

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000, as amended (FSMA) if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction. The whole of the text of this document should be read.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this document, together with the accompanying documents, 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.

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, the Placing does not 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 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.

This document does not constitute an admission document drawn up in accordance with the AIM Rules and the London Stock Exchange has not itself examined or approved the contents of this document. The rules applicable to AIM are less demanding than those applicable to the Official List of the FCA.

Application will be made for the Placing Shares to be admitted to trading on the AIM Market of the London Stock Exchange (AIM). Subject to, *inter alia*, the passing of the Resolutions at the General Meeting, it is expected that admission to AIM will become effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 14 August 2019. AIM is a market designed primarily for emerging and 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, consulting with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

The Company and the Directors, whose names are set out on page 7, accept responsibility, collectively and individually, for the information set out in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



(incorporated in England and Wales with registered number 03983312)

Proposed placing and subscription of 28,653,569 new Ordinary Shares at 14 pence per share

and

Notice of General Meeting



Nominated Adviser and Broker

The action to be taken by Shareholders in respect of the General Meeting is set out on page 13 of this document. A notice convening a General Meeting of the Company to be held at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester, M2 4WU on 12 August 2019 at 10.00 a.m. is set out on pages 14 and 15 of this document. A Form of Proxy accompanies this document and is available on the Company's website www.grafeniam.com. **To be valid, the Form of Proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 10.00 a.m. on 8 August 2019.** The completion and depositing of the accompanying Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so. Shareholders may also vote online through the website of the Company's registrars at www.signalshares.com.

You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter from the Chairman of the Company which is set out on pages 7 to 13 of this document. This letter explains the background to, and reasons for, the proposed Placing and contains the Directors' unanimous recommendation that you vote in favour of the Resolutions.

Allenby Capital Limited (**Allenby Capital**), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and no-one else in connection with the proposed Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Allenby Capital, or for providing advice in relation to the Placing. Allenby Capital will not regard any other person as their client nor be responsible to any other person for providing the protections afforded to customers of Allenby Capital nor for providing advice in relation to the transactions detailed in this document or in relation to such proposals generally. Allenby Capital is not making any representation or warranty, express or implied, as to the content of this document. No liability is accepted by Allenby Capital for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors and the Company are responsible. Allenby Capital has not authorised the contents of any part of this document.

The Placing Shares described in this document have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The Placing Shares are not being offered outside of the United States in "offshore transactions" pursuant to Regulation S of the Securities Act and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Placing Shares in the United States. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

All persons, including nominees, custodians and trustees, must observe these restrictions and may not send or distribute this document into any Restricted Jurisdiction.

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into any Restricted Jurisdiction or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

Copies of this document and the accompanying Form of Proxy are available, free of charge, at the offices of Grafenia at Third Avenue, The Village, Trafford Park, Manchester, M17 1FG and on the Company's website www.grafeniam.com.

Cautionary note regarding forward-looking statements

This document contains statements about the Company that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code on Takeovers and Mergers, the Prospectus Rules and/or FSMA), The Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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DEFINITIONS

The following definitions apply throughout this document (including the Notice of General Meeting) and the Form of Proxy unless the context requires otherwise:

“Act”	the Companies Act 2006;
“ADD” or “ADD Signs”	ADD Signs Limited, a private limited company incorporated and registered in England and Wales with registered number 04062165, a wholly owned subsidiary of the Company;
“Admission”	the effective admission of the Placing Shares to trading on AIM, in accordance with the AIM Rules;
“AG Signs”	A G Signs & Print Limited, a private limited company incorporated and registered in England and Wales with registered number 07753491, a wholly owned subsidiary of the Company;
“AIM”	a market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies as published by the London Stock Exchange from time to time;
“Allenby Capital”	Allenby Capital Limited, the Company’s nominated adviser and broker, and, where the context allows, its affiliates, a private limited company incorporated in England and Wales with registered number 06706681;
“Artichoke Design”	Artichoke Design Limited, a private limited company incorporated and registered in England and Wales with registered number 05071617, a wholly owned subsidiary of the Company;
“Business Day”	any day on which banks are usually open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday;
“certificated” or “in certificated form”	a share or other security not held in uncertificated form (i.e. a share that is not in CREST);
“Company” or “Grafenia”	Grafenia plc, a public limited company incorporated in England and Wales with registered number 03983312;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited;
“CREST Manual”	the rules governing the operation of CREST, as amended from time to time, produced by Euroclear UK & Ireland Limited and available at www.euroclear.com ;
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual);
“CREST Regulations”	the Uncertificated Securities Regulations 2001(SI 2001/3755) (as amended);
“Directors” or “Board”	the directors of the Company at the date of this document whose names are set out on page 7 of this document;
“Enlarged Share Capital”	the number of Ordinary Shares in issue following completion of the Placing;
“Estimated Expenses”	the estimated expenses incurred in connection with the Placing, being £0.06 million;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document;
“FCA”	the Financial Conduct Authority;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the GM;

“FSMA”	the Financial Services and Markets Act 2000, as amended;
“GM” or “General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 12 August 2019 and any adjournment thereof, notice of which is set out at the end of this document;
“Gross Proceeds”	the proceeds from the issue of the Placing Shares prior to the deduction of Estimated Expenses, being approximately £4.01 million;
“Group”	the Company and its subsidiaries;
“Image”	Image Everything Limited, a private limited company incorporated and registered in England and Wales with registered number 03832028, a wholly owned subsidiary of the Company;
“Langfrist”	Investmentaktiengesellschaft für langfristige Investoren TGV;
“Link Asset Services”	a trading name of Link Market Services Limited;
“London Stock Exchange”	London Stock Exchange plc;
“Net Proceeds”	the estimated net proceeds from the issue of the Placing Shares after the deduction of the Estimated Expenses from the Gross Proceeds, being approximately £3.95 million;
“Nettl of Exeter”	the business and assets of the Group trading as Nettl of Exeter, formerly owned by Ashley Scott and Wendy Scott;
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company;
“Placing”	the subscription for and placing of the Placing Shares at the Placing Price;
“Placing Agreement”	the conditional agreement dated 23 July 2019 between the Company and Allenby Capital relating to the Placing;
“Placing Price”	14 pence per Placing Share;
“Placing Shares”	the 26,153,569 new Ordinary Shares which have been conditionally placed by the Company, via Allenby Capital, together with the 2,500,000 new Ordinary Shares subscribed for directly with 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 under section 73A of FSMA;
“Related Party Transaction”	a transaction with a related party pursuant to Rule 13 of the AIM Rules;
“Resolutions”	the resolutions to be proposed at the GM, details of which are set out in the notice of General Meeting set out at the end of this document;
“Restricted Jurisdiction”	each and any of Australia, Canada, New Zealand, France, Japan, the Republic of Ireland and the Republic of South Africa and the US;
“Securities Act”	the US Securities Act of 1933 as amended;
“Shareholders”	holders of Ordinary Shares;
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“US” or “United States”	the United States of America; and
“Value Focus”	Value Focus Beteiligungs GmbH.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of completed Forms of Proxy for use at the General Meeting	10.00 a.m. on 8 August 2019
General Meeting	10.00 a.m. on 12 August 2019
Admission effective and trading expected to commence	8.00 a.m. on 14 August 2019
CREST members' accounts credited in respect of Placing Shares in uncertificated form	as soon as possible after 8.00 a.m. on 14 August 2019
Share certificates in respect of Placing Shares expected to be dispatched by no later than	10 business days after Admission

All times are London times and each of the times and dates are subject to change. If any of the times and dates should change, the revised times and/or dates will be notified by means of an announcement through a Regulatory Information Service.

PLACING STATISTICS

Number of Existing Ordinary Shares	84,684,683
Placing Price	14 pence
Number of Placing Shares	28,653,569
Number of Ordinary Shares in issue immediately following the Placing and Admission	113,338,252
Placing Shares as a percentage of the Enlarged Share Capital immediately following Admission	25.28 per cent.
Estimated Net Proceeds	£3.95 million
Ordinary Share ISIN	GB0009638130
SEDOL	0963813

LETTER FROM THE CHAIRMAN

Grafenia plc

(registered in England and Wales with registered number 03983312)

Directors

Jan-Hendrik Mohr (*Non-Executive Chairman*)
Peter R Gunning (*Chief Executive Officer*)
Simon Barrell (*Interim Finance Director*)
Gavin Cockerill (*Chief Operating Officer*)
Richard Lightfoot (*Director and Company Secretary*)
Conrad Bona (*Non-Executive Director*)

Registered Office

Third Avenue
The Village
Trafford Park
Manchester
M17 1FG

24 July 2019

Dear Shareholder

Placing and subscription of 28,653,569 new Ordinary Shares at 14 pence per share

and

Notice of General Meeting

Introduction

The Company has announced today that it has conditionally raised approximately £4.01 million before expenses by means of a Placing with certain new and existing institutional and other investors of 28,653,569 Placing Shares at 14 pence per share.

The Placing is conditional, *inter alia*, on the passing of the Resolutions at the General Meeting and Admission becoming effective by no later than 8.00 a.m. on 14 August 2019 (or such other time and/or date, being no later than 8.00 a.m. on 30 August 2019, as the Company and Allenby Capital agree). It is expected that the Placing Shares will be admitted to trading on AIM on or around 8.00 a.m. on 14 August 2019.

The Net Proceeds are intended to be used to fund acquisitions, to invest in acquiring Nettl partners and franchisees, domestically and internationally, to repay certain of the Company's existing debt arrangements and for general working capital purposes as further described below.

The Board believes that raising equity finance, by way of a placing, is the most appropriate method of financing for the Group at this time. It allows the Company to raise funds relatively quickly and at a lower cost than might be possible by undertaking another form of fundraising, such as an open offer or rights issue. It also avoids the need for a prospectus to be prepared and issued, which is a costly and time-consuming process.

The purpose of this document is to set out the background to and reasons for, and to provide further information on, the Placing. It explains why the Board considers the Placing to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings of Ordinary Shares, representing, in aggregate, approximately 3.30 per cent. of the Existing Ordinary Shares.

At the end of this document, you will find a notice convening the General Meeting at which the Resolutions will be proposed by the Directors. The General Meeting has been convened for 10.00 a.m. on 12 August 2019 and will take place at the offices of Gateley plc, Ship Canal House, 98 King Street, Manchester, M2 4WU.

Background to and reasons for the Placing

The Directors believe that Grafenia is still too small to be a public company. Quite simply, the ongoing costs of being listed impact significantly upon the Group's earnings. In addition, as our traditional market has become more commoditised and margins have eroded over time, we have sought to reposition the business.

In 2016, the Directors began a strategic review to assess ways to improve shareholder value. The Board considered delisting the Company from AIM. However, this was rejected as it would result in a loss of liquidity in the Company's Ordinary Shares and would not enhance trading performance.

The market opportunity

In 2017, we announced our plans to acquire sign businesses. We like this sector for a number of reasons. It's complementary to our core business. It's highly fragmented and there are multiple acquisition targets. We've evaluated many sign businesses and have acquired three of them so far.

Our aim is to create a national sign solution capability serving SMEs by acquiring sign businesses and converting them to Nettl Business Superstores.

However, opening new Nettl Business Superstores is capital intensive. As we are currently loss-making, it would take some time to make a sufficient contribution to profitability, with just the incremental acquisition and conversion of smaller businesses alone.

That's why we're looking at acquisition opportunities in two size brackets. We'll continue to look for suitable Superstore targets - those typically have up to 10 employees and revenues of up to £500,000.

We're also looking at a second group of larger businesses. They tend to have up to 100 employees and revenues of £3 million to £5 million. These would act as regional hubs for our network.

With the Placing, we are prioritising acquisitions of businesses in the second group. Once these are in place, we should be able to acquire smaller businesses and convert them to Nettl Business Superstores from cash-flow.

We'll discuss each in turn.

Nettl Business Superstores

The Nettl Business Superstore format combines sales, design, marketing, manufacturing and installation in one place. Stores are slightly out-of-town in 'trade counter' units, from 5,000 to 7,500 square feet.

At the front of the store there are displays to explain different ways SMEs can promote themselves. Some people have said the space looks more boutique hotel than print shop, and that's not an accident. We want our stores to be inspirational places where clients can get ideas on ways they can promote their businesses and decorate their premises.

There's a permanent design and account management team on site. Different specialists talk to clients about web, e-commerce, print and signage. We'll measure-up for signs, build e-commerce sites and design brochures all in-house.

To draw businesses in, we sell coffee and rent out meeting space.

Finally, we make signs and fit vehicle graphics. There's also a sign installation team based at the store.

Two Superstores are currently trading. The first, Nettl of Liverpool Waters, opened in March 2018 and was formed from the acquisition of ADD Signs. In March 2019, the second opened in Exeter, which was born from the combined acquisitions of Nettl of Exeter and AG Signs. The Exeter Superstore has recorded annualised peak monthly run rates of over £1 million. Our focus is on driving sales performance to consistently achieve these levels.

We also operate three other Nettl locations - a city-centre 2,000 square foot Business Store in Birmingham, a 7,000 square foot Business 'pop-up' Store in central Manchester and a small web studio in Dublin. Sales of all our product lines in company-owned stores increased to approximately £2.56 million in the year ended 31 March 2019, compared to £1.59 million the previous year.

We've learnt from operating these stores ourselves. Our systems were originally designed to deliver print and web projects, so we've had to extend our back-office to handle and invoice sign projects. There's still work to do so we can manage all aspects of sign manufacture in our process; from survey to quoting and installation.

There are 50 locations in the UK which we've identified as potential targets for a Nettl Business Store or Superstore and an abundance of sign businesses for sale. However, we are selective about which businesses to approach. Finding businesses with a cultural fit and a team with the desire to rebrand as a Nettl Business Superstore is our priority.

On two occasions so far, we've combined a sign business with a nearby Nettl partner team we've hired or acquired. That's likely to happen again. Many Nettl partners are interested in joining Grafenia as we roll-out future Superstores. Their history and behaviour as licensed partners are helpful indicators of whether we're a suitable match.

Signs and display graphics are a logical extension to the range of products that both our company-owned and partner-operated stores sell. However, there's often a gap in knowledge and sales competence levels that can lead to a lack of confidence, which is an obstacle to sales.

We aim to help clients choose the right product, within their budget and without confusing them with jargon. We've developed marketing tools, like our "Wall of Wonder" and companion buying guide. It helps explain the options, with easy-to-follow price brackets. As we launch new products, it's important we develop design templates, technical documentation and marketing collateral to support them.

Nettl Works regional hubs

In July 2017, we acquired Image. They had sales of over £5 million and at the time, we believed they would act as our national sign hub. Since the acquisition, we've rolled out a range of printed vinyl and rigid substrates, which we sell through our company stores and licensed Nettl and printing.com partner network. Some items, like our giant deckchair is a hybrid product, with components made at Image and finished by our fabric printing hub. These 'products' can be shipped by overnight carrier and flow through our supply chain just like flyers and business cards. We'll continue to productise more items this way.

However, we've still yet to crack the conundrum of national manufacture and installation. Whilst we've won some national project work, we've found that the distance from manufacture to installation directly affects competitiveness and/or profitability.

We believe that regional hubs are part of the answer. We call them 'Nettl Works'.

When the first Nettl Business Superstore opened, we just relocated all the manufacturing equipment ADD was using. In Exeter AG Signs was subcontracting more manufacturing and so our Superstore has less equipment. Instead there's more meeting and display space.

We believe we need five Nettl Works in the UK to get sufficient geographic coverage. These hubs will manufacture sign projects, leaving Superstores to focus on sales, design and installation and printing of fast turnaround graphics.

Unlike a Superstore, hubs will retain their existing identity and continue to service their client base. We plan to implement our supply chain software and co-brand as 'Nettl Works'. Image will be the first Nettl Works.

Our current hub targets have been stable or shown growth over the past three years. Importantly, recent independent research commissioned by ISA-UK¹ has shown that optimism in the UK sign and graphics industry is high, with over half of those participating in the survey reporting an increase in business turnover in the past year. A recent report by Smithers Pira² considers that growth in the global digital textile printing market is set to continue, with the worldwide market rising to €2.83 billion in 2018, more than double its present value.

¹ ISA-UK Sign Industry Survey, June 2019

² The Future of Digital Textile Printing to 2023, published December 2018 by Smithers Pira <https://www.smitherspira.com/industry-market-reports/printing/digital-textile-printing-to-2023>

Our investment criteria

The first stage is to acquire a profitable business, where the owner wants to stay for at least a couple of years – we call them the "remainder".

We'll consider businesses which meet our criteria:

- stable or growing, with a track record of profitability in previous four or five years;
- minimum annual turnover of £250,000;
- their top three clients represent no more than 30 per cent. of their business;
- gross profit margins above 55 per cent.;
- owner's salary expectation consistent with our Company's pay structure;
- located in a primary city target location (phase 1) or secondary location (phase 2);
- for Superstore targets, property tenure flexible (able to relocate within 24 months);
- good cultural fit (management's business ethos and circumstances i.e. must support rebranding and personal circumstances must underpin / encourage long term commitment).

We evaluate each "remainder" acquisition on its own merits as if it were to remain a standalone business.

Once we've acquired and integrated a "remainder" business, we look for another local business to roll-in. Those could also be nearby Nettle partners. For these other businesses, we target owners seeking to exit – the "leaver". Our plan is to consolidate both businesses into a single team, led by the "remainder". We aim to achieve cost savings by centralising marketing, management information systems, legal support, payroll and accounting.

Our aim is to acquire sign businesses at 2-5 times adjusted forecast EBIT.

Our progress so far

In January 2017, we acquired ADD Signs in Liverpool. We believe site selection is important. We found a suitable property and decided to relocate and build our first Nettle Superstore in March 2018. In September 2018, we hired some team members from a nearby partner. Sales have grown under our ownership although profitability has been impacted by dual occupation costs until the lease for ADD's previous premises expired in February 2019 and a doubtful debt of over £40,000 from an insolvent client. We've made changes to the team and estimate this store will break-even this year.

In July 2017, we acquired Image. Image has performed mostly as expected, although gross margin has been at the weaker end of their historic performance and overheads have increased. We used the Image team to shopfit both our Superstores. While we did these both in quiet periods and saved a significant amount compared to external sourcing, it did carry an opportunity cost for servicing new client work. We've taken action to reset the cost base and are currently combining one of Image's factories with our main Manchester production hub. This is due to be completed by the end of July 2019 and we anticipate material overhead savings, as well as an improvement in efficiency.

In December 2017, we acquired Nettle of Exeter, one of our top performing partners. One of the owners, Ashley Scott, joined the Group and moved to a central role in our partner performance team. In July 2018, we acquired AG Signs in nearby Honiton. We relocated both businesses in March 2019 to a new Superstore outside Exeter city centre. The combined business is performing well.

In March 2019, we acquired Artichoke Design. One of the owners exited and the other rolled into our Nettle of Birmingham Business Store. That business has continued to perform and we are incubating and growing a team which may be spun off into a future Superstore.

Licensing Nettl

The Nettl business model is licensed to third parties. Designers, printers and sign businesses can access our training, systems and marketing to sell websites, printing and displays to their own clients. We grant them an exclusive territory, in exchange for a licence fee of up to £2,999. We call them "Partners" and they pay a monthly subscription of typically £399. They typically contract for a minimum of three to five years.

Our Nettl partner network has grown to over 228 locations around the world. At the date of our last trading update, we had 173 active Nettl partners in the UK and Ireland, 27 in Benelux, 13 in France, eight in the USA, four in New Zealand and three in Australia. Our total subscription and licence fee income grew to approximately £1.98 million for the year ended 31 March 2019.

We launched Nettl of America on 7 March 2019. To comply with federal and state laws, we positioned Nettl as a co-brand franchise model. The compliance and registration process is now complete and we are able to grant franchises in 37 of the 50 US states. We anticipated there would be a longer gestation period to acquire franchise partners, partly down to local laws requiring cooling off periods and the disclosure processes. This has turned out to be the case. However, we are delighted to have granted eight franchises so far, in the states of Florida, Ohio and Georgia. We expect to grant more in the coming months.

Clearly, the United States is a major market. When we research launching Nettl into a new country, we estimate the number of potential locations, relative to the density of the SME population. Using that rule of thumb, we believe the US could support between 1,500 and 2,000 Nettl locations. When we launch, much of the cost is front-loaded. Although we evaluate the project as if it were an investment, we expense the costs as we incur them. This adversely affects our earnings and inflates our short-term overheads, but we are confident that the future upside is worth the management time, opportunity cost and effort.

Use of proceeds

We plan to use the net proceeds of this Placing to acquire businesses which are suitable to become Nettl Works regional hubs and for working capital requirements, while we invest in growing our Nettl partner network domestically and internationally. The actual number of acquisitions will be determined by their profitability and scale.

In the short term, however, while the Company is seeking to identify and negotiate the acquisition of these businesses, the Company will utilise up to £1.5 million of the Net Proceeds to repay certain of its existing debt arrangements to save unnecessary interest payments.

In due course, the Company plans to finance acquisitions with a prudent mix of cash-flow, equity and debt.

Current trading

Our most recent trading statement was announced on 3 July 2019 in relation to the year ended 31 March 2019. Revenue is expected to be approximately £15.75 million (2018: £14.63 million), with the increase partly due to a full 12 months of trading from Image, acquired part way through the comparative period on 14 July 2017. Like many businesses and most in the print sector, we have faced rising input costs, particularly with paper. This has impacted our product gross margin, although our transition to become less reliant on trade litho print sales has meant that our overall gross margin has increased in absolute terms. Our overheads have increased as we include the costs of three businesses we've acquired during the year, as well as a full year of Image, compared to a portion in the prior year. We have also expensed costs of acquiring Nettl partners and opening stores. This will result in the Group generating negative earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ended 31 March 2019. However, it's important to note that this does not reflect our cost-base moving forward as we've taken significant steps to reduce our overheads.

As a result of these changes to our cost base, we estimate we will be breakeven on a monthly EBITDA run rate during the current financial year. We are targeting an EBITDA margin of 10-15% in the medium term, although we make decisions for the long-term sustainability of the business, rather than short-term performance. At 31 March 2019, we had cash and cash equivalents of £1.37 million (2018: £0.17 million).

Since the year-end, trading in the first quarter has been in-line with the Company's internal budgets.

Details of the Placing

The Company is proposing to raise, in aggregate, approximately £4.01 million (approximately £3.95 million net of expenses) by way of (i) a Placing of 26,153,569 new Ordinary Shares with certain new and existing investors, and (ii) a subscription for 2,500,000 new Ordinary Shares, both being conditional, *inter alia*, on Admission.

Allenby Capital has entered into the Placing Agreement with the Company under which Allenby Capital has, on the terms and subject to the conditions set out therein (including Admission), undertaken to act as settlement agent for the Placing. The Placing Agreement contains certain warranties and indemnities from the Company in favour of Allenby Capital. The Placing is not being underwritten by Allenby Capital or any other person.

The Placing is conditional, *inter alia*, on:

- the passing of the Resolutions at the General Meeting;
- Admission becoming effective by no later than 8.00 a.m. on 14 August 2019 (or such later time and/or date, being no later than 8.00 a.m. on 30 August 2019, as the Company and Allenby Capital may agree); and
- the Placing Agreement not being terminated prior to Admission.

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Placing will not proceed.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares following Admission. It is expected that such Admission will become effective and that dealings on AIM will commence at 8.00 a.m. on 14 August 2019.

Dilution resulting from the Placing

Following the issue of the Placing Shares, Shareholders who have not participated in the Placing will suffer a dilution of 25.28 per cent. to their interests in the Company.

Related party transactions

Langfrist and Value Focus are related parties of the Company for the purposes of the AIM Rules as they each hold more than 10 per cent. of the Existing Ordinary Shares, being 29.35 per cent. and 22.20 per cent. respectively. Langfrist will participate in the Placing in respect of 8,581,428 new Ordinary Shares and Value Focus will participate in the Placing in respect of 11,428,571 new Ordinary Shares, each such participation represents a related party transaction pursuant to Rule 13 of the AIM Rules.

The Directors, having consulted with the Company's Nominated Adviser, Allenby Capital, consider that the terms of the Related Party Transactions with Langfrist and Value Focus are fair and reasonable insofar as the Shareholders are concerned.

Resolutions and General Meeting

The Placing is conditional upon, *inter alia*, the passing of the Resolutions. A notice convening the General Meeting to be held at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester M2 4WU at 10.00 a.m. on 12 August 2019 is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

- (a) an ordinary resolution to authorise the Directors to allot relevant securities, *inter alia*, for the purposes of the Placing up to an aggregate nominal amount of £286,535.69; and
- (b) a special resolution to allow the Directors, subject to the limits set out in that resolution, to issue Ordinary Shares for cash otherwise than on a pre-emptive basis, which is a specific authority to allot the Placing Shares up to a nominal amount of £286,535.69.

Action to be taken by Shareholders

Accompanying this document is a Form of Proxy for use at the General Meeting and, if you are a Shareholder based in the United Kingdom, you will also have received a reply-paid envelope for use in conjunction with the return of the Form of Proxy. Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed on it so as to arrive at the Company's registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and in any event not later than 10.00 a.m. on 8 August 2019. Completion and return of the Form of Proxy will not prevent Shareholders from attending the General Meeting and voting in person should they so wish.

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 will become effective and dealings in the Placing Shares will commence at 8.00 a.m. on 14 August 2019.

The articles of association of the Company permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form. CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

Recommendation and voting intentions

The Directors unanimously believe that the Placing is in the best interests of the Company and its Shareholders as a whole and recommend Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings of 2,791,301 Ordinary Shares, representing approximately 3.30 per cent. of the Existing Ordinary Shares.

Yours faithfully,



J H Mohr
Chairman

Grafenia plc

(registered in England and Wales with registered number 03983312)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester, M2 4WU on 12 August 2019 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

- (1) That, in addition to all subsisting and unexercised authorities and powers, the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all or any of the powers of the Company to allot ordinary shares of 1 pence each in the capital of the Company (**Ordinary Shares**) or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as **Relevant Securities**) up to an aggregate nominal value of £286,535.69 (being equal to 28,653,569 Ordinary Shares) pursuant to the Placing) and provided this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company or on the date which is 6 months after the next accounting reference date of the Company (if earlier) save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of such period and the directors of the Company may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

- (2) That, subject to and conditional upon the passing of the resolution 1 above and in addition to all subsisting and unexercised authorities and powers, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred upon them by resolution 1 as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment, in aggregate, of 28,653,569 Ordinary Shares in connection with the Placing and, unless previously renewed, varied or revoked by the Company in general meeting, such power to expire at the end of the next annual general meeting of the Company or the date which is 6 months after the next accounting reference date of the Company (if earlier) but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power expires and the directors of the Company may allot equity securities under any such offer or agreement as if the power had not expired.

By order of the Board



Richard Lightfoot
Company Secretary

Registered office:
Third Avenue
The Village
Trafford Park
Manchester
M17 1FG

Dated: 24 July 2019

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend, speak and vote at the meeting instead of him. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company but must attend the meeting to represent you. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
2. A proxy may only be appointed using the procedures set out in these notes and the attached proxy form. To be valid, the proxy form must be completed and signed and reach the Company's Registrars, Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of holding of the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. The Company specifies that only those Shareholders of the Company on the register at close of business on 8 August 2019 shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising 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.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Link Asset Services (whose CREST ID is RA10) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
6. A member may vote online through the website of the Company's registrars, Link Asset Services, at www.signalshares.com. To do so a member will need to be registered for the share portal and log into that member's share portal account.



GRAFENIA® plc

Third Avenue > The Village > Trafford Park > Manchester > M17 1FG

t: **+44 (0)161 848 5700** > e: **investors@grafenia.com**

WWW.GRAFENIA.COM

Grafenia plc is registered in England and Wales under number 03983312

Registered office: Third Avenue, The Village, Trafford Park, Manchester M17 1FG. VAT Registration No. GB 764 5390 08

XIR/AQR/CRH/06-17/R1

FORM OF PROXY

Grafenia plc

("the Company")

Company Number: 03983312

For use at the General Meeting of the Company to be held at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester, M2 4WU on 12 August 2019 at 10.00 a.m.

I/We _____

(BLOCK LETTERS PLEASE)

of _____

being a member of **Grafenia plc**, hereby appoint the Chairman of the meeting, or*

as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at the offices of Gateley Plc, Ship Canal House, 98 King Street, Manchester, M2 4WU on 12 August 2019 at 10.00 a.m. on the following resolutions, to be submitted to the meeting and at any adjournment thereof, and any other business which may properly come before the meeting and any adjournment thereof.

Please indicate with an 'X' in the appropriate space how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

	For	Against	Vote Withheld**
Ordinary Resolution			
1. THAT , the Directors be generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all or any 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 £286,535.69.			
Special Resolution			
2. THAT , subject to the passing of Resolution 1, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities for cash as if section 561 of the Act did not apply to any such allotment (subject to certain specified limitations).			

No. of shares proxy appointed over _____

Please tick here if you are appointing more than one proxy:

Signature

Dated

2019

The definitions and phrases used in this form of proxy shall have the same meaning as set out in the Company's circular dated 24 July 2019 (the "Circular").

* You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.

** Please note that if the "Vote Withheld" box is marked with an "X", the Shareholder will not be counted in the calculation of votes "For" and "Against" and the Shareholder will not be taken to have given his/her/their discretion to the Proxy, on how to vote.

PLEASE INSERT INTO PRE-PAID ENVELOPE SUPPLIED

Notes

1. As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote on your behalf at a general meeting of the Company.
2. You can only appoint a proxy using the procedures set out in these notes. If the proxy is being appointed in relation to part of your holding only, please enter in the space provided the number of shares in relation to which they are authorised to act as your proxy. If this box is left blank they will be authorised in respect of your full voting entitlement.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the space provided on your proxy form. If you sign and return your proxy form with no name inserted in the space, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you must complete a separate proxy form for each proxy. Members can copy their original proxy form. If you are appointing more than one proxy, please indicate in the space provided the number of shares in relation to which they are authorised to act as your proxy and indicate by ticking the relevant box that the proxy appointment is one of multiple appointments being made. Multiple proxy appointments should be returned together in the same envelope.
5. The return of a completed proxy form, other such instrument or any CREST proxy instruction (as described in paragraph 12 below) does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
6. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. 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. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. 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, including a motion to adjourn.
7. To be valid any proxy form or other instrument appointing a proxy must be:
 - completed and signed;
 - sent or delivered to Link Asset Services, PXS The Registry, 34 Beckenham, Kent, BR3 4TU; and
 - received by Link Asset Services no later than 10.00 a.m. on 8 August 2019.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
9. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.
10. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
11. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. You may vote online through the website of the Company's registrars, Link Asset Services, at www.signalshares.com. To do so you will need to be registered for the share portal and have a share portal account.
13. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held at 10.00 a.m. on 12 August 2019 and any adjournment(s) thereof 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 should refer to their CREST sponsors 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 by means of CREST 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 must be transmitted so as to be received by the Company's agent, Link Asset Services (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider 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 sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

15. Only those members entered on the register of members of the Company at close of business on 8 August 2019 or, in the event that this meeting is adjourned, in the register of members as at close of business on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after the close of business on 8 August 2019 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
16. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.