIG 2015 Share Incentive Plan, the EIG 2005 Employee Share Option Scheme, the EIG 2015 Long Term Incentive Plan, the EIG 2015 Annual Bonus Plan, the EIG Managing Directors 2012 Annual Bonus Plan, the EIG Senior Team Deferred Share Bonus Plan and the EIG 2019 Restricted Share Plan;
“EIG Shareholders”	registered holders of EIG Shares;
“EIG Shares”	the ordinary shares of 2.5 pence each in the capital of EIG and “EIG Share” shall mean any one of them;
“Enlarged Group”	Bidco and its subsidiaries, including the EIG Group, following the Acquisition becoming Effective;
“EURIBOR”	the Euro Inter-Bank Offered Rate;
“EUR”	the lawful currency of the member states of the EU that have adopted the single currency from time to time;
“Euroclear”	Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 02878738;
“Excluded Shares”	any EIG Shares: (a) held in treasury by EIG; or (b) legally or beneficially owned by any member of the Stonegate Group;
“Explanatory Statement”	this document and in particular the statement prepared in compliance with section 897 of the Companies Act and contained in Part 2 of this document;
“FCA” or “Financial Conduct Authority”	the United Kingdom’s Financial Conduct Authority;
“Form(s) of Proxy”	either or both of the blue form of proxy for use at the Court Meeting and the white form of proxy for use at the General Meeting which accompany this document, as the context requires;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“General Meeting”	the general meeting of EIG Shareholders (including any adjournment thereof) convened in connection with the Acquisition, notice of which is set out in Part 11 of this document;
“Holdco”	Stonegate Pub Company Bidco Holdings Limited, a company incorporated in England and Wales with company number 12087560 with its registered office at Porter Tun House, 500 Capability Green, Luton, LU1 3LS;
“holder”	a registered holder, including any person entitled by transmission;
“Holdings”	Stonegate Pub Company Holdings Limited, a company incorporated in the Cayman Islands with registration number 246546 with its registered address at Codan Trust Company Cayman Ltd., Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
“IFRS”	International Financial Reporting Standards;

“ Joint Defence Agreement ”	. the confidentiality and joint defence agreement entered into between Stonegate, EIG and their respective external legal counsels dated 21 June 2019, a summary of which is set out in paragraph 10 of Part 8 of this document;
“ Latest Practicable Date ”	. 14 August 2019, being the latest practicable date before the date of this document;
“ LIBOR”	. . . . . the London Inter-Bank Offered Rate;
“ Listing Rules”	. . . . . the listing rules made by the FCA in accordance with section 73A (2) of Part VI of FSMA (as these rules may be amended from time to time);
“ London Stock Exchange ”	. London Stock Exchange plc, together with any successor thereto;
“ Long-stop Date”	. . . . . 15 June 2020 or such later date as may be agreed between Bidco and EIG and, if required, the Panel and the Court may allow;
“ Market Abuse Regulation ”	. the Market Abuse Regulation (EU) (No 596/2014);
“ Meetings”	. . . . . the Court Meeting and the General Meeting, and “ Meeting ” shall be construed accordingly;
“ members”	. . . . . members of the Company on the register of members at any relevant date;
“ Nominated Person”	. . . . . a person nominated by a member under section 146 of the Companies Act to enjoy information rights;
“ Numis”	. . . . . Numis Securities Limited;
“ Offer Period”	. . . . . the offer period (as defined in the Code) relating to EIG, which commenced on 18 July 2019, being the date of the Announcement;
“ Offer Price”	. . . . . 285 pence for each Scheme Share;
“ Official List”	. . . . . the Official List maintained by the FCA;
“ Opening Position Disclosure ”	. has the same meaning as in Rule 8 of the Code;
“ Overseas Shareholders”	. . . . . EIG Shareholders (or nominees of, or custodians or trustees for, EIG Shareholders) not resident in, or nationals or citizens of the United Kingdom;
“ Panel ” or “ Takeover Panel ”	. the Panel on Takeovers and Mergers;
“ PIKCo”	. . . . . Stonegate Pub Company PIKCo Limited, a company incorporated in England and Wales with company number 12087022 with its registered office at Porter Tun House, 500 Capability Green, Luton, LU1 3LS;
“ PIK Facility Agreement ”	. the PIK facility agreement dated 17 July 2019 between, amongst others, Stonegate Pub Company PIKCo Holdings Limited as parent, Stonegate Pub Company PIKCo Limited as borrower, AlbaCore Partners I Investment Holdings A Designated Activity Company and AlbaCore Partners II Investment Holdings C Designated Activity Company as lenders and Wilmington Trust (London) Limited as the facility agent;
“ PIK Parent”	. . . . . Stonegate Pub Company PIKCo Holdings Limited, a company incorporated in England and Wales with company number 12086428 with its registered office at Porter Tun House, 500 Capability Green, Luton, LU1 3LS;
“ PRA”	. . . . . the Prudential Regulation Authority or its successor from time to time;
“ Property Valuation Reports ”	. the valuation reports set out in Part 7 of this document;
“ Registrar of Companies ”	. the Registrar of Companies in England and Wales;
“ Regulations”	. . . . . the Uncertificated Securities Regulations 2001 (SI 2001 number 3755) as amended from time to time;
“ Regulatory Information Service”	. . . . . a regulatory information service that is approved by the FCA and is on the list of Regulatory Information Services maintained by the FCA;

“Restricted Jurisdiction”	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to EIG Shareholders in that jurisdiction;
“Revolving Facility Agreement”	the revolving facility agreement dated 17 July 2019 between, amongst others, Holdco as parent, Bidco as company and borrower, Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc in their capacity as mandated lead arrangers and Barclays Bank PLC as the facility agent;
“RICS Red Book”	the RICS Valuation—Global Standards 2017 incorporating the International Valuation Standards;
“Rothschild & Co”	N.M. Rothschild & Sons Limited;
“SAYE Scheme”	the EIG 2015 Save As You Earn Scheme;
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under Part 26 of the Companies Act between EIG and the Scheme Shareholders to implement the Acquisition set out in Part 3 of this document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by EIG and Bidco;
“Scheme Record Time”	6.00 p.m. on the Business Day immediately following the date of the Court Hearing or such later time as Bidco and EIG may agree;
“Scheme Shareholders”	holders of Scheme Shares at any relevant date or time and a “Scheme Shareholder” shall mean any one of those Scheme Shareholders;
“Scheme Shares”	the EIG Shares: <ul style="list-style-type: none"> (a) in issue as at the date of this document; (b) (if any) issued after the date of this document and before the Voting Record Time; and (c) (if any) issued on or after the Voting Record Time and on or prior to the Scheme Record Time, on terms that the original or any subsequent holders thereof will be bound by the Scheme or shall by such time have agreed in writing to be bound by the Scheme, in each case, other than any Excluded Shares;
“Second Lien Bridge Facility Agreement”	the second lien bridge facility agreement dated 17 July 2019 between, amongst others, Holdco as parent, Bidco as company, Bondco as borrower, Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc in their capacity as mandated lead arrangers and Barclays Bank PLC as the facility agent;
“Senior Bridge Facility Agreement”	the senior bridge facilities agreement dated 17 July 2019 between, amongst others, Holdco as parent, Bidco as company, Bondco as borrower, Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc in their capacity as mandated lead arrangers and Barclays Bank PLC as the facility agent;
“Senior Term Loan Facility Agreement”	the senior term loan facility agreement dated 17 July 2019 between, amongst others, Holdco as parent, Bidco as company and borrower, Barclays Bank PLC, Goldman Sachs Bank USA and Nomura International plc in their capacity as mandated lead arrangers and Barclays Bank PLC as the facility agent;
“Special Resolution”	the special resolution set out in the notice of General Meeting in Part 11 of this document;
“subsidiary”, “subsidiary undertaking” or “associated undertaking”	have the meanings ascribed to them under the Companies Act;

“ Stonegate ”	Stonegate Pub Company Limited, a company incorporated in the Cayman Islands with registration number 244248 with its registered address at Codan Trust Company (Cayman) Limited, PO Box 2681, Cricket Square, Grand Cayman, Cayman Islands, KY1-1111;
“ Stonegate Directors ”	the directors of Stonegate;
“ Stonegate Group ”	Stonegate, its subsidiaries and its subsidiary undertakings from time to time;
“ Substantial Interest ”	a direct or indirect interest in 20 per cent. or more of the voting equity share capital of an undertaking;
“ Takeover Offer ”	has the meaning given to it in Part 28 of the Companies Act;
“ TDR ”	TDR Capital LLP or, where the context requires, investment funds managed by TDR;
“ Third Party ”	any government, government department, governmental or quasi-governmental, supranational, statutory, regulatory, environmental or investigative body or association, institution or agency (including, without limitation, any trade agency) or authority (including, without limitation, any anti-trust or merger control authority), any court or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction;
“ UK ” or “ United Kingdom ”	the United Kingdom of Great Britain and Northern Ireland;
“ uncertificated ” or “ in uncertificated form ”	a share or other security recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“ United States ” or “ US ”	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political sub-division thereof;
“ US Exchange Act ”	the United States Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (as amended from time to time);
“ US Shareholder ”	an EIG Shareholder resident or located in the United States;
“ VAT ”	valued added tax or any similar sales or turnover tax whether in the United Kingdom or any other jurisdiction;
“ Voting Record Time ”	6.00 p.m. on the day which is two days before the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date of such adjourned meeting in each case excluding any part of a day that is not a working day;
“ Wider EIG Group ”	EIG and its respective subsidiaries, subsidiary undertakings and associated undertakings and any other undertaking (including any joint venture, partnership, firm or company) in which EIG and/or such undertakings (aggregating their interests) have a Substantial Interest; and
“ Wider Stonegate Group ”	Stonegate and its respective subsidiaries, subsidiary undertakings and associated undertakings and any other undertaking (including any joint venture, partnership, firm or company) in which Stonegate and/or such undertakings (aggregating their interests) have a Substantial Interest.

All the times referred to in this document are London times.

References to the singular include the plural and vice versa.

PART 10
NOTICE OF COURT MEETING

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)
INSOLVENCY AND COMPANIES COURT JUDGE BARBER**

CR—2019—004951

**IN THE MATTER OF Ei GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006**

NOTICE IS HEREBY GIVEN that by an Order dated 15 August 2019 made in the above matters, the Court has given permission for Ei Group plc (the “**Company**”) to convene a meeting (the “**Court Meeting**”) of the holders of the Scheme Shares (as defined in the Scheme of Arrangement referred to below), for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement pursuant to section 899 of the Companies Act 2006 proposed to be made between the Company and the holders of the Scheme Shares and that such meeting will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF on 12 September 2019 at 10.00 a.m. (London time) at which place and time all holders of the Scheme Shares are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

Holders of Scheme Shares entitled to attend, speak and vote at the meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend, speak and vote in their place. A blue Form of Proxy for use at the Court Meeting is enclosed with this notice.

Holders of Scheme Shares are entitled to appoint a proxy in respect of some or all of their Scheme Shares. Holders of Scheme Shares are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. A space has been included in the blue Form of Proxy to allow holders of Scheme Shares to specify the number of Scheme Shares in respect of which that proxy is appointed. Holders of Scheme Shares who return the blue Form of Proxy duly executed but leave this space blank or specify a number of Scheme Shares in excess of those held by the holder of Scheme Shares at the time referred to below, will be deemed to have appointed the proxy in respect of all of their Scheme Shares.

Holders of Scheme Shares who wish to appoint more than one proxy in respect of their shareholding should read the notes on the blue Form of Proxy and note the principles that will be applied in relation to multiple proxies.

It is requested that the blue Form of Proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such authority) be lodged with the Company’s registrar, Computershare Investor Services PLC (“**Computershare**”), in accordance with the instructions printed thereon not later than 10.00 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned Court Meeting (excluding any part of a day that is not a working day). If the blue Form of Proxy for use at the Court Meeting is not lodged before this time, it may be handed to the Chairman of the Court Meeting or to Computershare before the taking of the poll at the Court Meeting and will still be valid.

You may appoint a proxy electronically by logging on to www.investorcentre.co.uk/proxy and entering your voting PIN, control number and shareholder reference number shown in your blue Form of Proxy. We request that electronic proxy voting instructions be submitted not later than 10.00 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned Court Meeting (excluding any part of a day that is not a working day). Full details of the procedure for appointing a proxy electronically are on the website. Further information is also included on the blue Form of Proxy.

Holders of Scheme Shares who hold their shares through CREST and who wish to appoint a proxy or proxies for the Court Meeting or any adjournments thereof may do so by using the CREST proxy voting service in

accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST must be received by Computershare not later than 10.00 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned Court Meeting (excluding any part of a day that is not a working day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Completion and return of a blue Form of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure described in the document of which this notice forms part), will not prevent a holder of Scheme Shares from attending, speaking and voting in person at the Court Meeting, or any adjournment thereof, if he or she wishes to do so and where a holder of Scheme Shares does so, their proxy appointment will be automatically terminated.

Entitlement to attend, speak and vote at the Court Meeting, or any adjournment thereof, and the number of votes which may be cast thereat will be determined by reference to the register of members of the Company at 6.00 p.m. on the day which is two days before the date of the Court Meeting or adjourned meeting (as the case may be) excluding any part of a day that is not a working day. In each case, changes to the register of members of the Company after such time will be disregarded in determining the rights of any person to attend, speak or vote at the meeting, or at any adjournment thereof.

In the case of joint holders of Scheme Shares, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting, however the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

Voting at the Court Meeting will be conducted on a poll (rather than a show of hands), which shall be conducted as the Chairman of the Court Meeting shall determine.

By the said Order, the Court has appointed Robert Walker or, failing him, Simon Townsend or, failing him, Neil Smith or, failing him, any other director of the Company to act as Chairman of the Court Meeting and has directed the Chairman to report the result of the Court Meeting to the Court.

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

Dated 15 August 2019

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF
Solicitors for Ei Group plc

Notes:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him or her provided that if more than one proxy is appointed, each proxy is appointed to exercise rights attaching to different shares.
2. A proxy need not be a member of the Company. Completion and return of a blue Form of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure described in the document of which this notice forms part), will not prevent a member from attending, speaking and voting in person at the meeting, or any adjournment thereof, in person if he or she wishes to do so.
3. To appoint more than one proxy, please photocopy the blue Form of Proxy indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed and follow the instructions set out in the blue Form of Proxy. Multiple proxy appointments should be returned together in the same envelope.
4. A blue Form of Proxy is enclosed with this notice. Instructions for use are shown on the form. To be valid, the completed blue Form of Proxy should be returned (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such authority) to the Company's registrar, Computershare, in accordance with the instructions printed thereon, not later than 10.00 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned Court Meeting (excluding any part of a day that is not a working day). If the blue Form of Proxy for use at the Court Meeting is not lodged before this time, it may be handed to the Chairman of the Court Meeting or to Computershare before the taking of the poll at the Court Meeting and will still be valid.
5. Each Scheme Shareholder present at this meeting will be entitled to one vote for every Scheme Share registered in his or her name and each corporate representative or proxy will be entitled to one vote for each Scheme Share which he/she represents. Scheme Shareholders who submit a blue Form of Proxy with voting instructions in advance of this meeting specifying the chairman of the Company as their proxy, but who attend this meeting in person, need not complete a poll card unless they wish to change their vote.
6. You may appoint a proxy electronically by logging on to www.investorcentre.co.uk/proxy and entering your voting PIN, control number and shareholder reference number shown in your blue Form of Proxy. Full details of the procedure for appointing a proxy electronically are on the website. Further information is also included on the blue Form of Proxy. Other than the appointment of a proxy through CREST (see note 7 below), we request that electronic proxy voting instructions be submitted using the website www.investorcentre.co.uk/proxy not later than 10.00 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned Court Meeting (excluding any part of a day that is not a working day).
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. All messages relating to the

appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by no later than 10.00 a.m. on 10 September 2019.

8. Except as provided above, members who wish to communicate with the Company in relation to the matters set out in this notice should do so in writing to Computershare at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, or by phone on 0370 889 4080 from within the UK or +44 (0) 370 889 4080 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scheme or Acquisition (or any proposals relating to them) nor give any personal, financial, legal or tax advice. No other methods of communication will be accepted.
9. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed blue Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
10. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at this meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
11. The blue Form of Proxy must be executed by or on behalf of the Shareholder making the appointment. A corporation may execute the blue Form of Proxy either under its common seal or signed by an officer, an attorney or another person authorised to sign it. Any power of attorney or any other authority under which the blue Form of Proxy is signed (or a notarially certified of such power or authority) must be included with the blue Form of Proxy.
12. If two or more valid, but differing, appointments of proxy are delivered or received in respect of the same share, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered or received, none of them shall be treated as valid in respect of that share.
13. As at 14 August 2019 (being the latest business day before publication of this notice), the Company's issued share capital consisted of 437,910,075 ordinary shares of 2.5 pence each and carrying one vote each (excluding shares held in treasury). EIG currently holds 50,000,000 ordinary shares in treasury. The total voting rights in the Company as at 14 August 2019 were 437,910,075.
14. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
15. The statements of the rights of Scheme Shareholders in relation to the appointment of proxies in this notice do not apply to Nominated Persons. Those rights can only be exercised by Scheme Shareholders. If you are receiving this notice as such a Nominated Person, you are reminded that your main contact in terms of your investment remains as it was (the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration of it) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters which are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.

PART 11
NOTICE OF GENERAL MEETING

Ei GROUP PLC

(Incorporated in England and Wales under company number 02562808)

NOTICE IS HEREBY GIVEN that a general meeting of Ei Group plc (the “**Company**”) will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF on 12 September 2019 at 10.15 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this notice forms part) shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT for the purpose of giving effect to the scheme of arrangement dated 15 August 2019 between the Company and the holders of its Scheme Shares (each as defined in the said scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman thereof in its original form or subject to any such modification, addition or condition approved or imposed by the Court and/or agreed by the Company and Stonegate Pub Company Bidco Limited (“**Bidco**”) (the “**Scheme**”):

1. the directors of the Company (or a duly authorised committee thereof) be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
2. with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new Article 146 after the existing Article 145:

“146. Scheme of Arrangement

146.1 In this Article 146, the “**Scheme**” means the scheme of arrangement dated 15 August 2019, between the Company and the holders of Scheme Shares (each as defined in the Scheme) under section 899 of the Companies Act 2006 in its original form or with or subject to any modification, addition or condition approved or imposed by the Court and/or agreed by the Company and Stonegate Pub Company Bidco Limited (“**Bidco**”) and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.

146.2 Notwithstanding any other provision of these Articles, if the Company issues any shares (other than to Bidco or its nominee(s)) after the adoption of this Article and before the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme and shall be Scheme Shares for the purposes thereof and the new member, and any subsequent holder of such shares (other than Bidco and/or its nominee or nominees), shall be bound by the Scheme accordingly.

146.3 Notwithstanding any other provision of these Articles, subject to the Scheme becoming Effective (as defined in the Scheme) and subject to Article 146.4, if any shares are issued to any person (other than to Bidco or its nominee(s)) (a “**New Member**”) on or after the Scheme Record Time (as defined in the Scheme) (the “**Transfer Shares**”), they shall be immediately transferred to Bidco or such person as it may direct (the “**Purchaser**”) in consideration of and conditional upon the payment to the New Member of an amount in cash for each Transfer Share equal to the cash consideration per Scheme Share payable pursuant to the Scheme.

146.4 Subject to the Scheme becoming Effective (as defined in the Scheme), if any shares are issued to a New Member on or after the Scheme Record Time (as defined in the Scheme) in connection with the exercise of any option granted under the EIG 2015 Save As You Earn Scheme (“**SAYE Option Shares**”) and the New Member has validly authorised the Company (at least two business days prior to the issue of the SAYE Option Shares) (and/or any director or officer of the Company, as his or her attorney, to transfer some or all of the relevant SAYE Option Shares to his or her spouse or civil partner (the “**SAYE Transferee**”) and/or to an individual savings account in each case for nil consideration, then after the SAYE Option Shares have been issued to the New Member, the Company shall consent to the transfer to the SAYE Transferee and/or to an individual savings account following which they shall be immediately transferred to the Purchaser (as if the SAYE Option Shares, excluding those transferred to the SAYE Transferee, had been issued to the New Member, and in the case of the SAYE Option Shares transferred to

the SAYE Transferee, they had been issued to that SAYE Transferee) in consideration of and conditional upon the payment to the New Member or the SAYE Transferee (as applicable) of an amount in cash for each SAYE Option Share equal to the cash consideration per Scheme Share payable pursuant to the Scheme.

- 146.5 On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation), the value of the consideration per share to be paid under Article 146.3 and/or Article 146.4 shall be adjusted by the Board in such manner as the Auditors may determine to be appropriate to reflect such reorganisation or alteration. References in this Article to shares shall, following such adjustment, be construed accordingly.
- 146.6 To give effect to any transfer required by this Article, the Company may appoint any person as agent and/or attorney for the New Member (which includes, for the purposes of this Article 146.6, any SAYE Transferee) (or any subsequent holder or any nominee of such New Member or any such subsequent holder) to transfer the Transfer Shares (which includes, for the purposes of this Article 146.6, any SAYE Option Shares) to the Purchaser or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the agent and/or attorney be necessary or desirable to vest the Transfer Shares in the Purchaser or its nominee(s) and pending such vesting to exercise all such rights attaching to the Transfer Shares as the Purchaser may direct. If an agent and/or attorney is so appointed, the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) shall not thereafter (except to the extent that the agent and/or attorney fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Transfer Shares unless so agreed in writing by the Purchaser. The agent and/or attorney shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of the Purchaser or its nominee(s) and the Company may give a good receipt for the purchase price of the Transfer Shares and may register the Purchaser or its nominee(s) as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the Transfer Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or the relevant transferee or nominee) for the purchase price of each Transfer Share within 14 days of the time on which such Transfer Shares are issued to the New Member.
- 146.7 If the Scheme shall not have become Effective by the date referred to in clause 5.2 of the Scheme, this Article 146 shall be of no effect.
- 146.8 Notwithstanding any other provision of these Articles, the Company and the Board shall refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the date on which the Scheme becomes Effective.”

By order of the Board

Loretta Togher
Company Secretary

Dated 15 August 2019

3 Monkspath Hall Road
Solihull
West Midlands
B90 4SJ

Notes:

1. A member of the Company entitled to attend, speak and vote at this meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him or her provided that if more than one proxy is appointed each proxy is appointed to exercise rights attaching to different shares. A proxy need not be a member of the Company.
2. A white Form of Proxy is enclosed with this notice. Instructions for use are shown on the form.
3. To appoint more than one proxy, please photocopy the white Form of Proxy indicating on each copy the name of the proxy you wish to appoint and the number of shares in respect of which the proxy is appointed and follow the instructions set out in the white Form of Proxy. Multiple proxy appointments should be returned together in the same envelope.
4. The special resolution to be put to the General Meeting will be voted on by way of a poll and not by show of hands. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account.
5. The "Vote Withheld" option is provided to enable you to abstain on the specified resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" the specified resolution.
6. To be valid, the white Form of Proxy, together with any power of attorney or other authority under which it is signed, or a notarially certified copy thereof, must be received at the offices of Computershare Investor Services PLC ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 10.15 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned General Meeting (excluding any part of a day that is not a working day)
7. You may appoint a proxy electronically by logging on to www.investorcentre.co.uk/proxy and entering your voting PIN, control number and shareholder reference number shown in your white Form of Proxy. Full details of the procedure for appointing a proxy electronically are on the website. Further information is also included on the white Form of Proxy. Other than the appointment of a proxy through CREST (see note 8 below), we request that electronic proxy voting instructions be submitted using the website www.investorcentre.co.uk/proxy not later than 10.15 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned General Meeting (excluding any part of a day that is not a working day)
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service for the General Meeting and any adjournment(s) thereof may do so by using the procedures described in the CREST Manual (available at www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time for receipt of proxy appointments specified below. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service

providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by no later than 10.15 a.m. on 10 September 2019 or, in the case of any adjournment, not later than 48 hours before the time appointed for the adjourned General Meeting (excluding any part of a day that is not a working day).

9. Completion and return of a white Form of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure described in the document of which this notice forms part), will not prevent a member of the Company from attending, speaking and voting in person at the General Meeting, or any adjournment thereof, if he or she wishes to do so and where a member of the Company does so, their proxy appointment will be automatically terminated.
10. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that entitlement to attend and vote at the meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company at 6.00 p.m. on the date two days before the date of the meeting or any adjourned meeting (as the case may be), excluding any part of a day which is not a working day. Changes to the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
11. Except as provided above, members who wish to communicate with the Company in relation to the matters set out in this notice should do so in writing to Computershare at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, or by phone on 0370 889 4080 from within the UK or +44 (0) 370 889 4080 if calling from outside the UK. Lines are open between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scheme or Acquisition (or any proposals relating to them) nor give any personal, financial, legal or tax advice. No other methods of communication will be accepted.
12. In the case of joint holders of ordinary shares the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding (the first-named being the most senior).
13. You may not use any electronic address provided either in this notice or in any related documents (including the enclosed white Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
14. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at this meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
15. The white Form of Proxy must be executed by or on behalf of the Shareholder making the appointment. A corporation may execute the white Form of Proxy either under its common seal or signed by an officer, an attorney or another person authorised to sign it. Any power of attorney or any other authority under which the white Form of Proxy is signed (or a notorially certified copy of such power or authority) must be included with the white Form of Proxy.
16. If two or more valid, but differing, appointments of proxy are delivered or received in respect of the same share, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered or received, none of them shall be treated as valid in respect of that share.
17. As at 14 August 2019 (being the latest business day before publication of this notice), the Company's issued share capital consisted of 437,910,075 ordinary shares of 2.5 pence each and carrying one vote each (excluding shares held in treasury). EIG currently holds 50,000,000 ordinary shares in treasury. The total voting rights in the Company as at 14 August 2019 were 437,910,075.

18. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (“**Companies Act**”) to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him/her and the member by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
19. The statements of the rights of EIG Shareholders in relation to the appointment of proxies in this notice do not apply to Nominated Persons. Those rights can only be exercised by Scheme Shareholders. If you are receiving this notice as such a Nominated Person, you are reminded that your main contact in terms of your investment remains as it was (the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration of it) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters which are directed to it in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act, writes to you directly for a response.
20. Under section 319A of the Companies Act, any Shareholder attending this meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at this meeting but no such answer need be given if:
 - (a) to do so would interfere unduly with the preparation for this meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of this meeting that the question be answered.
21. A copy of this notice, and other information required by section 311A of the Companies Act, can be found at www.eigroupplc.com.
22. Copies of the Company’s existing articles of association and the articles of association as proposed to be amended by the special resolution set out in this notice are available for inspection at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF during normal business hours on any day (excluding Saturdays, Sundays and public holidays in England and Wales), until the opening of business on the day on which the meeting is held, and will also be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.

