PART VII

LETTER FROM THE CHAIRMAN OF THE COMPANY

Marks and Spencer Group plc

(Incorporated and registered in England and Wales with registered number 4256886)

Registered and Head Office
Waterside House
35 North Wharf Road
London W2 1NW
United Kingdom

Directors

Archie Norman	(*Non-Executive Chairman*)
Steve Rowe	(*Chief Executive Officer, Executive Director*)
Humphrey Singer	(*Chief Finance Officer, Executive Director*)
Andy Halford	(*Senior Independent Non-Executive Director*)
Katie Bickerstaffe	(*Independent Non-Executive Director*)
Alison Brittain, CBE	(*Independent Non-Executive Director*)
Andrew Fisher, OBE	(*Independent Non-Executive Director*)
Justin King, CBE	(*Independent Non-Executive Director*)
Pip McCrostie	(*Independent Non-Executive Director*)

24 May 2019

Dear Shareholder

1 for 5 Rights Issue at 185 pence per New Ordinary Share

1. INTRODUCTION

On 27 February 2019, M&S announced the creation of a new 50/50 proposed JV with Ocado Group Plc (Ocado), the United Kingdom's leading pure play digital grocer, to transform online grocery shopping for UK consumers. Under the proposed JV M&S is acquiring a 50 per cent. share of Ocado's UK retail business, which will be supported by Ocado Smart Platform (OSP), for a total consideration of up to £750.0 million, comprising an initial payment of £562.5 million in cash on closing and deferred consideration of up to £187.5 million (plus interest at 4 per cent. per annum), which is contingent upon the satisfaction of certain financial and operating conditions[1]. The Transaction is being primarily financed with equity by means of a Rights Issue to raise approximately £601.3 million.

The purpose of this letter is to set out the background to and the reasons for the Rights Issue, explain why the Board believes it is in the best interests of M&S and its Shareholders as a whole and provide details of how you can participate in the Rights Issue.

Under the terms of the Rights Issue, the Company is offering 325,009,968 New Ordinary Shares by way of a rights issue to Qualifying Shareholders at 185 pence per New Ordinary Share. Section 12 of this letter and paragraph 3 of Part IX: *"Terms and Conditions of the Rights Issue"* of this Prospectus set out the actions to be taken by Qualifying Shareholders who wish to take up their entitlements under the Rights Issue.

Further information on the Rights Issue (including the full terms and conditions of the Rights Issue) is set out in the remainder of this Prospectus. You should read the whole of this Prospectus, any accompanying document and any documents incorporated by reference prior to making any investment decision. Your attention is drawn to Part II: *"Risk Factors"* of this Prospectus for a discussion of certain factors which should

[1] Ocado Holdings shall (subject to the terms of the Sale and Purchase Agreement) be entitled to receive deferred consideration of up to a maximum of £187,500,000 as follows:
(a) an amount equal to £156,250,000 if the adjusted EBITDA for the financial year ending on the closest Sunday to 30 November 2023 reaches or exceeds an agreed threshold;
(b) an amount equal to £15,625,000 if utilised capacity in the customer fulfilment centre located at Church Manorway, Erith DA8 1DE meets an agreed threshold for a continuous period of three months on or before 30 November 2023; and
(c) an amount equal to £15,625,000 following the first delivery to a customer being made from the next customer fulfilment centre to be established by Ocado Retail (excluding any facilities developed as replacements for the customer fulfilment centre previously located at Flinders Close, Walworth Business Park, Andover SP10 5QZ).

be taken into account when considering the matters referred to in this Prospectus and deciding whether or not to purchase the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares.

A list of defined technical terms used in this letter is included in Part XVIII: *"Definitions"* of this Prospectus.

1.1 Background to the Transaction and the Rights Issue

Context

In September 2017, I took over as Chairman of Marks & Spencer. I did so in the belief that a determined turnaround programme driven by a strong management team can revive one of the United Kingdom's most special brands. I said at the time that we faced formidable headwinds, including the continued migration of Clothing & Home online, the continued development of global competition, the growth of home delivery in food and the march of the discounters, and that the changes needed were transformative, not a touch of the tiller. Therefore we are aiming to transform all the pieces of the jigsaw: the way we are organised, the way we work, our technology, our store base, our products, our supply chains and our value in the market.

Following this, Steve Rowe set out his diagnosis of our problems in November 2017 and announced a five-year Transformation Programme, "Making M&S Special Again". The first phase of the Transformation Programme is about restoring the basics; getting the organisation and infrastructure of the business fit for the future. In this first phase we made substantial changes in our leadership and organisation, moving away from a heavyweight corporate structure to a family of accountable businesses who share M&S' brand values, stores, colleagues, technology and customer data. The managing directors of each of these businesses now have functional accountability for their divisions, including for marketing, supply chain and technology.

In tackling the problems that we face in order to transform our business we still have important advantages. First, we have a brand which many people in the United Kingdom still hold in great affection and want to succeed. Second, we have great operators in our stores and many colleagues with an extraordinary passion for the business who are longing to be given the freedom to get M&S back to its best. Third, we have our technical skills in both clothing and food and our understanding of quality, ingredients, sourcing and size remain strong.

M&S remains in the early stages of transformation and although we are confident in the eventual outcome, we have experienced in the periods under review very challenging trading conditions in both our main businesses, Food and Clothing & Home. While we expect some improvement in trading in each of our major businesses in the year ahead, progress is likely to be second half weighted and the market headwinds are strong.

Given the high operating risk the business faces, the Board believes it is important to maintain a strong balance sheet and cashflow to provide security and underpin the changes we need to make. In the next four years, in addition to the investment in the proposed JV, we have substantial debt repayments due on our bond financing and a significant pension obligation to fund. Further, in uncertain times our strong preference is to limit dependence on bank debt financing. Therefore, having considered carefully other options, we believe it is appropriate to fund the initial consideration for the Transaction by means of a Rights Issue and to reduce the Group's annual dividend payment to a sustainable level, which we aim to grow in line with earnings over time.

Food strategy and online offering

Our Food brand remains strong and our strategy is to protect the "magic" which is based on our quality, freshness, and innovation credentials whilst reshaping our store estate, infrastructure, operating systems, cost management and supply relationships. The proposed JV is a natural partner for the brand and opens up the opportunity to significantly increase our grocery market share in the medium term.

To help unlock this potential, we are at the early stages of reengineering our food categories and development pipeline to broaden our appeal and increase the frequency of shopping. This includes reducing our dependency on both short-term promotions and complex multi-buy offers, to invest in everyday prices. In addition, we are tackling the historical weakness in our supply chain where waste and availability remain worse than market comparator levels. During the course of this year we will trial new, slightly larger format stores which express better our Food credentials and have broader appeal.

To take full advantage of the potential of Food we need to broaden our offering and secure access to online which is the fastest growing channel in the United Kingdom. Regular M&S shoppers account for approximately one-third of the online grocery market, but today they have to buy through our competitors as we have not historically had a viable online grocery platform. We have carried out trials to develop our online offer. However, these trials were uneconomic due to both low basket sizes and the high expense of manually picking from store, including costs associated with moving stock from distribution centres to stores and store replenishment. Developing our own technology and investing in fulfilment centres on a standalone basis, would be prohibitively expensive and delay the implementation of our Transformation Programme.

1.2 Reasons for the Transaction

The Transaction represents a unique opportunity within our Transformation Programme to unlock growth. The proposed JV enables us to take our food online in a profitable, scalable and sustainable way. Under the proposed JV, we are acquiring a 50 per cent. share of Ocado's UK retail business, including its existing retail customers, sales, supplier relationships and customer data. The proposed JV will continue to carry out all pricing, category management and brand communications, as it does today. Importantly, this means that the proposed JV starts with approximately £1.5 billion of sales, over 700,000 customer accounts and is profitable, with a track record of strong revenue growth, thereby providing a strategically compelling route to unlock growth for M&S Food, including from its existing customer base. The proposed JV will operate as a fully aligned partnership with complementary skills and assets. M&S will provide its product range and development capabilities to the proposed JV at cost from September 2020 at the latest, following the termination of Ocado's current Waitrose sourcing agreement. On 26 February 2019, Ocado served a notice to terminate its existing arrangements with Waitrose, such that the proposed JV will carry M&S own-label products online by the earlier of: (i) 1 September 2020; (ii) any earlier date on which the sourcing arrangements between Ocado Retail and Waitrose Limited and its affiliates terminate in accordance with their terms before 1 September 2020; and (iii) any earlier date which may be agreed by Waitrose, M&S and Ocado Retail. The proposed JV will be supported by an OSP contract with Ocado's solutions business for its end to end e-commerce platform and customer fulfilment centre technology and will also be provided with logistics services and driver management for a management fee.

As a partnership with aligned interests, we have the ability to create the United Kingdom's leading online grocery business with a number of unique advantages. M&S brings a reputation for quality, innovative, fresh food, over 12 million weekly food shoppers, over 7 million Sparks loyalty members and approximately 3 million active bank customers, together representing an important source of potential new customers for the proposed JV. Combining this with Ocado's best-in-class order accuracy and delivery punctuality and wide product range of over 50,000 SKUs, spanning from entry price to super premium and an average basket spend of over £100 has the potential to drive significant profitable growth in the proposed JV. It also allows us to leverage our existing strengths in "Food for Now" and "Food for Tonight" through Ocado's delivery innovations such as Zoom.

The proposed JV will enable us to deliver a comprehensive online offering, greatly extend our reach and range and enable us to communicate with our customers directly about our products. Evidence from our competitors suggests that customers who shop online and in physical stores spend more, and additionally given our small market share and limited number of stores with a full range, we believe the risk of cannibalisation is low.

In addition to the growth potential from the proposed JV, this investment provides M&S with additional opportunity to generate synergies within its business which would not otherwise be available. We aim to achieve synergies of at least £70 million by the third full year following completion, including the potential benefits of increasing buying scale in core product areas, harmonised buying terms across the Group and more efficient new product development processes. For the proposed JV, we believe that being part of the M&S family will provide a lower cost route to customer acquisition and, as a future possibility, the ability to access a strong and relevant Clothing & Home offer and M&S Bank services.

Completion of the Transaction is conditional on the satisfaction or waiver of several conditions, as outlined in paragraph 5 to this letter. If the Transaction does not proceed, we will have to reconsider our online Food strategy going forward and we could incur additional costs and divert additional resources in seeking alternatives to secure our presence in the online Food market. Even if the Transaction proceeds, there can be no assurance that the proposed JV will deliver the expected results or that we will realise the anticipated return on investment within the expected timeframe. See Part II: *"Risk Factors—2. Risks Relating to the Proposed JV and the Transaction"* for further risks and uncertainties relating to the proposed JV and the Transaction.

1.3 Rationale for the Rights Issue

As I outlined in last year's annual report, the headwinds facing our business are not new, but the tide in the marketplace is running more strongly against us now than at any previous time. The purpose of the Transformation Programme is to restore the business to sustainable, profitable growth over three to five years, whilst also establishing a strong balance sheet through finding the right balance between investment in the business, dividends for Shareholders and our credit metrics. Given this context of maintaining a strong balance sheet in uncertain times, we concluded that the Rights Issue was the best source of funding for the Transaction and is in the best interests of Shareholders.

2. USE OF PROCEEDS

The Company intends to use the net proceeds of the Rights Issue to fund the initial consideration of £562.5 million, which is due on completion of the acquisition of its 50 per cent. share of the proposed JV. The Transaction is expected to close in August 2019.

3. FINANCIAL IMPACT OF THE TRANSACTION AND THE RIGHTS ISSUE

For the 52 weeks ended 2 December 2018, the proposed JV would have generated revenue of £1,466.6 million, gross profit of £423.6 million, and operating profit of £30.1 million, taking into account the newly created OSP contract and other fees and services. M&S anticipates accounting for its share of the proposed JV as an associate. Giving effect to the Rights Issue and entry into the proposed JV transaction as if they had occurred on 1 April 2018, the Group's *pro forma* profit for the year ended 30 March 2019 was £51.1 million. For further information, please refer to Part XV: *"Unaudited Pro Forma Financial Information of the Group"*.

As a result of the Rights Issue, the Group anticipates a 20.0 per cent. increase in the number of Ordinary Shares. FY20 earnings per share and dividend per share and prior results will be restated for the bonus factor adjustment resulting from the Rights Issue.

4. PRINCIPAL TERMS OF THE RIGHTS ISSUE AND UNDERWRITING COMMITMENTS

The Company is proposing to raise approximately £601.3 million by way of the Rights Issue.

Subject to the fulfilment of, among other things, the conditions set out below, the Company will offer 325,009,968 New Ordinary Shares to Qualifying Shareholders at a Rights Issue Price of 185 pence per New Ordinary Share, payable in full on acceptance. The Rights Issue will be offered on the basis of:

1 New Ordinary Share for every 5 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in Part IX: "*Terms and Conditions of the Rights Issue*" of this Prospectus.

The Rights Issue is being fully underwritten by the Underwriters, subject to certain customary conditions, on the basis set out in the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XVIII: *"Additional Information"* of this Prospectus. The Rights Issue Price of 185 pence per New Ordinary Share, which is payable in full on acceptance by no later than 11.00 a.m. on 12 June 2019, represents a 31.8 per cent. discount to the closing middle-market price of the Company of 271.2 pence per Existing Ordinary Share, or a discount of 30.0 per cent. to the closing middle-market price of 264.1 pence per Existing Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, in each case on 21 May 2019, the last trading day prior to the announcement of the Rights Issue. Additionally, it represents a discount of approximately 28.0 per cent. to the theoretical ex-rights price of 256.8 pence per New Ordinary Share, or a discount of approximately 26.3 per cent. to the theoretical ex-rights price of 250.9 pence per New Ordinary Share when adjusted to reflect the Ordinary Shares becoming ex-dividend during the Rights Issue offer period, both calculated by reference to the closing middle-market price on the same basis. If a Qualifying Shareholder does not take up any of his or her entitlement to New Ordinary Shares, his or her proportionate shareholding will be diluted by 16.7 per cent. However, if a Qualifying Shareholder takes up his or her New Ordinary Shares in full, he or she will, after the Rights Issue has been completed, and subject to the rounding down of any fractions, as nearly as practicable have the same proportionate voting rights and distribution rights as he or she had on the Record Date.

If a Qualifying Shareholder does not subscribe for the New Ordinary Shares to which he or she is entitled, such Shareholder can instead sell his or her rights to those New Ordinary Shares and receive the net proceeds in cash. This is referred to as dealing in the rights "nil paid" and, subject to the fulfilment of certain conditions, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 29 May 2019.

Qualifying Non-CREST Shareholders with registered addresses in the United States, Canada or in any of the other Excluded Territories will not be sent Provisional Allotment Letters and Qualifying CREST Shareholders in such territories will not have their CREST stock accounts credited with Nil Paid Rights, except where the Company and the Sole Global Co-ordinator (on behalf of the Underwriters) are satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be allotted to any Qualifying Certificated Shareholders or Qualifying CREST Shareholders, but the Sole Global

Co-ordinator (on behalf of the Underwriters) will use its reasonable endeavours to place the aggregated Nil Paid Rights in respect of such New Ordinary Shares in the market for the benefit of the Company.

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 in full all dividends and other distributions declared, made or paid by reference to a record date after the date of their issue, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares, including the recommended final dividend for the Financial Year 2019.

The Rights Issue is conditional upon, among other things:

- Admission of the New Ordinary Shares (nil paid) becoming effective by not later than 8.00 a.m. on 29 May 2019 (or such later time and/or date as the Company and the Sole Global Co-ordinator may agree, being not later than 12 June 2019);
- the delivery of certain documents to the Sole Sponsor, Sole Global Co-ordinator and the Underwriters by the times and dates specified in the Underwriting Agreement;
- M&S having complied with its obligations under the Underwriting Agreement and under the terms of the Rights Issue, save to the extent that, in the sole opinion of the Sole Global Co-ordinator (on behalf of the Underwriters) acting in good faith, would not be material in the context of the Rights Issue, the underwriting of the New Ordinary Shares or Admission;
- the warranties on the part of M&S under the Underwriting Agreement being true, accurate and not misleading on the date of the Underwriting Agreement, the date of this Prospectus and immediately before Admission;
- the Sale and Purchase Agreement remaining in full force and effect and not having been terminated, having lapsed or ceased to be capable of completion in accordance with its terms, prior to Admission;
- no event requiring a supplement to this Prospectus having arisen between the time of publication of this Prospectus and Admission and no such supplementary prospectus being published by or on behalf of the Company before Admission, which the Sole Global Co-ordinator, in its sole opinion, considers to be material in the context of the Rights Issue; and
- in the opinion of the Sole Global Co-ordinator (acting in good faith), no material adverse change having occurred in respect of the Group at any time prior to Admission (whether or not foreseeable at the date of the Underwriting Agreement).

The results of the Rights Issue, including the aggregate amount raised is expected to be announced by the Company to a Regulatory Information Service by 8.00 a.m. on 13 June 2019.

Applications have been made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission of the New Ordinary Shares, nil paid, will become effective and dealings (for normal settlement) in the New Ordinary Shares will commence, nil paid, at 8.00 a.m. on 29 May 2019.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB0031274896. The ISIN number for the Nil Paid Rights is GB00BGV1NW62 and the ISIN for the Fully Paid Rights is GB00BGV1P089.

Some questions and answers, together with further terms and conditions of the Rights Issue, are set out in Part IX: *"Terms and Conditions of the Rights Issue"* and Part X: *"Questions and Answers about the Rights Issue"* of this Prospectus.

5. PRINCIPAL TERMS OF THE TRANSACTION

Under the terms of the Transaction, the Company, through its wholly-owned subsidiary Marks and Spencer Holdings, will acquire 50.0 per cent. of the issued share capital of Ocado Retail. Completion of the Transaction is conditional on the satisfaction or waiver of the following conditions on or before 31 March 2020:

- completion of a restructuring to transfer the business and assets within an agreed perimeter to Ocado Retail and to transfer any business and assets not within such perimeter from Ocado Retail to one or more members of the Ocado Group;

- the relevant member of the Ocado Group having either: (i) obtained all waivers, consent and releases under the existing Ocado Financing; or (ii) redeemed, replaced, terminated or defeased in full the existing Ocado Financing to the extent required to ensure the shares in Ocado Retail are capable of being transferred free from any encumbrance and that Ocado Retail is free from any obligation or liability under or in connection with the Ocado Financing; and
- the Competition and Markets Authority not having requested submission of a merger clearance filing as at the date on which all other conditions are satisfied or waived, or, if it does, approval by the Competition and Markets Authority.

The aggregate consideration for the Transaction will be up to £750,000,001, comprising initial consideration of £562,500,001 (subject to customary post-Completion net debt and working capital adjustments) and deferred consideration of up to £187,500,000 (plus interest at 4 per cent. per annum), which is contingent upon the satisfaction of certain financial and operating conditions.

On Completion, members of the Group and members of the Ocado Group will enter into various agreements to govern their relationship as shareholders in respect of, and their commercial relationships with, Ocado Retail.

More detailed summaries of the key terms of the Sale and Purchase Agreement and of the agreements relating to the Transaction to be entered into on Closing are set out in Part XVI: *"Key Transaction Terms"* of this Prospectus.

6. INFORMATION RELATING TO THE GROUP

The Group is one of the United Kingdom's leading retailers with a strong heritage of brand values and customer relationships. The Group operates a family of businesses, including Food and Clothing & Home, as well as M&S Bank operated by HSBC UK. Although primarily based in the United Kingdom, the Group sells into 57 countries from 1,487 stores and 36 websites. In FY19, the Group employed over 80,000 colleagues who served approximately 32 million customers in the United Kingdom.

The Group's business is divided into two geographic operating segments: United Kingdom (comprising Food and Clothing & Home) and International.

- *United Kingdom—Food:* The Group's Food business focuses on high-quality, sustainably sourced, fresh and convenient products and comprises five main categories: (i) protein, deli and dairy; (ii) produce; (iii) ambient and in-store bakery; (iv) meals, dessert and frozen; and (v) hospitality and "Food On The Move". The Group predominantly sells own-brand products, which are exclusively manufactured and marketed under the "M&S" brand. The Group sells its Food products through its 275 full-line stores, which also offer Clothing & Home products, 301 owned Simply Food stores and 433 Simply Food franchise stores in high-volume, convenience locations. In February 2019, the Group announced a proposed JV with Ocado, a leading online grocer focussed on the home delivery of high-quality food, drink and household goods.
- *United Kingdom—Clothing & Home:* The Group sells high-quality, sustainably sourced, predominantly own brand clothing and homeware through 275 full-line stores, outlets and the M&S website. The Group's principal product departments in Clothing & Home are Womenswear, Menswear, Lingerie, Kidswear and Home products. The Group retains a strong customer base and strong customer franchises in lingerie, back-to-school and tailoring, as well as products such as denim.
- *International:* The Group exports the best of M&S Clothing & Home and Food around the world, with stores and an online presence across Europe, the Middle East and Asia and an online presence in markets such as the United States and Australia.

The Group reported profit before tax and adjusting items of £523.2 million in FY19 (FY18: £580.9 million; FY17: £613.8 million) and profit before tax of £84.6 million in FY19 (FY18: £66.8 million; FY17: £176.4 million) on revenue of £10.4 billion in FY19 (FY18: £10.7 billion; FY17: £10.6 billion). Profit before tax and adjusting items is consistent with how business performance is measured internally. For a discussion of these adjusting items, see Part XIV: *"Operating and Financial Review of the Group—Group results of operations—Adjusting items"*.

7. DIVIDEND POLICY

We are taking proactive steps to strengthen our balance sheet to provide a secure platform for the Transformation Programme, and the right balance of investment and shareholder returns. In addition to the Rights Issue, on 27 February 2019 the Board announced a reduction of dividend per share of 40 per cent. to a sustainable level, which we aim to grow in line with earnings over time. This began with a reduction in the final dividend to FY19 to 7.1 pence. The FY19 final dividend per share and prior dividends per share will be restated in future accounts to reflect the bonus factor adjustment resulting from the Rights Issue in due course. The bonus factor adjustment arises due to the Rights Issue involving bonus shares issued at the Rights Issue Price which is below the Closing Price on 21 May 2019.

8. CURRENT TRADING AND PROSPECTS

M&S reported its FY19 results on 22 May 2019. As reported in those results, we remain in the difficult early stages of our Transformation Programme and, while we expect some improvement in trading in each of our major businesses in the year ahead, progress is likely to be second half weighted. The Group's trading in the first seven weeks of its financial year was in line with Board expectations, although the pattern of trade remains volatile in the context of weather and events.

9. EMPLOYEE SHARE PLANS

The number of Ordinary Shares subject to awards or options outstanding under the Share Plans (as defined in paragraph 9 of Part XVII: *"Additional Information"*) and the exercise price (if any) may be adjusted, in accordance with the rules of the relevant Share Plan, to take account of the issue of the New Ordinary Shares pursuant to the Rights Issue. Holders of awards or options under the Share Plans will be contacted separately and in due course with further information on how their options and awards may be affected by the Rights Issue. Participants in the Marks and Spencer Group Share Incentive Plan 2002 (the **SIP**) will be contacted separately regarding their participation in the Rights Issue as beneficial owners of Ordinary Shares held in the SIP.

10. OVERSEAS SHAREHOLDERS

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding 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 Prospectus, a Provisional Allotment Letter and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraphs 7 and 8 of Part IX: *"Terms and Conditions of the Rights Issue"* of this Prospectus. In particular, subject to certain very limited exceptions, the Rights Issue is not being made to Shareholders in the United States or into any other Excluded Territory.

Notwithstanding any other provision of this Prospectus or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his or her rights if the Company and the Sole Global Co-ordinator (on behalf of the Underwriters) in their absolute discretion are satisfied that the transaction in question will not violate applicable laws.

The Company has made arrangements under which the Underwriters will try to find subscribers for the New Ordinary Shares provisionally allotted to such Shareholders (and other Shareholders who have not taken up their rights) by 5.00 p.m. on the second dealing day after the last date for acceptance of the Rights Issue. If the Underwriters find subscribers and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those subscribers (including any applicable brokerage and commissions and amounts in respect of VAT), such Shareholders will be paid in pounds sterling by credit assured payment or BACS payment to the mandated bank account registered with Equiniti Limited for the payment of dividends, provided that where no mandated bank account has been registered with Equiniti Limited, the payment will be held until such time as a mandated bank account has been registered, for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of irrecoverable VAT), so long as the amount in question is at least £1.85 (except Qualifying Share Service Shareholders who will be paid regardless of value). If any person in the United States or any other Excluded Territory receives a Provisional Allotment Letter, that person should not seek to, and will not be able to, take up his or her rights thereunder, except as described in paragraph 7 of Part IX: *"Terms and Conditions of the Rights Issue"* of this Prospectus. The provisions of paragraphs 6 of Part IX: *"Terms and Conditions of the Rights Issue"* of this Prospectus will apply to Overseas Shareholders who cannot or do not take New Ordinary Shares provisionally allotted to them.

Persons who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom 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 entitlements to the Rights Issue.

11. TAXATION

Information on UK taxation with regard to the Rights Issue is set out in paragraph 15 of Part XVII: *"Additional Information"* of this Prospectus. This information is intended only as a general guide to the current tax position in the United Kingdom.

If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser without delay.

12. ACTIONS TO BE TAKEN

If you are a Qualifying Non-CREST Shareholder other than a Shareholder with a registered address, or who is resident or located (as applicable), in one of the Excluded Territories or, subject to certain exceptions, the United States and Canada, you have been sent a Provisional Allotment Letter with this Prospectus giving you details of your Nil Paid Rights. If you are a Qualifying CREST Shareholder, you have not been sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 29 May 2019. Such crediting does not in itself constitute an offer of New Ordinary Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 29 May 2019, please forward this document and any Provisional Allotment Letter at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States, Canada and the Excluded Territories.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instructions regarding split applications in Part IX: *"Terms and Conditions of the Rights Issue"* of this Prospectus and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 12 June 2019, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part IX: *"Terms and Conditions of the Rights Issue"* of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders who take up their rights other than Shareholders with a registered address, or located or resident in, one of the Excluded Territories or, subject to certain exceptions, the United States and Canada, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be dispatched by no later than 26 June 2019 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 a.m. on 14 June 2019.

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 Rights Issue. If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

The Company has engaged Equiniti Financial Services Limited to make the Special Dealing Service available either online or by post in order for certain Qualifying Non-CREST Shareholders (who are individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 4.5 of Part IX of this Prospectus and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

13. RISK FACTORS

Shareholders should consider fully and carefully the risk factors associated with the Group. We draw attention to the risk factors set out in Part II: *"Risk Factors"* of this Prospectus.

14. FURTHER INFORMATION

Your attention is drawn to the risk factors in Part II: *"Risk Factors"* and the additional information set out in Part XVII: *"Additional Information"* of this Prospectus. Investors should read the whole of this Prospectus and the information incorporated by reference and not rely solely on information summarised in this letter, including the summarised financial information.

15. SHAREHOLDER AUTHORISATION

At the Annual General Meeting of the Company held on 10 July 2018, the Resolutions were passed by the requisite majorities of Shareholders. The New Ordinary Shares will be allotted and issued pursuant to the authorities granted under the Resolutions. It is therefore not necessary to obtain any further approval from Shareholders to implement the Rights Issue.

16. BOARD CONFIRMATIONS

The Board believes the Rights Issue to be in the best interests of the Group and the Shareholders as a whole.

The Directors, who hold in aggregate 429,072 Existing Ordinary Shares representing 0.03 per cent. of the Company's existing issued ordinary share capital as at the Latest Practicable Date, intend to take up in full the New Ordinary Shares to which he or she is entitled under the Rights Issue.

Yours faithfully

Archie Norman
Non-Executive Chairman