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25 February 2019

**DeepMatter Group plc  
("DeepMatter" or the "Company")**

**Acquisition of InfoChem GMBH  
Placing to raise approximately £4.0 million  
and  
Waiver of Rule 9 of The City Code**

Further to its announcement dated 20 December 2018, DeepMatter, the AIM-listed company focusing on digitizing chemistry, is pleased to announce that it has raised approximately £4.0 million by way of a placing of 159,185,680 new ordinary shares at 2.5 pence per share.

**Transaction Highlights**

- Placing to raise approximately £4.0 million through the issue of a total of 159,185,680 Placing Shares at 2.5 pence per share with certain new and existing investors
- Placing Shares to be issued at 2.5 pence per share which represents a discount of 12.3 per cent. to the closing mid-market price of 2.85 pence per share on 19 December 2018

The above transaction highlights and the summary announcement below should be read in conjunction with the full appendix at the foot of this announcement.

DeepMatter, the AIM-listed company focusing on digitizing chemistry, is pleased to announce that it has raised approximately £4.0 million by way of a placing of 159,185,680 new ordinary shares at 2.5 pence per share. The issue of the Placing Shares is subject to, *inter alia*, the passing of the Resolutions at a general meeting.

The Placing Price represents a discount of 12.3 per cent. to the closing mid-market price of 2.85 pence per share on 19 December 2018.

The net proceeds of the Placing will be used to further finance ongoing DigitalGlassware™ technology development, including integration of cheminformatics capabilities, user and partner support, marketing, data science, manufacture and for working capital requirements of the Enlarged Group.

Application will be made to the London Stock Exchange for the New Shares to be admitted to trading on AIM. Details of when dealings are expected to commence and when the New Shares will be enabled for settlement in CREST are set out in the Expected Timetable of Principal Events at the end of this announcement.

**Mark Warne, CEO of DeepMatter, commented:**

"We are delighted to be oversubscribed in our placing and would like to thank both our existing and new shareholders for the support they have shown in the Group and its DigitalGlassware™ platform.

We are excited to move forward with the integration of InfoChem and accelerate development towards our end goal: the digitization of chemistry. We approach the future with great confidence and look forward to updating our shareholders on progress in due course."

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.*

**For further information:**

**DeepMatter Group plc**  
Mark Warne, Chief Executive Officer

T: 0141 548 8156

**Stockdale Securities Limited**  
Tom Griffiths  
David Coaten

T: 020 7601 6100

**Alma PR**  
Caroline Forde  
Rebecca Sanders-Hewett  
Susie Hudson

T: 020 3405 0209  
[deepmatter@almapr.co.uk](mailto:deepmatter@almapr.co.uk)

#### **About DeepMatter:**

DeepMatter's long term strategy is to integrate chemistry with technology, thereby enabling a greater use of artificial intelligence and reaching a point where chemicals can be autonomously synthesised through robotics. In the near term this involves the provision of an integrated software, hardware and artificial intelligence enabled platform, DigitalGlassware™, to scientists across research and process development sectors.

The DigitalGlassware™ platform allows chemistry experiments to be accurately and systematically recorded, coded and entered into a shared data cloud. The platform is designed to enable chemists to work together effectively; sharing the details of their experiments from anywhere and in real-time, so that work is not needlessly duplicated, time and money wasted, and ultimately so new discoveries may be made faster.

More information is available here: <http://www.deepmattergroup.com>

#### **About Springer Nature:**

Springer Nature is a leading research, educational and professional publisher, providing quality content to its communities through a range of innovative platforms, products and services. Springer Nature's imprints, books, journals and resources reach millions of people around the globe - helping researchers, students, teachers and professionals to discover, learn and achieve more. Through its family of brands, Springer Nature aims to serve and support the research, education and professional communities by delivering the highest possible standards in content and technology, and helping shape the future of publishing for their benefit and for society overall.

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### **APPENDIX**

The following information has been extracted from the Circular containing details of the Proposals which was posted on 22 February 2019 to Shareholders along with a Form of Proxy to vote at a general meeting of the Company convened at 9.30 a.m. on 11 March 2019. Capitalised terms in this announcement are defined as set out at the end of this announcement. A copy of the Circular is available on the Company's website <http://www.deepmattergroup.com>.

#### **"Introduction**

On 20 December 2018 the Company announced that, subject to certain conditions, it was planning to undertake a fundraising to raise a minimum of £3.0 million (before expenses) by way of a placing of new ordinary shares at a price of 2.5 pence per share with certain new and existing investors.

In addition, the Company announced that it had entered into the Acquisition Agreement to conditionally acquire the entire issued share capital of InfoChem in consideration of approximately €2.0 million to be satisfied by the payment in cash of €0.36 million and the issue of the Consideration Shares (comprising 25,600,000 Initial Consideration Shares and 42,800,000 Deferred Consideration Shares). Further details on the Acquisition Agreement can be found in Part 3 of this document. InfoChem specialises in chemoinformatics. Further details on InfoChem are set out below. The Acquisition is conditional upon, *inter alia*, the Rule 9 Waiver being granted and the Placing becoming effective.

The New Shares will, when issued, represent approximately 25.1 per cent. of the Enlarged Issued Share Capital.

The Independent Directors, who have been so advised by Stockdale, the Company's nominated adviser, consider that the terms of the Proposals are fair and reasonable and in the best interests of Independent Shareholders and the Company as a whole. In providing advice to the Independent Directors, Stockdale has taken into account the commercial assessments of the Independent Directors.

The Placing is conditional upon, *inter alia*:

- the passing of the Resolutions at the General Meeting; and
- admission of the VCT/EIS Shares becoming effective by no later than 8.00 a.m. on 12 March 2019, and admission of the Placing Shares becoming effective by no later than 8.00 a.m. on 13 March 2019 or such later date (being not later than 8.00 a.m. on 29 March 2019) as the Company and Stockdale may agree.

Each of IP2IPO Portfolio LP, IP Venture Fund II LP, EIF LP and ORA intends to participate in the Placing as to £1,000,000, £428,571, £1,428,571 and £150,000 respectively. The funds to be invested by EIF LP will be managed by Top Technology Ventures Limited and, therefore EIF LP is considered to be acting in concert with IP Group and is part of the IP Group Concert Party which also comprises IP2IPO Limited, IP2IPO Portfolio LP, IP Venture Fund II LP, Mark Warne, Chief Executive Officer of the Company and a former partner in the Life Sciences division of IP Group, Alan Aubrey (CEO of IP Group and a shareholder in the Company) and Michael Townend (CIO of IP Group and a shareholder in the Company). None of the members of the IP Group Concert Party who are Shareholders are entitled to vote on the Whitewash Resolution.

In addition, as a result of ORA's participation in the Placing, none of the members of the ORA Concert Party, which comprises ORA, Richard Griffiths, James Ede-Golightly and Michael Brethertonjs entitled to vote on the Whitewash Resolution.

Immediately following admission to trading on AIM of the Placing Shares, the IP Group Concert Party will own, in aggregate, 270,218,404 Ordinary Shares, representing approximately 38.06 per cent. of the Enlarged Issued Share Capital. However, following admission to trading on AIM of the Initial Consideration Shares, the IP Group Concert Party will own, in aggregate, 270,218,404 Ordinary Shares representing approximately 36.74 per cent. of the Enlarged Issued Share Capital. In the absence of a waiver from the provisions of Rule 9 of the Code being granted by the Panel, the IP Group Concert Party would be obliged to make a general offer for the Company. The Panel has agreed, subject to the Whitewash Resolution being passed on a poll of Independent Shareholders, to waive this obligation. Immediately following Admission, the ORA Concert Party will own, in aggregate, 172,146,184 Ordinary Shares, representing approximately 23.40 per cent. of the Enlarged Issued Share Capital.

IP Group's participation in the Placing is considered to be a related party transaction in accordance with Rule 13 of the AIM Rules. Accordingly, the Independent Directors, having consulted with Stockdale, the Company's nominated

adviser, consider that the terms of IP Group's participation in the Placing through IP2IPO Portfolio LP and IP Venture Fund II LP are fair and reasonable insofar as Shareholders are concerned.

Certain Directors have subscribed for Placing Shares as follows: -

Name of Director	Number of Placing Shares subscribed for
James Ede-Golightly	600,000
Mark Warne	1,000,000
Michael Bretherton	400,000
Lee Cronin	800,000
Laurence Ede	400,000

Further details on the Placing and the Acquisition can be found in Parts 2 and 3 of this document respectively.

The purpose of this document is to explain the background to and reasons for the Acquisition and the Placing, to explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Independent Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document, as they and their immediate families and connected persons (within the meaning of section 252 of the Act) have irrevocably undertaken to do in respect of their aggregate holdings of 71,667,598 Ordinary Shares, representing approximately 13.0 per cent. of the Company's issued share capital.

#### **Background to and Reasons for the Acquisition and the Placing**

The Company's long-term strategy is to integrate chemistry with technology, thereby enabling a greater use of artificial intelligence and reaching a point where chemicals can be autonomously synthesised through robotics.

In the near term, this involves the provision of an integrated software, hardware and artificial intelligence enabled platform, DigitalGlassware™, to scientists across research and process development sectors.

The DigitalGlassware™ platform allows chemistry experiments to be accurately and systematically recorded, coded and entered into a shared data cloud. The platform is designed to enable scientists to work together effectively, sharing the details of their experiments from anywhere and in real-time, reducing duplication, improving productivity and making new discoveries faster.

Problems with reproducibility and reliability of data in chemistry have been publicised in prominent industry publications and several peer-reviewed journals. The way that laboratory work is documented has changed little in 200 years, meaning chemists often have difficulty replicating other researchers' or even their own work, with recent studies suggesting that as much as 50 per cent. of scientific literature is not reproducible, which translates into wasteful spending of nearly \$28 billion dollars annually in the US alone, demonstrating the size of the issue DigitalGlassware™ helps to address.

#### ***DigitalGlassware™ platform addresses the need to digitize chemistry***

DigitalGlassware™ comprises small pieces of IoT-connected sensory equipment which are used in conjunction with laboratory apparatus; and an easy-to-use software interface. The sensors automatically collect a wide range of data generated from chemical experiments, which are then stored and processed by the software, via the cloud. The user can record with certainty and analyse many different data points across an entire chemical experiment, from the planning stage through to implementation and to analysis. At any time, the user can access data from previous experiments using DigitalGlassware™ in order to compare and contrast. This information, provided to scientists and their managers, has the potential to impact productivity and discovery on a day-to-day basis.

A key differentiator of DigitalGlassware™ is that the outcomes of all experiments - whether successful or unsuccessful - are recorded to the same level of detail with real-time sensors from within the chemical reaction. This is something not seen with traditional methods of chemistry notation where generally not all data are recorded with the same level of integrity (especially if the experiment fails), meaning that currently significant swathes of valuable data are not being recorded for future analysis.

The Directors believe that in due course aggregated volumes of big data with inherent chemistry context collected by its DigitalGlassware™ platform, when subjected to artificial intelligence and machine learning technologies, will provide commercially exploitable scientific insights not previously available.

Ultimately, using structured data collected from DigitalGlassware™, along with other intellectual property and robotics technology, the Company's vision is to enable a commercially viable autonomous synthesis engine, the Chemputer™.

<sup>1</sup><https://www.chemistryworld.com/news/taking-on-chemistrys-reproducibility-problem/3006991.article>

<https://pubs.acs.org/doi/pdf/10.1021/acs.jchemed.7b00907>

<https://www.nature.com/news/1-500-scientists-lift-the-lid-on-reproducibility-1.19970>

<https://www.labnews.co.uk/features/great-reproducibility-problem-22-08-2017/>

<sup>2</sup> Freedman, L. P., Cockburn, I. M. & Simcoe, T. S. The Economics of Reproducibility in Preclinical Research. PLOS Biol. 13, e1002165 (2015).

Freedman, L. P. & Gibson, M. C. The impact of preclinical irreproducibility on drug development. Clin. Pharmacol. Ther. 97, 16-18 (2015).

***Successful implementation of the Company's Pioneer Programme***

The Company has chosen to begin deployment of its DigitalGlassware™ technology to users working in the pharmaceutical research, fine chemicals, contract research and scientific publications markets.

The Directors consider that these markets are traditionally early adopters of innovative technology. The Directors also believe that there is value in seeking wide user deployment in the academic research and university teaching environments, where typically the highest level of research is published and shared, providing both marketing and use of DigitalGlassware™ by the scientists of the future.

Earlier this year, the Company initiated its pioneer programme, entering into a selected number of trial agreements with target users across a range of companies and institutions, allowing observation of technology performance in different operating environments and locations. As at the date of this document, the Company had entered into agreements with two international life science reagent and chemicals manufacturers, a world-renowned US-headquartered research centre, universities and a contract research organisation, meaning the platform is currently deployed and in-use across three continents.

The pioneers have begun using the technology to structure, code and analyse the experiments they wish to perform, in addition to experiments and tests suggested by the Company. The experiments and tests are contributing towards context rich data, capable of being interrogated with machine learning algorithms and artificial intelligence, as well as the evaluation of DigitalGlassware™'s performance and exploring its operating potential. These observations are contributing towards technology optimisation, prior to planned wider dissemination to target users. The pioneer partners are also helping the Company understand how it can help improve the outcomes of chemical processes, including precision and reproducibility and potentially helping to discover new synthetic routes and chemical entities.

#### **Acquisition of InfoChem GmbH**

InfoChem, which was founded in 1989, is based in Munich, Germany, is owned by Springer-Verlag GmbH and has 25 employees. It has extensive scientific expertise and a long tradition in developing successful software solutions for handling retrieval, structures and reactions. Its established base of users is in the same industries as those being targeted by the Company. The Directors anticipate that the integration of InfoChem will assist in the accelerated development of the DigitalGlassware™ platform and the shared customer base will provide an additional sales channel.

InfoChem generated turnover of €1.99 million for the financial year ended 31 December 2018. In the Directors' opinion, the Acquisition will accelerate the Company's strategy by providing cost effective access to established data sources and chemical information software tools, assisting in the accelerated development of the DigitalGlassware™ platform, as well as providing specialist staff, recurring revenues and an additional sales channel.

#### **Current Trading and Prospects**

The Directors believe the Company's DigitalGlassware™ platform brings code, structure and order into the chemistry lab environment and enables recordable, shareable, reproducible chemistry whilst also championing speed, simplicity and unhindered discovery. The Enlarged Group will be strengthened both technically, operationally and financially as it focuses on building credibility, awareness and understanding of the DigitalGlassware™ platform before rolling it out in full to the broader scientific community.

#### **Directorate change**

The Board is pleased to announce the appointment, with effect from Completion, of Bettina Goerner as a Non-Executive Director of the Company. Bettina Goerner is Managing Director Database Research Group at Springer Nature, based in Heidelberg, Germany. She oversees central product management and development for the databases and corporate product lines. This spans a portfolio of content relevant to academic institutions and corporations with R&D activity in areas like drug discovery and material sciences.

Springer Nature was created as a result of the merger of Nature Publishing Group, Palgrave Macmillan, Macmillan Education and Springer Science+Business Media in May 2015.

Bettina graduated in Molecular Biology (MSc) from the International Max Planck Research School after a research stay at the Harvard Institute of Medicine. She first ventured into the corporate world with assignments at McKinsey & Company and INSEAD Business School, before joining Springer in 2008. She was responsible for Springer's open access activities from 2009 to 2013 before moving to her current position.

#### **The Placing**

Details of the Placing are set out in Part 2 of this document.

#### **The Acquisition, Consideration Shares and the Acquisition Agreement**

Details of the Acquisition, Consideration Shares and the Acquisition Agreement are set out in Part 3 of this document.

#### **New Shares**

The New Shares, being the new Ordinary Shares to be issued pursuant to the Placing and the Acquisition, will, when issued, be credited as fully paid and 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 after Admission.

Application will be made for the New Shares to be admitted to trading on AIM. On the assumption that *inter alia*, the Whitewash Resolution is approved by Independent Shareholders, it is expected that Admission will become effective and that dealings in the VCT/EIS Shares will commence at 8.00 am on 12 March 2019, dealings in the Placing Shares (other than the VCT/EIS Shares) will commence at 8.00 a.m. on 13 March 2019 and dealings in the Initial Consideration Shares will commence not before 8.00 a.m. on 14 March 2019. It is expected that the VCT/EIS Shares will be delivered into CREST on 12 March 2019, the Placing Shares (other than the VCT/EIS Shares) will be delivered into CREST on 13 March 2019 and that the Initial Consideration Shares will be delivered into CREST not before 14 March 2019 or, as applicable, that share certificates for any of the New Shares will be despatched by 20 March 2019.

#### **Use of Proceeds**

On the back of the successful pioneer programme, the Company is now gearing up for deployment of its DigitalGlassware™ platform to a broader user community. The net proceeds of the Placing will be used to further finance ongoing DigitalGlassware™ technology development, including integration of cheminformatics capabilities, user and partner support, marketing, data science, manufacture and for working capital requirements of the Enlarged Group.

#### **EIS and VCT Status**

The Company has received advance assurance from HMRC that the Placing Shares will be "eligible shares" for the purposes of investment by VCTs and that the Company is authorised to issue EIS Compliance Certificates in respect of

Placing Shares issued following receipt of a completed Form EIS1. However, none of the Company, the Directors or any of the Company's advisers give any warranty or undertaking that any tax reliefs will continue to be available and not withdrawn at a later date.

### **The City Code on Takeovers and Mergers**

The proposed issue of the New Shares gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is a listed public company and its Shareholders are entitled to the protections afforded by the City Code.

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

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

An offer under Rule 9 must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

**Immediately following admission to trading on AIM of the Placing Shares, in each case following the passing of the Resolutions and assuming no other person has exercised any option or any other right to subscribe for or acquire shares in the Company, the IP Group Concert Party will have acquired interests in shares carrying approximately 38.06 per cent. of the voting rights of the Company which, without a waiver of the obligations under Rule 9 of the City Code, would oblige the IP Group Concert Party to make a Rule 9 Offer. However, following admission to trading on AIM of the Initial Consideration Shares, the IP Group Concert Party will own, in aggregate, 270,218,404 Ordinary Shares representing approximately 36.74 per cent. of the Enlarged Issued Share Capital.**

**Following Admission, if any member of the IP Group Concert Party acquires any further interest in Ordinary Shares that increases its proportion of voting rights in the Company, the IP Group Concert Party may be required to make a mandatory offer for the Company in accordance with Rule 9 of the City Code.**

A table setting out the details of each member of the IP Group Concert Party and their individual interests as at the date of this document and immediately following Admission is set out in paragraph 3.2 of Part 4 of this document.

Following Admission, members of the IP Group Concert Party will not be restricted from making a subsequent offer in the future for the Company in the event that the Waiver is approved by Independent Shareholders.

### **Dispensation from General Offer**

Under Note 1 on the Notes on the Dispensations from Rule 9 of the City Code, the Takeover Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code (a "Rule 9 Offer") if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him (the "Independent Shareholders") pass an ordinary resolution on a poll at a general meeting (a "Whitewash Resolution") approving such a waiver.

The Panel has agreed to such a waiver, subject to the Whitewash Resolution being passed.

**Accordingly, by voting in favour of the Whitewash Resolution to be proposed at the General Meeting, the Placing, the Acquisition and the issue of the Consideration Shares can be effected without the requirement for the IP Group Concert Party to make a Rule 9 Offer for the Company.**

### **Risk Factors**

Shareholders and investors should consider fully the risk factors associated with the Proposals, the business of the Enlarged Group and trading on AIM. Your attention is drawn to the section entitled "Risk Factors" set out in Part 5 of this document.

### **Further Information**

#### **Share issuance authorities**

The Directors currently have existing authorities under sections 551, 570 and 573 of the Act which were obtained at the Company's Annual General Meeting held on 16 May 2018 which are insufficient to enable the Company to allot and issue the full amount of the New Shares and so the Company is seeking Shareholders' consent to increase the Directors' general authority to allot securities and disapply pre-emption rights pursuant to section 551 of the Act and sections 570, 571 and 573 of the Act respectively.

#### **General Meeting**

A notice convening the General Meeting to be held at the offices of Stockdale Securities Limited, 100 Wood Street, London EC2V 7AN at 9.30 a.m. on 11 March 2019 is set out at the end of this document.

The Whitewash Resolution to be proposed at the General Meeting is an ordinary resolution for Independent Shareholders to approve, on a poll, the grant of a waiver by the Panel of any requirement under Rule 9 of the City Code for the IP Group Concert Party to make a general offer for the entire issued and to be issued share capital of the Company.

Resolution 2 is also an ordinary resolution to authorise the directors to allot ordinary shares up to an aggregate amount of £6,482.50 (such amount to be in addition to their existing authorities) and Resolution 3 is a special resolution to disapply statutory pre-emption rights that would otherwise apply to such issue. Resolution 3 requires approval by no less than 75 per cent. of the votes cast by Shareholders voting in person or on a poll.

The Whitewash Resolution will require a simple majority of those voting on a poll in favour of the Whitewash

Resolution. As described above, only Independent Shareholders will vote on the Whitewash Resolution.

The attention of Shareholders is also drawn to the irrevocable undertakings received by the Company from certain Independent Shareholders, including the Independent Directors, as set out below.

#### **Action to be Taken**

A Form of Proxy for use at the General Meeting accompanies this document. Whether or not Independent Shareholders intend to be present at the meeting, they are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon and return it to the Company's registrars, Neville Registrars at Neville House, Steelpark Road, Halesowen B62 8HD, as soon as possible, but in any event so as to be received by no later than 9.30 a.m. on 7 March 2019. The completion and return of a Form of Proxy will not preclude Independent Shareholders from attending the General Meeting and voting in person should they so wish.

**The Independent Directors, who have been so advised by Stockdale, consider that the terms of the Proposals are fair and reasonable and in the best interests of Independent Shareholders and the Company as a whole. In providing advice to the Independent Directors, Stockdale has taken into account the commercial assessments of the Independent Directors.**

#### **Recommendation**

The Independent Directors believe that the Proposals are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Independent Directors, recommend that Shareholders vote in favour of the Whitewash Resolution, as they have irrevocably undertaken to do in respect of their own shareholdings, amounting, in aggregate, to 71,667,598 Ordinary Shares, representing approximately 13.0 per cent. of the Company's issued share capital.

#### **Irrevocable Undertakings**

In addition to the irrevocable undertakings received from each of the Independent Directors, the Company has received further irrevocable undertakings from Robert Queded and Oxford University to vote in favour of the Whitewash Resolution in respect of 59,549,708 Ordinary Shares, in aggregate, representing approximately 10.8 per cent. of the Company's issued share capital.

In total, the Company has therefore received irrevocable undertakings to vote in favour of the Whitewash Resolution (the "**Rule 9 Waiver**") in respect of, in aggregate, 131,617,306 Ordinary Shares, representing approximately 57.1 per cent. of the Company's issued share capital held by Independent Shareholders and irrevocable undertakings to vote in favour of the other resolutions in respect of, in aggregate, 354,376,996 Ordinary Shares, representing approximately 64.3 per cent. of the Company's issued share capital.

Yours sincerely

Laurence Ede

**For and on behalf of the Independent Directors**

## **PART 2**

### **DETAILS OF THE PLACING**

#### **The Placing**

The Company has conditionally raised approximately £3.98 million, before expenses, by way of the conditional placing of 159,185,680 Placing Shares at the Placing Price with certain new and existing investors. The Placing Price represents a discount of 12.3 per cent. to the closing mid-market price of 2.85 pence per share on 19 December 2018, being the last dealing day prior to the announcement of the Proposals. The Placing is conditional upon, *inter alia*, (i) the passing of the Whitewash Resolution; and (ii) Admission. The Placing is not underwritten.

Assuming the issue of all of the Placing Shares, the Placing Shares will represent approximately 28.9 per cent. of the Existing Ordinary Shares and will, when issued, represent approximately 21.6 per cent. of the Enlarged Issued Share Capital.

The Placing Shares are not being made available to the public and none of the Placing Shares are being offered or sold in any jurisdiction where it would be unlawful to do so.

#### **Prospectus Rules and Financial Promotion Order ("FPO")**

The Placing falls within an exemption in Section 86 of FSMA. As such, this Circular does not constitute a prospectus.

This Circular relies on the exemption set out in paragraph 43 of the FPO (non-real time communications by or on behalf of a body corporate to members of that body corporate) and it has been drawn up in accordance with the FCA's Handbook and its Conduct of Business Sourcebook.

#### **Restricted Jurisdictions**

The Placing Shares have not been and will not be registered under the relevant laws of any of the Restricted Jurisdictions or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly in or into any of the Restricted Jurisdictions or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdictions except pursuant to an applicable exemption.

#### **Taxation**

Shareholders who are in any doubt as to their tax position should consult their independent professional adviser without delay.

#### **United Kingdom Taxation**

The comments below are intended as a general guide only to the position under current UK taxation legislation and HMRC practice as at the date of this Circular, both of which are subject to change at any time. They are intended to apply only to Shareholders who are resident and, in the case of individuals, resident and domiciled, in the UK for UK tax purposes who hold Ordinary Shares as investments and who are the beneficial owners of Ordinary Shares and who have not acquired their Ordinary Shares by virtue of any employment. They do not constitute tax advice and are only a general guide. They do not apply to certain classes of Shareholders, for example but not limited to, dealers in

securities, insurance companies and collective investment schemes. Shareholders who are in any doubt as to their tax position or who are resident in or subject to tax in a jurisdiction other than the United Kingdom should obtain the advice of an independent professional adviser.

### **Capital Gains**

#### *Shares acquired pursuant to the Placing*

The issue of Placing Shares under the Placing will not constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. Accordingly, any Placing Shares acquired pursuant to the Placing are likely to be treated as acquired as part of a separate acquisition of shares.

#### *Disposal of the Placing Shares*

The disposal by a Shareholder of Placing Shares issued to him under the Placing may, depending on the Qualifying Shareholder's circumstances, render him liable to UK tax on chargeable gains. The amount of capital gains tax, if any, payable by a Shareholder (on any disposal of Ordinary Shares) who is an individual will depend on his or her own personal tax position. No tax will be payable on any gain realised if the amount of the net chargeable gains realised by a Shareholder, when aggregated with other net gains realised by that Shareholder in the year of assessment (and after taking account of allowable losses), does not exceed the annual exemption (£11,700 for individuals for 2018/2019). Subject to any available exemption or relief, any gains in excess of this amount will broadly be taxed at a rate of 10 per cent. for a taxpayer paying tax at the basic rate and 20 per cent. for a taxpayer paying tax at a rate above the basic rate of income tax. Where the gains of a basic rate taxpayer subject to capital gains tax exceed the unused part of his or her basic rate band, that excess is subject to tax at the 20 per cent. rate.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

Subject to the availability of any exemptions, reliefs and/or available losses, a disposal of Placing Shares by a corporate Shareholder subject to UK corporation tax will generally be subject to UK corporation tax on any chargeable gain arising.

### **Stamp duty and Stamp Duty Reserve Tax**

No liability to stamp duty or stamp duty reserve tax should arise on the allotment of the Placing Shares under the Placing. Provided the stamp duty and stamp duty reserve tax exemptions for shares traded on a recognised growth market remain in place and the relevant criteria are met, including that the Company's shares are traded on AIM but are not listed on a recognised stock exchange and included in an official list, any transfer or agreement to transfer Ordinary Shares should not be subject to stamp duty or stamp duty reserve tax.

### **Dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it may make.

#### *Individuals*

For the 2018/2019 tax year, a nil rate of income tax applies to the first £2,000 of dividend income received per annum. Dividends falling within this allowance will not be subject to income tax. If an individual receives dividends in excess of this allowance in a tax year, the excess will be taxed (based on the current rates for the tax year 2018/2019) at 7.5 per cent, (to the extent the dividend income falls within the individual's 'basic rate' income tax band), 32.5 per cent. (to the extent the dividend income falls within the individual's 'higher rate' income tax band) and 38.1 per cent. (for individuals subject to the additional rate of income tax). In calculating into which income tax rate band any dividend income over the nil rate band falls, savings and dividend income are treated as the highest part of an individual's income (and, where an individual has both savings and dividend income, the dividend income is treated as the 'top slice'). Dividend income that is within the nil rate band counts towards an individual's basic or higher rate tax band limits and may therefore affect the rate of tax that is due on the individual's other taxable income.

#### *Companies*

Shareholders who are subject to UK corporation tax should generally, and subject to the UK's dividend exemption regime and certain anti-avoidance provisions, qualify for exemption from UK corporation tax in respect of any dividend received from the Company but will not be entitled to claim relief in respect of any underlying tax.

#### *Tax Exempt Shareholders*

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive.

**THE ABOVE DESCRIPTION OF TAXATION IS GENERAL IN CHARACTER. IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION OR YOU ARE SUBJECT TO TAX IN A JURISDICTION OTHER THAN THE UNITED KINGDOM, YOU SHOULD CONSULT AN APPROPRIATE INDEPENDENT PROFESSIONAL ADVISER WITHOUT DELAY**

## **PART 3**

### **DETAILS OF THE ACQUISITION AGREEMENT**

#### **1. Consideration Shares**

The Company has entered into the Acquisition Agreement to conditionally acquire the entire issued share capital of InfoChem. 68,400,000 Consideration Shares (comprising 25,600,000 Initial Consideration Shares and 42,800,000 Deferred Consideration Shares) are being issued to the Seller in accordance with the Acquisition Agreement. The issue of the Consideration Shares is conditional, *inter alia*, upon completion of the Placing and Admission. Details of the Acquisition Agreement are set out in paragraph 2 below.

#### **2. Summary of the Acquisition Agreement**

A summary of the principal terms of the Acquisition Agreement is set out below.

##### **2.1 Conditions to Completion**

Completion of the Acquisition in escrow is conditional on:

- a) Delivery of certain completion documents including evidence of the entry by the Seller into a service agreement whereby the Seller agrees to purchase the services of the Company for the period from Completion up to 31 December 2021 and the parties entering into a transitional services agreement under which the Seller agrees to provide certain central services for up to 6 months after Completion;

- b) The passing by the requisite majority of Independent Shareholders of the Whitewash Resolution;
- c) The Placing having raised an agreed amount;
- d) There having been no material adverse change in the Company; and
- e) The Seller procuring that, from the date of the Acquisition Agreement, InfoChem will conduct its business in the ordinary course, and will not do (or agree to do) anything outside the ordinary course without the consent of the Company in accordance with the terms of the Acquisition Agreement.
- f) The conditions set out in paragraph 2.1(a) to (c) above can be waived in whole or in part by the Seller giving written notice to the Company. The conditions set out in paragraph 2.1(d) and (e) above can be waived in whole or in part by written agreement between the Seller and the Company; and

Completion of the Acquisition is conditional on:

- g) There having been no material adverse change in the Company; and
- h) Admission of the Initial Consideration Shares to trading on AIM becoming effective.

The condition set out in paragraph 2.1(g) above can be waived in whole or in part by the Company.

## 2.2 Consideration

Pursuant to the Acquisition Agreement, the Seller agrees to sell and the Company agrees to purchase the entire issued and to be issued share capital of InfoChem for approximately €2.0 million to be satisfied by the payment of cash and the allotment and issue of the Consideration Shares, which shall rank *pari passu* in all respects with the Existing Ordinary Shares after completion of the Acquisition Agreement.

The consideration shall be paid in part by the payment of €0.36 million in cash and the balance shall be paid by the issue by the Company of: (i) 25,600,000 Initial Consideration Shares to the Seller on Completion, and (ii) 42,800,000 Deferred Consideration Shares to the Seller on the 'Deferred Consideration Date' being a date no earlier than the date falling 18 months after Completion (once the period for warranty claims has expired and provided that no such claims have been made). The Initial Consideration Shares and the Deferred Consideration Shares are subject to orderly marketing restrictions, including an 18-month lock-in period (with customary qualifications in the case of a general offer being made for the Company).

## 2.3 Claims under the Acquisition Agreement

The Seller gives certain warranties under the Acquisition Agreement to the Company. The Company will benefit from: (i) warranties in relation to the business and operations of InfoChem; and (ii) a tax indemnity.

The liability of the Seller under the Acquisition Agreement is subject to limitations, including, *inter alia*, the liability for breach of warranty shall not arise unless an individual claim exceeds €5,000 and the amount of all claims exceeds €25,000; the liability of the Seller shall not exceed €2.0 million for all claims and €650,000 for general warranty claims and the time limit for bringing warranty claims is 18 months.

In the event of a claim arising under the Acquisition Agreement, the Company will have the following protection: if a claim is settled prior to the Deferred Consideration Date, the Company shall have the right to cancel the Seller's right to the number of Deferred Consideration Shares as are necessary to satisfy the claim in full.

## 2.4 Restrictive Covenants

For 24 months after Completion, the Seller and its affiliates within the Data Research Group division agree, *inter alia*, not to: (i) seek the custom of existing customers of InfoChem; or (ii) entice any person who is employed or engaged indirectly by InfoChem; or (iii) divert any supplier of goods or services to InfoChem. For 18 months after Completion, the Seller and its affiliates within the Data Research Group division agree, *inter alia*, not to: (i) compete with the business of InfoChem in any geographic area in which the business is carried on.

## 2.5 Working Capital

Under the Acquisition Agreement, the Company has committed not to make a capital transfer out of InfoChem in 2019."

## KEY STATISTICS

Placing Price	2.5p
Number of Existing Ordinary Shares	550,748,266
Number of Placing Shares to be issued	159,185,680
Number of Initial Consideration Shares to be issued	25,600,000
Total number of New Shares to be issued pursuant to the Placing and the Acquisition	184,785,680
Enlarged Issued Share Capital	735,528,946
Number of Placing Shares as a percentage of the Enlarged Issued Share Capital	21.6 per cent.
Number of Consideration Shares as a percentage of the Enlarged Issued Share Capital	9.3 per cent.
Gross proceeds of the Placing	£3.98 million

Estimated net proceeds of the Placing	£3.83 million
Number of Deferred Consideration Shares to be issued	42,800,000

#### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b>2019</b>
Announcement of the Proposals and posting of Circular and Form of Proxy	22 February
Latest time and date for receipt of Forms of Proxy for the General Meeting	<b>9.30 a.m. on 7 March</b>
General Meeting	<b>9.30 a.m. on 11 March</b>
Admission and commencement of dealings in the VCT/EIS Shares on AIM	8.00 a.m. on 12 March
CREST accounts credited with VCT/EIS Shares in uncertificated form	8.00 a.m. on 12 March
Admission and commencement of dealings in the Placing Shares (other than the VCT/EIS Shares) on AIM	8.00 a.m. on 13 March
CREST accounts credited with Placing Shares (other than the VCT/EIS Shares) in uncertificated form	8.00 a.m. on 13 March
Admission and commencement of dealings in the Initial Consideration Shares on AIM	not before 8.00 a.m. on 14 March
Completion of the Acquisition	not before 14 March
Despatch of definitive share certificates in respect of Placing Shares and Initial Consideration Shares to be issued in certificated form	by 20 March
Expected date of issue of Deferred Consideration Shares	not before 1 August 2020

Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates changes, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service. References to times in this document are to London time.

#### DEFINITIONS

The following words and expressions shall, except where the context requires otherwise, have the following meanings in this announcement:

" <b>Acquisition</b> "	the acquisition of the entire issued share capital of InfoChem to be effected pursuant to the Acquisition Agreement
" <b>Acquisition Agreement</b> "	the agreement dated 19 December 2018 between the Seller and the Company under which the Company has conditionally agreed to acquire the entire issued share capital of InfoChem
" <b>Act</b> "	the Companies Act 2006 (as amended)
" <b>Admission</b> "	the admission of the New Shares to trading on AIM becoming effective in accordance with the AIM Rules
" <b>AIM</b> "	AIM, a market operated by the London Stock Exchange
" <b>AIM Rules</b> "	the Rules and Guidance notes for AIM companies and their nominated advisers issued by the London Stock Exchange from time to time relating to AIM traded securities and the operation of AIM
" <b>Circular</b> "	the circular to Shareholders of which the Notice of General Meeting forms part
" <b>Code</b> " or the " <b>City Code</b> "	the City Code on Takeovers and Mergers
" <b>Company</b> "	DeepMatter Group plc

<b>"Completion"</b>	completion of the Proposals, subject to satisfaction of the conditions thereto
<b>"Consideration Shares"</b>	the 68,400,000 Ordinary Shares to be issued to the Seller pursuant to the Acquisition Agreement, comprising the Initial Consideration Shares and the Deferred Consideration Shares
<b>"CREST"</b>	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>"CREST Regulations"</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any variation thereof
<b>"Deferred Consideration Date"</b>	the date being not earlier than the 18-month anniversary of Completion
<b>"Deferred Consideration Shares"</b>	the 42,800,000 Ordinary Shares to be issued to the Seller on the Deferred Consideration Date pursuant to the Acquisition Agreement
<b>"Directors" or "Board"</b>	the directors of the Company as at the date of this announcement
<b>"EIF LP"</b>	the new limited partnership called IP Venture II (DMG) LP established by European Investment Fund
<b>"EIS"</b>	Enterprise Investment Scheme
<b>"Enlarged Group"</b>	the Group as enlarged by the Acquisition
<b>"Enlarged Issued Share Capital"</b>	the 735,528,946 Ordinary Shares in issue immediately following Admission
<b>"Euroclear"</b>	Euroclear UK & Ireland Limited
<b>"Existing Ordinary Shares"</b>	the 550,748,266 Ordinary Shares in issue at the date of this announcement
<b>"Form of Proxy"</b>	the form of proxy for use in connection with the General Meeting
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 (as amended)
<b>"General Meeting"</b>	the general meeting of the Company to be held at 9.30 a.m. on 11 March 2019 at the offices of Stockdale Securities Limited, 100 Wood Street, London EC2V 7AN or any adjournment thereof, notice of which is set out in the Circular
<b>"Group"</b>	the Company and its subsidiaries
<b>"Independent Directors"</b>	David Cleevely, Lee Cronin and Laurence Ede
<b>"Independent Shareholders"</b>	those Shareholders who are independent of the IP Group Concert Party and the ORA Concert Party
<b>"Initial Consideration Shares"</b>	the 25,600,000 Ordinary Shares to be issued to the Seller at Completion pursuant to the terms of the Acquisition Agreement
<b>"InfoChem"</b>	InfoChem GmbH (registered in Germany under the commercial register of the local court of Munich under HR B 883232)
<b>"IP2IPO Portfolio LP"</b>	IP2IPO Portfolio LP, a limited partnership registered in England and Wales with registered number LP017872, acting by its general partner, IP2IPO Portfolio (GP) Limited, a company incorporated and registered in England and Wales with registered number 10360684
<b>"IP Group"</b>	IP Group plc, a company incorporated in England and Wales with registered number 04204490
<b>"IP Group Concert Party"</b>	comprising each of IP2IPO Limited, IP2IPO Nominees Limited, IP Venture Fund II LP, Mark Warne, Alan Aubrey and Mike Townend, all existing shareholders in the Company, and EIF LP
<b>"IP Venture Fund II LP"</b>	IP Venture Fund II LP, a limited partnership registered in England and Wales with registered number LP015513, acting by its general

partner, IP Venture Fund II (GP) LLP, a limited liability partnership registered in England and Wales with registered number OC384792

"London Stock Exchange"	London Stock Exchange plc
"New Shares"	the 184,785,680 Ordinary Shares, in aggregate, comprising the Placing Shares and the Initial Consideration Shares
"Notice of General Meeting"	the notice convening the General Meeting which is set out in the Circular
"Official List"	the Official List of the UK Listing Authority
"ORA"	ORA Limited
"ORA Concert Party"	comprising each of ORA, Richard Griffiths, James Ede-Golightly and Michael Bretherton, all existing shareholders in the Company
"Ordinary Shares"	ordinary shares of 0.01 pence each in the capital of the Company
"Panel" or "Takeover Panel"	the Panel on Takeovers and Mergers
"Placing"	the conditional placing of the Placing Shares at the Placing Price
"Placing Price"	2.5 pence per Ordinary Share
"Placing Shares"	the 159,185,680 Ordinary Shares to be issued pursuant to the Placing subject to the passing of the Resolutions and which includes the VCT/EIS Shares
"Proposals"	the Placing, the Acquisition and the Rule 9 Waiver
"Prospectus Rules"	the Prospectus Rules made in accordance with EU Prospectus Directive 2003/71/EC
"R&D"	research and development
"Resolutions"	the Whitewash Resolution and any other ordinary or special resolution that the Directors recommend that Shareholders vote in favour of
"Restricted Jurisdictions"	the United States, Australia, Canada, Japan, New Zealand and the Republic of South Africa
"Rule 9 Offer"	the requirement for a general offer to be made in accordance with Rule 9 of the City Code
"Rule 9 Waiver"	the waiver agreed by the Panel and to be approved by the Independent Shareholders of the obligations that would otherwise fall upon the IP Group Concert Party pursuant to Rule 9 of the City Code to make a Rule 9 Offer as a result of the Proposals being implemented
"Seller"	the sole shareholder of InfoChem being Springer-Verlag GmbH
"Shareholders"	the persons who are registered as holders of Ordinary Shares
"Stockdale"	Stockdale Securities Limited
"Top Technology Ventures Limited"	a limited company registered in England and Wales with registered number 01977742 and whose registered office is at The Walbrook Building, 25 Walbrook, London EC4N 8AF which is a wholly owned subsidiary of IP Group
"UK Listing Authority"	the FCA in its capacity as the competent authority for the purpose of Part VI of FSMA
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"VCT"	a Venture Capital Trust under Part 6 of the Income Tax Act 2007

- "VCT/EIS Shares"** the 34,000,000 Ordinary Shares to be issued pursuant to the Placing to either a VCT (as defined in section 259 of the Income Tax Act 2007) or to an individual or fund and in respect of which EIS relief (pursuant to Part 5 of the Income Tax Act 2007) is intended to be claimed
- "Whitewash Resolution"** an ordinary resolution to approve the Panel's waiver of the obligation to make a Rule 9 Offer passed on a poll by the Independent Shareholders at the General Meeting

All references to "pounds", "pounds sterling", "sterling", "£", "pence" and "p" are to the lawful currency of the UK.

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