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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the course of action to be taken, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser being, in the case of Shareholders in Ireland, an organisation or firm authorised or exempted pursuant to the the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) or the Investment Intermediaries Act 1995 (as amended) and, in the case of Shareholders in the United Kingdom, an adviser authorised pursuant to the Financial Services and Markets Act 2000 of the United Kingdom (as amended).

If you sell or have sold or otherwise transferred all of your Ordinary Shares in Abbey plc (“Abbey”), please send this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. This document should not however be distributed, forwarded or transmitted in or into or from any Restricted Jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares in Abbey, this document should be retained.

Davy Corporate Finance, which is regulated in Ireland by the Central Bank of Ireland, has been appointed to advise the Independent Directors and no-one else in connection with the Mandatory Offer and accordingly will not be responsible to anyone other than the Independent Directors for providing the protections afforded to customers of Davy Corporate Finance, or for providing advice in relation to the Mandatory Offer or any other matter referred to in this document.



*(Incorporated and Registered in Ireland, Registered Number 9245)*

**Response from the Independent Directors of Abbey plc  
in respect of the  
Unconditional Mandatory Offer by Gallagher Holdings Limited  
for the entire issued and to be issued ordinary share capital of Abbey plc  
not already owned by Gallagher Holdings Limited**

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This document should be read in its entirety.

Definitions of certain terms used in this document are set out on page 20 of this document.

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## PART I LETTER FROM THE INDEPENDENT DIRECTORS OF ABBEY

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*(Incorporated and Registered in Ireland, Registered Number 9245)*

*Independent Directors*

J. Roger Humber\* (Senior Independent Director)  
Brian R. Hawkins  
Robert N. Kennedy  
Lorenzo G. Fraquelli  
Michael A. McNulty\*

*\* denotes Non-Executive*

*Registered Office*  
25/28 North Wall Quay  
Dublin 1  
Ireland

*Head Office*  
Abbey House  
2 Southgate Road  
Potters Bar  
Herts EN6 5DU  
United Kingdom

*To holders of Ordinary Shares*

23 August, 2012

Dear Shareholder,

### **1. INTRODUCTION**

On 1 August, 2012 Gallagher Holdings, a company owned by members of the Gallagher family, announced its intention to make a mandatory offer for all of the share capital of the Company not already owned by it. On 17 August, 2012 Gallagher Holdings issued the Offer Document in respect of the Mandatory Offer.

The Mandatory Offer is an offer by Gallagher Holdings to acquire all of the Abbey Shares not already beneficially owned by it on the following basis:

**for each Abbey Share**

**£5.30 in cash.**

The Mandatory Offer values the Existing Issued Share Capital of Abbey at approximately £114.1 million.

I am now writing to you as senior independent Director and chairman of the committee of Independent Directors of Abbey (who comprise all of the Directors of Abbey other than Messrs. Charles Gallagher (Executive Chairman of Abbey) and David Gallagher (Non-Executive Director of Abbey)), to explain the background to the Mandatory Offer and set out the position of the Independent Directors, who have been advised by Davy Corporate Finance, in relation to the Mandatory Offer.

### **2. BACKGROUND**

Gallagher Holdings has been a significant shareholder in Abbey for many years and Mr. Charles Gallagher has been a director of Abbey since 1986 and Executive Chairman since 1993. His brother, Mr. David Gallagher has been a non-executive director of Abbey since 1993.

On 1 August, 2012 Gallagher Holdings, which previously held 10,166,544 Ordinary Shares in Abbey representing approximately 47.2% of the Existing Issued Share Capital of the Company, announced that it had acquired 931,537 Ordinary Shares at a price of £5.30 per share, increasing its shareholding to approximately 51.6% and, under Rule 9 of the Irish Takeover Rules, triggered a mandatory offer as it had exceeded the permitted level of acquisitions in a 12 month period. The minimum price at which Gallagher Holdings was required to make the Mandatory Offer was the highest price paid by Gallagher Holdings (or persons acting in concert with Gallagher Holdings) for Ordinary Shares in the 12 months prior to the triggering of the Mandatory Offer, which was £5.30 per Abbey Share. An announcement detailing the terms of the Mandatory Offer was published on 1 August, 2012. On 1 August, 2012 Gallagher Holdings acquired a further 141,000 Ordinary Shares

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at a price of £5.28 per share. On 14 August, 2012 Gallagher Holdings acquired 352,163 Ordinary Shares at a price of £5.30 per share and on 20 August, 2012 Gallagher Holdings acquired a further 168,000 Ordinary Shares at a price of £5.30 per share. Following these acquisitions the holding of Gallagher Holdings in Abbey is 11,759,244 Ordinary Shares representing approximately 54.6% of the Existing Issued Share Capital of the Company. Additionally, members of the Gallagher family, who are deemed to be acting in concert with Gallagher Holdings for the purposes of the Mandatory Offer, are beneficially interested in 41,140 Ordinary Shares representing approximately 0.2% of the Existing Issued Share Capital of the Company.

The acceptance condition for a mandatory offer (unlike a voluntary offer) must, under the Irish Takeover Rules, be that acceptances are received, together with the holding of the offeror and any persons acting in concert with it, in respect of in aggregate securities conferring more than 50% of the voting rights in the company the subject of the mandatory offer. Accordingly as the initial acquisition by Gallagher Holdings on 1 August, 2012 increased its holding to above 50%, the Mandatory Offer was unconditional as to acceptances from the outset. Additionally as there are no other conditions to the Mandatory Offer, it is already unconditional in all respects and therefore, irrespective of the proportion of Abbey Shares or Shareholders in respect of which the Mandatory Offer is accepted, the Mandatory Offer cannot fail or lapse. As a result, all Shareholders who accept the Mandatory Offer will receive £5.30 per share within 14 days of the closing date of the Mandatory Offer.

### **3. REASONS FOR THE POSITION TAKEN BY THE INDEPENDENT DIRECTORS**

As noted above, Gallagher Holdings has been a long term shareholder in Abbey. As a result of the Abbey share buy back programs, Gallagher Holdings has increased its percentage holding from 29.83% in 2005 to 47.23% in 2012 (by way of non-participation in the three share buyback programmes operated by the Company which returned in aggregate €87.4 million in cash). These increases in the percentage of Abbey held by Gallagher Holdings did not entail mandatory offer obligations, despite having caused Gallagher Holdings to cross control thresholds, as the independent Shareholders of Abbey had approved, by way of three separate shareholder resolutions, waivers of any such obligations under the Irish Takeover Rules.

The terms of the Mandatory Offer, together with a number of Company specific and macro factors, have caused the Independent Directors to conclude that it is not possible to give a firm recommendation to all Shareholders to accept or reject the Mandatory Offer and that it is more appropriate for them to set out the arguments for acceptance and for rejection of the Mandatory Offer.

In particular, the Independent Directors are of the view that since the Mandatory Offer envisages a broadly unchanged continuation of the operations, business strategy, employment conditions and management of the Abbey Group, together with, in certain circumstances retention of the listing of the Company's shares, it may accommodate those Shareholders who wish to remain invested in Abbey, alongside Gallagher Holdings. Conversely for those Shareholders concerned about, *inter alia*, a diminution in liquidity or in value in the Company's shares following the completion of the Mandatory Offer and/or wishing to realise all or some of their investment in Abbey at a premium to the Pre-Announcement Market Price, acceptance of the Mandatory Offer may be advisable.

### **4. REASONS FOR ACCEPTING THE MANDATORY OFFER**

- (i) The Offer Price of £5.30 per Abbey Share represents a premium of:
- approximately 13.2% to the Closing Price of £4.68 per Abbey Share on 31 July, 2012, the dealing day preceding the date of the announcement of the Mandatory Offer;
  - approximately 12.0% to the average daily Closing Price of £4.73 per Abbey Share over the last 30 days before the date of the announcement of the Mandatory Offer;
  - approximately 15.4% to the average daily Closing Price of £4.59 per Abbey Share over the twelve month period before the date of the announcement of the Mandatory Offer; and
  - approximately 22.4% to the average daily Closing Price of £4.33 per Abbey Share over the thirty six month period before the date of the announcement of the Mandatory Offer.
- (ii) Following the approval by Shareholders at an extraordinary general meeting held in November 2010 of a share buyback authority in respect of 14.99% of the then issued share capital, Abbey has repurchased a total of 3,101,414 Ordinary Shares. Over the 18 month period of repurchases, the Abbey repurchases

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accounted for approximately 46.3% of all of the volume of trading in Abbey Shares on the Irish Stock Exchange (on which exchange more than 93.7% of all trading in Abbey Shares occurred over that period) and approximately 43.4% of all volume on the Irish Stock Exchange and the London Stock Exchange combined. The average price at which Abbey Shares were repurchased by the Company over this period was €5.17 (£4.42) and the highest and lowest prices paid were €6.00 (£4.87) paid in May, 2012 at the conclusion of the share buyback and €4.85 (£4.06) paid in December, 2010 respectively. A total of approximately €16.0 million (£13.7 million) was returned to Shareholders through this buyback.

The Independent Directors believe that the recovery in the price of Ordinary Shares from €4.35 on the date of approval of the resolutions necessary to effect the buyback, to €5.90 on 31 May, 2012 (the date on which the buyback authority expired) is in part due to the effect of the buyback and its stimulation of market volumes during this period. Save for Abbey, it appears there would have been little independent market appetite for Abbey Shares during this period. The Independent Directors are concerned that in the absence of future buybacks (no renewal of buyback authority is being proposed at this year's Annual General Meeting), there may be insufficient market appetite for Abbey Shares in the short to medium term to support the Offer Price.

The Offer Price represents a premium of approximately 30.8% to the average repurchase price paid by Abbey for shares over the duration of the latest repurchase programme.

- (iii) The closing date under the Mandatory Offer is 1.00 p.m. on 7 September, 2012 and Gallagher Holdings has stated in the Offer Document that it is not intended that this will be extended. Accordingly minority shareholders are unlikely to have the opportunity to assess the level of acceptances under the Mandatory Offer ahead of the closing date before deciding whether or not to accept. Together with the significant hurdles to be reached before the compulsory acquisition provisions can apply (see section 6 below) this may mean that for Shareholders who wish to be certain of being able to dispose of some or all of their Ordinary Shares to Gallagher Holdings at the Offer Price, and receive the consideration due on a timely basis, the most appropriate action is to accept the Mandatory Offer.
- (iv) As Gallagher Holdings is now interested in more than 50% of the issued share capital of the Company, under the Irish Takeover Rules Gallagher Holdings will be permitted to increase their holding of securities without incurring any further obligation to make any future offer under Rule 9 or otherwise. The Mandatory Offer may therefore represent a unique opportunity for Shareholders to sell all of their holdings to Gallagher Holding at the Offer Price.
- (v) The Announcement issued by Gallagher Holdings included the following statement:
- "The Offer is final and will not be increased."*
- This is a "no increase" statement under the Irish Takeover Rules and it has been made without any reservation as to circumstances in which it could be set aside. This means that absent of another competing offer for Abbey being made and Panel consent, Gallagher Holdings is not permitted under the Irish Takeover Rules to increase its offer. Accordingly it has not been possible for the Independent Directors to seek an increase on the Offer Price.
- (vi) Abbey has advised in its Preliminary Results Announcement on 10 July 2012 and reiterates that *"Prices across our operating area continue to be under pressure. The continuing recession with its impact on incomes and employment is a negative background to the market. The outlook for the year ahead is for significant growth in turnover as the UK business responds to increased investment. Increased turnover however, is unlikely to be matched by a similar increase in profits as margins are traded to secure some sales growth. Competition for profitable land opportunities is intense. The external environment remains very uncertain and further setbacks cannot be discounted, however, all things being equal the Group's plans are on track."*
- The Independent Directors of Abbey do not anticipate any significant step change in its business or performance metrics in the current fiscal year.
- (vii) Over the last five years and since the Offer Period commenced, the Board of Abbey has received no approaches from persons potentially interested in acquiring Abbey.
- (viii) While it is possible that Abbey's admission to trading on the ESM and AIM will continue following the completion of the Mandatory Offer (see sub-section (vi) of section 5 below), there can be no absolute certainty that this will be the case, nor that if the quotation is maintained, that there will be sufficient

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Ordinary Shares available for trading to sustain normal market liquidity. The Independent Directors believe that the absence of a quotation for Abbey Shares on ESM and/or AIM would have a material adverse impact on market transparency and volumes in Abbey Shares, as well as restricting certain categories of investors from investing or maintaining an investment in Abbey.

It is also noted that a further decline in the free float of the Company, which would ensue in the event that Gallagher Holdings increases its stake whether as a result of acceptances received under the Mandatory Offer or market acquisitions, would be expected to have an adverse impact on liquidity in the market for Abbey Shares.

- (ix) With a shareholding greater than 50%, Gallagher Holdings can control appointments to the Board (which under the Articles of Association require ordinary resolutions) and is certain of being able to carry or block all other ordinary resolutions, as well as being able to block, and have very significant influence on the outcome of, all special resolutions proposed for approval.

## 5. REASONS FOR REJECTING THE MANDATORY OFFER

- (i) Gallagher Holdings has been the largest shareholder in Abbey for many years with the Gallagher family represented on the Board for much of that period. The Independent Directors are of the view that during this period Gallagher Holdings has not sought to exert its influence to the detriment of other Shareholders. Gallagher Holdings has indicated it does not plan to change the board or management or strategy of Abbey following completion of the Mandatory Offer.

- (ii) Abbey has a robust capital profile with no debt and strong liquidity. Its balance sheet is not distressed and there is no imperative in the business necessitating any capital injection or shareholder support. As at 30 April, 2012 (the last date to which audited financial information has been published) Abbey held €20.2 million in cash and restricted cash together with €50.0 million in UK government bonds. Additionally in the year ended 30 April, 2012 Abbey made additional contributions of €990,000 to eliminate a deficit of €905,000 reported as at 1 May, 2011 in its UK Defined Benefit Pension Scheme. Accordingly Abbey has no material financial liabilities and expects to have, together with ongoing cash being generated from its business, sufficient cash to pursue suitable land acquisition opportunities in the UK to supplement its existing land bank in line with its policy. In this respect its position is superior to that of many companies in its sector.

Gallagher Holdings has confirmed that the Mandatory Offer is funded by way of existing cash resources of Gallagher Holdings, and not by way of debt financing.

- (iii) Having ceased paying dividends in 2008 as exceptional losses were incurred, Abbey recommenced dividend payments in 2010 stating in the preliminary results statement issued in July, 2010 that *“Shareholders may reasonably expect an income return on their investment and paying a regular sustainable dividend in other than exceptional circumstances should widen the pool of investors willing to consider investing capital in the Group.”* Having paid 3 cents per Ordinary Share as an interim dividend in the fiscal year ended 30 April, 2012, Abbey has proposed a final dividend of 5 cents per Ordinary Share in respect of the year ended 30 April, 2012. This would bring the total dividend payout for the year to approximately €1.7 million and the dividend yield to approximately 1.4%. Acceptance of the Mandatory Offer will mean that the final 2012 dividend (payable to shareholders on the register on 5 October, 2012 assuming approval by Shareholders at the AGM) will be foregone.

- (iv) Following the difficulties in the property market in Ireland and the challenges faced in relation to growing its modest Prague operations, Abbey has (between 2008 and 2012) substantially written down the value of its Irish land bank, has also partly written down its UK land bank and has increasingly focused on the UK housebuilding market. As noted in the Company’s Preliminary Results in respect of the year ended 30 April, 2012 Abbey reported profit before taxation of €12.1 million (€11.5 million in FY 2011) and operating profit of €9.1 million (€9.4 million in FY 2011). Its total net assets at 30 April, 2012 were €173.9 million (€157.7 million at 30 April, 2011).

As at 30 April, 2012, Abbey owned and controlled land with the benefit of planning permission for the supply of 1,852 plots, of which 999 were located in England (786 of a total of 1,879 were in England at the end of the prior fiscal year). This UK land bank is sufficient to support the Company’s plans over 2013 and 2014, though it is also likely to be supplemented to the extent suitable opportunities arise.

- (v) The Market Price of Abbey prior to the Mandatory Offer being made of €6.05 (£4.74) represented a discount of 24.8% to the Net Asset Value (“NAV”) per share of €8.05 (based on the net assets shown in the 30 April 2012 balance sheet). The Offer Price represents a discount to the NAV per share of 16.0%. In the last three years Abbey has consistently traded at a discount to NAV.

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- (vi) Gallagher Holdings has indicated that it does not currently plan to seek a cancellation of trading on AIM and ESM and that it considers cancellation of trading to be a matter for the board of directors of Abbey. The Independent Directors consider the quotation of Abbey on ESM and AIM to be of value and would not expect to support its cancellation following the Mandatory Offer unless the compulsory acquisition provisions under section 204 of the Companies Act, 1963 had also become applicable.

Unlike on the Main Markets, there is no minimum free float criteria on ESM and AIM necessary to maintain a quotation. Under the ESM Rules and the AIM Rules, ESM and AIM may in the case of a takeover offer where the offeror has received valid acceptances in respect of in excess of 75% of the relevant shares, on request, effect the cancellation of the quotation of the company's shares without requiring a shareholder resolution. Alternatively a resolution requiring the approval of 75% of the votes cast is required to effect the cancellation of a quotation on the ESM and AIM.

- (vii) To the extent that Gallagher Holdings wishes to acquire further Ordinary Shares on market following completion of the Mandatory Offer, its freedom from any further restrictions on share acquisitions enables this and may therefore underpin market liquidity, although it is noted Gallagher Holdings will not be subject to any minimum price consideration in respect of any such share purchases (if arising).
- (viii) An assessment of the possibility of Gallagher Holdings being in a position to 'squeeze out' non-accepting Shareholders and of Shareholders who do not accept being potentially able to require Gallagher Holdings acquire their Abbey Shares at the Offer Price (as set out in section 6 below) may also be a factor of relevance to Shareholders in deciding not to accept the Mandatory Offer.

## **6. COMPULSORY ACQUISITION UNDER SECTION 204 OF THE 1963 ACT**

If the applicable thresholds are achieved, in such circumstances Gallagher Holdings has indicated that it intends to apply the provisions of section 204 of the Companies Act, 1963 to compulsorily acquire any outstanding Abbey Shares not acquired or agreed to be acquired pursuant to the Mandatory Offer or otherwise.

In order to be able to rely on these compulsory acquisition rights, Gallagher Holdings will need to acquire 80% of the Abbey Shares the subject of the Mandatory Offer (i.e. 80% of the 46.2% of the Existing Issued Share Capital not already owned by them at the date of posting of the Offer Document or an overall holding of approximately 90.8% of the Existing Issued Share Capital) from Shareholders representing 75% in number of the Shareholders other than Gallagher Holdings. There are currently approximately 1,500 registered shareholders in Abbey.

Gallagher Holdings has, by not using a company other than Gallagher Holdings to make the Mandatory Offer, triggered this requirement that 75% in number of Shareholders accept its Mandatory Offer before it is able to avail of the compulsory acquisition provisions. Additionally by purchasing in aggregate 493,163 Abbey Shares on market in the period between its Announcement and the posting of the Offer Document, Gallagher Holdings has reduced the balance of Abbey Shares available to Gallagher Holdings to meet the 80% in value threshold. The combination of these actions may be seen as making the prospect of Gallagher Holdings being able to squeeze out non-accepting Shareholders more challenging. Where the threshold is not met, non-accepting Abbey Shareholders would not be required to subsequently sell their Abbey Shares.

Section 204 of the Companies Act, 1963 also provides that shareholders can require an offeror to acquire their shares at the offer price in certain circumstances. Shareholders who elect not to accept the Mandatory Offer may, in the event that Gallagher Holdings owns 80% or more of the Existing Issued Share Capital as a result of completion of the Mandatory Offer (i.e. an additional 25.4% of the Existing Issued Share Capital in addition to the 54.6% already owned) be able to require Gallagher Holdings to acquire their Abbey Shares at the Offer Price. The threshold for this provision to apply is obviously significantly lower than the threshold for the compulsory buy out right to apply and therefore some additional protection/optionality is potentially provided to remaining Shareholders in the aftermath of the Mandatory Offer. If the thresholds for this right are achieved, Gallagher Holdings will be required to notify non-accepting Abbey Shareholders within one month of reaching the 80% threshold that it has so reached such threshold and Shareholders will then have three months in which to elect to sell at the Offer Price.

In the event that non-accepting Abbey Shareholders are so notified, they are recommended to seek independent advice as to the nature and extent of any such entitlements and the steps to be taken by any non-accepting Abbey Shareholders seeking to exercise such entitlement.

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## **7. OPINION OF THE INDEPENDENT DIRECTORS ON GALLAGHER HOLDING'S INTENTIONS TOWARDS ABBEY AND ITS EMPLOYEES**

Following the completion of the Mandatory Offer, Gallagher Holdings has stated that it does not envisage any repercussions for the employment of Abbey employees as a consequence of the Mandatory Offer and that it will continue to respect and fully safeguard the existing employment rights of Abbey management and employees, Gallagher Holdings has also confirmed that no change in the employment conditions of Abbey employees is envisaged as a consequence of the Mandatory Offer. Gallagher Holdings has also confirmed that it is supportive of Abbey's management team and does not envisage any changes to the Abbey board as a consequence of the Mandatory Offer.

Gallagher Holdings has also indicated that it does not envisage any change to Abbey's strategic plans as a consequence of the Mandatory Offer, that it expects Abbey to continue to develop its business in a manner broadly consistent with the strategy that Abbey has historically communicated to the market and that it expects a continuation of Abbey's operations in their present form and locations of business and does not expect that Abbey will redeploy any of its fixed assets as a consequence of the Mandatory Offer.

The Independent Directors have no reason to believe that Gallagher Holding's intentions would prejudice Abbey's employees and is comforted that Gallagher Holdings does not have any current plans to alter the existing employment rights of these employees. The Independent Directors also welcome Gallagher Holding's intentions to allow the business of Abbey to continue as currently envisaged without any significant change or proposed change.

## **8. FURTHER INFORMATION**

Your attention is drawn to the further information set out in Part II of this document. This document should be read in its entirety.

## **9. CONSIDERATIONS FOR SHAREHOLDERS**

In deciding what action you should take in respect of the Mandatory Offer, you should consider, in addition to your own individual requirements and the matters set out in this letter, as well as your objectives and the general assessment you would normally make in respect of the Mandatory Offer, the following key points:

- The Offer Price of £5.30 represents a premium of approximately 13.2% to the Pre-Announcement Market Price but a discount of 16.0% to the NAV per share (based on the net assets shown in the 30 April, 2012 balance sheet).
- The Mandatory Offer is already unconditional as Gallagher Holdings owns more than 50% of the Existing Issued Share Capital. Under the Irish Takeover Rules, Gallagher Holdings will be permitted to increase their holding without incurring any further obligation to make any offer. To the extent that the free float of the Company is further reduced whether as a result of acceptances under the Mandatory Offer or market acquisitions by Gallagher Holdings, this would be expected to have an adverse impact on liquidity in the market for Abbey Shares.
- Gallagher Holdings has long been the largest shareholder in Abbey and Charles Gallagher has been Executive Chairman since 1993. Gallagher Holdings has indicated that it does not envisage any changes to the Abbey Group's management, employees, operations or strategic plans. However Gallagher Holdings will be able to exercise significant influence over Abbey, whether or not it acquires any further Abbey Shares.
- Gallagher Holdings has indicated that it does not currently intend to seek the de-listing of Abbey Shares and that it considers the de-listing to be a matter for the board of directors of Abbey. The Independent Directors consider the quotation of Abbey on ESM and AIM to be of value and would not expect to support its cancellation following completion of the Mandatory Offer unless the compulsory acquisitions had also become applicable. If the Ordinary Shares ceased to be quoted, their marketability would be very limited.



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The Independent Directors of Abbey, who have been so advised by Davy Corporate Finance, having had regard to the issues outlined in this letter, have not given a firm recommendation to all Shareholders as to whether or not to accept the Mandatory Offer. In providing its advice, Davy Corporate Finance has taken into account the commercial assessments of the Independent Directors.

Yours faithfully,

**J. ROGER HUMBER**  
**For and on behalf of the Independent Directors**

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## Part II ADDITIONAL INFORMATION

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### (1) RESPONSIBILITY

The Independent Directors of Abbey (whose names are set out in section 2 below) accept responsibility for the information contained in this document, except that the only responsibility accepted by them in respect of the information contained in this document relating to Gallagher Holdings and the directors of Gallagher Holdings or persons connected with them, which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. To the best of the knowledge and belief of the Independent Directors of Abbey (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with facts and does not omit anything likely to affect the import of such information.

### (2) INDEPENDENT DIRECTORS

The Independent Directors and their respective positions on the Board of Abbey are:

J. Roger Humber	Non-Executive Director and Senior Independent Director
Brian R. Hawkins	Executive Director
Robert N. Kennedy	Executive Director (Managing Director of M&J Engineers Limited)
Lorenzo G. Fraquelli	Executive Director (Managing Director of Abbey Developments Limited)
Michael A. McNulty	Non-Executive Director

The two other Directors, who are not independent in respect of the Mandatory Offer and who have taken no part in the deliberations of the Independent Directors, are:

Charles H. Gallagher	Executive Chairman
David A. Gallagher	Non-Executive Director

The registered address of the Company is 25/28 North Wall Quay, Dublin 1, Ireland. The head office of the Company is Abbey House, 2 Southgate Road, Potters Bar, Herts EN6 5DU, United Kingdom.

### (3) INTERESTS, SHORT POSITIONS AND DEALINGS IN ABBEY SECURITIES

#### (a) For the purposes of this paragraph 3:

##### (i) **acting in concert** means:

- (A) persons who cooperate on the basis of an agreement, either express or tacit, either oral or written, aimed at acquiring control of the offeree company or at frustrating the successful outcome of the bid; and
- (B) persons acting or deemed to be acting in concert with each other for the purposes of the Irish Takeover Rules and/or the Mandatory Offer;

##### (ii) **arrangement** means any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, between two or more persons relating to relevant securities which may be an inducement to deal or refrain from dealing in such securities;

##### (iii) **associate** of a company (being for the purposes of this definition Abbey) means:

- (A) the holding company or a subsidiary of that company, or a subsidiary of the holding company of that company;
- (B) an associated company of that company or of an associate described in paragraph (A) above (for this purpose, a company is deemed to be an “**associated company**” of another company if that company owns or controls 20 per cent. or more of the equity share capital of the first-mentioned company);
- (C) a company of which that company or an associate described in paragraphs (A) or (B), above is an associated company;
- (D) a bank or financial or other professional adviser (including a stockbroker) which is acting in relation to the Mandatory Offer or for an associate of the company described in paragraphs

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- (A), (B) or (C) of the definition of “associate” above (not being a bank which is only providing normal commercial banking services or activities such as registration work), provided that, in the case of an adviser which is a partnership, only those partners and professional staff actively engaged in relation to the Mandatory Offer or who are customarily engaged in the affairs of the relevant client or who have engaged in these offices within two years prior to the start of the relevant offer period shall be deemed associates of the company (each a “**connected adviser**”);
- (E) persons controlling, controlled by or under the same control as a company’s connected advisers;
- (F) (i) the board of directors of that company and the directors of any associate of the company described in paragraphs (A), (B) or (C) of the definition of “associate” above; (ii) the spouse, parent, brother, sister or child of any such director; (iii) a trustee of a trust (including a discretionary trust) of which any such director or any such member of her/his family is a beneficiary or a potential beneficiary; or (iv) a company controlled by any one or more such directors, such members of their families and the trustees of all such trusts; a trustee of any pension scheme (other than an industry-wide scheme) in which the company or any company described in paragraphs (A), (B) or (C) of the definition of “associate” above participates;
- (G) a trustee of any pension scheme (other than an industry-wide scheme) in which the company or any company described in paragraphs (A), (B) or (C) of the definition of ‘associate’ above participates;
- (H) a collective investment scheme or other person the investments of which the company or any associate of the company manages on a discretionary basis, in respect of the relevant investment accounts;
- (I) a person who is interested, or together with one or more persons acting in concert with that person is interested, in 5 per cent. or more of any class of relevant securities of the company;
- (J) a party to an arrangement with the company or an associate of the company in respect of relevant securities;
- (K) a person who has a material business relationship with the company; or
- (L) a person (not covered by paragraphs (A) to (K) above) who is interested or deals in relevant securities of the company and has, in addition to that person’s normal interest as an investor in securities, an interest or potential interest, whether commercial, financial or personal, in the outcome of the Mandatory Offer.
- (iv) **control** means the holding, whether directly or indirectly, of securities in a company that confer in aggregate 30 per cent. or more of the voting rights in that company;
- (v) **derivative** includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- (vi) **disclosure date** means 22 August, 2012, being the latest practicable date before the posting of this document;
- (vii) **disclosure period** means the period commencing on 1 August, 2011 (being the date 12 months before the commencement of the Offer Period) and ending on the disclosure date;
- (viii) **exempt fund manager** means a discretionary fund manager which has been recognised by the Irish Takeover Panel as an exempt fund manager for the purposes of the Irish Takeover Rules, has been notified in writing of that fact by the Panel and has not been notified by the Panel of the withdrawal of such recognition;
- (ix) **exempt market maker** means a person who, in relation to the securities concerned, is registered as a market-maker in those securities with the London Stock Exchange or is accepted by the UK Panel on Takeovers and Mergers as a market-maker in those securities and who, in either case, has been recognised by the Irish Takeover Panel as an exempt market-maker for the purposes of the Irish Takeover Rules, has been notified in writing of that fact by the Panel and has not been notified by the Panel of the withdrawal of such recognition;
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- (x) **interest in or interested in** a relevant security means:
- (A) for the purpose of determining whether a person has an “interest in a relevant security” or is “interested in a relevant security”:
- (i) that person shall be deemed to have an “interest”, or to be “interested”, in a relevant security if and only if he or she has a long position in that security; and
- (ii) a person who has only a short position in a relevant security shall be deemed not to have an interest, nor to be interested, in that security;
- (B) **long position and short position:**
- (i) A person shall be deemed to have a **long position** in a relevant security for the purposes of paragraph (A) if he or she directly or indirectly:
- (I) owns that security; or
- (II) has the right or option to acquire that security or to call for its delivery; or
- (III) is under an obligation to take delivery of that security; or
- (IV) has the right to exercise or control the exercise of the voting rights (if any) attaching to that security,
- or to the extent that none of sub-paragraphs (I) to (IV) above applies to that person, if he or she:
- (V) will be economically advantaged if the price of that security increases; or
- (VI) will be economically disadvantaged if the price of that security decreases irrespective of:
- (i) how any such ownership, right, option, obligation, advantage or disadvantage arises and including, for the avoidance of doubt and without limitation, where it arises by virtue of an agreement to purchase, option or derivative; and
- (ii) whether any such ownership, right, option, obligation, advantage or disadvantage is absolute or conditional and, where applicable, whether it is in the money or otherwise
- provided that a person who has received an irrevocable commitment to accept an offer (or to procure that another person accept an offer) shall not, by virtue only of sub-paragraph (I) or (III) above, be treated as having an interest in the relevant securities that are the subject of the irrevocable commitment;
- (ii) A person shall be deemed to have a **short position** in a relevant security if he or she directly or indirectly:
- (I) has the right or option to dispose of that security or to put it to another person; or
- (II) is under an obligation to deliver that security to another person; or
- (III) is under an obligation either to permit another person to exercise the voting rights (if any) attaching to that security or to procure that such voting rights are exercised in accordance with the directions of another person
- or to the extent that none of sub-paragraphs (I) to (III) above applies to that person if he or she:
- (IV) will be economically advantaged if the price of that security decreases; or
- (V) will be economically disadvantaged if the price of that security increases irrespective of:
- (A) how any such right, option, obligation, advantage or disadvantage arises and including, for the avoidance of doubt
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and without limitation, where it arises by virtue of an agreement to sell, option or derivative; and

- (B) whether any such right, option, obligation, advantage or disadvantage is absolute or conditional and, where applicable, whether it is in the money or otherwise;

(xi) **relevant Abbey securities or relevant securities in Abbey** means:

- (A) ordinary shares in Abbey;
- (B) equity share capital of Abbey; and
- (C) securities or any other instruments of Abbey conferring on their holders rights to convert into or to subscribe for ordinary shares in or equity share capital of Abbey;

**relevant Gallagher Holdings securities or relevant securities in Gallagher Holdings** means:

- (A) equity share capital of Gallagher Holdings; and
- (B) securities or any other instruments of Gallagher Holdings conferring on their holders rights to convert into or to subscribe for equity share capital of Gallagher Holdings;

(xii) **relevant period** means the period commencing 1 August 2012 (being the date on which the Offer Period commenced) and ending on the disclosure date;

(xiii) **relevant securities** means relevant Abbey securities or relevant Gallagher Holdings securities, as appropriate, and relevant security shall be construed accordingly; and

(xiv) **“dealing” or “dealt”** includes the following:

- (A) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or of general control of securities;
- (B) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities; subscribing or agreeing to subscribe for securities;
- (C) subscribing or agreeing to subscribe for securities;
- (D) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (E) the acquisition or, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
- (F) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
- (G) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.

(b) **Holdings and Dealings in relevant securities in Abbey**

(i) As at the close of business on the disclosure date none of the Independent Directors (or persons connected to them within the meaning of Chapter I Part IV of the 1990 Act) had any interests in the relevant securities in Abbey. As at the close of business on the disclosure date, the Gallagher Directors (or persons connected to them within the meaning of Chapter I Part IV of the 1990 Act) held the following interests in the relevant securities of the Company:

<u>Name</u>	<u>Number of Abbey Securities</u>	<u>Nature of Interest</u>
Charles H. Gallagher	25,500	Beneficial
David A. Gallagher	3,000	Beneficial

(ii) As at close of business on the disclosure date none of the Independent Directors (or persons connected to them within the meaning of Chapter I Part IV of the 1990 Act) held any options or awards over relevant securities in Abbey. As at the close of business on the disclosure date, none of the Gallagher Directors held any options or awards over Abbey Shares. Abbey does not operate a share option or other share incentive scheme.

- (iii) As at the close of business on the disclosure date none of the Independent Directors were interested, or held any short positions, in any relevant securities in Abbey. As at the close of business on the disclosure date none of the Gallagher Directors were interested, or held any short positions, in any relevant securities in Abbey.
- (iv) As at the close of business on the disclosure date, Gallagher Holdings, an associate company of Abbey within the meaning of the definition of associate as set out in section 3(a)(iii) above, held 11,759,244 relevant securities in Abbey, representing 54.6% of the Existing Issued Share Capital of the Company.
- (v) As at the close of business on the disclosure date, other than as set out in paragraph (iv) above, no subsidiaries or associated companies of the Company or trustees of a pension scheme (other than an industry wide scheme) in which the Company or a subsidiary of the Company participates was interested, or held any short positions, in any relevant securities in Abbey.
- (vi) As at the close of business on 21 August, 2012 (the latest practicable date to obtain the relevant information prior to the posting of this document) Davy and Davy Corporate Finance and persons controlling, controlled by or under the same control as Davy or Davy Corporate Finance (excluding exempt market makers) were interested in the following relevant securities in Abbey:

<u>Name</u>	<u>Number of Abbey Securities</u>	<u>Nature of Interest</u>
J&E Davy	161,222	Own account and discretionary

- (vii) As at the close of business on the disclosure date, other than as set out in paragraph (vi) above neither Davy or Davy Corporate Finance nor persons controlling, controlled by or under the same control as Davy or Davy Corporate Finance (excluding exempt market makers) was interested, or held any short positions, in relevant securities in Abbey.
- (viii) As at the close of business on the disclosure date no partner or member of the professional staff of A&L Goodbody (legal advisers to Abbey) actively engaged in relation to the Mandatory Offer or customarily engaged in the affairs of Abbey or engaged in those affairs in the two years prior to the commencement of the Offer Period was interested, or held any short positions, in any relevant securities in Abbey.
- (ix) As at the close of business on the disclosure date, no fund manager (other than an exempt fund manager) connected with Abbey was interested or held any short positions in any relevant securities in Abbey.
- (x) Save as disclosed in this document, neither Abbey, nor so far as the Independent Directors are aware, any associate (by virtue of paragraphs (a) to (g) of the definition of 'associate') of Abbey has any arrangement with any other person in relation to relevant securities in Abbey.
- (xi) As at the close of business on the disclosure date, other than as set out in this Part II of the Response Document, no person whose interests are required to be disclosed by the Company under the Irish Takeover Rules, was interested, or held any short positions in any relevant securities in Abbey.
- (xii) During the disclosure period, none of the Independent Directors, their immediate families or persons connected with them, have dealt for value in the relevant securities of the Company. As far as is known to Abbey, during the disclosure period none of the Gallagher Directors, their immediate families or, save for Gallagher Holdings itself, persons connected with them, have dealt for value in the relevant securities of the Company.
- (xiii) Dealings for value in the relevant securities in Abbey during the disclosure period by subsidiaries or associated companies of the Company, or by the trustees of a pension scheme (other than an industry wide scheme) in which the Company or a subsidiary of the Company were as follows:

<u>Name</u>	<u>Date of Dealing</u>	<u>Nature of Transaction</u>	<u>Number of Abbey Securities</u>	<u>Price (£)</u>
Gallagher Holdings	1 August, 2012	Purchase	931,537	5.30
Gallagher Holdings	1 August, 2012	Purchase	141,000	5.28
Gallagher Holdings	14 August, 2012	Purchase	352,163	5.30
Gallagher Holdings	20 August, 2012	Purchase	168,000	5.30

- (xiv) Dealings for value in relevant securities in Abbey by the persons identified in paragraphs 3(b)(vi) to 3(b)(viii) above during the relevant period (in the case of Davy, up to 21 August, 2012 (the latest practicable date to obtain the relevant information prior to the posting of this document)) were as follows:

<u>Name</u>	<u>Date of Dealing</u>	<u>Nature of Transaction</u>	<u>Number of Abbey Securities</u>	<u>Price(€)</u>
J&E Davy (own account)	14 August, 2012	Purchase	6,000	6.61

- (xv) No partner or member of the professional staff of A&L Goodbody actively engaged in relation to the Mandatory Offer or customarily engaged in the affairs of Abbey or engaged in those affairs in the two years prior to the commencement of the Offer Period dealt for value in relevant securities in Abbey during the relevant period.
- (xvi) There were no dealings for value in relevant securities in Abbey by a fund manager (other than an exempt fund manager) connected with Abbey during the relevant period.
- (xvii) As at the disclosure date, other than as set out in this Part II of the Response Document, there were no dealings in relevant securities in Abbey during the relevant period.
- (xviii) During the disclosure period Abbey has repurchased a total of 1,376,914 Abbey Shares at a range of prices between €5.15 and €6.00. All such Abbey Shares repurchased were cancelled. Save for these repurchases, Abbey has not redeemed or purchased any relevant Abbey securities during the disclosure period. Details of these repurchases are below:

<u>Date</u>	<u>Number of Abbey Securities Purchased</u>	<u>Price (€)</u>
3 August, 2011	55,000	5.20
4 August, 2011	77,000	5.20
10 August, 2011	22,000	5.20
17 August, 2011	65,000	5.20
18 August, 2011	46,509	5.20
19 August, 2011	75,100	5.15
31 August, 2011	100,000	5.20
2 September, 2011	17,000	5.20
5 September, 2011	37,565	5.20
6 September, 2011	174,884	5.20
19 September, 2011	120,000	5.25
14 October, 2011	9,500	5.15
17 October, 2011	50,000	5.15
18 October, 2011	26,040	5.15
21 October, 2011	16,000	5.15
8 December, 2011	88,719	5.15
13 December, 2011	50,000	5.20
23 December, 2011	10,000	5.20
4 January, 2012	20,000	5.15
24 January, 2012	45,000	5.25
26 January, 2012	100,000	5.25
30 January, 2012	20,000	5.25
8 February, 2012	37,000	5.35
16 February, 2012	49,597	5.50
2 May, 2012	50,000	6.00
3 May, 2012	15,000	6.00

**(c) Holdings and Dealings in relevant securities in Gallagher Holdings**

- (i) As at the close of business on the disclosure date, the Company was not interested in, nor did it hold any short positions in, any relevant securities in Gallagher Holdings.
- (ii) As at the close of business on the disclosure date, none of the Independent Directors (including persons connected to them within the meaning of Chapter I Part IV of the 1990 Act) were interested in, nor did

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they hold any short positions in, any relevant securities in Gallagher Holdings. The Independent Directors understand that the Gallagher Directors, together with other members of the Gallagher family, are the owners of Gallagher Holdings.

- (iii) There were no dealings for value in relevant securities in Gallagher Holdings by the Company during the disclosure period.
- (iv) There were no dealings for value in relevant securities in Gallagher Holdings by the Independent Directors during the disclosure period. The Independent Directors are not aware of any dealings for value in relevant securities in Gallagher Holdings by the Gallagher Directors during the disclosure period.

#### **(4) MATERIAL CONTRACTS**

No material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the commencement of the Offer Period and ending on the disclosure date.

#### **(5) DIRECTORS SERVICE CONTRACTS**

Save as disclosed in this section 5 there are no service contracts having more than twelve months to run between any Directors and Abbey or any of its subsidiaries or associated companies and no such contracts have been entered into, replaced or amended within the six months preceding the date of this document.

- (a) Abbey and its subsidiary Abbey Group Limited entered into an employment agreement with Mr Charles Gallagher in respect of his employment on 15 October, 1991. Mr Gallagher was appointed to the Board on 16 January, 1986. This agreement, which has been subsequently amended by supplemental agreements from time to time may be terminated on two years notice by either party. Mr Gallagher's current salary is £577,000 per annum (subject to annual review by the remuneration committee of Abbey). The agreement anticipates Mr Gallagher retiring at age 60.

Under the terms of the agreement Mr Gallagher is entitled to a motor car and is entitled to membership in the Company defined benefit non-contributory pension schemes and life assurance scheme and to participation in the permanent health insurance scheme operated by the Company.

- (b) Abbey and its subsidiary M&J Engineers Limited entered into an employment agreement with Mr Robert Kennedy in respect of his employment on 1 November, 1996. Mr Kennedy was appointed to the Board on 16 December, 1997. This agreement, which has been subsequently amended by supplemental agreements from time to time may be terminated on twelve months notice by either party. Mr Kennedy's current salary is £154,000 per annum (subject to annual review by the remuneration committee of Abbey). The agreement anticipates Mr Kennedy retiring at age 65.

Under the terms of the agreement Mr Kennedy is entitled to a motor car and is entitled to membership in the Company defined benefit contributory pension schemes and life assurance scheme and to participation in the permanent health insurance scheme operated by the Company.

- (c) Abbey and its subsidiary Abbey Developments Limited entered into an employment agreement with Mr Lorenzo Fraquelli in respect of his employment on 1 January, 2007. Mr Fraquelli was appointed to the Board on 2 November, 2009. This agreement may be terminated on twelve months notice by either party. Mr Fraquelli's current salary is £198,000 per annum (subject to annual review by the remuneration committee of Abbey). The agreement anticipates Mr Fraquelli retiring at age 65.

Under the terms of the agreement Mr Fraquelli is entitled to a motor car and is entitled to membership in the Company defined contribution pension schemes and life assurance scheme operated by the Company.

#### **(6) CONSENTS**

Davy Corporate Finance has given and has not withdrawn its written consent to the issue of this document including the references to its name in the form and context in which they appear.



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**(7) GENERAL**

- (a) As at the close of business on the disclosure date there were no options in respect of the relevant securities of the Company outstanding. Abbey does not operate share option or other employee equity participation schemes.
- (b) Save as set out in this document, there has been no material change in information previously published by Abbey in connection with the Mandatory Offer since the commencement of the Offer Period.

**(8) PRESENTATION OF INFORMATION, BASES AND SOURCES**

**(a) Forward Looking Statements**

This document includes certain ‘forward looking statements’ with respect to the business, strategy and plans of Abbey and its expectations relating to the Mandatory Offer and future financial condition and performance. Statements that are not historical facts, including statements about Abbey’s management’s beliefs and expectations, are forward looking statements. Words such as ‘believes’, ‘anticipates’, ‘estimates’, ‘expects’, ‘intends’, ‘aims’, ‘potential’, ‘will’, ‘would’, ‘could’, ‘considered’, ‘likely’, ‘estimate’ and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon future circumstances that may or may not occur.

Examples of such forward looking statements include, but are not limited to, statements about expected benefits and risks associated with the Mandatory Offer, projections or expectations of profit attributable to shareholders, economic profit, dividends, capital structure or any other financial items or ratios, statements of plans, objectives or goals of Abbey.

Factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by Abbey or on its behalf include, but are not limited to, general economic conditions in Ireland, the United Kingdom, or elsewhere; regulatory scrutiny, legal proceedings or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the ability to secure new customers and develop more business from existing customers; additional unanticipated costs associated with the Mandatory Offer or an inability to implement the strategy of the Abbey Group.

Forward looking statements only speak as of the date on which they are made, and the events discussed in this document may not occur. Subject to compliance with applicable law and regulation, Abbey does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise.

**(b) Presentation of Financial and Operating Information**

Unless otherwise stated the financial information concerning Abbey has been extracted from the published annual report and accounts of Abbey for the relevant periods and other information made publicly available by Abbey. Financial information is reported under IFRS unless otherwise stated.

**(c) Third Party Sources**

The Company confirms that the information in this document obtained from third party sources has been correctly and fairly reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

**(d) Rounding**

Percentages have been rounded. Certain financial data has also been rounded. As a result of this rounding the totals of data presented in this document may vary slightly from the arithmetic totals of such data.

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(e) **Sources and Bases**

Unless otherwise stated information regarding the Mandatory Offer and Gallagher Holdings is sourced from the Offer Document and other material made publicly available by Gallagher Holdings.

(f) **Page References**

The relevant bases of calculation and sources of information are provided below in the order in which the relevant information appears in this document and by reference to page numbers in this document. Where such information is repeated in this document, the underlying bases and sources are not.

**Page 3**

1. Reference to acquisition of 931,537 shares by Gallagher Holdings on 1 August, 2012 sourced from Irish Stock Exchange announcement dated 1 August, 2012.
2. Reference to acquisition of 141,000 shares by Gallagher Holdings on 1 August, 2012 sourced from Irish Stock Exchange announcement dated 2 August, 2012.

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3. Reference to acquisition of 352,163 shares by Gallagher Holdings on 14 August, 2012 sourced from Irish Stock Exchange announcement dated 15 August, 2012.
4. Reference to acquisition of 168,000 shares by Gallagher Holdings on 20 August, 2012 sourced from Irish Stock Exchange announcement dated 21 August, 2012.
5. References to Offer Price premiums are based on relevant historic closing prices sourced from Bloomberg.
6. Reference to the total number of shares repurchased under buyback programme of 3,101,414 shares is based on Irish Stock Exchange announcement dated 4 May, 2012, being the last disclosure of repurchases made prior to the expiration of the buyback authority on 31 May, 2012.

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7. References to trading volume information for the buyback period, beginning with approval of resolution by shareholders on 17 November, 2010 and ending with expiration of authority on 31 May, 2012, sourced from Bloomberg.
8. References to average, minimum and maximum repurchase prices over the buyback period are based on Irish Stock Exchange announcements. Sterling values of purchases are based on the ECB euro foreign exchange reference rate for relevant purchase date. The Sterling value of the average repurchase price and the total return amount is based on the average ECB euro foreign exchange reference rate for the period from 17 November, 2010 to 31 May, 2012.
9. Reference to Offer Price premium to average purchase price paid by Abbey for shares over the duration of the buyback period is calculated as the euro value of Offer Price, based on the ECB euro foreign exchange reference rate at close 31 July, 2012, over the average price paid for purchases during the buyback period of €5.17.

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10. Reference to NAV per share value as at 30 April, 2012 is based on the net assets disclosed in the Company's Preliminary Results in respect of the year ended 30 April, 2012 and the number of Ordinary Shares in issue on 17 February, 2012, being the last date on which Abbey made a public disclosure of the total number of Ordinary Shares in issue prior to the reporting period end.

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**(9) DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 25/28 North Wall Quay, Dublin 1, Ireland and at the head office of the Company at Abbey House, 2 Southgate Road, Potters Bar, Herts EN6 5DU, United Kingdom up to and including 7 September, 2012:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report and accounts of the Group for the year ended 30 April, 2011 and the directors report and group financial statements for the year ended 30 April, 2012;
- (c) the Directors' service contracts referred to in section (5) above;
- (d) the consent letter referred to in section (6) above;
- (e) all reports, letters, valuations or other documents any part of which is exhibited or referred to in this document;
- (f) copies of each document sent to Shareholders of the Company in relation to the Mandatory Offer and all other announcements which have been made relating to the Mandatory Offer and which are required to be placed on display pursuant to Rule 26(a) of the Irish Takeover Rules; and
- (g) this document.

23 August, 2012

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## DEFINITIONS

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*In this document the following expressions have the following meanings, unless the context otherwise requires or unless it is otherwise specifically provided:*

“1963 Act”	the Companies Act 1963 (as amended);
“1990 Act”	the Companies Act 1990 (as amended);
“Abbey” or “the Company”	Abbey plc;
“Abbey Group” or “the Group”	Abbey, its subsidiaries and associated undertakings;
“Abbey Shares”	the existing and allotted or issued fully paid Ordinary Shares and any further such shares which may be allotted or issued prior to the date on which the Mandatory Offer closes (or such earlier time(s) and/or date(s) as GHIL may, subject to the Irish Takeover Rules, decide);
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“Announcement”	the announcement by Gallagher Holdings of the firm intention to make the Mandatory Offer dated 1 August, 2012 pursuant to Rule 2.5 of the Irish Takeover Rules;
“Articles”	the Articles of Association of the Company;
“Board” or “Directors” or “Abbey Directors”	the directors of Abbey, being the Independent Directors and Messrs. Charles and David Gallagher;
“Business Day”	any day (other than a Saturday, Sunday or public or bank holiday) on which banks are generally open for business in Dublin and London;
“Central Bank of Ireland”	the Central Bank of Ireland established pursuant to the Central Bank Acts 1942 to 2010;
“Closing Date”	the closing date of the Mandatory Offer, being 1.00 p.m. on 7 September, 2012;
“Closing Price” or “Closing Prices”	the official closing price or the middle market quotation, as appropriate, of an Abbey Share as derived from the Official Lists;
“Davy”	J&E Davy of Davy House, 49 Dawson Street, Dublin 2, Ireland, trading as Davy;
“Davy Corporate Finance”	Davy Corporate Finance, a wholly owned subsidiary of Davy;
“ESM”	the Enterprise Securities Market of the Irish Stock Exchange;
“Existing Issued Share Capital”	the 21,525,578 Ordinary Shares in issue on 22 August, 2012 (being the latest practicable date prior to the publication of this document);
“Gallagher Holdings” or “GHL”	Gallagher Holdings Limited, a private limited company incorporated in England;
“Gallagher Holdings Shareholding” or “Gallagher Shareholding”	the shareholding of Gallagher Holdings in Abbey, comprising, as at 22 August, 2012 (being the latest practicable date prior to the publication of this document) 11,759,244 Ordinary Shares, representing 54.6% of the Existing Issued Share Capital;

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“Gallagher Directors”	members of the Gallagher family who are directors of Abbey, being Mr Charles Gallagher (Executive Chairman of Abbey) and Mr David Gallagher (a Non-Executive Director of Abbey);
“Independent Directors”	the directors of the Company other than the Gallagher Directors;
“Ireland”	Ireland, excluding Northern Ireland and the word Irish shall be construed accordingly;
“Irish Stock Exchange”	The Irish Stock Exchange Limited;
“London Stock Exchange”	the London Stock Exchange plc;
“Main Markets”	the Main Securities Market of the Irish Stock Exchange and the Main Market of the London Stock Exchange;
“Mandatory Offer” or “Offer”	the unconditional mandatory offer made by GHL to acquire the entire issued and to be issued ordinary share capital of Abbey (other than the Abbey Shares already held by GHL) on the terms set out in the Offer Document;
“Net Asset Value” or “NAV”	means the value of the Company’s total equity in the consolidated balance sheet;
“Offer Document”	the document issued by GHL on 17 August, 2012;
“Offer Period”	the offer period for the purposes of the Irish Takeover Rules which commenced on 1 August, 2012, being the date of the issue of the Announcement;
“Offer Price”	£5.30 per Abbey Share;
“Official Lists”	the Official List of the Irish Stock Exchange and/or the Daily Official List of the London Stock Exchange as the context so requires;
“Ordinary Shares”	ordinary shares of nominal value €0.32 each in the capital of Abbey;
“Panel” or “Irish Takeover Panel”	the Irish Takeover Panel established under the Irish Takeover Panel Act 1997;
“Pre-Announcement Market Price”	the Closing Price of an Abbey Share as at the close of business on 31 July, 2012, the last business day prior to the issue by Gallagher Holdings of the Announcement;
“Preliminary Results” or “Preliminary Results Announcement”	the preliminary results of the Company in respect of the year ended 30 April, 2012 issued on 10 July, 2012;
“Response Document”	this document dated 23 August, 2012;
“Restricted Jurisdiction”	any jurisdiction in, into or from which the release, publishing or distribution of this document or the Offer Document in whole or in part would or might infringe the laws of that jurisdiction or would or might require compliance with any governmental or other consent or any registration or other formality that Abbey or GHL has been unable to comply with or regards as unduly onerous to comply with;
“Restricted Overseas Shareholder”	a person who is located or resident in a Restricted Jurisdiction;

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“Rule 9”	Rule 9 of the Irish Takeover Rules which imposes an obligation on any person or persons acting in concert who acquire or consolidate control of a relevant company, to extend offers to the holders of each class of equity share capital and each other class of transferable voting securities in the relevant company;
“Shareholders” or “Abbey Shareholders”	holders of Ordinary Shares;
“Stock Exchanges”	the Irish Stock Exchange and the London Stock Exchange;
“Takeover Rules” or “the Rules”	the Irish Takeover Panel Act 1997, Takeover Rules, 2007 (as amended);
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Defined Benefit Pension Scheme”	the Abbey Group Limited Pension and Life Assurance Scheme; and
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and any other territory subject to its jurisdiction.

**Notes:**

- (i) Unless otherwise stated in this document, all reference to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
- (ii) The symbols “€” and “c” refer to euro and euro cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic & Monetary Unit Act 1998. The symbols “Stg£” or “£” or “p” refer to sterling pounds and sterling pence respectively.
- (iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.
- (iv) All times referred to are Dublin times unless otherwise stated.



