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MelodyVR Group PLC

('MVR' or the 'Company')

Acquisition of Rhapsody International, Inc.

MelodyVR Group (AIM: MVR), one of the leading creators of virtual reality content, is pleased to announce that it has entered in to an agreement and plan of merger with Rhapsody International Inc., a Delaware corporation trading as Napster ("**Napster**") (the "**Merger Agreement**") in connection with the acquisition of Napster (the "**Acquisition**").

The Acquisition is classified as a reverse takeover pursuant to AIM Rule 14 and as such the Company's shares have been suspended pending publication of an Admission Document, anticipated to take place by the end of November 2020. The Acquisition is subject to approval by MelodyVR's shareholders at a General Meeting.

Under the terms of the Merger Agreement, a wholly-owned subsidiary of the Company will be merged with and into Napster (with Napster being the surviving entity) (the "**Merger**"). The Company will pay consideration totalling approximately \$26.3 million to the vendors of Napster to be satisfied in aggregate by \$15.0 million in cash, and the issuance of approximately 200 million MelodyVR shares. Upon completion of the Merger, Napster will be a wholly-owned subsidiary of the Company.

Strategic rationale

The Company, which operates the MelodyVR platform, believes that the addition of Napster's music library, comprising in excess of 80 million music tracks, to its own platform of VR music performances and live streamed events will provide a compelling and differentiated offering to music fans around the world. As previously stated, the Company's strategy is to scale the business through a subscription model, implementing a monthly fee similar to other subscription-based companies operating in the entertainment sector. Napster is an established music streaming business with corporate and consumer subscribers across Europe, North America, Latin America and the Asia Pacific region. The investment case for the acquisition of Napster can be summarised by:

Differentiation - The creation of a differentiated music offering combining traditional music streaming and immersive content which is unique compared to other music services, including those of existing major streaming providers such as Apple Music and Spotify.

Increased annuity income - Napster is a business with high quality, annuity-based subscription earnings.

Convergence - Compelling offering with opportunity for operational synergies and combined OPEX reduction across enlarged MelodyVR Group.

Expansion - Opportunity for acceleration of scale and the delivery of MelodyVR's strategic objectives.

The music streaming market is fast growing and generated revenues of \$11.4 billion in 2019.

Napster

Napster is a pioneer in digital music and a leading provider of music streaming technologies and services for businesses, operating in four continents and 34 countries with a premium subscription service giving millions of consumers unlimited ad-free access to music on any device - online or offline. Napster combines the iconic history of one of the most recognizable music brands in the world with the vast experience and technological platform of the industry's first subscription streaming service provider.

'Powered by Napster' is a complete music and audio platform service that makes it possible for companies to launch their own branded music and audio service. Customers include BMW (BMW Music), SFR France (telecom), Sonos (Sonos Radio), Sony Music Entertainment Japan (Mora Qualitas), Telefonica (Vivo Musica),

Univision (Uforia) and more. The platform service offers companies a suite of technologies and solutions, including music and media streaming and download infrastructure, applications, rights management, customer billing, royalty administration and business intelligence. In the year to 31 December 2019 Napster reported revenues of \$112.6m and made a profit before interest and tax of \$1.8m.

Napster is headquartered in Seattle, with offices in the U.S., Europe, Asia, and Latin America and is majority owned and controlled by Real networks Inc, a Company listing on NASDAQ.

Follow @Napster on LinkedIn, Twitter, Facebook and Instagram and learn more at www.napster.com

Details of the Merger Agreement

The Company will advance an initial \$6.0m deposit which will be placed into escrow, followed by an additional \$6.0m deposit which is expected to be advanced shortly thereafter and upon satisfaction of certain post-signing conditions. Ahead of completion, Napster may request funds to be released from the deposit in order to pay certain identified rights holder obligations. Any such requests must be approved by the Company. In the event that the Merger fails to complete due to Napster being unable to meet the closing conditions of the Merger, the deposit will be refunded to the Company and Napster must repay any advances to the Company within six months of completion. In the event that the Company fails to fulfil certain closing obligations under the Merger agreement, the Deposit may be forfeited. At completion of the Merger, the deposit will be released to certain of Napster's debt-holders and shareholders, and a further USD\$3.0m will be deposited by the Company into an escrow account. This amount will be used to secure certain indemnity obligations of Napster's shareholders and unless used pursuant to those indemnity obligations, will be released to the former Napster shareholders 18 months after closing. As further consideration for the Merger, the Company will issue approximately 200 million ordinary shares of the Company to Napster's debt-holders and shareholders at completion, such amount shall be adjusted for any decline in the Company's share price prior to completion.

CEO of MelodyVR Anthony Matchett said:

"MelodyVR's acquisition of Napster will result in the development of the first ever music entertainment platform which combines immersive visual content and music streaming. For music fans today, live and recorded music are intrinsically linked. We are as keen to see our favourite artists perform live as we are to listen to their albums. Our purchase of Napster, one of the music industry's original disruptors, is born out of our wish to deliver the world's foremost music experience, available seamlessly across audio and visual media and in turn presenting a truly next generation music service."

MelodyVR's purchase of Napster reflects a concerted effort to provide incredible music in all its forms to music lovers around the world, who want to watch live performances, see the latest visual content, and listen to recordings, and to musicians, who want simpler, better connections to their audiences, and an opportunity to show all sides of their artistry, in a way which truly does their music justice.

Whether home or away, on smartphone or VR device, music lovers and music makers can look forward to a next generation music experience, which is seamless and all-embracing."

For further information please contact:

MelodyVR Group PLC

Anthony Matchett, Executive Chairman and CEO

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Notes to Editors:

MelodyVR Ltd ("**MelodyVR**") is a wholly owned subsidiary of MelodyVR Group PLC, a company that is listed on the AIM market of the London Stock Exchange under the ticker MVR.L. MVR, a creator of virtual reality content, joined AIM on 16 May 2016 following a reverse takeover of Armstrong Ventures plc. Further information can be viewed at www.melodyvr.com.

Prior to its publication, certain information contained within this announcement was deemed to constitute inside information for the purposes of Article 7 of EU Regulation 596/2014 ("**MAR**"). In addition, market soundings (as defined in MAR) were taken in respect of the Acquisition with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this announcement and such information is now considered to be in the public domain. Accordingly, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.