

reach4entertainment enterprises plc

("r4e" or "the Company" or "the Group")

Conditional Acquisition of Agency Press Limited 'Sold Out'

Conditional Placing to raise net proceeds of up to approximately £3 million

reach4entertainment enterprises plc (AIM: R4E) the entertainment marketing communications group, today announces its proposed Acquisition of Agency Press Limited (trading as "Sold Out"), an independent full-service advertising agency, which, in part, will be funded by way of a conditional placing. The Company has provisionally placed 250,000,000 new Ordinary Shares at 1.2 pence per share and the Placing will raise gross proceeds for the Company of £3 million.

London-based integrated agency Sold Out, has specialised in arts and entertainment advertising for over 25 years. During this period it has established a strong reputation in its field and built a portfolio of high profile clients, which includes S.J.M. Concerts, AEG Presents, Live Nation and Cirque Du Soleil. Its services include campaign development, media planning and buying, events, partnerships, design and creative, broadcast and digital media production; all of which will bolster r4e's group offering. In the financial year ended 31 May 2018, Sold Out delivered gross profit of £4.1 million, adjusted EBITDA of £1.7 million and profit before tax of £1.3 million.

The consideration for the Acquisition comprises an initial consideration of £3.94 million payable in cash and £250,000 payable in 20,833,333 Ordinary Shares on completion (the "Initial Consideration") and additional deferred cash consideration based on the financial performance of Sold Out during the period commencing on 1 June 2017 to 31 December 2021, excluding working capital adjustments (the "Deferred Consideration"). The aggregate of the Initial Consideration and the Deferred Consideration is to be capped at £10 million. The net proceeds of the Placing are to be used to finance the Initial Consideration.

Transaction Highlights:

- £3 million raised in Placing with new and existing investors
- Net proceeds of the Placing will be used to finance the acquisition, together with the associated transaction costs
- Sold Out is an independent full-service advertising agency:
 - track-record of delivering successful campaigns across multiple genres including live music, festivals, comedy, sport, venues and events
 - key clients include S.J.M. Concerts, AEG Presents, Live Nation, Maidwell Marketing, Cirque Du Soleil, EMG, Phil McIntyre Entertainments and Kilimanjaro
- Acquisition of Sold Out is in line with the Group's strategy to develop a pipeline of new opportunities, both within and outside the live entertainment sector, and will diversify the Group's client base
- The Board believes that the Acquisition will be substantially earnings enhancing in the first full year of ownership
- The Acquisition will combine Sold Out's complementary capabilities of specialised advertising and offering principally planning and buying solutions, with r4e's fully integrated marketing and communications offering covering creative, strategy, website building, ticketing and analytics

Related Party Transactions:

Marc Boyan has agreed to participate in the Placing through Miroma R4E Holdings Limited, a company of which he is a director and controlling shareholder. Marc has subscribed for 8,333,333 Ordinary Shares, amounting to £100,000. Paul Summers and James Charrington who are both directors of subsidiary companies of r4e have also participated in the Placing. Paul Summers has subscribed for 2,083,000 Ordinary Shares, amounting to £24,996 and James Charrington has subscribed for 416,667 Ordinary Shares amounting to £5,000.

As part of the Placing, Nigel Wray, via his investment company, Euroblue Investment Limited and his Charitable Trust, The Priory Foundation, and Herald Investment Management (together, the "Substantial Shareholders") have each agreed to subscribe for 33,333,333 Placing Shares at the Placing Price.

The participation of Miroma R4E Holdings Limited, Nigel Wray, Herald Investment Management, Paul Summers and James Charrington in the Placing, constitute related party transactions pursuant to Rule 13 of the AIM Rules. Accordingly, the independent Directors (excluding Marc Boyan), after having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of subscription to Placing Shares by Miroma R4E Holdings Limited, Nigel Wray, Herald Investment Management, Paul Summers and James Charrington are fair and reasonable insofar as Shareholders are concerned.

With the consent of r4e's existing debt provider, the Initial Consideration will be funded in part by way of a £500,000 loan provided by In The Loop Limited, a company of which Marc Boyan, the CEO of r4e, is the ultimate beneficial owner. The loan bears interest at 5 per cent. accruing over a period of 5 years. The debt is unsecured and is to be subordinated to the Company's existing facility. The Independent Directors (excluding Marc Boyan), after having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of the loan are fair and reasonable insofar as Shareholders are concerned.

Following Admission, Marc Boyan will be interested in 135,000,002 Ordinary Shares, representing approximately 10.6 per cent. of the Enlarged Share Capital, Mr Wray will be interested in 228,959,503 Ordinary Shares and a non-beneficial interest in 25,000,000 Ordinary Shares, representing approximately 19.8 per cent. of the Enlarged Share Capital and Herald Investment Management will have an interest in 184,006,824 Ordinary Shares, representing approximately 14.4 per cent. of the Enlarged Share Capital.

Lord Michael Grade, Chairman of R4E, commented: *"The acquisition will mark a significant milestone for the Group and play a major role in diversifying our client base beyond just theatre. Sold Out has built an excellent reputation within the entertainment sector and has a high-quality, long term client base to match. It has delivered many successful campaigns across live music, festivals, sports and events, which are all areas where r4e is seeking to move in to. Bringing Sold Out into the Group will enable us to strengthen our entire marketing and advertising offering."*

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1. Introduction and summary

The Company announced on 22 February 2019 that it had agreed to acquire the entire issued share capital of Sold Out, an independent full-service advertising agency which has specialised in arts and entertainment for over 25 years (the "Acquisition"). Total consideration for the Acquisition will be capped at £10 million in cash, which, in part, will be funded by way of a Placing to certain of the Company's existing Shareholders and new investors. The Company has provisionally placed 250,000,000 new Ordinary Shares at 1.2 pence per share and the Placing will raise gross proceeds for the Company of £3 million. The Board believes that the acquisition will be substantially earnings enhancing in the first full year of ownership.

The consideration for the Acquisition comprises an initial consideration of £3.94 million payable in cash and £250,000 satisfied by the issue and allotment of the Consideration Shares on completion (the "Initial Consideration") and additional deferred cash consideration based on the financial performance of Sold Out during the period commencing on 1 June 2017 to 31 December 2021, excluding working capital adjustments (the "Deferred Consideration"). The aggregate of the Initial Consideration and the Deferred Consideration is to be capped at £10 million. The net proceeds of the Placing are to be used to finance the Initial Consideration.

The issue of the Placing Shares and the Consideration Shares is conditional, *inter alia*, upon the approval by Shareholders of the Resolutions to be proposed at the General Meeting of the Company convened for 15 March 2019. Subject to Shareholders approving the Resolutions to be proposed at the General Meeting, it is expected that Admission of the Placing Shares will take place on or around 19 March 2019 and Admission of the Consideration Shares will take place on or around 22 March 2019.

The Placing Shares and Consideration Shares are not being offered on a *pro rata* basis to existing Shareholders and accordingly the Placing is conditional, *inter alia*, upon Shareholders resolving to disapply statutory pre-emption rights. Shareholders will find set out in the Circular a Notice of General Meeting which has been convened for 10.00 a.m. on 15 March 2019 at which resolutions will be proposed to approve the allotment and issue of the Placing Shares and the Consideration Shares and to dis-apply statutory pre-emption rights in respect of such allotment.

2. Background to and rationale for the Placing and Acquisition

Following a year of considerable progress for the Group in 2018, after the strategic overhaul of its core operations which has led to an improvement in performance and profitability, the Directors believe that the Company is well positioned to execute its strategy to develop commercial opportunities beyond theatre, which has been its sector focus to date.

Background to the Company

R4e is a leading integrated live entertainment communications group comprising several branding, design and advertising companies that deliver a breadth of market leading services to the theatrical, film and entertainment sectors. Its portfolio of agencies includes Dewynters, Newman Displays Limited, SpotCo, Wake the Bear and Story House. The Company is headquartered in London with offices in New York, Amsterdam and Hamburg and has over 200 employees. In London and New York, the Company has built a strong platform in the world's foremost theatrical markets and continues to expand its client base into neighbouring verticals and markets.

Information on Sold Out

Sold Out is an independent full-service advertising agency which has specialised in arts and entertainment for over 25 years. It is based in London with 35 employees. As a result of its strong client relationships it enjoys a healthy market share of advertising within the arts and entertainment market. Its key clients include S.J.M. Concerts, AEG Presents, Live Nation, Maidwell Marketing, Cirque Du Soleil, EMG, Phil McIntyre Entertainments and Kilimanjaro.

Sold Out has a long track-record of delivering successful campaigns across multiple genres including live music, festivals, comedy, sport, venues and events. It delivered gross profit of £4.1 million, adjusted EBITDA of £1.7 million and profit before tax of £1.3 million in the financial year ended 31 May 2018. Its key service offerings include:

- strategic campaign development and implementation,
- media planning and buying (TV, digital, print, outdoor, radio and cinema),
- event marketing and management,
- media promotions and partnerships,
- design and creative across all media within its in-house design department, and
- TV, radio and digital production.

Rationale for the Acquisition

The Board believes that the acquisition of Sold Out will unlock significant opportunities for r4e to cross-sell its existing service offering in addition to the potential to pool resources around its core competencies over the longer term.

The Acquisition will combine Sold Out's complementary capabilities of specialised advertising and offering principally planning and buying solutions, with r4e's fully integrated marketing and communications offering covering creative, strategy, website building, ticketing and analytics. Additionally, it will provide an opportunity to cross sell additional services to a new client base, with r4e's principal client-focus being core marketing communications activities in the theatrical sector and Sold Out's primary focus being on live events, including live music, festivals, comedy and sport.

3. The Placing

The Company proposes to raise approximately £3 million (before expenses) through the issue of the Placing Shares at the Placing Price, which represents a discount of 0 per cent. to the closing bid price of 1.2p per Existing Ordinary Share on 21 February 2019, being the latest Dealing Day prior to the publication of this document. The Placing Shares will represent 19.6 per cent. of the Company's Enlarged Share Capital.

The terms of the Placing

Dowgate Capital, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. Dowgate Capital has conditionally placed the Placing Shares with certain existing Shareholders and new institutional and other investors at the Placing Price. The Placing has not been underwritten by Dowgate Capital. Completion of the Placing is conditional upon, *inter alia*, the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 19 March 2019 (or such later time and/or date as the Company and Dowgate Capital may agree, but in any event by no later than 8.00 a.m. on 29 March 2019).

The Company has given certain undertakings to Dowgate Capital in relation to, *inter alia*, the accuracy of the information in this document. In addition, the Company has agreed to indemnify Dowgate Capital in relation to certain liabilities it may incur in respect of the Placing. Dowgate Capital has the right to terminate its engagement (but not the Placing) in certain circumstances prior to Admission, in particular, in the event of a material breach of the undertakings given to Dowgate Capital in its engagement letter, the failure of the Company to comply in any material respect with any of its obligations under the engagement letter or the occurrence of a *force majeure* event in respect of the Company. The Directors believe that raising new funds by way of the Placing is the most appropriate method of funding the Company at the present time. The Board considers that a general offer to existing Shareholders by way of rights or other pre-emptive issue is not appropriate at this stage of the Company's development due to the significant additional costs that would be incurred and the delay that would be caused by the production and approval of a prospectus.

Settlement and dealings

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission of the Placing Shares will become effective at 8.00 a.m. on 19 March 2019.

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions declared following Admission.

Director's participation in the Placing

Marc Boyan has agreed to participate in the Placing through Miroma R4E Holdings Limited, a company of which he is a director and controlling shareholder, as follows:

Shareholder	At the date of this document		On Admission	
	No. of Existing Ordinary Shares held	No. of Placing Shares subscribed	No. of Ordinary Shares held	Percentage of Enlarged Share Capital
Miroma R4E Holdings Limited	126,666,669	8,333,333	135,000,002	10.6

The participation of Miroma R4E Holdings Limited in the Placing, constitutes a related party transaction pursuant to Rule 13 of the AIM Rules. Accordingly, the independent Directors (excluding Marc Boyan), having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of subscription to Placing Shares by Miroma R4E Holdings Limited are fair and reasonable insofar as Shareholders are concerned.

Additional Persons Discharging Managerial Responsibilities participating in the Placing

The following individuals listed in the below table have agreed to participate in the Placing, whilst not being Directors, the Company regards these individuals as being PDMRs.

<i>Shareholder</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>No. of Existing Ordinary Shares held</i>	<i>No. of Placing Shares subscribed</i>	<i>No. of Ordinary Shares held</i>	<i>Percentage of Enlarged Share Capital</i>
Paul Summers	8,000,000	2,083,000	10,083,000	0.8
James Charrington	4,333,334	416,667	4,750,001	0.4
Simon Shimell	993,334	416,667	1,410,001	0.11

The participation of Paul Summers and James Charrington as directors of subsidiary companies of r4e in the Placing, constitutes a related party transaction pursuant to Rule 13 of the AIM Rules. Accordingly, the independent Directors, having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of subscription to Placing Shares by Paul Summers and James Charrington are fair and reasonable insofar as Shareholders are concerned.

Substantial shareholders' participation in the Placing

As part of the Placing, Nigel Wray, via his investment company, Euroblue Investment Limited and his Charitable Trust, The Priory Foundation, and Herald Investment Management (together, the "Substantial Shareholders") have each agreed to subscribe for 33,333,333 Placing Shares at the Placing Price. As the Substantial Shareholders each hold more than 10 per cent. of the Existing Ordinary Shares, the subscriptions by them for Placing Shares are deemed to be related party transactions pursuant to Rule 13 of the AIM Rules. Accordingly, the Directors, having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of subscription to Placing Shares by the Substantial Shareholders are fair and reasonable insofar as Shareholders are concerned.

Following Admission, Mr Wray will have a beneficial interest in 228,959,503 Ordinary shares and non-beneficial interest in 25,000,000 Ordinary shares representing approximately 19.8 per cent. of the Enlarged Share Capital and Herald Investment Management will have an interest in 184,006,824 Ordinary Shares, representing approximately 14.4 per cent. of the Enlarged Share Capital.

4. Related Party loan

With the consent of r4e's existing debt provider, the Initial Consideration will be funded in part by way of a £500,000 loan provided by In The Loop Limited, a company of which Marc Boyan, the CEO of r4e, is the ultimate beneficial owner. The loan bears interest at 5 per cent. accruing over a period of 5 years and is to be repaid from future dividends paid by Sold Out to r4e. The debt is unsecured and is to be subordinated to the Company's existing facility. The Independent Directors (excluding Marc Boyan), after having consulted with the Company's nominated adviser, Grant Thornton, consider that the terms of the loan are fair and reasonable insofar as Shareholders are concerned.

5. Sale and Purchase Agreement

On 21 February 2019, the Company entered into a Sale and Purchase agreement (the "SPA") pursuant to which the Company agreed, conditionally, to purchase the entire issued share capital of Sold Out from its four shareholders. The cash element of the Initial Consideration of £3.94 million, excluding working capital adjustments, will be paid in cash at completion of the Acquisition, expected to be on 19 March 2019, and will be satisfied in part from the proceeds of the Placing. The Completion Shares will be issued

on the same day.

Deferred Consideration will be payable also under the SPA, based on the financial performance of Sold Out during the period commencing 1 June 2017 and ending on 31 December 2021, up to a maximum amount of £10 million excluding working capital adjustments. The first deferred payment shall be an amount payable in cash, calculated by reference to the average EBITDA for the earnings period commencing on 1 July 2017 and ending on 31 December 2019. The second deferred payment will be an amount payable in cash by reference to the average EBITDA for the earnings period commencing on 1 June 2017 and ending on 31 December 2021.

The Acquisition is conditional on Admission of the Placing Shares having taken place before 29 March 2019. Completion of the Acquisition is expected to occur within two business days of the date of Admission.

The SPA contains certain customary warranties, indemnities and a tax covenant given by all the sellers in relation to Sold Out and its business, subject to certain customary limitations.

6. Use of proceeds

The net proceeds of the Placing will be used by the Company to finance the Initial Consideration, together with associated transaction costs.

7. Current trading and prospects

Following a difficult 2017, in its interim results to 30 June 2018 the Company reported an increase of 30 per cent. in adjusted EBITDA from existing operations to £0.6 million (2017: £0.4 million), primarily brought about by a streamlining of the cost base across both Dewynters and SpotCo. Overall, Group trading performance for the six-month period was slightly down comparably, this largely being attributable to the residual effect of the closure and loss of shows that negatively impacted SpotCo from the middle of FY17.

As announced in the Group's trading update released on 31 January 2019, 2018 was a year of considerable progress after the strategic overhaul of its core operations, which has led to an improvement in performance and profitability. As such, the Group expects full year adjusted EBITDA to be significantly ahead of expectations.

Dewynters continued to build its leading position in live entertainment marketing by representing some of the biggest names in the industry, including the Royal Shakespeare Company and Disney Theatrical Productions. Outside of theatre, Dewynters also won mandates for the launch of the permanent Body Worlds exhibit in Central London and the Goodwood Festival. The business had a strong second half to the year which, on top of a real drive to control overheads, made a significant impact on profit compared to the prior year.

Within the Group's core businesses, SpotCo underwent a number of structural changes to improve client servicing and win new contracts to support longer term growth. Major shows worked on during the year included Book of Mormon, Kinky Boots, Lincoln Center Theatre and Mean Girls. In H2 2018, SpotCo also began working on King Kong, Pretty Woman and To Kill A Mockingbird. All three of these new clients are open-ended productions and therefore will continue to deliver revenues into 2019.

The Group's strategic objective to develop a pipeline of new opportunities, both within and outside the live entertainment sector, has also begun to make progress. During 2018, the Group successfully launched Wake the Bear, a strategy led marketing communications agency, Story House, the theatre and live

entertainment PR agency and Dewynters Amsterdam, a joint venture to address the Dutch live entertainment and theatrical industries. The Group is pleased to report that Story House's operations broke even during 2018 after winning seven West End and World touring clients. Wake the Bear won a number of client mandates during the year and has reduced its cash burn ahead of forecast. Dewynters Amsterdam has been able to grow its client base beyond its initial launch client and is on track against expected performance.

2019 Outlook

Momentum within the Group's core business has continued into 2019 under the Company's new management team. SpotCo is currently working on eight open-ended shows and venue clients which are expected to run through the year and five new productions which the agency will begin marketing and advertising during 2019. The new shows include amongst others Almost Famous and Magic Mike. SpotCo also recently won Tootsie from a leading competitor, which is testament to the calibre of the new management team.

Dewynters is expected to launch four major West End musicals, including two of the largest shows to transfer from Broadway this year in Dear Evan Hansen and Waitress. The team is also due to commence marketing the UK premiere of Mamma Mia! The Party, which is a new immersive theatrical experience. The Group recently completed the acquisition of a 50 per cent. interest in Buzz 16 Productions ("Buzz 16"), with the view to expanding the Group's entertainment offering into sport and creating multiple new revenue streams. Buzz 16, which was founded in 2016, creates both short and long form sports orientated content and is co-owned by shareholders including former Manchester United player and media personality, Gary Neville, along with former Sky Sports Premier League producer, Scott Melvin.

Buzz 16 has been responsible for a number of hit sports-related productions in recent years, including the popular Sky Sports and Sky Go "Class of 92: Full Time", and Gary Neville's "SoccerBox" which has been distributed through Sky Sports as well as online.

8. The General Meeting

The Directors do not currently have sufficient authority to allot all of the Placing and Consideration Shares. Accordingly, the Directors are seeking the approval of Shareholders at the General Meeting to issue and allot the Placing and Consideration Shares.

The Notice of General Meeting convened for 10.00 a.m. on 15 March 2019 at the offices of r4e, Wellington House, 125 Strand, London WC2R 0AP is set out in the Circular which will be posted to Shareholders today.

At the General Meeting, the following Resolutions will be proposed:

- (a) an ordinary resolution authorising the Directors for the purposes of section 551 of the Act (subject to and conditional upon the passing of resolution 2 at the General Meeting and the engagement of Dowgate Capital in connection with the Placing not having been earlier terminated), to exercise all of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company up to an aggregate nominal value of £1,354,167 to such persons at such times and generally on such terms and conditions as the Directors may determine for the purposes of the Placing and the Acquisition; and
- (b) a special resolution to empower the Directors pursuant to section 570 of the Act (subject to and conditional upon the passing of resolution 1 at the General Meeting), to allot equity securities for cash in connection with the Placing and to allot equity securities in connection with the Acquisition, as if the statutory pre-emption rights conferred by section 561(1) of the Act did not

apply to any such allotment.

If the Resolutions are not passed or if Admission of the Placing Shares does not take place on or before 8.00 a.m. on 19 March 2019 (or such later time and/or date as the Company and Dowgate Capital may agree, being not later than 29 March 2019), the Placing and the Acquisition will not proceed.

Expected Timetable

	2019 ¹
Publication of this document	22 February
Latest time and date for receipt of electronic votes and CREST voting instructions	10.00 a.m. on 13 March
General Meeting	10.00 a.m. on 15 March
Admission and dealings in the Placing Shares expected to commence on AIM	8.00 a.m. on 19 March
Where applicable, expected date for CREST accounts to be credited in respect of Placing Shares in uncertificated form	19 March 22 March
Admission of the Consideration Shares* expected to commence on AIM	
Completion of the Acquisition	19 March
Where applicable, expected date for despatch of definitive share certificates for Placing Shares in certificated form	by 29 March

Notes:

1. Each of the above times and/or dates is subject to change at the absolute discretion of the Company, Grant Thornton and Dowgate Capital. If any of the above times and/or dates should change, the revised times and/or dates will be announced through a Regulatory Information Service.
2. All of the above times refer to London time unless otherwise stated.
3. All events listed in the above timetable following the General Meeting are conditional on the passing of the Resolutions at the General Meeting.

* the Consideration Shares solely comprise the [20,833,333] New Ordinary Shares to be issued and allotted to the seller on Completion

This Announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 ("MAR"). In addition, market soundings (as defined in MAR) were taken in respect of the Placing with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore, those persons that received

inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.