RNS Strategy/Company/Operations Update

FUNDRAISE OF UP TO £27.9 MILLION AND OTHER MATTERS

GRAFENIA PLC

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29 August 2023

Grafenia plc

("Grafenia" or "the Company" or the "Group")

Placing and Subscription to raise approximately £23.0 million

Open Offer to raise up to approximately £4.9 million

and

Notice of General Meeting

Grafenia plc (AIM: GRA) is pleased to announce a Fundraising to raise a total of up to approximately £27.9 million (before expenses), comprising a conditional Placing and Subscription, supported by new and existing investors, and a conditional Open Offer to Qualifying Shareholders.

Fundraising highlights

- Placing and Subscription to raise approximately £23.0 million at an Issue Price of 8.5p per New Ordinary Share

- Open Offer to Qualifying Shareholders to raise up to approximately £4.9 million at an Issue Price of 8.5p per New Ordinary Share

- The Issue Price represents a discount of 17.1 per cent. to the closing mid-market price of 10.25p per ordinary share on 25 August 2023

- Fundraising proceeds to be used to:
    - fund future acquisitions;
    - repurchase certain of the Company's existing bond arrangements; and
    - pay deferred consideration on previous acquisitions

- Grafenia trading in line with internal forecasts

- Newly acquired business units performing as expected and contributing to profitability

Qualifying Shareholders are invited to apply for Open Offer Shares under the Open Offer at the Issue Price of 8.5 pence per Open Offer Share, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of:

One Open Offer Share for every Two Existing Ordinary Shares held at the Record Date.

For further information:

Grafenia plc
Gavin Cockerill 07968 510 662

Allenby Capital Limited (Nominated Adviser and Broker)

David Hart / Piers Shimwell (Corporate Finance) 0203 328 5656

Background to and reasons for the Fundraising

Grafenia, historically, has been known predominantly within the graphics sector. Over the years, moving from a franchise model with printing.com to a software licensing model with Nettl. In both cases, the 'secret sauce' was always the software. We've built software for many years. It runs our Nettl Systems business and we licence it around the world.

Given the Company's background in software, in 2021, we announced a change in our acquisition plans. Repositioning the business to better utilise our status as a public company. To focus on and invest in building the structure required to become a serial acquirer of vertical market software ("VMS") businesses.

The first step in the transition was the sale of our production facility, Works Manchester Limited. That moved our business away from asset-heavy manufacturing, enabling us to focus on software and systems.

What that meant was our Nettl Systems business became a software operation, with a significantly reduced cost base. But as a Group, we became smaller as a result of the divestment, with the same central costs. Growing the size of the Group, faster, became the priority.

Since then, we've doubled down on our acquisition strategy with the aim of achieving that growth. Developing an active deal origination process which has resulted in four acquisitions during the previous financial year ended 31 March 2023 ("FY23"). Building a healthy deal flow at the same time.

To date, we've utilised our bond facility to fund the acquisitions. During FY23 we issued £11.2m of bonds, at nominal value, raising £9.5m before expenses. We deployed £9.6m of capital, including deal costs.

Our method

We're continually evaluating multiple VMS business targets. We find potential acquisitions through our outreach program. Engaging with niche, business-to-business, and mission-critical platforms.

We look for businesses where the majority of revenues are recurring in nature and logo churn is low. The sustainability of our strategy is underpinned by the recurring revenue model. This approach allows for a more reliable revenue stream, promoting long-term stability.

The businesses we have acquired have been stable or shown growth over the past three years.

We've invested in building an acquisition 'flywheel'. A structured approach to drive leads for potential acquisition targets. Our deal flow continues to look healthy, having a pipeline of deals we are hoping may progress.

To help us find and prioritise the right kind of deals, we have a framework, a set of what we call 'Guard Rails'. For example:

- Target is UK/IE based
- Target has a clearly defined niche market
- Majority of revenues are recurring in nature, a minimum of £500k per annum
- Valuation multiple → up to 7x (adj EBITDA)
- Logo churn < 10%
- Customer concentration as % of recurring revenue is low
- Number of customers > 30

We run our business units in a decentralised way and actively avoid centralisation and consolidation. We do this to encourage an entrepreneurial spirit and culture in each business which is run by its own management team, supported by the Board. Our aim is to become the permanent home for those businesses and their management talent.

Depending on the reason for the sale, sometimes the owners remain. Sometimes the owners leave as part of the deal but the targets have an existing management team in place. Other times, we'll hire a managing director to replace the owners during a transition period.

Once there is mutual conviction that a target is right, we value a business based on a multiple of its adjusted earnings. Our experience from the first four deals we've completed suggests we are able to acquire VMS businesses at 4-6x adjusted EBITDA.

Our progress so far

Over the last 12 months, we set out to prove three things. That we can find and buy businesses that meet our criteria within the valuation metrics that we set. That we can complete those deals quickly and efficiently. And of course, that we can successfully operate those businesses.

A year on, Grafenia is now home to five software business units across multiple sectors that match our criteria. Those businesses have been, in the main, acquired during the latter stages of FY23.

As a result, the Group looks a little different today. We no longer own the production facility Works Manchester and Grafenia no longer exists solely in the graphics space. Our portfolio of businesses operate primarily within the following sectors: Graphics & Ecommerce, Finance, Property and Care sectors.

Vertical Plus Limited ("Vertical Plus")

In October 2022, we acquired Vertical Plus, an E-commerce storefront and inventory management platform for a consideration of **£2.25m** plus an earnout of up to **£0.63m**. Recurring revenues are generated through licence fees to access the software and royalties from sales generated via the platform.

Two owner-managers left the business, and one is remaining for a transitionary period as a consultant. The sales director, also an owner, was promoted to managing director[*] upon completion.

[*]Not a Statutory Director

Vertical Plus Historic Performance - Last three financial years[1]

Financial Year	**2020**	**2021**	**2022**
Sales	£1.8m	£2.4m	£2.0m
EBITDA	£0.35m	£0.66m	£0.25m
Adj EBITDA[2]	£0.27m	£0.39m	£0.38m
ROS %	*15%*	*16%*	*19%*

[1]Unaudited Management Accounts

[2]Adjustments to EBITDA made during Financial Due Diligence. This does not reflect all adjustments made for valuation or future company adjustments to EBITDA

EBITDA Adjustments: Directors' Pensions, Exiting Staff Costs, Deal Costs, Non-Recurring Costs, CJRS Income, EU Grant, Dividends.

Watermark Technologies Limited ("Watermark")

In December 2022, we acquired Watermark, a document management platform optimised for independent financial advisors, for a consideration of **£2.5m**. Recurring revenues are generated through licence fees to access the software.

Two founder-managers left the business, both remaining for a transitionary period as consultants. A new managing director*, involved during the acquisition process, has been hired to drive the business forward.

*Not a Statutory Director

Watermark Historic Performance - Last three financial years[1]

Financial Year	2020	2021	2022
Sales	£1.2m	£1.2m	£1.2m
EBITDA	£0.19m	£0.34m	£0.44m
Adj EBITDA[2]	£0.32m	£0.39m	£0.42m
ROS %	*27%*	*33%*	*35%*

[1]Unaudited Management Accounts

[2]Adjustments to EBITDA made during Financial Due Diligence. This does not reflect all adjustments made for valuation or future company adjustments to EBITDA

Adjustments: Directors' Pensions, CJRS Income, Dividends.

Care Management Systems Limited ("Care Docs")

In January 2023, we acquired Care Management Systems t/a Care Docs, a Care Home Management platform, for a consideration of **£3.5m**. Recurring revenues are generated through licence fees to access the software on each device required.

Two founder managers left the business, one remaining for a transitionary period as a consultant. A management team was already in place and has remained since completion.

Care Docs Historic Performance - Last three financial years[1]:

Financial Year	2020	2021	2022
Sales	£2.1m	£2.3m	£2.5m
EBITDA	£0.58m	£0.45m	£0.14m
Adj EBITDA[2]	£0.74m	£0.66m	£0.38m
ROS %	*36%*	*29%*	*15%*

[1]Unaudited Management Accounts

[2]Adjustments to EBITDA made during Financial Due Diligence. This does not reflect all adjustments made for valuation or future company adjustments to EBITDA

Adjustments: Non-recurring costs.

Topfloor Ltd ("Topfloor")

In February 2023, we acquired Topfloor, a property management platform, for a consideration of **€4.8m** plus an earnout of up to **€1.4m**. Recurring revenues are generated through licence fees to access the software.

One of three founder managers left upon completion. Two remain, the CEO and CTO*.

*Not a Statutory Director.

Topfloor Historic Performance - Last three financial years[1]

Financial Year	2020	2021	2022
Sales	€1.2m	€1.4m	€1.6m
EBITDA	€0.11m	€0.05m	€0.38m
Adj EBITDA[2]	€0.48m	€0.65m	€0.74m
ROS %	*39%*	*48%*	*46%*

[1]Unaudited Management Accounts

[2]Adjustments to EBITDA made during Financial Due Diligence. This does not reflect all adjustments made for valuation or future company adjustments to EBITDA

Adjustments: Directors' Remuneration, Directors' Pensions.

We have successfully onboarded our newly acquired businesses and they are contributing to profitability and performing as expected.

We plan to drive organic growth by benchmarking performance metrics, providing focus, structure and know-how around operational best practice. Ultimately, we acquire these businesses for what they can do for the Company i.e. bring recurring revenues and profit.

The four acquisitions have a combined annual turnover of over ~£7.0m. **£2.2m** of total Group sales in the FY23 was generated by these acquired businesses, having been acquired during the latter stages of FY23.

Our Nettl Systems business generated **£9.5m** of sales *(2022: £8.9m)* during FY23 which is a **7%** year-on-year increase. That's a welcome result, but it was coming off a year still impacted by the COVID pandemic. We still expect Nettl Systems to grow organically, as we continually develop the platform to future-proof our partners and increase the product range offered. But that growth may be more modest and may not significantly 'move the needle' in terms of Group size. Our focus at Group level, is therefore on scaling by way of acquisition.

Our Current Portfolio

Below, you'll see a breakdown of the FY23 sales contribution of our five operating business units for the period since acquisition.

Business Unit	Sector	Date Acquired	Initial Consideration	Deferred Consideration	Group Sales FY23
Nettl Systems	Graphics & Ecommerce	n/a	n/a	n/a	£9.53m
Vertical Plus	Ecommerce & Inventory Management	01/10/22	£1.25m	£1.00m	£1.01m
Watermark	Document Management	07/12/22	£1.50m	£1.00m	£0.42m
Care Docs	Care Management	18/01/23	£2.98m	£0.52m	£0.55m
TopFloor	Property Management	17/02/23	£3.42m	£0.85m	£0.17m
Total			£9.15m	£3.37m	£11.68m

Use of Proceeds

The Company funded the first round of deals using our Bond facility. This helped us prove the story and allowed us to link fundraising with opportunities in a flexible way.

	Initial Consideration	**Deferred Consideration**	**Bond 1 (Cash)**	**Bond 2 (Cash)**	**Bond 3 (Cash)**	**Total (Cash)**
	-	**-**	**£4.25m**	**£2.72m**	**£2.55m**	**£9.52m**
Vertical Plus	£1.25m	£1.00m	£1.25m	-	-	
Watermark	£1.50m	£1.00m	£1.50m	-	-	
Care Docs	£2.98m	£0.52m	-	£2.98m	-	
Topfloor	£3.42m*	£0.85m*	-	-	£3.42m*	
Total Consideration	**£9.15m**	**£3.37m**				**£12.52m**
Capital Deployed			**£2.75m**	**£2.98m**	**£3.42m**	**£9.15m**
Difference			***£1.5m***	***-£0.26m***	***-£0.87m***	***£0.37m***

*EUR to GBP conversion as at 17/02/23 = 0.89

Source: https://www.exchangerates.org.uk/EUR-GBP-17_02_2023-exchange-rate-history.html

For phase two, our aim is to continue the execution of our acquisition strategy and the growth of the Group. We plan to use the proceeds of this Fundraising to acquire more VMS businesses that match our criteria.

In the short term, while the Company is seeking to identify and negotiate further acquisitions, the Company expects to utilise some of the proceeds from issue of the First Placing Shares to repurchase certain of its existing Bond arrangements. Following discussions with bond holders and the Company's substantial shareholders, the Board expect to repurchase up to £7.6m of bonds at 87% of their face value (utilising up to £6.6m of the proceeds of the Fundraising excluding accrued interest payable and costs).

In addition, the Fundraising will enable the Company to pay **£3.4m** of deferred consideration that will become due for the first four acquisitions, and **£0.3m** of fundraising costs.

The Company expects to utilise the remaining amount to acquire VMS businesses that match our criteria. The Company plans to finance further acquisitions with a prudent mix of equity and debt which may include further restructuring of the remaining bond facility. Alongside this, the Company plans to source traditional bank debt facilities to provide a long-term funding option to support the Company's serial acquisition strategy.

Current trading and outlook

With the acquisitions we've added to the Group, on a run-rate basis, annualised sales would be approximately **£17m**. We're currently trading in line with our internal forecasts and newly acquired business units are performing as expected and contributing to profitability. We're therefore cautiously optimistic about the upcoming year. With a full year's trade from our newly acquired businesses, our goal of achieving EBITDA at 10-15% of sales, after central costs, is considered by the directors to be a realistic target.

As we further reposition our business, the search for VMS businesses continues and our deal flow looks healthy. Our focus remains on scaling the Group by way of acquisition.

Our preliminary results statement for the year ended 31 March 2023 was announced on 26 July 2023.

Details of the Placing and Subscription

The Company has conditionally raised £23.0 million of cash by means of the Placing and Subscription of 270,588,228 new Ordinary Shares at the Issue Price.

The Placing is conditional upon, *inter alia*, the passing of the Resolutions to be put to Shareholders at the General Meeting.

The Placing is being conducted in two tranches to allow the Company to utilise certain funds from the First Placing Shares to repurchase certain of its existing issued bonds and allow those bondholders to re-invest in the Company and receive new Ordinary Shares.

Subject to the passing of the Resolutions at the GM, the first tranche of the Placing, will raise a total of approximately £10.4 million by the issue of 122,941,172 new Ordinary Shares (being the First Placing Shares) at the Issue Price. In addition, the Subscription will raise approximately £2.7 million by the issue of 31,764,702 new Ordinary Shares (being the Subscription Shares) at the Issue Price. It is expected that First Admission will take place on or around 20 September 2023. The allotment of the First Placing Shares is conditional, *inter alia*, upon First Admission and the Placing and Open Offer Agreement becoming unconditional in respect of the First Placing Shares and not being terminated in accordance with its terms prior to First Admission.

Subject to the passing of the Resolutions at the GM, the second tranche of the Placing will raise a total of approximately £9.9 million by the issue of 115,882,354 Ordinary Shares (being the Second Placing Shares) at the Issue Price. In addition, the allotment of the Second Placing Shares is conditional, *inter alia*, on the Placing and Open Offer Agreement becoming unconditional in respect of the Second Placing Shares and not being terminated in accordance with its terms prior to Second Admission. Open Offer Shares to be issued pursuant to the Open Offer will also be included in the Second Admission. It is expected that Second Admission will take place on or around 29 September 2023.

The Placing Shares, the Subscription Shares and the Open Offer Shares, when issued and fully paid, will rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after admission to trading on AIM.

Following First Admission, the Company's enlarged issued ordinary share capital will comprise 269,196,702 Ordinary Shares with voting rights. The Company does not hold any Ordinary Shares in treasury. Therefore, the total number of Ordinary Shares in the Company with voting rights will be 269,196,702. As the take-up of the

Open Offer cannot be predicted, the number of Ordinary Shares in issue (and the total number of voting rights) following Second Admission will be announced at that time.

The placing and Open Offer Agreement

Pursuant to the terms of the Placing and Open Offer Agreement, Allenby as agents to the Company, has conditionally agreed to use its reasonable endeavours to procure Placees for the Placing Shares to be issued under the Placing. The Placing is conditional, *inter alia*, upon the Placing and Open Offer Agreement becoming unconditional and not being terminated in accordance with its terms, First Admission occurring by no later than 8.00 a.m. on 20 September 2023 and Second Admission occurring by no later than 8.00am on 29 September 2023 (or in either case such later date as the Company and the Allenby may agree, being no later than 8.00 a.m. on 13 October 2023). Once Second Admission has occurred, no party to the Placing and Open Offer Agreement can terminate any part of the Placing and Open Offer Agreement which relates to the Second Admission and/or the Placing, allotment and/or issue of the New Ordinary Shares subject to admission to trading on AIM.

Director Participation in the Fundraising

The Directors' interests as at today and following completion of the Fundraising are as follows:

Director	*Existing beneficial interest in Ordinary Shares*	*% of current share capital*	*Subscription Shares subscribed for*	*Open Offer Shares to be applied for*	*Ordinary Shares after Placing and Subscription*	*% of Enlarged Share Capital*
Jan Mohr	-	-	-	-	-	-
Gavin Cockerill	92,518	0.08%	-	46,259	138,777	0.03%
Iain Brown	84,208	0.07%	-	-	84,208	0.02%
Richard Lightfoot	152,156	0.13%	-	467,646	619,802	0.14%
Matthias Riechert	-		2,352,940	-	2,352,940	0.53%
Simon Barrell	85,356	0.07%	-	42,678	128,034	0.03%
Conrad Bona	1,168,841	1.02%	-	1,294,118	2,462,959	0.56%

Related Party Transactions

Investmentaktiengesellschaft fur Langfistige Investoren TGV (**Langfrist**) and Value Focus Beteilgungs GmbH (**Value Focus**), are substantial shareholders in the Company and are subscribing for 79,411,764 Placing Shares and 76,470,588 Placing Shares respectively, which constitute related party transactions under the AIM Rules.

The Directors, other than Matthias Riechert, Conrad Bona and Richard Lightfoot who are not considered independent due to Mr Riechert's participation in the Subscription and Mr Bona and Mr Lightfoot's proposed use of the Excess Application Facility under the Open Offer, are considered to be independent directors of the Company for the purposes of AIM Rule 13 (the "**Independent Directors"**). Having consulted with the Company's nominated adviser, the Independent Directors consider that the terms of the participation in the Placing by Langfrist and Value Focus are fair and reasonable insofar as Shareholders are concerned.

Matthias Riechert, a Director, is subscribing for 2,352,940 Subscription Shares, and Conrad Bona and Richard Lightfoot, both Directors, intend to subscribe for 1,294,118 and 467,646 Open Offer Shares respectively under the Excess Application Facility. The subscriptions by each of Matthias Riechert, Conrad Bona and Richard Lightfoot (the **"Directors' Participation"**) constitute a related party transaction under the AIM Rules.

Having consulted with the Company's nominated adviser, the Independent Directors consider that the terms of the Directors' Participation are fair and reasonable insofar as Shareholders are concerned.

Open Offer

In order to provide all Qualifying Shareholders with an opportunity to participate, the Company is conducting an Open Offer providing those shareholders the opportunity to subscribe at the Issue Price for an aggregate of 57,245,414 Open Offer Shares. This allows Qualifying Shareholders to participate on a pre-emptive basis whilst providing the Company with the flexibility to raise additional equity capital to further improve its financial position.

Qualifying Shareholders are being offered the opportunity to apply for additional Open Offer Shares in excess of their *pro rata* entitlements to the extent that other Qualifying Shareholders do not take up their entitlements in full. In the event of applications in excess of the maximum number of Open Offer Shares available, the Company will decide on the basis for allocation, however if this scenario occurs, preference is likely to be given to Qualifying Shareholders with smaller shareholdings (who historically may have had less opportunity to participate in placings conducted by the Company). The Open Offer Shares have not been placed subject to clawback nor have they been underwritten. Consequently, there may be fewer than 57,245,414 Open Offer Shares issued pursuant to the Open Offer.

The Placing, the Subscription and the Open Offer are conditional upon, *inter alia*, the approval of Shareholders of the Resolutions at the General Meeting and upon the Placing and Open Offer Agreement becoming unconditional in all respects.

Management Incentive Proposals

The remuneration committee of the Board (**Remuneration Committee**) proposes to adopt and implement a cash bonus scheme (the **Cash Bonus Plan**) for key personnel employed in the Group's operations team (the **Operations Team**) and mergers and acquisitions team (the **M&A Team**). All bonuses payable under the Cash Bonus Plan (the **Cash Bonuses**) are discretionary and personal to each participant, and the terms may be amended, varied, cancelled or adjusted in accordance with the rules of the Cash Bonus Plan at the discretion of the Remuneration Committee. Cash Bonuses payable to members of the Operations Team are referred to as **Operations Cash Bonuses**, with Cash Bonuses payable to members of the M&A Team being referred to as **M&A Cash Bonuses**.

It is envisaged that Cash Bonuses will be payable by reference to financial years of the Group (each being a **Bonus Period**), with each subsequent financial year being a further Bonus Period.

It is proposed that all Cash Bonuses will be subject to malus and clawback provisions under which the Remuneration Committee has the right to recover amounts already paid to participants or, where appropriate, cancel or reduce any further payments that may become due.

If a recipient leaves before they receive a Cash Bonus, any present or future entitlements to receive Cash Bonuses will cease. The Board does, however, have discretion to allow recipients who are good leavers to retain such entitlements.

Whilst the precise terms of the Cash Bonuses remain to be finalised:

- The maximum amount of the proposed Operations Cash Bonuses for each Bonus Period (the **Operations Cash Bonus Pool**) will be 20% of the aggregate organic growth of sustainable earnings of companies owned by the Group (the **EBIT**) above a Hurdle of 5% (the **Hurdle**). The organic growth will be determined by the Board by observing the change of actual aggregate EBIT over one period, or, where the company has been recently acquired, by taking the difference between actual EBIT and an internal target of sustainable EBIT. The target and the Hurdle may be adjusted on a time-apportioned basis where a company is acquired part way through a Bonus Period. It is envisaged that the absolute Hurdle will not be reduced in case the aggregate organic growth falls below it. Each recipient of an Operations Cash Bonus will receive a proportion of the Operations Cash Bonus Pool for each Bonus Period to be determined at the discretion of the Remuneration Committee. Cash Bonuses payable to Operations Team members are envisaged to be paid following the end of each Bonus Period and once financial results have been determined by the Board. The first Bonus Period for the Operations Cash Bonuses will be the current financial year.

- The maximum aggregate amount of the proposed M&A Cash Bonuses for each Bonus Period will be 2.75% of the "value creation" achieved in respect of companies acquired by the Group during that Bonus Period, determined by reference to any difference between our internal estimate of post-acquisition value of those companies and the price paid for them, with each recipient receiving a proportion of that amount to be determined at the discretion of the Remuneration Committee. M&A Cash Bonuses will be payable in two instalments, with 50% of each individual's M&A Cash Bonus being payable following the end of the Bonus Period and once financial results have been determined by the Board, and the remaining 50% payable following the end of the next Bonus Period and once financial results have been determined by the Board. Should any further acquisitions take place, M&A Cash Bonuses would be payable on the same basis, with 50% of the M&A Cash Bonuses payable following the end of the Bonus Period in which the acquisition takes place, and 50% following the end of the next Bonus Period. To reward members of the M&A Team for acquisitions made prior to the current financial year, it is envisaged that the first Bonus Period for M&A Cash Bonuses will be the financial year ended 31 March 2023. In respect of this Bonus Period only, it is proposed that 50% of the M&A Cash Bonus due in respect of that Bonus Period will be due and payable in the October 2023 payroll, with the remaining 50% payable following the end of the current financial year and once financial results have been determined by the Board for that financial year.

The Remuneration Committee also proposes to adopt a non-tax-advantaged, discretionary share option plan (the **Share Option Plan**) under which it intends to grant share options (the **Options**) to certain key individuals. Whilst the precise terms of the proposed Share Option Plan remain to be finalised, it is proposed that the Options granted, when aggregated with other awards over Ordinary Shares under other Company discretionary share schemes, will represent no more than 5% of the issued share capital of the Company following the Fundraising and at the time of the grant of the Options. It is also intended that the Options will have a three year holding period and will then vest annually pro rata over a four year period thereafter, with an exercise price calculated by taking the Issue Price and applying a 10% year-on-year hurdle multiple over that seven year period.

The Remuneration Committee have also recommended the adoption in due course of a tax advantaged discretionary company share option plan (the **CSOP Plan**) for the benefit of employees generally. The precise parameters of the CSOP Plan are to be finalised by the Remuneration Committee but it is intended the strike price of any awards under the CSOP Plan would be aligned to shareholder interests and that the maximum awards under the CSOP Plan would, when aggregated with other awards over Ordinary Shares under other Company discretionary share schemes, not exceed 5% of the issued share capital of the Company following the Fundraising.

General Meeting

A Circular containing a Notice of General Meeting will be posted to shareholders shortly and will be made available on the Company's website at: https://www.grafenia.com/reports-downloads/.

The expected timetable of principal events in relation to the Fundraising can be found in Appendix I of this announcement.

All capitalised terms used throughout this announcement shall have the meanings given to such terms in the Definitions section in Appendix II to this announcement and as defined in the Circular.

The FCA notification, made in accordance with the requirements of UK MAR, is appended below.

Appendix I - Expected Timetable of Principal Events

Record Date for the Open Offer	Close of Business on 24 August 2023
Announcement of the Fundraising	29 August 2023
Publication of Circular, Form of Proxy and Application Form	on or by 29 August 2023
Ex entitlement date for the Open Offer	8.00 a.m. on 30 August 2023
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	as soon as possible after 8.00 a.m. on 31 August 2023
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 7 September 2023
Latest time for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements in to CREST	3.00 p.m. on 8 September 2023
Latest time and date for splitting of Application Forms (to satisfy *bona fide* market claims only)	3.00 p.m. on 11 September 2023
Latest time and date for receipt of Form of Proxy for General Meeting	10.00 a.m. on 13 September 2023
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 13 September 2023
Announcement of the result of Open Offer	by 14 September 2023
General Meeting	10.00 a.m. on 15 September 2023
Announcement of the results of the General Meeting	15 September 2023
First Admission and commencement of dealings in the First Placing Shares and the Subscription Shares	8.00 a.m. on 20 September 2023
CREST members' accounts credited in respect of the First Placing Shares and Subscription Shares in uncertificated form	as soon as possible after 8.00 a.m. on 20 September 2023

Second Admission and commencement of dealings in the Second Placing Shares and Open Offer Shares	8.00 am on 29 September 2023
CREST members' accounts credited in respect of the Second Placing Shares and Open Offer Shares	as soon as possible after 8.00 am on 29 September 2023
Dispatch of definitive share certificates for the New Ordinary Shares In certificated form	13 October 2023

Appendix II - Definitions

"**Act**"	the Companies Act 2006 (as amended);
"**AIM**"	a market of that name operated by London Stock Exchange Plc;
"**AIM Rules**"	the AIM Rules for Companies as published by London Stock Exchange Plc from time to time;
"**Allenby**"	Allenby Capital Limited;
"**Application Form**"	the personalised application form that will be posted on 29 August 2023 for use by Qualifying Shareholders in connection with the Open Offer;
"**Business Day**"	means a day (excluding Saturdays, Sundays and statutory holidays) on which banks are open for business in the City of London;
"**Circular**"	this circular to shareholders dated 29 August 2023;
"**Company**" or "**Grafenia**"	Grafenia plc;
"**CCSS**"	the CREST Courier and Sorting Service, established by Euroclear to facilitate, *inter alia*, the deposit and withdrawal of certificated securities;
"**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;
"**CREST Manual**"	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterpart Service Manual, the CREST Rules, the CCSS Operations Manual, the Daily Timetable, the CREST Application Procedures and the CREST Glossary of Terms, as published by Euroclear from time to time;
"**CREST member**"	a person who has been admitted to CREST as a system-member (as defined in the CREST Regulations);
"**CREST member account ID**"	the identification code or number attached to a member account in CREST;
"**CREST participant**"	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
"**CREST participant ID**"	shall have the meaning given in the CREST Manual issued by Euroclear;
"**CREST payment**"	shall have the meaning given in the CREST Manual issued by Euroclear;
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001(SI 2001/3755) (as amended);
"**CREST sponsor**"	a CREST participant admitted to CREST as a CREST sponsor;
"**CREST sponsored member**"	a CREST member admitted to CREST as a sponsored member;
"**Directors**" or "**Board**"	the directors of the Company at the date of this document whose names are set out on page 10 of this document;
"**Enlarged Share Capital**"	the number of Ordinary Shares in issue following completion of the Fundraising;
"**EU**"	the European Union;
"**Euroclear**"	Euroclear UK & International Limited;
"**Excess Application Facility**"	the arrangement pursuant to which Qualifying Shareholders may apply for any number of Open Offer Shares in excess of their Open Offer Entitlement provided that they have agreed to take up their Open Offer Entitlement in full;
"**Excess CREST Open Offer Entitlement**"	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full;
"**Existing Ordinary Shares**"	the 114,490,828 Ordinary Shares in issue at the date of this document;
"**FCA**"	the Financial Conduct Authority;

"First Admission" admission of the First Placing Shares and the Subscription Shares to trading on AIM becoming effective in accordance with the AIM Rules;

"First Placing Shares" 122,941,172 new Ordinary Shares to be allotted pursuant to the Placing;

"Form of Proxy" the form of proxy for use by Shareholders in connection with the GM;

"**FSMA**" the Financial Services and Markets Act 2000 (as amended);

"**Fundraising**" the Placing, Subscription and Open Offer;

"GM" or **"General Meeting"** the general meeting of the Company convened for 10 a.m. on 15 September 2023 and any adjournment thereof, notice of which is set out at the end of this document;

"**ISIN**" International Securities Identification Number;

"**Issue Price**" 8.5 pence per Ordinary Share;

"**Link Group**" a trading name of Link Market Services Limited;

"**Money Laundering Regulations**" The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended;

"**New Ordinary Shares**" the new Ordinary Shares to be issued by the Company pursuant to the Fundraising;

"**Official List**" the Official List of the FCA;

"**Open Offer**" the offer to Shareholders, constituting an invitation to apply for the Open Offer Shares on the terms and subject to the conditions set out in this document and, in the case of non-CREST Shareholders, in the Application Form;

"**Open Offer Entitlement**" an entitlement of a Qualifying Shareholder, pursuant to the Open Offer, to apply for 1 Open Offer Share for every 2 Existing Ordinary Shares held by the Qualifying Shareholder at the Record Date;

"**Open Offer Shares**" up to 57,245,414 new Ordinary Shares which are the subject of the Open Offer;

"**Ordinary Shares**" ordinary shares of 1p each in the capital of the Company;

"**Overseas Shareholders**" Shareholders who are resident in or a citizen or national of any country outside the United Kingdom;

"**Placees**" the subscribers for Placing Shares pursuant to the Placing;

"**Placing**" the proposed conditional placing by Allenby of the Placing Shares at the Issue Price;

"**Placing and Open Offer Agreement**" the conditional agreement dated 28 August 2023 between (1) the Company and (2) Allenby relating to the Placing and Open Offer;

"**Placing Shares**" the 238,823,526 new Ordinary Shares which have been conditionally placed by Allenby pursuant to the Placing;

"**Proposals**" the proposals set out in this document;

"**Qualifying CREST Shareholders**" Qualifying Shareholders holding Existing Ordinary Shares in uncertificated form via CREST;

"**Qualifying non-CREST Shareholders**" Qualifying Shareholders holding Existing Ordinary Shares in certificated form;

"**Qualifying Shareholders**" Shareholders whose Ordinary Shares are on the register of members of the Company at the close of business on the Record Date with the exclusion (subject to exemptions) of persons with a registered address or located or resident outside the United Kingdom;

"**Receiving Agent**" or "**Registrar**" Link Group;

"**Record Date**" close of business on 24 August 2023;

"**Regulatory Information Service**" a service approved by the FCA for the distribution to the public of AIM announcements and included within the list on the website of the FCA;

"**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 the United States, Australia, Canada, France, Japan, the Republic of Ireland and the Republic of South Africa and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law;

"Second Admission" admission of the Second Placing Shares and the Open Offer Shares to trading on AIM becoming effective in accordance with the AIM Rules;

"Second Placing Shares" 115,882,354 new Ordinary Shares to be allotted pursuant to the Placing;

"**Shareholders**" holders of Ordinary Shares;

"**Subscription**" the proposed conditional subscription of the Subscription Shares at the Issue Price;

"**Subscription Shares**"	the 31,764,702 New Ordinary Shares subscribed for pursuant to the Subscription;
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**United States**" of "**US**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and
"USE"	Unmatched Stock Event**.**

IMPORTANT NOTICES

Notice to Distributors

Solely for the purposes of the temporary product intervention rules made under sections S137D and 138M of the FSMA and the FCA Product Intervention and Product Governance Sourcebook (together, the "**Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Fundraising Shares have been subject to a product approval process, which has determined that the Fundraising Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, as defined under the FCA Conduct of Business Sourcebook COBS 3 Client categorisation, and are eligible for distribution through all distribution channels as are permitted by the FCA Product Intervention and Product Governance Sourcebook (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Fundraising Shares may decline and investors could lose all or part of their investment; the Fundraising offers no guaranteed income and no capital protection; and an investment in the Fundraising is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Fundraising. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Allenby Capital Limited will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of the FCA Conduct of Business Sourcebook COBS 9A and 10A respectively; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Fundraising Shares.

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

Forward Looking Statements

This announcement contains forward-looking statements which are based on the beliefs, expectations and assumptions of the Directors and other members of senior management about the Group's businesses. All statements other than statements of historical fact included in this announcement may be forward-looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims", "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance, and there can be no assurance that the expectations reflected in such forward-looking statements will prove to have been correct. Rather, they are based on the current beliefs, expectations and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results, performance, plans, objectives, achievements or events to differ materially from those express or implied in such forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements.

New factors will emerge in the future, and it is not possible to predict which factors they will be. In addition, the impact of each factor on the Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statement or statements cannot be assessed, and no assurance can therefore be provided that assumptions will prove correct or that expectations and beliefs will be achieved.

Any forward-looking statement contained in this announcement based on past or current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed historical or published earnings of the Group.

Prospective investors are strongly recommended to read the risk factors set out in Part II of the Circular for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

Each forward-looking statement speaks only as at the date of this announcement and is not intended to give any assurance as to future results. The Company and/or its Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein as a result of new information, future events or other information, except to the extent required by the FCA's Disclosure Guidance and Transparency Rules, the rules of the London Stock Exchange, including the AIM Rules or by applicable law.

Notice to overseas persons
This announcement does not constitute, or form part of, a prospectus relating to the Company, nor does it constitute or contain any invitation or offer to any person, or any public offer, to subscribe for, purchase or otherwise acquire any shares in the Company or advise persons to do so in any jurisdiction, nor shall it, or any part of it form the basis of or be relied on in connection with any contract or as an inducement to enter into any contract or commitment with the Company.

This announcement is not for release, publication or distribution, in whole or in part, directly or indirectly, in or into the United States, Australia, New Zealand, Russia, Canada, Japan, the Republic of South Africa, Singapore or any jurisdiction into which the publication or distribution would be unlawful. This announcement is for information purposes only and does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire shares in the capital of the Company in the United States, Australia, New Zealand, Russia, Canada, Japan, the Republic of South Africa, Singapore or any jurisdiction in which such offer or solicitation would be unlawful or require preparation of any prospectus or other offer documentation or would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. Persons into whose possession this announcement comes are required by the Company to inform themselves about, and to observe, such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of such jurisdictions.

This announcement is not for publication or distribution, directly or indirectly, in or into the United States of America. This announcement is not an offer of securities for sale into the United States. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States, except pursuant to an applicable exemption from registration. No public offering of securities is being made in the United States.

General
Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) or any previous announcement made by the Company is incorporated into, or forms part of, this announcement.

Allenby Capital Limited, which is authorised and regulated by the FCA in the United Kingdom, is acting as Nominated Adviser and Broker to the Company in connection with the Fundraising. Allenby Capital will not be responsible to any person other than the Company for providing the protections afforded to clients of Allenby Capital or for providing advice to any other person in connection with the Fundraising. Allenby Capital has not authorised the contents of, or any part of, this announcement, and no liability whatsoever is accepted by Allenby Capital for the accuracy of any information or opinions contained in this announcement or for the omission of any material information.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

All references to time in this announcement are to London time, unless otherwise stated.

Notification and public disclosure of transactions by persons discharging managerial responsibilities and persons closely associated with them.

1.	**Details of the person discharging managerial responsibilities / person closely associated**	
a)	Name	Matthias Riechert via Maxigendance Ltd
2.	**Reason for the Notification**	
a)	Position/status	Non-executive director
b)	Initial notification/Amendment	Initial Notification

3.	**Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor**	
a)	Name	Grafenia plc
b)	LEI	213800OKTI2518K5KM22
4.	**Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted**	
a)	Description of the Financial instrument, type of instrument Identification code	Ordinary shares of 1p each ISIN: GB0009638130
b)	Nature of the transaction	Conditional subscription of ordinary shares
c)	Price(s) and volume(s)	Price(s): 8.5p Volume(s): 2,352,940
d)	Aggregated information: - Aggregated volume - Price	n/a
e)	Date of the transaction	25 August 2023 expected to be completed on 20 September 2023
f)	Place of the transaction	London Stock Exchange, XLON

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