

THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or 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 FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares before 29 November 2018 (being the date when the Existing Ordinary Shares were marked 'ex' entitlement to the Open Offer), please immediately forward this document, together with the accompanying Form of Proxy and Application Form along with the accompanying reply-paid envelope (for use within the UK only), but not any accompanying personalised Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately and refer to the information regarding split applications in the Application Form (if relevant).

The total consideration under the Open Offer shall be less than €8 million (or an equivalent pounds sterling amount) in aggregate and so, in accordance with section 85 and schedule 11A of FSMA, the Open Offer does not require the issue of a prospectus for the purposes of the Prospectus Rules. The Placing Shares are only available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Therefore, neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body and has not been approved for the purposes of section 21 of FSMA. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules. It is emphasised that no application is being made for the admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the United Kingdom Listing Authority.

The Directors, whose names appear on page 1 of this document, accept responsibility, collectively and individually, for the information contained in this circular (including any expressions of opinion) (other than for the information concerning the Concert Party and its intentions). To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Craig Newman and Neil Woodford (as directors of Woodford Investment Management Limited (being the investment manager for Woodford)) accept responsibility for the Woodford Information (including any expressions of opinion) and for the intentions of WIML and Woodford (being members of the Concert Party) contained in this circular. To the best of the knowledge and belief of Craig Newman and Neil Woodford (who have taken reasonable care to ensure that such is the case) the Woodford Information contained in the circular in relation to Woodford is in accordance with the facts and does not omit anything likely to affect the import of such information. Andrew Simpson, Martin Glanfield, Mark Payton and Julian Viggars (as directors of Enterprise Ventures Limited (being the investment manager for the Enterprise Ventures Funds)) accept responsibility for the information contained in this circular (including any expressions of opinion) relating to EVL and the Enterprise Ventures Funds (being members of the Concert Party) and for the intentions of EVL and the Enterprise Ventures Funds (being members of the Concert Party) contained in this circular. To the best of the knowledge and belief of Andrew Simpson, Martin Glanfield, Mark Payton and Julian Viggars (who have taken all reasonable care to ensure that such is the case) the information contained in the circular in relation to EVL and the Enterprise Ventures Funds is in accordance with the facts and does not omit anything likely to affect the import of such information. Martin Glanfield, Mark Payton and Julian Viggars (as executive directors of Mercia Technologies PLC) accept responsibility for the information contained in this circular relating to Mercia (being a member of the Concert Party) and for the intentions of Mercia (being a member of the Concert Party) contained in this circular. To the best of the knowledge and belief of Martin Glanfield, Mark Payton and Julian Viggars (who have taken all reasonable care to ensure that such is the case) the information contained in the circular in relation to Mercia is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject to, inter alia, the passing of the Resolutions at the General Meeting, it is expected that Admission will become effective, and that dealings in the New Ordinary Shares will commence, on or around 20 December 2018. The New Ordinary Shares will, on Admission, rank pari passu in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. Prospective investors should read this document in its entirety.

XEROS TECHNOLOGY GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with number 08684474)

Placing of 150,000,000 new Ordinary Shares at 10 pence per share

and

Open Offer of a maximum of 49,588,971 new Ordinary Shares at 10 pence per share

and

Waiver of obligations under Rule 9 of the Takeover Code

and
Notice of General Meeting

Jefferies
as nominated adviser, joint broker and joint bookrunner

and
Berenberg
as joint broker and joint bookrunner

This document should be read as a whole. However, your attention is drawn to the letter from the Chairman of the Company which is set out in this document and which contains, amongst other things, the Directors' unanimous recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated in the UK by the FCA, as nominated adviser, joint broker and joint bookrunner, and Joh. Berenberg, Gossler & Co. KG ("**Berenberg**"), which is authorised by the German Federal Financial Conduct Authority (BaFin) and subject to limited regulation by the FCA, as joint broker and joint bookrunner, are acting exclusively for the Company and no one else in relation to the Placing and Admission. Jefferies and Berenberg are not acting for, and will not be responsible to, any person other than the Company and no one else for providing the protections afforded to clients of Jefferies and/or Berenberg or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. The responsibility of Jefferies as nominated adviser under the AIM Rules is owed solely to the London Stock Exchange and not to the Company or its Directors or any other person. Neither Jefferies nor Berenberg has authorised the contents of this document and, apart from the responsibilities and liabilities, if any, which may be imported on Jefferies and/or Berenberg by FSMA or the regulatory regime established thereunder, no liability is accepted by Jefferies and/or Berenberg for the accuracy of any information or opinions contained in or for the omission of any information from this document, for which the Company and the Directors are solely responsible.

Notice of a general meeting of the Company to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 19 December 2018 is set out at the end of this document. Shareholders will find the Form of Proxy for use at the General Meeting accompanying this document. The Form of Proxy should be completed and returned to the Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 10.00 a.m. on 17 December 2018 (or, in the case of an adjournment of the general meeting, not 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). Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

A copy of this document will be made available at the Company's website, www.xerostech.com. The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the Placing and/or the Open Offer and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, Jefferies or Berenberg or their respective directors, partners, officers or employees.

The distribution of this document and the offer of the New Ordinary Shares in certain jurisdictions may be restricted by law. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside of the UK into whose possession this document comes should inform themselves about and observe any such restrictions.

This document does not constitute or form part of any offer or invitation to sell or issue or a solicitation of any offer to acquire, purchase or subscribe for New Ordinary Shares in any jurisdiction. This document must not be distributed to a US person (as such term is defined in the US Securities Act of 1933, as amended (the "**Securities Act**")) or within or into the United States, Canada, Japan, South Africa, or Australia. The New Ordinary Shares have not been and will not be registered under the Securities Act, and may not be offered or sold or subscribed, directly or indirectly, within the United States, Canada, Japan, South Africa, or Australia or to or by any US Person (as such term is defined in Regulation S promulgated under the Securities Act) or any national resident or citizen of Canada, Japan, South Africa, or Australia or any corporation, partnership or other entity created or organised under the laws thereof.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the Placing and/or Open Offer or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "plans", "prepares", "targets", "anticipates", "projects", "expects", "intends", "may", "will", "seeks", or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or

intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's and the Directors' intentions, beliefs or current expectations concerning, amongst other things, the Company's prospects, growth and strategy. No statement in this document is intended to be a profit forecast and no statement in this document should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

By their nature, forward-looking statements involve risks and uncertainties because they relate to future events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Company's results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that the Company makes in this document speak only as of the date of such statement, and none of the Company or the Directors undertake any obligation to update such statements unless required to do so by applicable law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors:	John Andrew Walter Samuel (<i>Non-Executive Chairman</i>) Mark James Nichols (<i>Chief Executive Officer</i>) Paul Michael Denney (<i>Chief Financial Officer</i>) David Christopher Armfield (<i>Non-Executive Director</i>) Simon Richard Ellis (<i>Non-Executive Director</i>)
All of whose business address is	The Company's registered office
Company Secretary:	Paul Michael Denney
Registered Office:	Xeros Technology Group plc Unit 2, Evolution Advanced Manufacturing Park Whittle Way Catcliffe Rotherham South Yorkshire S60 5BL
Nominated Adviser, Joint Broker and Joint Bookrunner:	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ
Joint Broker and Joint Bookrunner:	Joh. Berenberg, Gossler & Co. KG, London Branch 60 Threadneedle Street London EC2R 8HP
Solicitors to the Company:	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH
Solicitors to Jefferies and Berenberg:	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors:	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registrars:	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD

PLACING AND OPEN OFFER STATISTICS

Closing Price per Existing Ordinary Share ⁽¹⁾	32 pence
Basis of Open Offer	1 Open Offer Share for every 2 Existing Ordinary Shares
Issue Price per New Ordinary Share	10 pence
Discount to Closing Price per Existing Ordinary Share	68.8%
Number of Ordinary Shares in issue as at the date of this document	99,177,942
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer ⁽²⁾	199,588,971
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing	150,000,000
Number of New Ordinary Shares to be issued by the Company pursuant to the Open Offer ⁽²⁾	49,588,971
Number of Ordinary Shares in issue immediately following Admission ⁽²⁾	298,766,913
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission ⁽²⁾	66.8%
Estimated Net Proceeds ⁽³⁾	19.2 million
Ordinary Share ISIN	GB00BJFLLV84
SEDOL	BJFLLV8
Basic Entitlements ISIN	GB00BGDQ6P33
Excess Entitlements ISIN	GB00BGDQ6Q40

(The above assumes that there are no further issues of Ordinary Shares between the date of this document and Admission).

Notes:

1. As at 26 November 2018, being the last working day prior to the announcement of the Placing and Open Offer.
2. Assuming successful applications are received for all available Open Offer Shares.
3. Based on the Estimated Expenses and assuming successful applications are received for all available Open Offer Shares.

EXPECTED TIMETABLE OF KEY EVENTS

2018

Announcement of the Placing and Open Offer	27 November
Record Date for entitlements under the Open Offer	6.00 p.m. on 28 November
Ex-entitlement date for the Open Offer	29 November
Posting of this document, the Form of Proxy and, to Qualifying Non-CREST Shareholders only, the Application Form	29 November
Basic Entitlements and Excess Entitlements credited to stock accounts of Qualifying CREST Shareholders	30 November
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 12 December
Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST	3.00 p.m. on 14 December
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 17 December
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments for use at the General Meeting	10.00 a.m. on 17 December
Latest time and date for receipt of completed Application Forms from Qualifying Non-CREST Shareholders and payment in full under the settlement of relevant CREST instructions (as appropriate)	10.00 a.m. on 19 December
General Meeting	10.00 a.m. on 19 December
Announcement of the results of the General Meeting and Open Offer	19 December
Issue of the New Ordinary Shares	20 December
Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 20 December
CREST Members' accounts credited in respect of New Ordinary Shares in uncertificated form	20 December
Expected despatch of definitive share certificates for New Ordinary Shares in certificated form	by 3 January 2019

(Note: each of the above dates is subject to change at the absolute discretion of the Company, Jefferies and Berenberg. All events listed in the above timetable following the General Meeting are conditional on, *inter alia*, the passing of the Resolutions at the General Meeting. All of the above times refer to London times).

DEFINITIONS

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

"2017 Placing"	the placing and issue of new Ordinary Shares completed on 29 December 2017
"Admission"	the admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange
"Americas"	North and South America
"Application Form"	the personalised application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
"Basic Entitlement(s)"	the pro rata entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 2 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer
"Berenberg"	Joh. Berenberg, Gossler & Co. KG, London Branch, joint broker and joint bookrunner
" <i>bona fide</i> market claim"	has the meaning given to it on page 40
"Closing Price"	the closing middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange on 26 November 2018
"Company"	Xeros Technology Group plc
"Concert Party"	Woodford, WIML, Mercia, EVL and the Enterprise Ventures Funds, (as further detailed in Part V of this document) who are presumed to be acting in concert for the purposes of the Takeover Code
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
"CREST Manual"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended)
"CREST Member"	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
"CREST Regulations"	The Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)

"CREST Sponsor"	a CREST participant admitted to CREST as a sponsor
"CREST Sponsored Member"	a CREST Member admitted to CREST as a sponsored member
"Directors" or "Board"	the board of directors of the Company
"EMEA"	Europe, the Middle East and Africa
"Enlarged Share Capital"	the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the New Ordinary Shares
"Enterprise Ventures Funds"	RisingStars Growth Fund II, Finance Yorkshire Seedcorn LP and South Yorkshire Investment Fund Limited
"Estimated Expenses"	the estimated expenses incurred in connection with the Placing and Open Offer, being £0.8 million
"EU"	the European Union
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Excess Application" or "Excess Shares"	Open Offer Shares which may be applied for by Qualifying Shareholders under the Excess Application Facility
"Excess Application Facility"	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlements in accordance with the terms and conditions of the Open Offer
"Excess Entitlement(s)"	in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement (in addition to the Basic Entitlement) to apply for Excess Shares up to the number of Open Offer Shares credited to his stock account in CREST pursuant to the Excess Application Facility, which may be subject to scaling down according to the Directors' absolute discretion
"Existing Ordinary Shares"	the 99,177,942 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM and being the entire issued ordinary share capital of the Company
"FCA"	the UK's Financial Conduct Authority
"Form of Proxy"	the form of proxy for use in connection with the General Meeting accompanying this document
"FCP"	an independent distributor of commercial laundry equipment who sells, installs, commissions and services the Company's washing machines on a non-exclusive basis within a defined geographic region
"FP Omnis Portfolio Investments ICVC"	a company incorporated in England and Wales with registered number IC000982
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"General Meeting"	the general meeting of the Company convened for 10.00 a.m. on 19 December 2018 to approve the Resolutions, or any adjournment thereof, notice of which is set out at the end of this document

"Gross Proceeds"	the proceeds from the issue of the New Ordinary Shares, prior to the deduction of the Estimated Expenses, being up to approximately £20 million
"Group"	the Company and its subsidiaries Xeros Limited, Xeros Inc., Xeros High Performance Work Wear, Inc. and Xeros Environmental Protection Technology (Shanghai) Co., Ltd.
"Independent Shareholders"	the Shareholders, other than (i) members of the Concert Party and any person acting in concert with them (including any members of their immediate families, related trusts or connected persons) who holds Ordinary Shares and (ii) the Shareholders who subscribe for Placing Shares and any person acting in concert with them (including any members of their immediate families, related trusts or connected persons)
"ISIN"	International Securities Identification Number
"Issue Price"	10 pence per New Ordinary Share
"Jefferies"	Jefferies International Limited, the Company's nominated adviser, joint broker and joint bookrunner
"LEFARC"	Le Farc SA de CV
"LF Woodford Investment Fund"	a company incorporated in England and Wales with registered number IC001010
"Listing Rules"	the listing rules of the FCA made in accordance with section 73A(2) of FSMA
"London Stock Exchange"	London Stock Exchange plc
"Mercia"	Mercia Technologies PLC
"Money Laundering Regulations"	the Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of FSMA (together with the provisions of the Money Laundering Sourcebook of the FCA and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms), the Terrorism Act 2000, the Anti Terrorism Crime and Security Act 2001, the Proceeds of Crime Act 2002 and the Terrorism Act 2006
"Net Proceeds"	the proceeds from the issue of the New Ordinary Shares, after the deduction of Estimated Expenses, being up to £19.2 million
"New Ordinary Shares"	the Placing Shares and the Open Offer Shares
"North America"	the US and Canada
"Notice of General Meeting"	the notice of the General Meeting set out at the end of this document
"OEM"	an original equipment manufacturer
"OI&G"	Omnis Income and Growth Fund, being a sub fund of FP Omnis Portfolio Investments ICVC
"Open Offer"	the invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject

	to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form
"Open Offer Shares"	49,588,971 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer
"Ordinary Shares"	ordinary shares of 0.15 pence each in the capital of the Company
"Overseas Shareholders"	shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
"Panel"	the UK Panel on Takeovers and Mergers
"Placing"	the proposed placing by Jefferies and Berenberg, as agents to the Company, of the Placing Shares at the Issue Price on a non-pre-emptive basis, on the terms and conditions set out in the Placing Agreement
"Placing Agreement"	the agreement between the Company, Jefferies and Berenberg dated 27 November 2018 in connection with the Placing
"Placing Shares"	150,000,000 New Ordinary Shares to be allotted and issued to new and existing institutional investors by the Company pursuant to the Placing
"Prospectus Directive"	directive 2003/71/EC on the requirements for a prospectus to be published when securities are offered to the public or admitted to trading
"Prospectus Rules"	the prospectus rules published by the FCA pursuant to section 73A of FSMA
"Quilter Investors UKI2"	Quilter Investors UK Equity Income II Fund, being a sub-fund of Quilter Investors Trust
"Quilter Investors Trust"	an authorised unit trust established in England and Wales and authorised by the FCA with product reference number 200108
"Rule 9 Waiver"	the conditional waiver by the Panel of the obligation that, following the issue of the Placing Shares, would otherwise arise on the Concert Party to make a general offer to all Shareholders pursuant to Rule 9 of the Takeover Code as a result of the allotment and issue of the WCP Shares to one or more members of the Concert Party
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares in CREST in uncertificated form at the Record Date
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares in certificated form at the Record Date
"Qualifying Shareholders"	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion of Shareholders with a registered address or who are resident in any Restricted Jurisdiction
"Record Date"	close of business on 28 November 2018

"Registrar"	Neville Registrars Limited
"Resolutions"	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting at the end of this document
"Restricted Jurisdiction"	each and any of the US, Canada, Japan, South Africa and Australia and any other jurisdiction where the extension or the availability of the Open Offer would breach any applicable law
"RIS"	a regulatory information service as defined by the Listing Rules
"SeaLion"	Jiangsu SeaLion Technology Development Co., Ltd
"Securities Act"	the US Securities Act of 1933
"SEDOL"	Stock Exchange Daily Official List
"Shareholders"	holders of Ordinary Shares
"Symphony Project"	the project pursuant to which the Company provides its technology to partner OEMs to allow them to incorporate polymer cleaning systems into their commercial washing machines
"Takeover Code"	City Code on Takeovers and Mergers published by the Panel
"UK"	United Kingdom
"US" or "United States"	United States of America
"USE"	an unmatched stock event
"WCP Shares"	77,000,000 Placing Shares to be allotted and issued to one or more members of the Concert Party by the Company pursuant to the Placing
"WEIF"	the LF Woodford Equity Income Fund, being a sub fund of LF Woodford Investment Fund
"WIML"	Woodford Investment Management Limited, being the investment manager for Woodford
"WPCT"	Woodford Patient Capital Trust plc (a company incorporated in England and Wales with company number 09405653)
"Whitewash Resolution"	Resolution 2 proposed to be passed at the General Meeting, which relates to the Rule 9 Waiver
"Woodford"	together WEIF, WPCT, OI&G and Quilter Investors UKEI2 (each being a fund managed by WIML)
"Woodford Information"	the information in the following sections of this document (in each case insofar as such information relates to Woodford and/or WIML and/or the directors of WIML, and their immediate families, related trusts and persons connected with them): the definitions section of this document, paragraphs 4.2, 4.3, 7 and 10.1 of Part I of this document and paragraphs 2, 4, 5 (a, b, g, h and i) and 9 of Part V of this document

All references in this document to "£", "pence", "p" or "pounds sterling" are to the lawful currency of the UK, all references to "US\$" or "\$" are to the lawful currency of the United States

PART I
LETTER FROM THE CHAIRMAN OF
XEROS TECHNOLOGY GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with number 08684474)

Directors:

John Samuel
Mark Nichols
Paul Denney
David Armfield
Richard Ellis

Registered Office:

Xeros Technology Group plc
Unit 2, Evolution
Advanced Manufacturing Park
Whittle Way
Catcliffe
Rotherham
South Yorkshire
S60 5BL

29 November 2018

Dear Shareholder,

PROPOSED PLACING OF 150,000,000 NEW ORDINARY SHARES AT 10 PENCE EACH
OPEN OFFER OF A MAXIMUM OF 49,588,971 NEW ORDINARY SHARES AT 10 PENCE
EACH
APPROVAL OF WAIVER OF OBLIGATIONS UNDER RULE 9 OF THE TAKEOVER CODE

1. INTRODUCTION

Your Board announced on 27 November 2018 that the Company intends to raise approximately £15 million before fees and expenses by a Placing of 150,000,000 new Ordinary Shares with existing and new institutional investors at an Issue Price of 10 pence per Placing Share.

The Board is grateful for the continued support received from Shareholders and in recognition for this support is pleased to offer to all Qualifying Shareholders the opportunity to participate in the Open Offer to raise up to £5 million (assuming full take up of the Open Offer but being less than the €8 million maximum amount permitted without requiring the publication by the Company of a prospectus under the Prospectus Rules), in addition and separate to the funds raised pursuant to the Placing, through the issue of Open Offer Shares to Qualifying Shareholders at the Issue Price on the basis of 1 Open Offer Share for every 2 Existing Ordinary Shares held on the Record Date. Qualifying Shareholders subscribing for their full Basic Entitlement under the Open Offer may also apply for additional Open Offer Shares through the Excess Application Facility. The Open Offer is not being underwritten.

The Issue Price represents a discount of 68.8% to the Closing Price, being the latest practical date prior to the publication of this document. The Placing Shares and Open Offer Shares together will represent approximately 66.8% of the Company's issued ordinary share capital following Admission (assuming the Open Offer Shares are taken-up in full).

The total amount that the Company could therefore raise under the Placing and Open Offer is £20 million (before expenses), assuming that the Open Offer is fully subscribed.

For the Placing and Open Offer to proceed, the Company requires Shareholders' approval to authorise the Directors to allot the New Ordinary Shares and disapply pre-emption rights in relation to the issue of the New Ordinary Shares and requires the approval of the Independent Shareholders of the Rule 9 Waiver. I am writing to provide you with details of the Placing and Open Offer and to give you notice of the General Meeting to consider and, if thought fit, approve the Resolutions to grant these authorities. The General Meeting is to be held at the offices of Squire Patton Boggs

(UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 19 December 2018. The formal notice of General Meeting is set out at the end of this document.

The Board believes that raising equity finance using the flexibility provided by a placing and an open offer is the most appropriate and optimal structure for the Company at this time. This allows both existing Shareholders and new investors the opportunity to participate in the fundraising and avoids the requirement for a prospectus, which is a costly and time consuming process.

The Company is a developer and provider of water saving technologies with multiple, IP protected, applications which are variously in development, pre-commercialisation or in commercialisation. The Company's applications are focused on large scale markets which are being impacted by increasing water scarcity and water costs. The Company's technology has the dual attraction of both increasing environmental sustainability through reducing water and chemical use and effluent production while simultaneously delivering cost benefits to the customer. The Company's Commercial Laundry business, branded Hydrofinity, and High Performance Workwear business, branded Marken, are already generating revenue and the Tanning business has a contract which is forecast to generate revenue in 2019. The majority of the technical development of the Company's applications has been completed and as a result the Company's cash burn rate has reduced during 2018 and the Company has plans for it to reduce further in 2019.

The Net Proceeds are intended to be used to enable the Company to progress the commercialisation of those applications within its portfolio which it believes represent the best return on investment taking into account their risk/return profile and the level of funding required. The successful commercialisation of the applications within the portfolio is dependent upon a number of factors including the Company's ability to successfully enter agreements with partners, some of whom are global enterprises, for the adoption of the Company's technologies. The Company reviews the likely success of its plans to commercialise individual applications of its technologies and adds and removes developments to/from the portfolio based upon its judgement as to their likely future commercial success.

The Company is organised into discrete business units dedicated to specific applications which are at pre-commercialisation or commercialisation stages. These business units are served by shared technical and business support functions.

The Group's current portfolio of applications are within the areas of Cleaning Technologies in domestic, commercial and high performance workwear markets, Tanning Technologies in the bovine tanning market and Textile Technologies in the garment and denim finishing markets. The Company intends to use the Net Proceeds to progress its current development and commercialisation plans in these applications and reach milestones which can provide demonstrable value to commercial partners and investors alike. The key milestones being targeted by the Company as of the date of this circular are set out below:

Cleaning Technologies

Domestic Laundry: The Company is targeting to negotiate commercialisation and development agreements for its domestic laundry technology, including XDrum™, with one or more domestic laundry machine OEMs. Within such agreements, the Company will look to receive up-front payments in exchange for territorial exclusivity and a royalty per machine sold once the technology has been successfully commercialised by the OEM. Similarly, it is targeting to license its XFiltra™ technology to one or more OEMs and will look to receive up-front payments in exchange for territorial exclusivity and a royalty per unit sold once the technology has been successfully commercialised by the OEM.

Marken (High Performance Workwear): Having now established a network of four sites in the US, the Company plans to demonstrate the differentiation of the Company's technology in the market and increase revenues and profitability. Following this market validation, the Company would plan to target licensing options to cleaners and owners of large fleets of personal protective equipment. Further expansion of the Company's network will be considered if necessary to achieve these objectives.

Hydrofinitivity (Commercial): The Company is forecasting to continue the migration of this business to a licensing model with further agreements targeted with distributors and OEMs in 2019. The Company expects to receive first revenues in 2019 from its China licensing agreement signed with SeaLion earlier this year.

Tanning Technologies

Having signed a multi-year contract with LeFarc in Mexico in September 2018 for the Company's technologies to be incorporated within their re-tanning and dyeing operations, the Company expects to receive initial revenues from this contract in the first half of 2019. The Company is targeting to win additional contracts during 2019. With the evidence of successful implementations in 2019, the Company then expects to convert further customers from its pipeline and grow its contract base. The Company also plans to trial its technology in the upstream tanning process during the year which, if successful, is an additional potential source of revenue for the Company.

Textile Technologies

In both denim and garment finishing the Company is targeting the completion of trials with denim and garment manufacturers in 2019 and, if successful, to pursue commercial agreements with first revenues in 2019. The target business model for this business would be for the Company to receive a commission on machine sales as well as ongoing royalties for continued use of the technology.

This document provides you with information about the Placing and Open Offer and explains why the Directors consider it to be in the best interest of the Company and its Shareholders, and why the Directors recommend that you vote in favour of each of the Resolutions to be proposed at the General Meeting on which you are entitled to vote.

2. BACKGROUND TO THE PLACING AND OPEN OFFER

2.1. Information on the Company

The Directors believe Xeros has a platform technology that is reinventing water intensive industrial and commercial processes. The Company uses its patented XOrb™ technologies to significantly reduce the volume of water used in a number of major applications and to increase the efficiency in either affixing or removing molecules from substrates such as fabrics and garments. Adoption of the technology drives significant economic and operational benefits as well as enhanced sustainability through lower water, chemical and energy consumption.

The Company's strategy is to develop and commercialise its XOrb™ technology for application in industries that manufacture and clean soft substrates, specifically garments and fabrics. Where necessary the Company will enter markets directly to prove and de-risk applications of its technology prior to migrating to intellectual property rich, asset light, licensing business models.

The Company has developed from a single application business to its current portfolio of strategically selected polymer technology applications in three world-scale industries: cleaning, tanning and garment production in the textile industry.

Given the scale of the markets in which it operates, the Company's strategy is to commercialise its technology with partners, who already have strong market positions, demonstrate a strategic intent to deliver increased levels of sustainability and who also have a significant incentive to deliver products that can demonstrate substantial water and energy savings while substantially reducing process related pollutants. These markets have been evaluated and selected based upon the size of their potential economic returns net of the investment needed to realise them. For each, the Company seeks to generate returns on its intellectual property and know-how with low capital intensity. These returns can be generated through licence and royalty income streams and, at appropriate value inflection points, via potential trade sales or the pursuit of capital market liquidity opportunities for each of the businesses in the Company's portfolio.

The Company's Ordinary Shares were admitted to trading on AIM on 25 March 2014, at which point the Company also raised £27.6 million of gross proceeds via the issue of new Ordinary Shares to investors. On 30 November 2015 the Company raised £40.0 million of gross proceeds via the issue of new Ordinary Shares to investors, and on 29 December 2017 the Company raised a further £25.0 million of gross proceeds via the issue of new Ordinary Shares to investors.

Since November 2015 the Company has developed its business from a single commercial application in a single market (the North American hotel and lodging laundry market) to having a clearly defined portfolio of businesses.

In order to accelerate the commercialisation of polymer technology, the Company has dedicated commercial teams to each of its businesses. Its Hydrofinity and Marken businesses have reached the commercialisation stage, are generating revenues and are moving into growth. Tanning, Textile and Domestic washing machine technologies are approaching commercialisation with the target of delivering their first revenues in 2019.

2.2. Global Backdrop

Water scarcity is a global imperative. There are 1.3 billion km³ of water on the planet, 97% of which is in our oceans. Of the remaining 3%, 2.5% is inaccessible, for example in polar ice caps or as a result of pollution. So only 0.5% of the world's water is accessible and greater than 80% of this water is from ground sources which are being rapidly depleted. Immediate problems caused by this over extraction include infrastructure collapse, with further stress being caused by pollution. As a result, there are major supply implications to address.

Water scarcity is only expected to increase as populations grow. GDP per capita has been shown to correlate with water demand in developing countries. The price of water is increasing to manage this growing demand and to recover the cost of increasing and replacing ageing infrastructure. For example, in China in 2018 the National Development and Reform Commission and Ministry of Housing and Urban-Rural Development has dictated nationwide implementation of tiered pricing for non-residential water.

The Company's technology achieves reductions in water of between 50% and 80%, reductions in chemistry of up to 50%, reductions in energy of up to 50% and reductions of effluent production of between 50% and 80%. Consequently, the potential cost benefits for users will increase in line with water costs providing ever more incentive to adopt the Company's technology.

The increasing amount of plastic pollution in the world's oceans and rivers is becoming a major environmental issue with the washing of clothes containing synthetic fibres estimated by scientists to be the largest source of primary micro-plastic pollution in our oceans. The Company's filtration technology, XFiltra™, has been developed to address this issue and the Company believes increasing regulatory pressures and consumer awareness have the capacity to drive the adoption of this technology by washing machine manufacturers.

2.3. Update on progress

Cleaning Technologies

The Company's dramatic improvements to water use and cleaning efficacy are delivered through the use of re-usable and re-cyclable nylon polymers introduced into the washing cycle within the drum.

The Company's technology achieves reductions in water of up to 80%, reductions in detergent of up to 50%, reductions in energy of up to 50% and reductions of effluent usage of up to 80%. The polymers are designed to a specific shape, size, density and composition and effect a significantly enhanced cleaning performance. Additionally, engineering solutions have been developed by the Company and applied to introduce and remove the polymer XOrb™ from the garments and fabrics they clean. In the area of Cleaning Technologies, the Company currently has three applications:

Domestic Laundry: The Company launched its XOrb™, XDrum™ and XFiltra™ technologies for the home at the Consumer Electronics Show in Las Vegas in January 2018. The XDrum™ is designed to offer domestic washing machine OEMs the ability to make simple and inexpensive changes in their production lines to incorporate the Company's technology. The XDrum™ design is applicable to many washing machine sizes as well as garment finishing machines used in the clothing industry. Patent applications for the XDrum™ innovation will, if granted, extend the Company's core IP coverage. The Company is involved in discussions with a number of domestic washing machine OEMs, with the objective of concluding development and licencing agreements for different geographic regions. The regions being targeted are China, India, EMEA, the Americas and Asia Pacific (excluding China and India).

The company is involved in discussions regarding the potential licensing of the Company's XFiltra™ technology which is designed to significantly reduce the micro-plastic pollution from the washing of garments containing synthetic fibres. Patents have been applied for covering this device.

Globally 119 million washing machines are sold annually with a retail market value of \$70 billion per annum. In addition, the consumer laundry detergent market is worth \$57 billion per annum. The Company's technology reduces the use of detergent, water and energy along with providing improved fabric care. This results in a reduced cost per wash and a reduced environmental footprint for consumers.

Marken (High performance workwear): The Company first started trialling its Cleaning Technology within the personal protective equipment market in 2016. This market includes the uniforms worn by firefighters, military personnel, petrochemical, construction, mining and other workers. The Company has received independently verified evidence of the cleaning efficacy and garment life extension delivered by its technology. The Company plans to use this independent verification to generate revenues from the cleaning and life extension of large, high-value fleets of personal protective equipment including those owned by garment rental companies.

Globally, the value of personal protective clothing expenditure is £9.5 billion per annum and the Company estimates that the potential value of the US firefighter protective clothing cleaning, inspection and repair market is \$0.3 billion per annum based on an addressable market of c1.5 million firefighter uniforms.

The Company's market strategy has been to establish its own network of specialist facilities addressing the US firefighter market with the objective of setting new minimum standards in cleaning and demonstrating the opportunity to enhance profitability and establish a new standard in cleaning efficacy. The firefighter market has been targeted because of the high value of a single firefighter's ensemble (costing between \$4,000 and \$6,000) and therefore significant economic opportunity in garment life extension and the high level of decontamination required to reduce the health hazard to firefighters.

A network of four facilities is now in place in the US undertaking the cleaning, inspection and repair of firefighter uniforms: in July 2017, the Company acquired MarKen PPE Restoration, a specialist independent service provider of cleaning, inspection and repair services to fire and military customers in North America and overseas. In March 2018, the Company acquired two sites in Atlanta and Miami from Gloves Inc, a business providing cleaning, inspection, and repair services for firefighters' personal protection equipment and in July 2018 the Company converted one of its existing premises in Southern California to a Marken facility. These four sites have an estimated addressable market of around 1,400 fire stations, housing 30,000 professional firefighters. The Company also has a contract with Ex Nihilo SARL, a French garment fleet provider, to use the Company's technology to clean uniforms of the French railway company, SNCF.

The Company has converted its four facilities to Xeros technology and the Company has also successfully developed and introduced its MTrack™ garment life-cycle tracking system to provide asset tracking management and analytics for its customers. The Company plans to increase the revenue and profitability from its network through 2019 in the first instance and will consider increasing its US footprint if it deems it necessary to achieving its longer term commercial objectives.

Hydrofinitivity (Commercial): The Company entered the US market in 2013 with its own brand machines and an 'all requirements' multi-year contract package including the supply of cleaning chemistry, which was sold and delivered by the Company's own staff and also by FCPs. In 2017, the Company initiated a plan to migrate from this direct, vertically-integrated business model to a model whereby existing market incumbents incorporate and sell the Company's proprietary technology globally in exchange for royalties. To this end the Company announced the Symphony Project in April 2017 and demonstrated a leading conventional commercial size washing machine, incorporating its technology, at the Clean Show in Las Vegas in June 2017. Following this demonstration the Company signed the first Symphony Project testing and validation agreement with an OEM in September 2017. A second agreement was signed in January 2018 with another OEM. During the year the Company has scaled the XDrum™ design (developed initially for the domestic machine) for use in larger commercial washing and garment finishing machines. The trials with OEMs were extended during 2018 to accommodate this new drum design.

Following the XDrum™ development, the Company announced in July 2018 that it had signed its first Symphony Project licensing agreement with Jiangsu SeaLion Technology Development Co., Ltd, a wholly owned subsidiary of Jiangsu SeaLion Machinery Co., Ltd ("Sea-Lion") a market-leading Chinese commercial washing machine manufacturer. The agreement runs for a 10-year period with minimum annual sales targets agreed between both parties. Under the terms of the agreement, the Company will receive a royalty on both machine sales and on the multi-year service contracts signed between SeaLion and the customer. SeaLion will integrate the Company's proprietary technologies into its own commercial washing machines and sell them through its own distribution network in China, on an exclusive basis. The first sales are expected in 2019. SeaLion will be the first partner to incorporate the Company's new XDrum™ technology in a commercial washing machine.

In countries where the Company is yet to put in place Symphony Project agreements, the Company's strategy is to migrate to a fully indirect distribution model whereby FCPs provide sales and full lifecycle services to commercial laundry customers. The Company is focusing this strategy on countries and regions with a combination of premium hotel customers and high water rates. The Company's EMEA business now operates this model and has signed agreements with FCPs who market, sell and provide the full set of services for Xeros-enabled machines. In this regard, the Company recently announced its first two major orders with 16 machines for fanute (Proprietary) Limited, its FCP in South Africa, and 32 machines for Encom Trading LLC, a subsidiary of Electro RAK LLC, its FCP in the UAE. The Company now plans to implement this model in the US and in November 2018, the Company announced that Eastern Laundry Services Inc. ("**ELS**") would take over the delivery of service and chemistry to Hydrofinitivity's current and future customers in 9 States in the North East United States. ELS will also continue to stock and sell Xeros commercial machines. Similar arrangements are planned to cover the whole of the US with the objective of increasing revenue and lowering costs whilst maintaining customer service. The agreement with ELS follows a programme by the Company to improve the quality of its direct customer base by removing machines from poor credit quality customers and redeploying them with better quality customers.

In September 2017, the Company announced the commissioning of its XConnect online portal which monitors and analyses real-time machine performance and usage data to enable customers to manage their laundry operations and track water, chemistry and energy savings. The XConnect information portal also provides access to data to allow FCPs to perform planned and preventative maintenance. The XConnect system is connected to all Xeros machines in all geographic markets and is targeted to be used in the China market from 2019.

Globally the commercial washing machines market is worth \$881 million per annum and the value of chemistry sold into commercial laundries is worth \$819 million per annum.

Tanning Technologies

In Cleaning Technologies, the Company's polymer technology gently removes unwanted molecules and contaminants from materials; in Tanning Technologies, however, the Company's polymer

technology is highly effective in pushing molecules into hides during leather processing. This technology is effective in both the tanning and the re-tanning and dyeing processes. Initially, the Company has chosen to focus on the re-tanning and dyeing process. The application of polymer technology in the tanning industry is supported by intellectual property patents.

The Company's approach in Tanning Technologies is to introduce re-usable and re-cyclable polypropylene polymers into the tanning drums enabling a substantial reduction in the volume of process water and chemistry used, whilst delivering leather hides of a comparable or improved quality to traditional re-tanning and tanning processes. The Company's technology achieves reductions in water and effluent of up to 50% and reductions in chemistry of up to 25%. The polymers are designed in shape, size, density and composition to achieve the above benefits. Additionally, engineering solutions have been developed by the Company and applied to introduce and remove the polymer beads from bovine hides in a tanning drum.

Globally approximately 300 million bovine hides are processed on an annual basis with a value of \$55 billion to the tanning industry.

Retanning and Dyeing: Having successfully conducted multiple re-tanning and dyeing trials, the Company has recently signed a 10-year contract with LEFARC to convert its re-tanning operations in León, Mexico to use the Company's patented polymer technology. With a published weekly production of 5,000 hides, LEFARC produces leather for shoes, supplying brands such as Timberland and Wolverine. The Company anticipates leather produced by LEFARC using its technology to be incorporated in consumer products after March 2019. The tannery is located in one of the world's leading tanning centres, supporting major brands in the shoe and auto industries. The contract follows extensive trials which demonstrated material reductions in process inputs and effluent production and improves the sustainability of production, whilst maintaining the quality of leather output. The Company has also signed a Heads of Terms with another tannery. The terms of the contract with LEFARC and those within the Heads of Terms are consistent with the previously disclosed financial assumptions in the Company's business case.

Tanning: The Company's XOrb™ technologies teams in Sheffield and the Institute of Creative Leather Technologies at the University of Northampton have demonstrated that the technology could also be applicable in the tanning process step of leather production (upstream of the re-tanning and dyeing process). These evaluations indicate potential reductions in water and chemistry process inputs. The Company plans to validate the efficacy of its technology in the Tanning process steps in the second half of 2019. The XOrb™ technology team has established that the Company's technology reduces the total volume of polymer microparticles in tannery effluent.

Following the expected implementation of contracts in 2019, the Company will look to accelerate its penetration of the re-tanning market having demonstrated the economic benefits that accrue to customers and demonstrated the technology's opportunity to overcome constraints in water availability and effluent disposal which are expected to increase over time.

Textile Technologies

Similar to Tanning Technologies, in Textile Technologies the Company uses re-usable and re-cyclable polypropylene polymers within rotating drums to substantially reduce the water and chemistry used and the effluent produced in the fading and texturing of denim, texturing of other garments and in the dyeing of cotton garments. Scale trials performed in the Company's UK Technology Centre in Sheffield have demonstrated that the Company can process denim jeans from their raw state to a finished product in a single XDrum™ enabled machine in a continuous process at scale. These results have been achieved with ultra-low chemistry, water ratios and effluent. Following these trials the Company is now in the process of testing garments from leading Chinese manufacturers.

Garment finishing: The global cotton processing industry adds \$26 billion of value per annum through the garment finishing process, which includes dyeing. The Company aims to reduce the cycle time for the dyeing and finishing of garments whilst simultaneously reducing the water and

chemistry used. The Company has successfully applied its XDrum™ technology to garment finishing in its Technology Centre, allowing simple and inexpensive changes to be made to existing machine designs to incorporate the Company's technology.

Denim finishing: 1.2 billion pairs of denim jeans are manufactured every year. The global retail market value for denim jeans is \$60 billion. The Company aims to reduce the cycle time for the finishing of denim which includes the process steps of de-sizing, cleaving and stonewashing whilst simultaneously reducing the amount of water and chemistry used. The Company's process uses a combination of bio-technology and polymer technology to reduce the chemistry that is normally required in traditional processes. The Company has successfully applied its XDrum™ technology to denim applications.

China – All Applications

The Company sees China as an important market given the large addressable markets for each of its applications. In China there are currently: 390,000 professional firefighters; 37 million domestic washing machines sold per annum; 27,000 commercial laundry machines sold per annum; 75 million finished leather hides produced; 7 million tonnes of natural fibres processed; and 483 million pairs of jeans sold.

The Company has established a wholly owned subsidiary in China and has appointed an Executive Chairman. The Company has signed its first Symphony Project licence agreement in China with SeaLion. It is also in discussions with Chinese domestic washing machine OEMs and Chinese Garment manufacturers.

Other

The Company supports the commercialisation of the above applications with technical and corporate functions, including polymer development, engineering and process cycle development and intellectual property management.

The Company has a full suite of patents either granted or in application covering the processes and applications mentioned above.

2.4. Future plans

Cleaning Technologies

Domestic Laundry: The Company is in active discussions with a number of washing machine OEMs with the objective of negotiating at least one international commercialisation and development agreement. Its targeted business model is to agree upfront payments in exchange for regional exclusivity and a royalty per machine sold. A parallel process is running in relation to the XFiltra™ with the same targeted outcomes.

The Company's objective is penetrate a meaningful share of the domestic washing machine market where a 1.5% share of the annual global market would represent 1.8 million units. The Company is using as its target an average royalty of 4% of the retail price of a machine.

Marken (High performance workwear): The Company is looking to win orders to maximise the revenues from its network of four sites in the US using the independent verification of the cleaning efficacy and the garment life extension provided by the Company's technology. Orders being targeted in 2019 are for firefighters uniforms and other types of high performance workwear which are intended to demonstrate the applicability and benefits of the technology across multiple sectors of this market.

The Company will consider expanding its network of service providers in the US if it believes it is necessary to achieving its longer terms objectives of broad licensing to the firefighter market and garment fleet rental and cleaning companies.

The addressable market of Marken's current network is estimated to be 30,000 professional structural firefighters out of a total US market of approximately 300,000. Once it has implemented its strategy, the Company estimates that the Marken business could achieve a margin of approximately 40%.

Hydrofinity (Commercial): The Company plans to progress its strategy to fully implement a licensing model with major branded OEMs, such as SeaLion in China, manufacturing and selling Xeros enabled products. In the interim, Xeros will continue to selectively build and utilise its network of FCPs.

The Company's medium-term target is to have over 1,000 Xeros enabled machines generating revenues by the end of 2020.

Tanning Technologies

The Company's strategy is to establish a low capital intensity business in Europe and the Americas with the capital expenditure required to implement its technology funded by customers.

Having signed its first re-tanning and dyeing contract in September 2018 with revenues expected after March 2019, the Company is targeting signing a number of additional contracts for implementation in 2019. Following successful contract implementations during the year, the Company expects to grow its customer and contract base. In parallel, the Company plans to validate the efficacy of its technology in the upstream tanning process.

The Company's medium-term target is to achieve a high teens percentage market penetration of bovine hide processing by 2022.

Textile Technologies

Following initial engagement with multiple garment manufacturers, the Company plans to continue trial programmes with them ahead of seeking commercialisation and development agreements with manufacturers. The Company is targeting initial revenue in 2019 based on an envisaged business model of a commission paid to the Company for machine sales and ongoing monthly royalties for use of the technology.

China – All Applications

The Company anticipates that China will continue to be an important market for the commercialisation of its applications. The Company is targeting initial revenue in 2019 under its agreement with SeaLion. In addition, discussions are ongoing with Chinese manufacturers for the development and commercialisation of the Company's Domestic Laundry and Textile applications. The Company also plans to evaluate the opportunity in China for the commercialisation of its High Performance Workwear technology.

2.5. Summary

Based upon the progress achieved to date on commercialisation and subject to the successful delivery of the planned and targeted milestones described above, the Company estimates the following breakeven dates for the applications currently in its portfolio:

Hydrofinity: It is estimated that the business would be EBITDA positive in the EMEA region in 2019, with the overall Hydrofinity business estimated to become EBITDA positive in 2020.

Marken: It is estimated that the business would be EBITDA positive by the end of 2019.

Domestic Laundry: The domestic business could become EBITDA positive upon receipt of up-front license payments.

Tanning: It is estimated that the tanning business could be EBITDA positive in 2021 and the Company is targeting having a ten year forward book of contracted revenue by the end of 2019.

Textiles: Subject to signing agreements in 2019, it is estimated that the business could become EBITDA positive in late 2019 or in 2020.

The costs related to the Company's technical functions of engineering, XOrb™ development, IP and cycle development are planned to continue to reduce as the businesses move into commercialisation. Corporate overheads and plc costs are also targeted to reduce in 2019.

3. CURRENT TRADING AND OUTLOOK

Since the Company announced results for the 6 months to 30th June 2018 on 13th September trading has continued in line with the Director's expectations.

4. TAKEOVER CODE, CONCERT PARTY AND RULE 9 WAIVER

4.1. Application of the Takeover Code

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are described below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed public company registered in the United Kingdom. The Company is a listed public company registered in the United Kingdom and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of such a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30% of the voting rights of such a company but does not hold shares carrying more than 50% of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. As explained further below, certain categories of person are presumed to be acting in concert under the Takeover Code unless the contrary is established.

4.2. The Concert Party

The Takeover Code provides that certain categories of person are presumed to be acting in concert, including:

- a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20% or more of the equity share capital of a company is regarded as the test of associated company status); and
- a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts.

Mercia holds the entire issued share capital of Enterprise Ventures Group Limited, of which EVL is a wholly owned subsidiary. EVL is the discretionary fund manager of, inter alia, the Enterprise Ventures Funds. On the basis that certain members of Woodford (acting through WIML) hold more than 20% of the voting rights of Mercia, Woodford is presumed to be acting in concert with Mercia, EVL and the Enterprise Venture Funds.

4.3. Rule 9 Waiver

In December 2017, the Panel waived the obligation for the Concert Party to make a general offer for the Company under Rule 9.1 that would have otherwise arisen from the issue of Ordinary Shares to Woodford pursuant to the 2017 Placing. Immediately after completion of the 2017 Placing, the Concert Party held Ordinary Shares representing 31.56% of the voting rights of the Company.

Between the 2017 Placing and the date of this document, the Company has issued 7,986 Ordinary Shares to holders of options and the Concert Party has not traded any Ordinary Shares. As at the date of this document, Woodford therefore holds 25.29% of the voting rights of the Company and the Enterprise Venture Funds (acting through EVL) holds 6.26% of the voting rights of Company. Accordingly, the Concert Party holds an aggregate of 31.55% of the voting rights of the Company.

It is proposed that Woodford subscribes for the WCP Shares and each member of the Concert Party has confirmed that it has no intention of subscribing for any Open Offer Shares, which would result in the Concert Party holding Ordinary Shares representing a maximum controlling position of 43.46% of the voting rights of the Company following Admission (assuming no take up of the Open Offer). As a consequence of the issue of the WCP Shares, without a waiver of the obligation under Rule 9 of the Takeover Code, the Concert Party would be required to make a general offer for the balance of Ordinary Shares in issue immediately following Admission. The Panel has been consulted and has agreed, subject to the Whitewash Resolution being passed by the Independent Shareholders (on a poll) at the General Meeting, to waive the obligation that would otherwise arise under Rule 9 of the Takeover Code as a result of the issue of WCP Shares to Woodford pursuant to the Placing. The Whitewash Resolution will be passed, if approved, by a simple majority of votes cast by Independent Shareholders (on a poll).

Following completion of Admission, Rule 9 of the Takeover Code will continue to apply to the Concert Party, requiring a general offer to be made to all Shareholders if any member of the Concert Party or persons acting in concert with them acquires any Ordinary Shares in addition to those which are the subject of the Whitewash Resolution, unless a further waiver is obtained. Shareholders should note that the Rule 9 Waiver which the Panel has agreed to give (conditional on the Whitewash Resolution being passed by the Shareholders) is only in respect of the acquisition of WCP Shares by Woodford as a result of the Placing and not in respect of any other future acquisition of Ordinary Shares by any member of the Concert Party or persons acting in concert with them.

Shareholders should be aware that if the Resolutions are passed, the Concert Party will not be restricted from making an offer for the Company. However, the members of the Concert

Party have confirmed that the Concert Party has no intention of making an offer for the Company.

Further information regarding the Concert Party and the Rule 9 Waiver is set out in Part V of this document.

5. REASONS FOR THE PLACING AND OPEN OFFER AND USE OF PROCEEDS

5.1. Reasons for the Placing and Open Offer

The Directors are of the view, given the opportunities available to the Group and its limited current cash resources, that this is the appropriate time for the Company to request shareholder approval in order to raise further funds through the Placing and Open Offer. The Placing and Open Offer will enable the Company to maintain the momentum seen since the Company's last equity issue in December 2017 as it seeks to build on its progress within the Group.

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Placing and Open Offer will not occur and the Net Proceeds will not be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to January 2019 without taking any mitigating action.

As further detailed in paragraph 10 below, the Company has received, in aggregate, irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of:

- Resolutions 1 and 3, 26,563,149 Existing Ordinary Shares, representing, in aggregate, approximately 26.78% of the existing issued ordinary share capital entitled to vote on these Resolutions; and
- the Whitewash Resolution, 1,477,188 Existing Ordinary Shares, representing, in aggregate, approximately 9.62% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution.

5.2. Use of proceeds

As at 27 November 2018, the Company had existing cash resources of £1.8 million, which together with the Gross Proceeds would result in a pro forma cash balance of £21.8 million.

The Company's cash burn rate has reduced during the year and is targeted to reduce further to an average of approximately £1.2m in 2019.

The gross proceeds of the Placing will give the Company the funding it requires until the end of 2019 assuming the continued pursuit of each of its businesses as set out above. £1 million of the proceeds will fund the Company through the rest of 2018. £5 million of the proceeds will fund the business units through 2019. £6 million of the proceeds will fund the Company's central science, engineering, technology and corporate costs in 2019 and the final £3 million of the proceeds would provide funds for capital expenditure and working capital requirements. A further £5m is expected to be able to fund the business through the first quarter of 2020. If the timely achievement of commercial milestones justifies the continued pursuit of all the Company's businesses the Company may require further funding in 2019 or 2020 although the Company's strategy, cost base and portfolio of market opportunities remains constantly under review.

6. DETAILS OF THE PLACING AND OPEN OFFER

6.1. The Placing

The Company is proposing to raise approximately £15 million (before fees and expenses) by way of a conditional, non-pre-emptive placing of 150,000,000 new Ordinary Shares at the Issue Price.

The issue of the WCP Shares will be conditional upon the approval by the Independent Shareholders of the Whitewash Resolution. The Company intends that all Placing Shares (including the WCP Shares) shall be issued at Admission.

The Issue Price represents a discount of approximately 68.8% from the Closing Price. The Placing Shares will represent approximately 66.8% of the Enlarged Share Capital following Admission. In order to broaden the Company's institutional investors base and to minimise the time and transaction costs of the Placing, the Placing Shares are only being placed by Jefferies and Berenberg with a limited number of existing and new institutional investors. The Placing Shares are not being made available to the public.

The Placing Shares will be issued credited as fully paid and will be identical to and rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all future distributions, declared, paid or made in respect of the Ordinary Shares following the date of Admission.

6.2. Directors' participation in the Placing

It is intended that certain of the Directors will subscribe for Placing Shares at the Issue Price, details of which are set out below:

Director	Number of Existing Ordinary Shares held	Number of Placing Shares being acquired	Total number of Ordinary Shares held following the Placing ¹	Percentage of Enlarged Share Capital ¹
Mark Nichols	Nil	500,000	500,000	0.20%
Paul Denney	Nil	500,000	500,000	0.20%

6.3. The Placing Agreement

In connection with the Placing, the Company has entered into the Placing Agreement pursuant to which Jefferies and Berenberg have agreed, in accordance with its terms, to use reasonable endeavours to procure subscribers for the Issue Shares at the Issue Price. The Placing is not underwritten. In accordance with the terms of the Placing Agreement, the Placing is conditional upon, amongst other things, the passing of the Resolutions, the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission occurring on or before 20 December 2018 (or such later date as the Company and Jefferies (having consulted with Berenberg) may agree, not being later than 3 January 2019).

The Placing Agreement contains certain warranties given by the Company concerning the accuracy of information given in this circular and the announcement made by the Company in respect of the Placing as well as other matters relating to the Group and its business. The Placing Agreement is terminable by Jefferies and Berenberg in certain circumstances up until the time of Admission, including, *inter alia*, should there be a breach of a warranty contained in the Placing Agreement or a *force majeure* event takes place or a material adverse change occurs to the business of the Company or the Group. The Company has also agreed to indemnify Jefferies and Berenberg against all losses, costs, charges and expenses which Jefferies and Berenberg may suffer or incur as a result of, occasioned by or attributable to the carrying out of its duties under the Placing Agreement.

¹ Excluding Open Offer Shares

6.4. The Open Offer

Basic Entitlement

Qualifying Shareholders (other than, subject to certain exemptions, those Shareholders in Restricted Jurisdictions) have the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price, payable in full on application and free of expenses, pro rata to their existing shareholdings, on the following basis:

1 Open Offer Share for every 2 Existing Ordinary Shares

held by them and registered in their names on the Record Date, rounded down to the nearest whole number of Open Offer Shares. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Basic Entitlement.

Excess Application

The Open Offer is structured so as to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price pro rata to their holdings of Existing Ordinary Shares. Qualifying Shareholders may also make applications in excess of their pro rata initial entitlement. To the extent that pro rata entitlements to Open Offer Shares are not subscribed for by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such Excess Applications where Qualifying Shareholders have taken up their full Basic Entitlement. Applications for Excess Shares may be allocated in such manner as the Directors may determine, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all. Excess Applications will be rejected if and to the extent that acceptance would result in a Qualifying Shareholder, together with those acting in concert with him/her/it for the purposes of the Takeover Code, holding 30% or more, or increasing an existing holding of 30% or more, of the Enlarged Share Capital immediately following Admission.

Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the UK, or who are citizens or residents of countries other than the UK, or who are holding Existing Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents), or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 8 of Part III of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation any Restricted Jurisdiction), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer.

Settlements and dealings

The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, they will not be tradable and applications in respect of the Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders who do not apply to take up their Basic Entitlements will have no rights under the Open Offer or receive any proceeds from it. If valid acceptances are not received in respect of all Basic Entitlements under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess

Application Facility and the proceeds retained for the benefit of the Company. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders.

Application has been made for the Basic Entitlements and Excess Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Basic Entitlements and Excess Entitlements will be admitted to CREST on 30 November 2018.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part III of this document and for Qualifying Non-CREST Shareholders on the accompanying Application Form. To be valid, Application Forms or CREST instructions (duly completed) and payment in full for the Open Offer Shares applied for must be received by the Registrar by no later than 10.00 a.m. on 19 December 2018. Application Forms should be returned to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD by no later than 10.00 a.m. on 19 December 2018.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part III of this document and, where relevant, on the Application Form.

It is expected that Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess Entitlements on 30 November 2018.

If the conditions of the Placing Agreement are not fulfilled or (where capable of waiver) waived on or before 8.00 a.m. on 20 December 2018 (or such later time and date as the Company, Jefferies and Berenberg may agree, being not later than 8.00 a.m. on 3 January 2019), the Open Offer will not become unconditional and application monies will be returned to applicants, without interest, as soon as practicable thereafter.

Effect of the Placing and Open Offer

Following the issue of New Ordinary Shares to be allotted pursuant to the Placing and Open Offer, Shareholders who take up their full Basic Entitlements (and do not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of up to 50.2% to their interests in the Company and Shareholders who do not take up any of their Basic Entitlements will suffer a dilution of up to 66.8% to their interests in the Company.

6.5. Admission of the New Ordinary Shares

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject, *inter alia*, to the passing of the Resolutions at the General Meeting it is expected that Admission will become effective in respect of, and that dealings on AIM will commence in, all of the New Ordinary Shares, on or around 20 December 2018.

It is expected that CREST accounts of the investors in the New Ordinary Shares who hold their Ordinary Shares in CREST will be credited with their New Ordinary Shares on 20 December 2018. In the case of investors in the New Ordinary Shares holding their Ordinary Shares in certificated form, it is expected that certificates will be dispatched by 3 January 2019. Pending dispatch of the share certificates or the crediting of CREST accounts, the Registrar will certify any instruments of transfer against the register.

7. RELATED PARTY TRANSACTIONS

The following Related Parties (as defined by the AIM Rules) will be participating in the Placing:

	Current Holding	% of existing Ordinary Shares	Subscription	Holding post subscription	% of Enlarged Share Capital
WIML	25,085,961	25.29%	77,000,000	102,085,961	40.97%
IP Group plc	15,090,693	15.22%	30,000,000	45,090,693	18.10%

The Directors, having consulted with the Company's nominated adviser, Jefferies, consider that the terms of WIML's and IP Group plc's participation in the Placing are fair and reasonable insofar as the Company's Shareholders are concerned.

8. GENERAL MEETING

A notice convening a General Meeting, to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 19 December 2018, is set out at the end of this document.

At this meeting, as set out in the Notice of General Meeting:

- Resolution 1 is an ordinary resolution to authorise the Directors under section 551 of the Companies Act 2006 to allot the New Ordinary Shares;
- Resolution 2 is the Whitewash Resolution. It is an ordinary resolution. This resolution requires approval by the Independent Shareholders (on a poll) at the General Meeting; and
- Resolution 3 is a special resolution to authorise the Directors under section 570 of the Companies Act 2006, to allot the New Ordinary Shares pursuant to the Placing and Open Offer on a non-pre-emptive basis.

The Directors do not, at present, intend to issue any share capital other than in connection with the Placing and Open Offer and, for the purposes of the share option schemes, the issue of Ordinary Shares to holders of options.

9. ACTIONS TO BE TAKEN

9.1. In respect of the General Meeting

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Whether you are going to attend the meeting or not, please complete the Form of Proxy, following the instructions, and return it to the Registrar, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD as soon as possible, to arrive by 10.00 a.m. on 17 December 2018 or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a business day) at the latest. Returning the form will not stop you from attending the meeting and voting if you wish to do so.

9.2. In respect of the Open Offer

If you do not wish, or are not entitled, to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Form of Proxy.

Qualifying Non-CREST Shareholders wishing to apply for Open Offer Shares or Excess Shares must complete the enclosed Application Form in accordance with the instructions set out in paragraph 4 of Part III of this document and on the accompanying Application Form and return it to

the Registrar, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, so as to arrive no later than 10.00 a.m. on 19 December 2018.

If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. Qualifying CREST Shareholders will have their Basic Entitlements and Excess Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 5 of Part III of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 5 of Part III of this document by no later than 10.00 a.m. on 19 December 2018.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer.

10. IMPORTANCE OF THE VOTE, IRREVOCABLE UNDERTAKINGS AND RECOMMENDATION

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Placing and Open Offer will not occur and the Net Proceeds will not be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to January 2019 without taking any mitigating action.

10.1. Irrevocable undertakings

In aggregate, the Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of:

- Resolution 1, 26,563,149 Existing Ordinary Shares, representing, in aggregate, approximately 26.78% of the existing issued ordinary share capital entitled to vote on this Resolution;
- Resolution 2, 1,477,188 Existing Ordinary Shares, representing, in aggregate, approximately 9.62% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution; and
- Resolution 3, 26,563,149 Existing Ordinary Shares, representing, in aggregate, approximately 26.78% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution.

John Samuel, who is a Director and holds shares in the Company, has irrevocably undertaken to vote in favour of all Resolutions in respect of his holdings, amounting to 1,477,188 Ordinary Shares representing approximately 1.49% of the existing issued ordinary share capital of the Company.

In addition to John Samuel, certain other Shareholders have irrevocably undertaken to vote in favour of the Resolutions as follows:

- in respect of Resolution 1 and Resolution 3, 25,085,961 Existing Ordinary Shares, representing, in aggregate, approximately 25.29% of the existing issued ordinary share capital of the Company entitled to vote on these Resolutions.

Voting rights limitations

The members of the Concert Party are not entitled to vote in respect of the Rule 9 Waiver.

Entrepreneurs Fund LP, Oceanwood Capital, Invesco Asset Management Limited, IP Group Plc, Baillie Gifford & Co, Parkwalk Advisors and Mr Alistair Kilgour are considered not to be independent in respect of the Rule 9 Waiver by virtue of their participation in the Placing or by virtue of their being presumed to be acting in concert (within the meaning of the Takeover Code) with participants in the Placing, and will each therefore only be entitled to vote in respect of Resolution 1 and Resolution 3.

10.2. Recommendation

The Directors, who have been so advised by Jefferies as to the financial terms of the Placing, the Open Offer and Rule 9 Waiver, consider the terms of the Placing and Rule 9 Waiver to be fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole.

In providing advice to the Directors, Jefferies has taken into account the Directors' commercial assessments.

The Directors consider that the Placing, the Open Offer and the Resolutions are in the best interests of the Company and its Shareholders as a whole and unanimously recommend that you vote in favour of each of the Resolutions to be proposed at the General Meeting on which you are entitled to vote.

Yours sincerely,

John Samuel

Chairman

Xeros Technology Group plc

PART II RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor and Shareholders should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part II of this document contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.

There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company.

1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

1.1 Future need for access to capital

There is a risk that the amount that the Group anticipates will be needed to fund its business plan until the date on which the Board expects each of the Group's applications reach EBITDA breakeven will be insufficient or that the Group may be unable to raise the amounts required to fund the Group until then (if at all). Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Group's strategy and its business, operating results and financial condition.

The Net Proceeds are expected to be sufficient to implement the Board's strategy in the short term. However, if the Group fails to generate sufficient cash through its commercial operations, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and/or the ongoing operating costs of the Group. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions in financing and operating activities. In addition, there can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on terms favourable to it. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development.

1.2 Early stage of operations

Whilst the Group has entered or is negotiating a number of commercialisation and development agreements in each of the applications within its portfolio, it is still at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies. In particular, the Group's future growth and prospects will depend on its ability to develop products and services for applications which have sufficient commercial appeal, to manage growth and to continue to develop operational, financial and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to develop operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

The Group is currently loss making and there can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group's revenues can be difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

1.3 Competition risk

Given the potentially disruptive nature of the Group's technology in relation to established markets, the Group may face significant competition and negative commentary from organisations which have greater capital resources than it and/or which have a product offering competitive to that of the Group, to the detriment of the Group. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate.

1.4 Dependence on third parties

The majority of products incorporating the Group's technology have not yet been produced on a fully commercial scale. The Group is dependent on a limited number of commercial partners to demonstrate the ability to scale up such production. Failure to operate production at an increased capacity may have a material adverse effect on the growth of the Group's business and its financial position.

The Group is dependent on a limited number of key suppliers in relation to the production of its machines and polymers. Should any such key supplier cease to deal with the Group for any reason and/or materially and adversely change the terms upon which it deals with the Group, difficulties may be experienced by the Group in sourcing alternative suppliers on acceptable terms. Any such disruption to the Group's supply arrangements may have a material adverse effect on the growth of the Group's business and its financial position.

1.5 Management of growth

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth.

1.6 Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Group's future success is also substantially dependent on the knowledge held within the polymer science and engineering teams. The Company cannot give assurances that members of the senior management team, the executive Directors and the polymer science and engineering teams will continue to remain within the Group. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

1.7 Health, safety and environmental risks

The installation and operation of products incorporating the Group's technology will be subject to various health and safety and environmental requirements in the markets for such products. Such requirements govern, among other matters, air emissions, wastewater discharges and solid and hazardous waste management. Many such laws and regulations are becoming increasingly

stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Directors believe that the products incorporating the Group's technology comply with applicable regulations, any failure to comply with such laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's operating results and financial condition.

The Group cannot predict the impact of new or changed health and safety and environmental laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition may suffer as a result.

There is no guarantee that evidence will not emerge that the Group's technology has a damaging effect on biological and environmental systems, which may limit the potential applications of its technologies, require the Group to expend additional funds on safety measures, and potentially have a material adverse effect on the Group's business, financial position or prospects.

1.8 Reduction in government support for environmental-focused technologies

Some government in the markets in which the Group operates or seek to develop its operations offer environmental-focused incentive programs to help manage available resources, including energy and water. The Group's existing and potential commercial partners and/or customers in these markets are potentially able to benefit from attractive incentives to adopt the Group's technology as a result of these incentive programs. In the event that the relevant governments review, reduce or withdraw these programs, the Group's ability to sign up new commercial partners and/or customers who would be able to benefit from such incentives by adopting the Group's technology could be adversely affected and the Group's business, prospects, operating results and financial condition may suffer as a result.

1.9 Insurance

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the business, operating results and financial condition.

1.10 Product liability

If products incorporating the Group's technology do not perform as required, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

1.11 Disaster recovery

The Group depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage to, or failure of, its equipment and/or systems could result in disruptions to the Group's operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

1.12 Counterparty risk

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

1.13 Corruption

Corruption is perceived as a problem in certain of the jurisdictions in which the Group or its commercial partners operate. Corrupt practices may have an adverse impact on the Group's operations in these jurisdictions. Corruption may also affect the ability of the Group to enforce legal

rights. The Company is also subject to the Bribery Act 2010 and in complying with its obligations thereunder, it may be put at a commercial disadvantage as compared to non-UK competitors operating in the same overseas markets.

1.14 Currency and foreign exchange

A portion of the Group's business is and will continue to be carried out in currencies other than pounds sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Group's accounts going forward.

The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.

2 RISKS RELATING TO THE COMMERCIALISATION OF THE GROUP'S TECHNOLOGY

2.1 Acceptance of the Group's products

The success of the Group will depend on market acceptance of the benefits of, and attribution of value to, incorporating the Group's technology into various applications and the rate of adoption of the same by large enterprises. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon such technology or that the adoption rate of the Group's technologies will be sustainable.

The development of a market for products incorporating the Group's technology is affected by many factors, some of which are beyond its control, including the emergence of newer, more successful technologies and products. Notwithstanding the technical merits of products which incorporate the Group's technologies, there can be no guarantee that the targeted customer base for a given product will purchase or continue to purchase the product. If market acceptance of products incorporating the Group's applications fails to develop or develops more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its products and technology and may never achieve profitability.

2.2 Commercialisation risk

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on its technology. The Group's negotiating position in agreeing terms of either joint development, distribution, service or supply arrangements may be affected by its size of cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into or renew such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to delays in the Group's commercialisation strategy and this may have a significant adverse effect on the Group's business, financial condition and results.

The loss of, or changes affecting, the Group's relationships with commercialisation partners could adversely affect the Group's results or operations and the Group may have limited input on the product strategies adopted by any of its partners. Furthermore, there is a risk that such partners may reprioritise within their product portfolio resulting in the Group achieving sales below that which the Directors anticipate. In any such arrangement, the Group will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's partners may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group is currently dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material adverse impact on the trading, financial condition and prospects of the Group.

3 RISKS RELATING TO THE GROUP'S TECHNOLOGY

3.1 Intellectual property

The Group's success depends in part on its ability to maintain adequate protection of its intellectual property, covering its processes and applications. The intellectual property on which the Group's

business is based is a combination of patent applications and proprietary know-how. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group.

There can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any patent applications held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group). In addition, no assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's or partners' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

There is a risk that certain objections which have been raised, or may be raised in the future, by patent offices in relation to the patent applications which have been filed by the Group, may prevent those patent applications from being granted. If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain.

The Group operates its business under the Xeros brand and several product specific sub-brands in respect of which it has acquired a number of related trademarks in various jurisdictions. It is possible that third parties may seek to oppose the Group trademarks in certain jurisdictions and/or infringe the Group's intellectual property rights in these brands. The Group may in the future seek to enter new markets where it will not be able to protect its trademarks or they may be subject to challenge or dispute which may lead to delays or restrictions on the Group's commercialisation strategy and this may have a significant effect on the Group's business, financial condition and results.

Any claims made against the Group's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly to defend. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims would not have a material adverse effect on the Group's business, financial condition or results.

3.2 Third party intellectual property

Although the Board believes that the Group's current products, products in development and processes do not infringe the intellectual property rights of any third parties, it is impossible to be aware of all third party intellectual property. No assurance can be given that third parties will not in the future claim rights in or ownership of the patents and other proprietary rights from time to time held by the Group. As further detailed above, substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

3.3 Research and development risk

The Company is involved in new product and applications development. Although the Group has now developed a number of commercial and marketable products and applications, some of the Group's technology and intellectual property portfolio is at an early stage of commercial development and there is no guarantee that the Group will continue to be successful in commercialising its products and applications development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop additional commercial and marketable products. Furthermore, the Group may not be able to develop new applications or identify additional market needs that can be addressed by the Group's technology.

3.4 Risk of competing technology

There is a risk that technological advances in competing technology and/or the lower cost of such technology may impede the commercial exploitation of the Group's technology. This would have a significant adverse effect on the Group's business.

3.5 Risks associated with the commercialisation of products and services

The Group needs to continue to invest resources in products and services development in order to develop and enhance the Group's existing products and services and introduce new high quality products and services. If the Group is unable to ensure that its customers have a high quality experience with the Group's products and services, then they may become dissatisfied and move to competitors' products and services. In addition, if the Group is unable to predict customer preferences or industry changes, or if the Group is unable to modify its products and services on a timely basis, the Group may lose customers.

The Group's future success will depend on its ability to adapt to changing market needs and circumstances, to adapt its products and services to evolving industry standards and to improve the performance and reliability of the Group's services. Failure to adapt to such changes would harm the Group's business.

In addition, the adoption by customers of multiple uses for its polymer spheres is likely to require continued expenditure by the Group. Moreover, the Directors believe that its continued success depends on continued investment in its business strategies. Because these endeavours may be inherently risky, no assurance can be given that such endeavours will be successful and in the event they are not, adversely affect the Group's business, operating results or financial condition.

4 GENERAL RISKS

4.1 Investment risks

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's business, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

4.2 Economic conditions, current economic weakness and geopolitical risks

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn

may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to generate a profit.

In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain this might have an adverse impact on the Group's operations and business results.

As a UK domiciled business, the Group is exposed to the risks associated with the UK's decision to leave the EU ("**Brexit**"). Brexit could adversely affect the UK (and potentially European and worldwide) economic and market conditions, which could adversely impact the performance of the Group. The Group is continually assessing the potential consequences of Brexit on the Group, however, the macro- and micro- economic effects of an eventual Brexit, and their impact on the Group, are unknown.

The Group operates or is seeking to develop its operations in several geographic regions and countries, some of which are categorised as developing or have unstable political or social climates and, as a result, is exposed to a wide range of political, economic, regulatory, social and tax environments. These environments are subject to changes in a manner that may have a material adverse for the Group, including changes to government policies and regulations governing import and export controls, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), repatriation of income, royalties, the environment, labour and health and safety. The geopolitical risks associated with operating in a variety of regions and countries, if realised, could affect the Group's operations and could have a material adverse effect on the Group's business, financial condition or results.

4.3 Force majeure

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

4.4 Legal risks

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Group that are governed by laws outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks may be limited.

4.5 Securities traded on AIM

AIM securities are not admitted to the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial advisor authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

4.6 Potentially volatile share price and liquidity

The share prices of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally.

These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

4.7 Dilution of Shareholders' interests as a result of additional equity fundraising

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

4.8 Dividends

There is no current intention to pay dividends in the short to medium term. There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

4.9 The use of Net Proceeds of the Placing is subject to change

The use of Net Proceeds set out in Part I of this document is based on management's current expectations. There are no restrictions on the Company's use of the Net Proceeds. Investors will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions on how to use the Net Proceeds. The failure of the Company's management to apply these funds effectively could harm investor confidence and cause the price of the Ordinary Shares to decline.

5 RISKS RELATING TO THE OPEN OFFER

5.1 Shareholders will experience dilution in their ownership of the Company

Shareholders will experience dilution in their ownership of, and voting interest in, the Company as a result of the Placing. Shareholders will experience greater dilution in their ownership of, and voting interest in, the Company to the extent they do not subscribe in full for their Basic Entitlement under the Open Offer.

5.2 Overseas Shareholders may not be eligible to participate in the Open Offer

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Overseas Shareholders in the Open Offer. In particular, holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Open Offer will not be registered under the Securities Act.

Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.

PART III

TERMS AND CONDITIONS OF THE OPEN OFFER

1. INTRODUCTION

As explained in the letter from the Chairman, the Company is proposing to raise up to £20 million by the issue of up to 199,588,971 New Ordinary Shares at the Issue Price through the Placing and Open Offer.

150,000,000 New Ordinary Shares are proposed to be issued pursuant to the Placing and up to 49,588,971 New Ordinary Shares are also proposed to be issued pursuant to the Open Offer.

Further details of the Open Offer are set out in this Part III of this document.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 0.5 Open Offer Shares pro rata to their current holdings at the Issue Price.

The Placing and Open Offer are conditional on, amongst other things, the passing of the Resolutions at the General Meeting, the Placing Agreement becoming unconditional and Admission.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will together represent approximately 66.8% of the Enlarged Share Capital.

The New Ordinary Shares will be created under the Companies Act 2006.

2. TERMS AND CONDITIONS OF THE OPEN OFFER

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being given an opportunity to apply for Open Offer Shares at the Issue Price (payable in full and free of all expenses) on the following pro rata basis:

1 Open Offer Share at 10 pence each for every 2 Existing Ordinary Shares

held and registered in their name at the Record Date and in proportion to any other number of Existing Ordinary Shares then held. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' entitlements. Accordingly, Qualifying Shareholders with fewer than 2 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlement. The total number of Open Offer Shares is fixed and will not be increased.

Qualifying Shareholders may apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to below. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 6 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Shares comprised in the Basic Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Ordinary Shares in excess of their Basic Entitlement (i.e., their Excess Entitlement), subject to a maximum equal to the total number of Open Offer Shares available under the Open Offer less the relevant Qualifying Shareholder's Basic Entitlement. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 7 and 8 on the Application Form. Applications for Excess Shares may be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

The Issue Price represents a discount of 68.8% to the Closing Price for an Ordinary Share of 32 pence on 26 November 2018 (being the latest practicable date prior to the date of this document).

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of the Open Offer.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer, and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred. Any Open Offer Shares which are not applied for under the Open Offer will not be issued.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to paragraph 8 of this Part III of this document. In particular, Shareholders in a Restricted Jurisdiction will not be sent this document or the Application Form, and will not have their CREST stock accounts credited with the Basic Entitlements or the Excess Entitlements.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of their issue.

Application will be made for the Basic Entitlement and the Excess Entitlement to be credited to Qualifying CREST Shareholders' CREST accounts. The Basic Entitlement and the Excess Entitlement are expected to be credited to CREST accounts by 30 November 2018. Application has been made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on AIM at 8.00 a.m. on 20 December 2018.

Neither the Placing nor the Open Offer are underwritten.

The Placing and Open Offer are conditional, amongst other things, upon:

- (a) the passing of the Resolutions at the General Meeting;
- (b) the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- (c) Admission becoming effective by no later than 8.00 a.m. on 20 December 2018 (or such later time and/or date being no later than 8.00 a.m. on 3 January 2019, as Jefferies, Berenberg and the Company may agree).

If any of the conditions are not satisfied or waived (where capable of waiver), the Placing and Open Offer will be revoked and will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter. No temporary documents of title will be issued in respect of the Open Offer Shares held in uncertificated form.

Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 3 January 2019.

The Existing Ordinary Shares are already CREST-enabled. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Basic Entitlement and the Excess Entitlement to be admitted to CREST as participating securities.

Subject to the conditions above being satisfied and save as provided in this Part III of this document, it is expected that:

- (i) the Registrars will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Shareholders in Restricted Jurisdictions) with such Shareholders' Basic Entitlement and Excess Entitlement with effect on 30 November 2018;
- (ii) New Ordinary Shares in uncertificated form will be credited on 20 December 2018 to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up all or part of their Basic Entitlement and Excess Entitlement; and
- (iii) share certificates for the New Ordinary Shares held in certificated form will be despatched by 3 January 2019 to relevant Qualifying Non-CREST Shareholders who validly take up all or part of their Basic Entitlement and Excess Entitlement.

Qualifying Shareholders taking up their Basic Entitlement and Excess Entitlement will be deemed to have given the representations and warranties set out in the subparagraphs with the heading "Effect of Application" in paragraph 4 of this Part III of this document (in the case of Qualifying Non-CREST Shareholders), and paragraph 5 of this Part III of this document (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived by the Company. All Qualifying Shareholders taking up their rights under the Open Offer will be deemed to have given the representations and warranties set out in paragraph 8 of this Part III of this document.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 8 of this Part III of this document which forms part of the terms and conditions of the Open Offer.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to an RIS giving details of any revised dates or times.

3. ACTION TO BE TAKEN IN CONNECTION WITH THE OPEN OFFER

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of his entitlement under the Open Offer or has had his Basic Entitlement and Excess Entitlement credited to his CREST stock account in respect of such entitlement.

If you are a Qualifying Non-CREST Shareholder and you are not a Shareholder in a Restricted Jurisdiction, please refer to paragraph 4 and paragraphs 7 and 9 to 12 (inclusive) of this Part III of this document.

If you are a Qualifying CREST Shareholder and you are not a Shareholder in a Restricted Jurisdiction, please refer to paragraph 5 and paragraphs 7 and 9 to 12 (inclusive) of this Part III of this document.

Qualifying Non-CREST Shareholders who wish to deposit their Basic Entitlement and/or Excess Entitlement into CREST, or Qualifying CREST Shareholders who wish to withdraw their Basic Entitlement and/or Excess Entitlement from CREST, should read paragraph 6 of this Part III of this document.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors, as only their CREST Sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the Basic Entitlement and Excess Entitlement of such members held in CREST.

CREST Members who wish to apply under the Open Offer in respect of their Basic Entitlement and Excess Entitlement held in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS

General

Qualifying Non-CREST Shareholders will have received an Application Form with this document. The Application Form sent to each such Qualifying Non-CREST Shareholder sets out:

- (a) in Box 3, the number of Existing Ordinary Shares registered in such person's name at the Record Date (on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares is based);
- (b) in Box 4, the maximum number of Open Offer Shares for which such person is entitled to apply under the Open Offer, taking into account that they will not be entitled to take up any fraction of a New Ordinary Share arising when their Basic Entitlement was calculated; and
- (c) in Box 5, the amount payable in respect of an application for such person's Basic Entitlement.

Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided that they have agreed to take up their Basic Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than their Basic Entitlement should they wish to do so. Qualifying Non-CREST Shareholders wishing to apply for their Excess Shares may do so by completing Boxes 7 and 8 of the Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Applications made under the Excess Application Facility shall be allocated in such manner as the Directors may determine, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for receipt of the Application Forms and payment in full will be 10.00 a.m. on 19 December 2018.

The New Ordinary Shares are expected to be issued on 20 December 2018. After such date the New Ordinary Shares will be freely transferable by written instrument of transfer, and will be either in registered (or uncertificated) form, or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy.

Bona fide market claims

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 29 November 2018 (being the date upon which the Ordinary Shares were

marked 'ex' entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims made prior to 3.00 p.m. on 17 December 2018.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked 'ex' entitlement to participate in the Open Offer (being 8.00 a.m. on 29 November 2018), should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee (a "***bona fide* market claim**").

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 6.00 p.m. on 27 November 2018 should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee (if known). The Application Form should not, however, be forwarded to or transmitted in or into the Restricted Jurisdictions.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their registered holdings prior to 6.00 p.m. on 27 November 2018 should, if the market claim is to be settled outside CREST, complete Box 10 of the Application Form and immediately deliver to the broker, bank or other agent through whom the sale or transfer was effected (or to the Registrars) the Application Form, together with a letter stating:

- (i) the number of replacement Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees);
- (ii) the total number of Existing Ordinary Shares to be included in each replacement Application Form (the aggregate of which must equal the aggregate number of Existing Ordinary Shares held by such Qualifying Non-CREST Shareholder prior to the part-transfer or disposal); and
- (iii) the Basic Entitlement to be included in each replacement Application Form (the aggregate of which must equal the number shown in Box 4 of the original Application Form being returned with such letter),

so as to be received by 3.00 p.m. on 17 December 2018, the Registrar will then create new Application Forms, mark the Application Forms "Declaration of sale or transfer duly made" and send them by post to the person submitting the original Application Form.

Application procedures

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Basic Entitlement and Excess Entitlement must return the Application Form in accordance with the instructions thereon.

Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or delivered by hand (during normal office hours only) to the Registrar (who will act as the Company's receiving agent in relation to the Open Offer) so as to be received by the Registrar by no later than 10.00 a.m. on 19 December 2018, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Applications delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this document, be irrevocable and receipt thereof will not be acknowledged.

If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery. Completed Application Forms should be returned together with a cheque in sterling made payable to "Neville Registrars Limited re: Clients Account" for the full amount payable on acceptance, by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD or by hand (during normal

business hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD so as to be received as soon as possible and, in any event, not later than 10.00 a.m. on 19 December 2018.

Payment in sterling

All payments must be made by cheque in sterling made payable to "Neville Registrars Limited re: Clients Account". Third party cheques will not be accepted except building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque to such effect. The account name should be the same as that shown on the application. Cheques must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by either of those companies. Cheques must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company and Jefferies may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation. If cheques are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, following the lapse of the Open Offer.

If New Ordinary Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company and Jefferies may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part III of this document in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

For all enquiries in connection with the Application Forms, please contact the Registrar on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Placing and Open Offer nor give any financial, legal or tax advice. Calls may be recorded and monitored for security and training purposes.

Discretion as to validity of acceptances

If payment is not received in full by 10.00 a.m. on 19 December 2018, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse. However, the Company and Jefferies may, but shall not be obliged to, treat as valid (a) Application Forms and accompanying remittances that are received through the post not later than 10.00 a.m. on 19 December 2018; and (b) acceptances in respect of which a remittance is received prior to 10.00 a.m. on 19 December 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Application Form, duly completed, by 10.00 a.m. on 19 December 2018 and such Application Form is lodged by that time.

The Company and Jefferies may also (in their absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required. The Company and Jefferies reserve the right to treat as invalid any application or purported application for the Open Offer Shares that appears to the Company or Jefferies to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in a Restricted Jurisdiction.

Effect of Application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (a) represents and warrants to the Company and Jefferies that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (b) agrees with the Company and Jefferies that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (c) confirms with the Company and Jefferies that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- (d) represents and warrants to the Company and Jefferies that he is the Qualifying Shareholder originally entitled to the Basic Entitlement and Excess Entitlement or that he received such entitlements by virtue of a *bona fide* market claim;
- (e) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the articles of association of the Company;
- (f) represents and warrants to the Company and Jefferies that if he has received some or all of his Basic Entitlement and Excess Entitlement from a person other than the Company, he is entitled to apply under this Open Offer in relation to such entitlement by virtue of a *bona fide* market claim;
- (g) represents and warrants to the Company and Jefferies that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, except where proof satisfactory to the Company has been provided to the Company, in respect of (a) and (b) above, that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (h) represents and warrants to the Company and Jefferies that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (i) represents and warrants to the Company and Jefferies that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (j) confirms that in making the application he is not relying and has not relied on the Company and Jefferies or any person affiliated with the Company and Jefferies in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Registrar may require, in its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Application Form.

The applicant lodging the Application Form with payment, including any person who appears to the Registrar to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Registrar with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations.

If the Registrar determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. the Registrar is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither the Registrar nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Registrar has not received evidence satisfactory to it as aforesaid, the Company and Jefferies may, in their absolute discretion, treat the relevant application as invalid, in which event the application monies will be

returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque was drawn.

The verification of identity requirements will not usually apply if:

- (a) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (b) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directives 2001/97/EC and 2005/60/EC; or
- (c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (d) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or
- (e) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (approximately £13,000 as at the date of this document).

Submission of the Application Form with the appropriate remittance will constitute a warranty to the Company from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque in sterling drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Neville Registrars Limited re: Clients Account". Third party cheques will not be accepted except for building society cheques where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque to such effect. The account name should be the same as that shown on the application; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (b) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar and/or any relevant regulatory or investigatory authority; or
- (iii) if an Application Form is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his current address (for example, a photocard driving licence or utility bill).

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, please contact the Registrar on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

Issue of New Ordinary Shares in certificated form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 3 January 2019, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS

General

Save as provided in paragraph 8 of this Part III of this document in relation to certain Shareholders in Restricted Jurisdictions, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his Basic Entitlement equal to the maximum number of Open Offer Shares for which he is entitled to apply to subscribe under the Open Offer.

The CREST stock account to be credited will be an account under the CREST participant ID and CREST member account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 30 November 2018 (or such later time as the Company shall decide), Application Forms shall, unless the Company determines otherwise, be sent out in substitution for the Basic Entitlements and Excess Entitlements which have not been so credited and the expected timetable as set out in this document may be adjusted as appropriate. The Company will make an appropriate announcement to a RIS giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST Sponsored Member, you should consult your CREST Sponsor if you wish to take up your entitlement, as only your CREST Sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares. If you have any queries on the procedure for acceptances and payment, please contact the Registrar on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Placing and Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

In accordance with the instructions of this paragraph 5 the CREST instruction must have been settled by 10.00 a.m. on 19 December 2018.

Bona fide market claims

The CREST Basic Entitlements and Excess Entitlements will each constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of the Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

Transactions identified by the Euroclear's Claims Processing Unit as "cum" the Basic Entitlement and Excess Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlements and Excess Entitlements will thereafter be transferred accordingly.

Excess Application Facility

Qualifying Shareholders may apply to acquire Open Offer Shares using the Excess Application Facility, should they wish, provided they have agreed to take up their Basic Entitlement in full. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Basic Entitlement.

An Excess Entitlement may not be sold or otherwise transferred.

Subject as provided in paragraph 8 of this Part III of this document in relation to Shareholders in Restricted Jurisdictions, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Excess Application Facility, Qualifying CREST Shareholders should follow the instructions in the paragraphs below entitled "USE Instructions" and "Content of USE Instruction in respect of Excess Entitlements" and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess Entitlement.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

USE instructions

Qualifying CREST Shareholders who are CREST Members and who wish to apply for Open Offer Shares in respect of all or some of their Basic Entitlement and Excess Entitlement must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) a USE instruction to CREST which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Registrar under the CREST participant ID and CREST member account ID specified below, with a number of Basic Entitlements and/or Excess Entitlements corresponding to the number of Open Offer Shares applied for; and
- (b) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Registrar in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above.

Content of USE instructions in respect of Basic Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlements being delivered to the Registrar);
- (b) the ISIN of the Basic Entitlement. This is GB00BGDQ6P33;
- (c) the CREST participant ID of the CREST Member;
- (d) the CREST Member account ID of the CREST Member from which the Basic Entitlements are to be debited;
- (e) the participant ID of the Registrar in its capacity as a CREST receiving agent. This is 7RA11;
- (f) the CREST Member account ID of the Registrar in its capacity as a CREST receiving agent. This is XRSBASIC;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;
- (g) the intended settlement date. This must be on or before 10.00 a.m. on 19 December 2018; and
- (h) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above. In order to assist prompt settlement of the USE instruction, CREST Members may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 19 December 2018 in order to be valid is 10.00 a.m. on that day. After 20 December 2018, the New Ordinary Shares will be registered and freely transferable in electronic form under the CREST system.

If the conditions to the Placing and Open Offer are not fulfilled at or before 8.00 a.m. on 20 December 2018, or such other time and/or date as may be agreed between the Company and Jefferies, the Open Offer will lapse, the Basic Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by way of a CREST payment, without interest as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

Content of USE instruction in respect of Excess Entitlements

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Open Offer Shares for which application is being made (and hence the number of the Excess Entitlements being delivered to the Registrar);
- (b) the ISIN of the Excess Entitlement. This is GB00BGDQ6Q40;
- (c) the CREST participant ID of the CREST Member;

- (d) the CREST Member account ID of the CREST Member from which the Excess Entitlements are to be debited;
- (e) the participant ID of the Registrar in its capacity as a CREST receiving agent. This is 7RA11;
- (f) the CREST Member account ID of the Registrar in its capacity as a CREST receiving agent. This is XRSXS;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;
- (i) the intended settlement date. This must be on or before 10.00 a.m. on 19 December; and
- (j) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above. In order to assist prompt settlement of the USE instruction, CREST members may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE instruction may settle on 19 December 2018 in order to be valid is 10.00 a.m. on that day. After 20 December, the New Ordinary Shares will be registered and freely transferable in electronic form under the CREST system.

If the conditions to the Placing and Open Offer are not fulfilled at or before 8.00 a.m. on 20 December 2018, or such other time and/or date as may be agreed between the Company and Jefferies, the Open Offer will lapse, the Excess Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by way of a CREST payment, without interest as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

CREST procedures and timings

Qualifying CREST Shareholders who are CREST Members and CREST Sponsors (on behalf of CREST Sponsored Members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST Sponsored Member, to procure that his CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 10.00 a.m. on 19 December 2018. In this connection, Qualifying CREST Shareholders and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 10.00 a.m. on 19 December 2018 will constitute a valid application under the Open Offer.

Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company and Jefferies through the Registrar, reserve the right:

- (a) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST Member in question (without interest); and
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST Member in question (without interest).

Effect of application

A CREST Member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (a) represents and warrants to the Company and Jefferies that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (b) agrees with the Company and Jefferies that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (c) confirms with the Company and Jefferies that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- (d) represents and warrants to the Company and Jefferies that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess Entitlements or that he received such Basic Entitlements and the Excess Entitlements by virtue of a bona fide market claim;
- (e) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the articles of association of the Company;
- (f) represents and warrants to the Company and Jefferies that if he has received some or all of his Basic Entitlements and Excess Entitlements from a person other than the Company, he is entitled to apply under this Open Offer in relation to such Basic Entitlements and Excess Entitlements by virtue of a bona fide market claim;
- (g) represents and warrants to the Company and Jefferies that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, except where proof satisfactory to the Company has been provided to the Company, in respect of (a) and (b) above, that he is able to accept the invitation by the Company free of any requirement

which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

- (h) represents and warrants to the Company and Jefferies that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (i) represents and warrants to the Company and Jefferies that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (j) confirms that in making the application he is not relying and has not relied on the Company and Jefferies or any person affiliated with the Company and Jefferies in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

Discretion as to rejection and validity of acceptances

The Company may:

- (a) reject any acceptance constituted by a USE instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5 of this Part III of this document. Where an acceptance is made as described in this paragraph 5 which is otherwise valid, and the USE instruction concerned fails to settle by 10.00 a.m. on 19 December 2018 (or by such later time and date as the Company may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST Sponsor (as appropriate) concerned for the failure of the USE instruction to settle;
- (b) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5;
- (c) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE instruction and subject to such further terms and conditions as the Company may determine;
- (d) treat a properly authenticated dematerialised instruction (in this sub-paragraph (d), the "**first instruction**") as not constituting a valid acceptance if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction.

These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (e) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of a USE instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST Sponsor or Qualifying CREST Shareholder is unable validly to take up all or part of his Basic Entitlement and Excess Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Registrar in connection with CREST.

Money Laundering Regulations

If you hold your Open Offer Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Registrar is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact the Registrar before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company, Jefferies and the Registrar to provide promptly to the Registrar any information the Registrar may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Registrar as to identity, the Registrar, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE instruction. If satisfactory evidence of identity has not been provided within a reasonable time, the Registrar will not permit the USE instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence).

Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Registrar in connection with CREST.

6. DEPOSIT OF BASIC ENTITLEMENTS AND EXCESS ENTITLEMENTS INTO, AND WITHDRAWAL FROM, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Basic Entitlements set out in his Application Form and any Excess Entitlements may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Basic Entitlements and Excess Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and Excess Entitlements following their deposit into CREST to take all necessary steps in connection with taking up such entitlement prior to 10.00 a.m. on 19 December 2018.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as a Basic Entitlement and Excess Entitlement in CREST, is 3.00 p.m. on 14 December 2018, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of a Basic Entitlement and Excess Entitlement from CREST is 4.30 p.m. on 12 December 2018 in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlement and Excess Entitlement following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all necessary steps in connection with applying in respect of the Basic Entitlement and Excess Entitlement prior to 10.00 a.m. on 19 December 2018.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account or the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST Member(s) that it is/they are not in breach of the provisions of the notes set out in the Application Form, and a declaration to the Company and the Registrar from the relevant CREST Member(s) that it/they is/are not located in, or citizen(s) or resident(s) of any Restricted Jurisdiction, and that it/they is/are not located in the United States and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST Member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

7. WITHDRAWAL RIGHTS

Qualifying Shareholders wishing to exercise the withdrawal rights under section 87Q(4) of FSMA after the issue by the Company of a circular or prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any other form of electronic communication, which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder the CREST participant ID and the CREST Member account ID of such Qualifying CREST Shareholder with Neville Registrars Limited or by hand (during normal business hours only) to Neville Registrars Limited, so as to be received no later than two working days after the date on which the supplementary circular or prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Registrar after expiry of such period will not constitute a valid withdrawal.

8. OVERSEAS SHAREHOLDERS

The comments set out in this paragraph 8 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

8.1 General

The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, Jefferies or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK. Receipt of this document and/or an Application Form and/or a credit of a Basic Entitlement and Excess Entitlement to a stock account in CREST

will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Basic Entitlements and Excess Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Basic Entitlements and Excess Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Basic Entitlements and Excess Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Jefferies, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements and Excess in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and Jefferies determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements and Excess Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part III of this document and specifically the contents of this paragraph 8.

The Company and Jefferies reserve the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company, Jefferies or their respective agents to have been executed, effected or despatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company, Jefferies or their respective agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST, to a CREST Member whose registered address would be, in the United States

or a Restricted Jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company and Jefferies reserve the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company and Jefferies, in their sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlement and Excess Entitlements. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of a Basic Entitlements and Excess Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

8.2 United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company and Jefferies reserve the right to treat as invalid any Application Form that appears to the Company, Jefferies or their respective agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise

located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any Open Offer Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any Open Offer Shares may be transferred. In addition, the Company and Jefferies reserve the right to reject any USE instruction sent by or on behalf of any CREST Member with a registered address in the United States in respect of the Open Offer Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the Open Offer Shares within the United States by a dealer (whether or not participating in the and Open Offer) may violate the registration requirements of the Securities Act.

8.3 Restricted Jurisdictions

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements and Excess Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption. No offer or invitation to apply for Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

8.4 Other overseas territories

Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements and Excess Entitlements will be credited to the stock accounts in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

8.5 Representations and warranties relating to Overseas Shareholders

Qualifying Non-CREST Shareholders

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and Jefferies and the Registrar that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such

person is not acquiring Open Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories. The Company and/or Jefferies and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company, Jefferies or their respective agents to have been executed, effected or despatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph.

Qualifying CREST Shareholders

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this Part III of this document represents and warrants to the Company and Jefferies that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Open Offer Shares with a view to offer, sell, resell, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories.

Waiver

The provisions of this paragraph 8 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and Jefferies in their absolute discretion. Subject to this, the provisions of this paragraph 8 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 8 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 8 shall apply to them jointly and to each of them.

9. TIMES AND DATES

The Company shall, in agreement with Jefferies and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on an RIS but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer working days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three working days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. TAXATION

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

11. FURTHER INFORMATION

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

12. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form.

By taking up Open Offer Shares, by way of all or part of their Basic Entitlements and Excess Entitlements, in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART IV

QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part IV are intended to be in general terms only and, as such, you should read Part III of this document for full details of what action to take. 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 appropriate independent financial adviser, who is authorised under FSMA if you are in the UK, or, if not, from another appropriately authorised independent financial adviser.

This Part IV deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the UK who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 8 of Part III of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Basic Entitlement and Excess Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read paragraph 5 of Part III of this document for full details of what action you should take.

If you are a CREST Sponsored Member, you should also consult your CREST Sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please contact the Registrar on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional Ordinary Shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. In an open offer the fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 49,588,971 New Ordinary Shares at a price of 10 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Open Offer Share for every 2 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number. The Offer Price of 10 pence per Open Offer Share represents a discount of 68.8% to the Closing Price (being the latest practicable date prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement. Applications made under the Excess Application Facility may be allocated in such manner as the Directors may determine, if applications are received from Qualifying Shareholders for more than the available number of Open Offer Shares, no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Basic Entitlements can themselves be traded. Shareholders will not be able to apply for any New Ordinary Shares which are the subject of the Placing.

2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any other Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 29 November 2018 (the time when the Existing Ordinary Shares are expected to be marked "ex' entitlement" by the London Stock Exchange).

3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address, and are not located in, the United States or any other Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Open Offer Shares are comprised in your Basic Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Open Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any other the Restricted Jurisdiction, you will not receive an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Basic Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque drawn in the appropriate form, by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD, or by hand (during normal office hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD so as to be received by them by no later than 10.00 a.m. on 19 December 2018, after which time Application Forms will not be valid.

4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) If you do not want to take up your Basic Entitlement

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money if the Open Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Basic Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 10.00 a.m. on 19 December 2018, the Company has made arrangements under which the

Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Basic Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the Basic Entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of Placing Shares pursuant to the Placing.

(b) If you want to take up some but not all of your Basic Entitlement

If you want to take up some, but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 6 and 8 of your Application Form; for example, if you are entitled to take up 51 shares but you only want to take up 25 shares, then you should write '25' in Boxes 6 and 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '25') by £0.10, which is the price in pounds of each Open Offer Share (giving you an amount of £2.50 in this example). You should write this amount in Box 9, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD or by hand (during normal office hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD so as to be received by them by no later than 10.00 a.m. on 19 December 2018, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four working days for delivery.

All payments must be in pounds sterling and made by cheque made payable to "Neville Registrars Limited re: Clients Account". Cheques must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part III of this document).

Cheques will be presented for payment upon receipt. The Company and Jefferies reserve the right to instruct the Registrar to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company and Jefferies may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 3 January 2019.

(c) If you want to take up all of your Basic Entitlement

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with

your cheque for the amount (as indicated in Box 4 of your Application Form), by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD or by hand (during normal office hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD so as to be received by them by no later than 10.00 a.m. on 19 December 2018, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four working days for delivery.

All payments must be in pounds sterling and made by cheque made payable to "Neville Registrars Limited re: Clients Account ". Cheques must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application.

Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 3 January 2019.

(d) If you want to apply for more than your Basic Entitlement

Provided you have agreed to take up your Basic Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement as at the Record Date. You should write the number of Open Offer Shares comprised in your Basic Entitlement (as indicated in Box 4 of the Application Form) in Box 6 and write the number of Excess Shares for which you would like to apply in Box 7. You should then add the totals in Boxes 6 and 7 and insert the total number of Open Offer Shares for which you would like to apply in Box 8. For example, if you have a Basic Entitlement for 51 Open Offer Shares but you want to apply for 75 Open Offer Shares in total, then you should write '51' in Box 6, '24' in Box 7 and '75' in Box 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '75') by £0.10, which is the price in pounds sterling of each Open Offer Share (giving you an amount of £7.50 in this example). You should write this amount in Box 9. You should then return your Application Form by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD or by hand (during normal office hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD so as to be received by them by no later than 10.00 a.m. on 19 December 2018, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four working days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you, at your own risk, by no later than 3 January 2019.

5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST Members should follow the instructions set out in Part III of this document. Persons who hold Existing Ordinary Shares through a CREST Member should be informed by the CREST Member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Basic Entitlement and (ii) how to apply for Open Offer Shares in excess of their Basic Entitlement under the Excess Application Facility provided they choose to take up their Basic Entitlement in full and should contact them should they not receive this information.

6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What do I do if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form at 6.00 p.m. on 27 November 2018 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 6.00 p.m. on 27 November 2018 but were not registered as the holders of those shares at the close of business at 6.00 p.m. on 27 November 2018; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Registrar on 0121 585 1131 2018. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

7. Can I trade my Basic Entitlement?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Basic Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only). Basic Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Basic Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer is not underwritten.

8. What if I change my mind?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Registrar, you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

9. What if the number of Open Offer Shares to which I am entitled is not a whole number:

am I entitled to fractions of Open Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

10. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 29 November 2018, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 29 November 2018, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

11. I hold my Existing Ordinary Shares in certificated form. How do I pay?

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in pounds sterling and made by cheque made payable to "Neville Registrars Limited re: Clients Account". Cheques must be drawn on a bank or building society or branch of a bank or building society in the UK or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted, with the exception of building society cheques where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque to such effect.

The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

12. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

13. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form, together with the monies in the appropriate form, by post to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD or by hand (during normal office hours only) to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD. If you post your Application Form by first-class post, you should allow at least four working days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

14. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?

The Registrar must receive the Application Form by no later than 10.00 a.m. on 19 December 2018, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery.

15. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST courier and sorting service in accordance with the instructions in the Application Form. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that the Registrar will post all new share certificates by 3 January 2019.

17. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. Will I be taxed if I take up my entitlements?

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

19. What should I do if I live outside the UK?

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Basic Entitlement and Excess Entitlement. Shareholders with registered addresses or who are located in the United States or any other Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 8 of Part III of this document.

20. Further assistance

Should you require further assistance, please contact the Registrar on 0121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.00 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

PART V ADDITIONAL INFORMATION

1. DEFINITIONS

The following expressions used in this section have the following meanings:

"**acting in concert**" has the meaning given in the Takeover 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;

"**connected person**" has the meaning attributed to it in section 252 of the Companies Act;

"**control**" means an interest, or interests, in shares carrying in aggregate 30% or more of the voting rights of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;

"**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 the 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;
- (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 of, 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;
- (g) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities (by either party); and
- (h) 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;

"**derivative**" includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of any underlying security;

"**disclosure date**" means 27 November 2018 (being the latest practicable date prior to the publication of this document);

"**disclosure period**" means the period of 12 months ending on the disclosure date;

a person has an "**interest**" in or is "**interested**" in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as "interested" in securities if:

- (a) he owns them;
- (b) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (c) by virtue of any agreement to purchase any option or derivative, he has the right or option to acquire them or call for their delivery, or is under an obligation to take delivery of them, in each case, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
- (d) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
- (e) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
- (f) in the case of Rule 5 of the Takeover Code only, he has received an irrevocable commitment in respect of them;

"**relevant securities**" includes: (1) shares and any other securities conferring voting rights; (2) equity share capital; (3) any securities convertible into or carrying rights to subscribe for securities, described in (1) and (2) above; and (4) options (included traded options) in respect of and derivatives referenced to any of the foregoing; and

"**short position**" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

2. INFORMATION ON THE MEMBERS OF THE CONCERT PARTY

2.1 Composition of the Concert Party

The members of the Concert Party comprise the following:

- (a) Omnis Income and Growth Fund ("**OI&G**"), a sub-fund of FP Omnis Portfolio Investments ICVC, an investment company with variable capital authorised by the FCA. As at 30 September 2018, OI&G had approximately c. £373.49 million of assets under management;
- (b) Quilter Investors UK Equity Income II Fund ("**Quilter Investors UKEI2**"), a sub-fund of Quilter Investors Trust, an authorised unit trust established in England and Wales and authorised by the FCA. As at 30 September 2018, Quilter Investors UKEI2 had an approximate fund size of c. £152.63 million of assets under management;
- (c) LF Woodford Equity Income Fund ("**WEIF**"), a sub-fund of LF Woodford Investment Fund, an open-ended investment company with variable capital authorised by the FCA. As at 30 September 2018 WEIF had an approximate fund size of c. £5.66 billion;
- (d) Woodford Patient Capital Trust plc ("**WPCT**"), a public company listed on the Main Market of the London Stock Exchange. WPCT invests in a diversified portfolio with a focus on UK companies, both quoted and unquoted. As at 30 September 2018 WPCT's total assets were approximately c. £839.52 million;
- (e) Woodford Investment Management Limited ("**WIML**"), as the discretionary investment fund manager of WEIF, WPCT, OI&G and Quilter Investors UKEI2 (together "**Woodford**");
- (f) RisingStars Growth Fund II ("**RGF**"), a private limited partnership which invests in technology businesses;

- (g) Finance Yorkshire Seedcorn LP ("**FYS**"), a private limited partnership which invests in technology businesses;
- (h) South Yorkshire Investment Fund Limited ("**SYI**"), a private limited company which invests in technology businesses;
- (i) Enterprise Ventures Limited ("**EVL**"), as the discretionary fund manager of RGF, FYS and SYI (together the "**Enterprise Ventures Funds**"); and
- (j) Mercia Technologies PLC ("**Mercia**"), a public limited company whose shares are admitted to trading on AIM. Mercia is a national investment group focused on the funding and scaling of innovative businesses with high growth potential from the UK regions.

WIML is a private limited company incorporated in England and Wales. WIML is authorised and regulated by the FCA. Its directors and other corporate details are listed in the table below:

Name	Woodford Investment Management Limited
Directors	Craig Newman and Neil Woodford
Address	9400 Garsington Road, Oxford Business Park, Oxford, United Kingdom, OX4 2HN
Website	www.woodfordfunds.com
Place of incorporation	England and wales
Registered number	10118169
Activities	Investment management activities

EVL is a private limited company incorporated in England and Wales. EVL is authorised and regulated by the FCA. Its directors and other corporate details are listed in the table below:

Name	Enterprise Ventures Limited
Directors	Andrew Simpson, Martin Glanfield, Mark Payton and Julian Viggars
Address	Preston Technology Management Centre, Marsh Lane, Preston, Lancashire, PR1 8UQ
Website	www.merciatech.co.uk
Place of incorporation	England and Wales
Registered number	03249066
Activities	Activities of venture and development capital companies

Mercia is a public limited company incorporated in England and Wales. Mercia's shares are admitted to trading on AIM. Its directors and other corporate details are listed in the table below:

Name	Mercia Technologies PLC
Directors	Martin Glanfield, Raymond Chamberlain, Ian Metcalfe, Mark Payton, Jonathan Pell, Caroline Plumb, Susan Searle and Julian Viggars
Address	Forward House, 17 High Street, Henley In Arden, Warwickshire, B95 5AA
Website	www.merciatech.co.uk
Place of incorporation	England and Wales
Registered number	09223445
Activities	Activities of venture and development capital companies

As at the close of business on the disclosure date, Julian Viggars (who was a director of the Company until 23 May 2018 and is a director of both EVL and Mercia) held 349,325 Mercia shares and Mrs Emma Viggars, a member of Julian Viggars' immediate family, held a further 75,000 Mercia shares. Julian Viggars also held options to subscribe for 1,600,000 Mercia shares (1,200,000 of which were awarded to Julian Viggars on 28 August 2018).

Save as disclosed in this document, there is no agreement, arrangement, or understanding between any member of the Concert Party and any person acting in concert with any of them and

any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Placing and the Rule 9 Waiver.

2.2 Interests of the Concert Party

As at the disclosure date, the members of the Concert Party have the following interests in existing Ordinary Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Woodford	25,085,961	25.29%
RisingStars Growth Fund II	2,798,999	2.82%
Finance Yorkshire Seedcorn LP	2,249,665	2.27%
South Yorkshire Investment Fund	1,158,999	1.17%
TOTAL	31,293,624	31.55%

On completion of the issue and allotment of the Placing Shares, including the WCP Shares, the members of the Concert Party will have the following interests in Ordinary Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Woodford	102,085,961	40.97%
RisingStars Growth Fund II	2,798,999	1.12%
Finance Yorkshire Seedcorn LP	2,249,665	0.90%
South Yorkshire Investment Fund	1,158,999	0.47%
TOTAL	108,293,624	43.46%

The maximum controlling position of the Concert Party following Admission is expected to be 108,293,624 Ordinary Shares, representing 43.46% of the Enlarged Share Capital. This is based on the following assumptions:

- (1) completion of Admission and the Placing takes place and all Placing Shares are issued (including all of the WCP Shares to Woodford and all of the other Placing Shares to new and existing institutional shareholders other than the Concert Party);
- (2) there is no other issue of shares by the Company, whether pursuant to an exercise of the Open Offer, any options or otherwise, and there is no other change to the Concert Party's holding of Ordinary Shares;
- (3) the Concert Party does not acquire any Ordinary Shares other than the WCP Shares (noting that without a waiver of the obligation of the Concert Party under Rule 9 of the Takeover

Code, such further acquisition would require the Concert Party to make a general offer for the balance of ordinary Shares in issue at the time).

Woodford have confirmed that they will finance the subscription with their respective existing cash resources.

2.3 Intentions of the Concert Party

Woodford have confirmed that there is no agreement, arrangement or understanding for the transfer of their WCP Shares.

The members of the Concert Party have confirmed that there is no intention to seek any changes in respect of: (i) the future business of the Group, including its research and development functions (ii) continued employment of employees and management of the Group, including any material change in conditions of employment or balance of skills and functions of employees and management (iii) the location of the Company's place of business; (iv) employer contributions into any of the Company's pension schemes, the accrual of benefits for existing members, nor the admission of new members; or (v) redeployment of the Company's fixed assets.

The members of the Concert Party have confirmed that there is no intention following Admission to modify the strategic plans for the Group set out in paragraph 2.4 of the letter from the Chairman of the Company in this document.

The members of the Concert Party have confirmed that there is no intention that would affect the maintenance of the existing trading securities of the Company on AIM.

Each member of the Concert Party also confirmed that as a result of and following completion of the Placing, it does not intend to change its business strategy and that as a result of and following completion of the Placing there is no intention to discontinue the employment of its existing employees and management, nor will there be any material change in their conditions of employment.

3. MIDDLE MARKET QUOTATIONS

The following table sets out the middle market quotations for an existing Ordinary Share, as derived from the Daily Official List of the London Stock Exchange, for the first business day of each of the six months immediately preceding the date of this document and for 26 November 2018 (being the latest practicable date prior to the publication of this document):

Date	Existing Ordinary Share price (pence)
1 June 2018	114.00
2 July 2018	71.25
1 August 2018	70.25
3 September 2018	60.00
1 October 2018	63.25
1 November 2018	41.40
26 November 2018	32.00

4. DEALINGS DURING THE DISCLOSURE PERIOD

The following table sets out the dealings (save in respect of transfers between funds under the management of WIML) during the disclosure period of the members of the Concert Party, any person acting in concert with any member of the Concert Party, or any directors of any member of the Concert Party:

Date	Relevant Concert Party	Description of the dealing	Number of Shares
29/12/17	Woodford	bought	2,222,222

5. ADDITIONAL DISCLOSURES REQUIRED BY THE TAKEOVER CODE

At the close of business on the disclosure date, save as disclosed in this Part V:

- (a) no member of the Concert Party, nor any person acting in concert with any member of the Concert Party, nor any directors of any member of the Concert Party (nor any members of such directors respective immediate families, related trusts or connected persons), had any interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of the Company, nor had any such person dealt in any relevant securities of the Company during the disclosure period;
- (b) no member of the Concert Party nor any person acting in concert with any member of the Concert Party had borrowed or lent any relevant securities of the Company (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;
- (c) neither the Company nor any person acting in concert with the Company nor any of the Directors (nor any members of the Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities in any member of the Concert Party, nor had such persons dealt in any relevant securities in any member of the Concert Party during the disclosure period;
- (d) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities in any member of the Concert Party (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on

Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;

- (e) other than as set out in this section, neither the Company nor any person acting in concert with the Company nor any of the Directors (nor any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to any relevant securities of the Company, nor has any such person dealt in any such securities during the disclosure period;
- (f) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities of the Company, save for any borrowed shares which have either been on-lent or sold;
- (g) no incentivisation arrangements have been entered into and there are no proposals as to any incentivisation arrangements between the Concert Party (on the one hand) and the Directors (on the other hand) requiring to be disclosed under Rule 16.2 of the Takeover Code;
- (h) no member of the Concert Party nor any person acting in concert with them has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any of the Directors, recent directors of the Company, Shareholders, recent Shareholders or any other person interested or recently interested in existing Ordinary Shares which are connected with or dependent upon the outcome of the Placing, the Open Offer or the Rule 9 Waiver; and
- (i) no member of the Concert Party has entered into any agreement, arrangement or understanding to transfer to any other person any interest acquired in the Company pursuant to the Placing or the Open Offer.

6. MATERIAL CONTRACTS

The following are the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company within the two years prior to the date of this document.

6.1 MarKen Acquisition

Pursuant to an asset purchase agreement dated 30 June 2017, Xeros High Performance Work Wear, Inc acquired the business and assets of MarKen enterprises, a Nevada corporation, for an initial cash consideration of US\$750,000, with a further earn-out cash consideration of up to US\$250,000 in aggregate payable in two instalments following respectively the first and second anniversaries of completion. Xeros, Inc is guaranteeing the performance by the buyer of its obligations under the agreement. The agreement is governed by the laws of the State of Delaware.

6.2 Placing Agreement

The Company has entered into the Placing Agreement, details of which are set out in paragraph 6.2 of the letter from the Chairman of the Company in this document.

7. DIRECTORS' SERVICE CONTRACTS

John Samuel was appointed non-executive Director under a letter of appointment dated 18 March 2014. Under his letter of appointment, John Samuel is paid an annual fee of £60,000 and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 18 March 2014 and thereafter shall continue until terminated.

Mark Nichols entered into a service agreement with the Company effective as of 14 September 2015 whereby he was appointed Chief Executive Officer of the Company on a full-time basis. Mark Nichols is paid a salary of £225,500 per annum. The service agreement will continue until terminated on six months' notice by either party and provides, amongst other things, for Mark

Nichols' entitlement to participate in the Company's health insurance and pension schemes and, at the discretion of the Board, in the Company's share option incentive and annual bonus.

Paul Denney entered into a service agreement with the Company effective as of 01 October 2016 whereby he was appointed Chief Financial Officer of the Company on a full-time basis. Paul Denney is paid a salary of £155,000 per annum. The service agreement will continue until terminated on six months' notice by either party and provides, amongst other things, for Paul Denney's entitlement to participate in the Company's share incentive, health insurance and, at the discretion of the Board, in the Company's share option incentive and annual bonus.

Simon Richard Ellis was appointed non-executive Director under a letter of appointment dated 21 October 2014. Under his letter of appointment, Simon Richard Ellis is paid an annual fee of £30,000 and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 21 October 2014 and thereafter shall continue until terminated.

David Armfield was appointed non-executive Director under a letter of appointment dated 30 April 2018. Under his letter of appointment, David Armfield is paid an annual fee of £30,000 and reimbursement of reasonable expenses. The term of the appointment is for an initial term of three years commencing on 5 June 2018 and thereafter shall continue until terminated.

8. CONSENTS

The nominated adviser, joint broker and joint bookrunner to the Company is Jefferies, which is authorised and regulated in the UK by the FCA. Jefferies has given and not withdrawn its written consent to the issue of this document with inclusion herein of references to its name in the form and the context in which it appears.

The joint broker and joint bookrunner to the Company is Berenberg, which is authorised by the German Federal Financial Supervisory Authority and subject to limited regulation in the UK by the FCA. Berenberg has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

9. INCORPORATION OF INFORMATION BY REFERENCE

In respect of the Company, the following documents are incorporated by reference in this document, and are available from the Company's website at <https://www.xerostech.com>.

- audited consolidated accounts for the 17 month period ended 31 December 2016;
- audited accounts for the period ended 31 December 2017; and
- half-year report for the 6 month period ended 30 June 2018 (in compliance with Rule 24.15 of the Takeover Code).

In respect of members of the Concert Party, the following documents have been incorporated by reference in this document in compliance with Rule 24.15 of the Takeover Code:

- the annual reports and accounts of WPCT for the years ended 31 December 2016 and 31 December 2017 as well as an interim report to 30 June 2018. These can be found on Woodford's website at: <https://woodfordfunds.com/funds/wpct/important-documents/>;
- the periodic performance data of WEIF is set out in the "Fund Facts" section of Woodford's website which can be found at: <https://woodfordfunds.com/funds/weif/fund-facts/>;
- the investment manager periodic market reviews of OI&G are available for download via the "Factsheet" link at: <http://www.omnisinvestments.com/our-fund-range/sector-fund-range/income-growth-fund/>;
- the fund performance data as set out in the "Fund Fact Sheets" of Quilter Investors UKEI2 (formerly known as Old Mutual Woodford Equity Income Fund) can be found at: <http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000UETZ&tab=14&DocumentId=321c144dcc2f95103426be8dbe929c3d&Format=PDF>;
- the annual reports for the years ended 31 March 2017 and 31 March 2018 of Mercia are available on <https://www.merciatech.co.uk/investor-relations/aim-rule-26/>. Information

relating to EVL is included in Mercia's reports as a result of the acquisition by Mercia of Enterprise Ventures Group Limited on 9 March 2016, resulting in EVL becoming a wholly-owned subsidiary of Mercia.

Shareholders or other recipients of this document may request copies of the information incorporated by reference from the Company at its registered office at Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL, or by telephone at + 44 (0)114 2699 656. Hard copies of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

10. DOCUMENTS ON DISPLAY AND AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on request by a Shareholder, person with information rights, or other person to whom this document is sent at the Company's registered office at Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL during normal business hours on any weekday (Saturdays, Sundays and public holidays in the UK excepted) from the date of this document until the conclusion of the General Meeting:

- this document (including the Notice of General Meeting)
- the related announcement
- the articles of association of the Company and members of the Concert Party
- the Placing Agreement
- the irrevocable undertakings and letter of intent received by the Company from Shareholders
- a consent letter from Jefferies in respect of the Circular
- audited consolidated accounts of the Company for the 17 month period ended 31 December 2016;
- audited accounts of the Company for the year ended 31 December 2017; and
- half-year report of the Company for the 6 month period ended 30 June 2018.

Copies of the documents set out above are also available on the Company's website at the following address: <https://www.xerostech.com/>.

XEROS TECHNOLOGY GROUP PLC

NOTICE OF GENERAL MEETING

Notice is given that a general meeting of Xeros Technology Group plc ("**Company**") will be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 19 December 2018 for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution. Unless the context otherwise requires, words and expressions used in this notice, including in the notes herein, (the "**Notice**") have the meanings given to them in the circular to shareholders dated 29 November 2018, of which this Notice forms part.

ORDINARY RESOLUTIONS

1. That pursuant to section 551 of the Companies Act 2006 (the "**Act**"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £299,384.4565 pursuant to the Placing and Open Offer.

In this resolution 1, "**Relevant Securities**" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

This authority is in addition to all existing authorities under section 551 of the Act.

Unless previously revoked, varied or renewed, this authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2019.

2. That the waiver granted by the Panel of any obligation under Rule 9 of the Takeover Code that would otherwise arise on the members of the Concert Party or persons acting in concert with them, individually and/or collectively, to make a general offer to the Shareholders as a result of the allotment and issue to them of 77,000,000 WCP Shares pursuant to the Placing be and is hereby approved.

SPECIAL RESOLUTION

3. That, subject to the passing of resolutions 1 and 2 and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 1 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of the New Ordinary Shares in connection with the Placing and Open Offer.

This power is in addition to all existing powers under section 570 of the Act.

By order of the Board

Paul Michael Denney

29 November 2018

Registered office: Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL

Registered in England and Wales No. 08684474

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 17 December 2018 (or, if the meeting is adjourned, 6.00 p.m. on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution.

Voting on all the Resolutions will be taken by way of a poll. The Whitewash Resolution will be passed if approved by a simple majority of votes cast by Independent Shareholders.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 3 and 4 below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. If a shareholder has appointed a proxy and attends the meeting in person, such proxy appointment will automatically be terminated.

If no voting indication is given, your proxy will vote or abstain from voting at his or her decision. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrar, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD and in the case of a member which is a corporation, the revocation notice must be executed in accordance with note 5 below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice and must be received by the Registrars not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

3. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Registrar on 0121 585 1131 or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Registrar, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD no later than 10.00 a.m. on 17 December 2018 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting) (excluding any part of a day that is not a business day).

Any power of attorney or any other authority under which the form of proxy is signed (or duly certified copy of such power or authority) must be included with the form of proxy.

4. CREST Members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described 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.

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 & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is 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 Neville Registrars (ID 7RA11) no later than 10.00 a.m. on 17 December 2018 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting) (excluding any part of a day that is not a business

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 Neville Registrars 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 & 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 CREST Sponsored Member or has appointed a voting service provider(s), to procure that his or her CREST Sponsor or voting service provider(s) take(s)) 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 a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Certificated Securities Regulations 2001.

Corporate representatives

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

A corporation's form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.

Share capital

6. As at the date of this document, the Company's issued share capital comprised 99,177,942 ordinary shares of 0.15 pence each ("**Ordinary Share**"). Each Ordinary Share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this document is 99,177,942.