

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult your bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising in connection with dealing in shares and other securities.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document together with the accompanying Proxy Form as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer is or was effected for onward transmission to the purchaser or transferee. However, you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you have sold or otherwise transferred only part of your holding of Existing Ordinary Shares, you should retain this document and the accompanying Proxy Form.

This document is being sent to you solely for the purpose of convening the General Meeting referred to below and to provide information to you as a Shareholder to help you to decide how to cast your vote in respect of the Resolutions. No reliance may be placed on this document for any other purpose.

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

Napster Group PLC

(Registered in England and Wales with registered number 05628362)

Share Consolidation

Capital Reduction

Disposal of Assets

Cancellation of Admission of New Ordinary Shares to trading on AIM

Re-Registration as a Private Limited Company

and

Notice of General Meeting

This document should be read in its entirety. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document, which includes a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting to be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 11.00 a.m. on 20 December 2021.

The Directors consider all of the proposed resolutions to be in the best interests of Shareholders and accordingly unanimously recommend that Shareholders vote in favour of all of the resolutions proposed.

Notice of the General Meeting is set out at the end of this document. A Proxy Form for use in connection with the General Meeting accompanies this document and should be completed by Shareholders and returned to the Registrars in accordance with the instructions set out in the Proxy Form as soon as possible and in any event to be received by no later than 11.00 a.m. on 16 December 2021. Completion and return of a Proxy Form will not preclude a Shareholder from attending and voting in person at the General Meeting should they subsequently wish to do so.

A copy of this document will be available for inspection at the registered office of the Company (55 Poland Street, London, W1F 7NN) during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the General Meeting, and will also be available for inspection for 15 minutes before and during the General Meeting at offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS.

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STATISTICS RELATING TO THE SHARE CONSOLIDATION

Existing Ordinary Shares in issue at the date of the document	2,962,945,547
Existing Ordinary Shares expected to be in issue immediately prior to the Share Consolidation	3,419,238,000
Conversion ratio of Existing Ordinary Shares to New Ordinary Shares	750 Existing Ordinary Shares to 1 New Ordinary Share
Total expected number of New Ordinary Shares in issue following the Share Consolidation	4,558,984
ISIN code for the New Ordinary Shares	GB00BN326503
SEDOL code for the New Ordinary Shares	BN32650

TIMETABLE

2021

Posting of this document and Proxy Form to Shareholders	3 December
Admission and dealings in the EBT Shares expected to commence on AIM	9 December
Latest time and date for receipt of Proxy Forms for the General Meeting and record date for the General Meeting	11.00 a.m. on 16 December
General Meeting	11.00 a.m. on 20 December
Announcement of results of General Meeting, including Announcement of De-Listing	20 December

2022

Expected date that the Capital Reduction will become effective	26 January
Record date in respect of the Share Consolidation	5.00 p.m. on 26 January
Expected date that the Share Consolidation will become effective	8.00 a.m. on 26 January
Record date in respect of the Disposal	6.00 p.m. on 27 January
Expected date and time for completion of the Disposal and issue of Consideration Shares	11.59 p.m. on 27 January
Earliest date of De-Listing / cancellation of admission of New Ordinary Shares from AIM	with effect from 7. 00 a.m. on 28 January
Expected date by which NM Inc will list on a recognised stock exchange in the United States	by mid-2023

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- (1) *If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders through a Regulatory Information Service.*
- (2) *All references to time in this document are to London time, unless otherwise stated.*
- (3) *Any dates following the General Meeting are dependent on the Resolutions being approved by Shareholders and are subject to court availability in respect of the Capital Reduction*

£1.00 = US\$1.33 as at 26 November 2021

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

Act	the Companies Act 2006
AIM	the AIM market operated by the LSE
AIM Rules	the AIM Rules for Companies published by the LSE governing admission to and operation of AIM
Articles	the Company's articles of association from time to time
Assets	the assets of the Company and MVR which are to be transferred to NewCo pursuant to the Asset Purchase Agreements
Asset Purchase Agreements	the conditional asset purchase agreements dated 2 December 2021 between: (i) the Company and NewCo; and (2) MVR and NewCo, in each case to give effect to the Asset Transfer
Asset Transfer	the proposed transfer by the Company and MVR of certain of their assets and liabilities to NewCo on the terms set out in the Asset Purchase Agreements and explained in this document
Board or Directors	the board of directors of the Company
Business Day	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business
Capital Reduction	the proposed capital reduction described in Part 1 of this document, and which is the subject of the special resolution to be proposed at the General Meeting
Capital Reduction Demerger	the steps referred to in paragraph 4.3 of Part 1 of this Circular
Circular	this document
Code	the UK City Code on Takeovers and Mergers, in force for the time being
Company or Napster	Napster Group PLC, a public limited company incorporated in England and Wales with registered number 05628362 and having its registered office at 55 Poland Street, London, England, W1F 7NN
Consideration Shares	NM Inc Shares to be issued to Shareholders (other than holders of Deferred Shares) in respect of and in proportion to their holding of New Ordinary Shares in the Company pursuant to the terms of the Share Purchase Agreement
Consolidation Record Time	5.00 p.m. on 26 January 2022
Court	the High Court of Justice in England and Wales
Court Hearing	the hearing by the Court to confirm the Capital Reduction
Court Order	the order of the Court confirming the Capital Reduction
Deferred Shares	the 150,520,616 deferred shares of £0.0024 each in the capital of the Company and the 26,000,000 deferred shares of £0.0095 each in the capital of the Company in issue as at the date of this document
De-Listing	the proposed cancellation of admission to trading on AIM of the New Ordinary Shares
De-Listing Resolution	the Resolution to be proposed at the General Meeting seeking Shareholder approval of the De-Listing

DTRs	the Disclosure Guidance and Transparency Rules prescribed by the Financial Conduct Authority
Disposal	the proposed sale of the entire issued share capital of Rhapsody to NM Inc
Disposal Effective Time	11.59 p.m. on 27 January 2022
Disposal Record Time	6.00 p.m. on 27 January 2022
EBT Shares	the 248,000,000 ordinary shares of £0.01 each in the capital of the Company subscribed for by the Employee Benefit Trust
EBT Subscription	has the meaning set out in paragraph 11 of Part 1 of this document
Employee Benefit Trust	the Napster Employee Benefit Trust 2021
Existing Ordinary Share(s)	the 2,962,945,547 ordinary shares of £0.01 each in the capital of the Company in issue immediately prior to the date of this document, all of which are admitted to trading on AIM
finnCap	finnCap Ltd, a private limited company incorporated in England and Wales with registered number 06198898 and having its registered office at 1 Bartholomew Close, London, England, EC1A 7BL
Form of Proxy	the form of proxy for use in connection with the General Meeting, which accompanies this document
General Meeting	the general meeting of the Company to be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 11.00 a.m. on 20 December 2021, or any adjournment thereof, notice of which is set out in the Notice of General Meeting
Group	the Company and its subsidiary undertakings (as defined in the Act)
HMRC	HM Revenue & Customs
Intragroup SPA	the conditional intragroup share purchase agreement dated 2 December 2021 between the Company and MVR US in relation to the sale of the entire issued share capital of Rhapsody to the Company
IPO	the listing of NM Inc on Nasdaq (or an alternative recognised US exchange)
Irrevocable Undertakings	the irrevocable undertakings from the Shareholder Directors and certain other Shareholders to vote (and to procure that the relevant registered holder(s) vote) in favour of the Resolutions in respect of their Existing Ordinary Shares, details of which are set out in paragraph 16 of Part 1 of this document
JSOP	has the meaning set out in paragraph 11 of Part 1 of this document
JSOP Options	has the meaning set out in paragraph 11 of Part 1 of this document
Latest Practicable Date	the latest practicable date prior to the publication of this document, being 2 December 2021
Liabilities	all liabilities relating to the Assets, other than liabilities due within one year relating to trade payables, employer related costs and certain convertible loan note arrangements
Longstop Date	28 February 2022
LSE	London Stock Exchange Group plc

MAR	the UK version of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation), as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018
MVR	MelodyVR Limited, a private limited company incorporated in England and Wales with registered number 09555357 and having its registered office at 55 Poland Street, London, England, W1F 7NN
MVR US	MelodyVR Inc., a company incorporated and registered in Delaware and having its registered office at 8954 St Ives Drive, Los Angeles, California, United States of America, CA 90069
Nasdaq	the Nasdaq Stock Market, the American stock exchange based in New York City
NewCo	Napster Music Limited, a private limited company incorporated in England and Wales with registered number 13657274 and having its registered office at 55 Poland Street, London, England, W1F 7NN, a wholly owned subsidiary of Rhapsody and indirect subsidiary of the Company
New Ordinary Shares	the new ordinary shares of £7.50 each in the capital of the Company resulting from the Share Consolidation
NM Inc	Napster Music Inc., a company incorporated and registered in the State of Delaware whose registered office is at 251 Little Falls Drive, City of Wilmington, County of New Castle, 19808, United States of America
NM Inc Shares	shares of common stock of US\$0.0001 in the capital of NM Inc
Notice of General Meeting	the notice of the General Meeting set out at the end of this document
Ordinary Shares	Existing Ordinary Shares or New Ordinary Shares, as the context requires
Overseas Shareholder	a Shareholder resident in, or a citizen of, a jurisdiction outside the UK
Panel	the UK Panel on Takeovers and Mergers, which administers the Code
Placement	has the meaning given to it in paragraph 7 of Part 1 of this document
Proposals	together the Share Consolidation, the Capital Reduction, the Disposal, the De-Listing and the Re-Registration, as described in this document
Proxy Form	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
Register	The Company's register of members
Registrars	the Company's registrars, being Neville Registrars of Neville House, Steelpark Rd, Halesowen, B62 8HD
Regulatory Information Service	has the meaning given to it in the AIM Rules
Re-Registration	the proposed re-registration of the Company as a private limited company
Resolutions	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting

Rhapsody	Rhapsody International, Inc., a company incorporated and registered in the US state of Delaware whose registered office is at 701 5th Avenue a3100, Seattle, which trades as 'Napster', and is an indirect subsidiary of the Company
Shareholder(s)	holder(s) from time to time of Ordinary Shares (excluding the Company)
Share Consolidation	the proposed share consolidation described in Part 1 of this document, which is the subject of an ordinary resolution to be proposed at the General Meeting
Shareholder Directors	Anthony Matchett, Steven Hancock, Simon Cole, Grant Dollens and Lansing Davis
Share Premium Account	the share premium account of the Company
Share Purchase Agreement	the conditional share purchase agreement dated 2 December 2021 between the Company and NM Inc in relation to the sale of Rhapsody to NM Inc
Transaction Documents	the Asset Purchase Agreements, Intragroup SPA and Share Purchase Agreement
Transfer Agent	NM Inc's transfer agent, being Continental Stock Transfer & Trust Company
UK	the United Kingdom of Great Britain and Northern Ireland
US or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Exchange Act	the United States Securities Exchange Act of 1934, as amended

PART 1 – LETTER FROM THE CHAIRMAN OF THE COMPANY

Napster Group PLC

(Registered in England and Wales with registered number 05628362)

Directors:

Simon Cole	<i>Non-Executive Chairman</i>
Anthony Matchett	<i>Chief Executive Officer</i>
Steven Hancock	<i>Chief Relationship Officer</i>
Grant Dollens	<i>Non-executive Director</i>
Peter Read	<i>Non-executive Director</i>
Lansing Davis	<i>Non-executive Director</i>

Registered office:

55 Poland Street
London
England
W1F 7NN

3 December 2021

*To Shareholders of Napster Group PLC and (for information only)
to holders of share options and warrants in the Company*

Dear Shareholder

**Share Consolidation
Capital Reduction
Disposal of the Assets
De-Listing
Re-Registration
and
Notice of General Meeting**

1. INTRODUCTION

The Company announced on 2 December 2021 that it and its relevant subsidiaries had entered into the Transaction Documents pursuant to which the Group will sell Rhapsody to NM Inc for US\$46.6 million.

This Circular: (a) sets out the background to and reasons for the Company's entry into the Transaction Documents; (b) explains why the Directors consider the Proposals to be in the best interests of the Company and its Shareholders; (c) provides details of the General Meeting and the Resolutions to be proposed at that General Meeting; and (d) explains why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, as they have irrevocably undertaken to do in respect of their own beneficial interests in the Existing Ordinary Shares.

I am writing to you to invite you to support the next steps required for the Group to implement those plans and enable Shareholders to hold shares, immediately following the Disposal, in NM Inc in the same proportions as they hold New Ordinary Shares in the Company immediately prior to the Disposal.

2. BACKGROUND

It is the Directors' belief that one of the most significant challenges faced by the Company is its ability to secure the required access to capital that is appropriate to a business seeking to launch a new music platform on a global scale. Following the acquisition of the Napster business in December 2020, Napster has become more US centric with approximately 42 per cent. of its revenues generated in North America during the first half of 2021. Its major stakeholders which include rights holders, investors, artists, consumers and a growing employee base are now predominantly concentrated in the US. As such, the Directors believe that a listing in the US is appropriate for the Napster Business and most beneficial for all stakeholders. Having already considered the opportunity with a number of financial institutions and with a leading full service US investment bank having been engaged, the Directors also

believe that a US listing would provide not only the appropriate access to capital, but a valuation more aligned to the metrics which have been attributed to some of our music competitors and peers and consequently less dilutive to the existing shareholder base.

Once the Proposals have been completed, NM Inc will focus on the launch of the new music service without the regulatory burden of a listing on the LSE whilst also distancing itself from the Company's current public valuation. Furthermore, as a private company, the Directors believe that the Napster business will have greater access to growth capital than it would have if it remained quoted in the UK. It is anticipated that any listing of NM Inc in the US would be completed during 2023 in conjunction with the launch of the new platform and an anticipated period of subscriber growth following an extensive awareness campaign. The Board believes that this should help secure a listing in the US for NM Inc at an enhanced valuation to that of the Company which is ultimately in all Shareholders' interests.

The Board has concluded that the optimal solution to maximise shareholder value is to transfer substantially all of the Group's assets and liabilities of value to NM Inc, a new company which will (immediately following completion of the Disposal) be owned by Shareholders in exactly the same proportions in which they hold New Ordinary Shares in the Company following the Share Consolidation and immediately prior to the Disposal. The Board believes that NM Inc will be able to offer Shareholders a greater return on their investment than the Company is currently able to offer.

Having already held discussions with a number of financial institutions based in the US prior to engaging a leading full service California based investment bank, the Board and its advisors believe that completing the Proposals will allow NM Inc to secure additional funding from investors with a strong knowledge of the Company's core markets that would be unlikely to be forthcoming were the Proposals not effected. It is anticipated that following completion of the Proposals and prior to a listing in the US, NM Inc, in conjunction with the appointed investment bank, will seek to secure appropriate further funding for NM Inc to provide it with the capital it needs to not only complete the development of the new music platform but importantly, to provide it with the funding needed to aggressively market the new platform to help drive subscriber growth.

Assuming completion of the Disposal and subject to shareholder approval at the General Meeting, it is proposed that the Company will cancel its admission to trading on AIM of the New Ordinary Shares and re-register as a private company limited by shares as part of a process of collapsing the existing corporate structure. Furthermore, as a result of the Capital Reduction Demerger, the Company will retain certain assets and liabilities, of which the liabilities will be discharged prior to a dissolution of the Company which will be carried out in due course.

NM Inc

NM Inc is a corporation incorporated in the State of Delaware and having its registered office at 251 Little Falls Drive, City of Wilmington, County of New Castle, 19808, United States. The company was incorporated on 12 November 2021 for the purpose of completing the Disposal. There are currently NM Inc Shares in issue. The sole incorporator and sole director of NM Inc is Daniel Sallus. NM Inc has not traded before the date of this document.

It is anticipated that, following completion of the Disposal, NM Inc will hold cash of approximately £6.0 million (US\$7.9 million) and, as a result of the Asset Transfer, will retain the investment currently held by the Company and MVR in Rhapsody. NM Inc will also hold the Assets and Liabilities. As noted above, following completion of the Proposals, NM Inc will seek to raise an appropriate level of funding to help fund the completion of the new platform and the funding required for its sales and marketing following the launch of the new platform.

Following completion of the Disposal, it is intended that NM Inc will seek to list the NM Inc Shares on Nasdaq within the next two years. The Directors believe that seeking a Nasdaq listing for NM Inc following the Disposal would provide the business with access to a significantly larger investment community, greater opportunity for institutional support and the benefits of the heightened profile of being listed on a globally recognised investment exchange with valuation metrics consistent with many of its industry peers.

Shareholders should note that there is no guarantee that the interim funding to be sought by NM Inc or the listing on Nasdaq will be completed or be successful.

3. SHARE CONSOLIDATION

As at 2 December 2021 (being the latest practicable date prior to the publication of this document), the Company had 2,962,945,547 Existing Ordinary Shares in issue. It is expected that, immediately prior to the General Meeting, the Company will have 3,419,237,667 Existing Ordinary Shares in issue (assuming that the Ordinary Shares referred to in the Company's announcements of 3 December 2021 are allotted and issued). The number of Existing Ordinary Shares in issue may also increase if, prior to the Consolidation Record Time, any outstanding warrants in the capital of the Company are exercised. It is also proposed that the Company will issue to the Registrar prior to the Consolidation Record time the required number of the Ordinary Shares to ensure the entire issued share capital of the Company is exactly divisible by 750. Shareholders' interests in NM Inc following completion of the Disposal will be identical to their holding in the Ordinary Shares at the Disposal Record Time.

It is proposed that the Existing Ordinary Shares be reorganised such that:

**every 750 Existing Ordinary Shares be consolidated into
1 New Ordinary Share of £7.50.**

The 750:1 consolidation is intended to reflect a US\$10.00 share in NM Inc when the par value of US\$0.0001 is combined with the share premium of an NM Inc Share.

As all of the Existing Ordinary Shares are proposed to be consolidated, the proportion of issued ordinary shares in the Company held by each Shareholder immediately before and immediately after the Share Consolidation will, save for fractional entitlements (the treatment of which is described below), remain unchanged.

Shareholder approval of the Share Consolidation is being sought pursuant to Resolution 1 and is conditional on Shareholder approval of the Disposal at the General Meeting.

Issue of up to 749 Existing Ordinary Shares

In anticipation of Resolution 1 being passed by shareholders, the Company intends, immediately prior to the General Meeting, to issue such number of additional Existing Ordinary Shares (being up to 749 Existing Ordinary Shares) as will result in the total number of Ordinary Shares in issue being exactly divisible by 750. Since these additional Ordinary Shares will only represent a fraction of a New Ordinary Share, this fraction will be combined with other fractional entitlements and sold pursuant to the arrangements for fractional entitlements described below.

Fractional entitlements

It is likely that the consolidation will result in fractional entitlements to a New Ordinary Share where any holding is not precisely divisible by 750. No certificates will be issued for fractional entitlements to New Ordinary Shares.

Accordingly, following the implementation of the Share Consolidation, any Shareholder who as a result of the Share Consolidation has a fractional entitlement to any New Ordinary Share, will not have a resultant proportionate shareholding of New Ordinary Shares exactly equal to their proportionate holding of Existing Ordinary Shares.

Furthermore, any Shareholder who holds fewer than 750 Existing Ordinary Shares as at the Consolidation Record Time will cease to be a Shareholder. The minimum threshold to receive New Ordinary Shares will be 750 Existing Ordinary Shares.

The Articles permit the Directors to sell shares representing fractional entitlements arising from the proposed consolidation. Any New Ordinary Shares in respect of which there are fractional entitlements will therefore be aggregated and sold in the market for the best price reasonably obtainable on behalf of shareholders entitled to fractions. The Company will distribute the proceeds of sale in due proportion to any such Shareholders in accordance with the Articles (subject to the minimum threshold referred to in the next paragraph).

In accordance with the Articles, in the event that the net proceeds of sale to be distributed to any relevant shareholder amount to £3 or less, the proceeds of sale are to be retained for the benefit of the Company.

For the avoidance of doubt, the Company is only responsible for dealing with fractions arising on registered holdings. For Shareholders whose shares are held in the nominee accounts of UK stockbrokers, the effect of the Share Consolidation on their individual shareholdings will be administered by the stockbroker or nominee in whose account the relevant shares are held. The effect is expected to be the same as for shareholdings registered in beneficial names however, it is the responsibility of the stockbroker or nominee to deal with fractions arising within their customer accounts, and not the responsibility of the Company.

If approved by Shareholders, the issued share capital of the Company immediately following the Share Consolidation is expected to comprise 4,558,984 New Ordinary Shares.

Effect of the Share Consolidation

For purely illustrative purposes, examples of the Share Consolidation (should the Resolutions be passed at the General Meeting) are set out below:

Number of Existing Ordinary Shares held	New Ordinary Shares following the Share Consolidation
749	0
750	1
8,250	11

The example below shows a holding of Existing Ordinary Shares which will be subject to a fractional entitlement, the value of which will depend on the market value of the New Ordinary Shares at the time of sale.

Number of Existing Ordinary Shares held	New Ordinary Shares following the Share Consolidation	Fractional entitlement following the Share Consolidation
8,625	11	0.5

Following the Share Consolidation, current share certificates in regards to the Existing Ordinary Shares will become invalid and if required, new share certificates in regards to the New Ordinary Shares will be issued to Shareholders.

4. PROPOSALS

Through the Transaction Documents, NM Inc has conditionally agreed to acquire Rhapsody. The Disposal will be effected through a series of steps which are set out in detail below.

The Disposal is subject to the fulfilment of conditions including, among others, the approval of the Shareholders to the Share Consolidation being granted at the General Meeting and the agreement by certain third parties to the novation of the relevant assets. On completion of the Disposal, which is expected to occur on or around 27 January 2022, subject to the Court's availability, Shareholders will receive shares in NM Inc in exactly the same proportions in which they will hold New Ordinary Shares (as at the Disposal Record Time) such that their percentage shareholding in NM Inc will be identical to their percentage shareholding in the Company.

4.1. Asset Transfer to NewCo

On 1 October 2021, Rhapsody incorporated NewCo. Pursuant to the Asset Purchase Agreements, NewCo has conditionally agreed to acquire the Assets and Liabilities from the Company and MVR. In consideration for the transfer, certain loan balances will be created between NewCo and the Company and MVR, respectively, such balances being equal to the net book values of the Assets and Liabilities transferred by each of the Company and MVR.

On 2 December 2021, NewCo entered into the Asset Purchase Agreements with the Company and MVR, respectively. Under the terms of the Asset Purchase Agreements, the Company and MVR each agreed to sell the Assets with full title guarantee to NewCo. Completion of the transfer of the Assets is conditional on the Disposal being approved at the General Meeting. The transfer of the Assets is also subject to receipt of the necessary third party consents which will be sought by the Company prior to completion of the Disposal. The consideration due to NewCo shall be the sum of approximately £13.6 million in respect of the transfer from the Company and the sum of approximately £1.0 million in respect of the transfer from MVR. The amount of the consideration shall be satisfied by an inter-company interest free loan equal to the net market value of the Assets owing by the Company and MVR to NewCo.

4.2. Transfer of Rhapsody by MVR US

On 2 December 2021, the Company entered into the Intragroup SPA. Under the terms of the Intragroup SPA, the Company has conditionally agreed to acquire the entire issued common stock in Rhapsody from MVR US. Completion of the Intragroup SPA is subject to and conditional on completion of the Asset Purchase Agreements (as detailed above) prior to 28 February 2022. The consideration for the transfer of the common stock in Rhapsody shall be the sum of US\$46.6 million which shall be satisfied by the Company by way of discharge (in part) of loans owed by MVR US to the Company equalling the market value of the shares in Rhapsody. The Intragroup SPA contains customary representations and warranties from both MVR US and the Company which terminate upon completion of the Intragroup SPA.

4.3. Capital Reduction and Transfer of Rhapsody to NM Inc

Following completion of the Asset Purchase Agreements and the Intragroup SPA, the Company has conditionally agreed to sell the entire issued share capital of Rhapsody to NM Inc, pursuant to the terms of the Share Purchase Agreement. Rhapsody is being sold to NM Inc for a total consideration of US\$46.6 million payable in NM Inc Shares. Following completion of the Share Purchase Agreement, NM Inc will own the Assets and Liabilities, via Rhapsody. The Shareholders' ownership structure (as at the Disposal Record Time) will be mirrored in NM Inc. Details of the NM Inc Shares to be received by Shareholders pursuant to the terms of the Share Purchase Agreement are set out at paragraph 6 of this Part 1 below.

It is envisaged that the distribution of the NM Inc Shares will be structured as a capital reduction demerger involving a reduction of capital, which is a process requiring Court approval under the Act. Under the scheme of reconstruction, the following steps will take place:

- (a) the Company will reduce its share premium by an amount at least equal to the market value of the NM Inc Shares to be issued pursuant to the step set out in sub-paragraph (b) below;
- (b) the Company will make a repayment of capital (which shall be equal to the market value of the NM Inc Shares to be issued as described in this paragraph) to the Shareholders, which will be satisfied by the Company transferring its entire shareholding in Rhapsody (pursuant to the Share Purchase Agreement) to NM Inc in consideration for NM Inc issuing shares in itself to those Shareholders in respect of and in proportion to their holdings of New Ordinary Shares in the Company; and
- (c) the Company will retain any balance from the Capital Reduction following the repayment of capital and will transfer that balance to its reserves to support any future distributions and for other purposes.

The resolutions required to be passed to effect the Capital Reduction are set out in the Notice of General Meeting. Further details can be found below at paragraph 5 of this Part 1.

As set out at paragraph 8 of this Part 1 below, the Disposal is of sufficient size relative to that of Company to constitute a disposal resulting in a fundamental change of business pursuant to Rule 15 of the AIM Rules. Completion is, therefore, conditional upon (amongst other things) the approval of Shareholders at a General Meeting of the Company.

Subject to all the Resolutions (other than the Resolutions regarding the De-Listing and Re-Registration) being passed at the General Meeting, the Disposal will be completed as soon as the Capital Reduction has been registered by the Registrar of Companies. This is expected to occur within four weeks of the passing of the Resolutions, subject to Court availability.

The Disposal cannot complete as described above unless the Resolutions regarding the Share Consolidation and Disposal are approved by Shareholders at the General Meeting. The Capital Reduction cannot be implemented unless the Capital Reduction is approved by Shareholders at the General Meeting and is subsequently registered with the Registrar of Companies. The De-Listing is subject to the approval of the De-Listing Resolution.

5. CAPITAL REDUCTION

5.1. *Approval and Consent of Shareholders*

In order to effect the Capital Reduction, the Company requires the approval of its Shareholders in the manner described below. The Capital Reduction cannot be effected unless the Company receives the approval by the requisite majority of Shareholders.

The Shareholders are entitled to receive notice of, attend, speak and vote at the General Meeting. The votes of the Shareholders will be added together at the General Meeting and the Resolutions to approve the Capital Reduction, which will be proposed as special resolutions, require a majority in favour of at least 75 per cent. of those Shareholders attending and voting in person or by proxy in order to be passed.

It should be noted that if the Capital Reduction is not approved by Shareholders at the General Meeting prior to the Longstop Date, the Consideration Shares will be issued to the Company, rather than the Shareholders, and NM Inc will become a subsidiary of the Company. In such an event, Shareholders will not receive their Consideration Shares until the Company's assets are distributed to Shareholders in connection with the liquidation of the Company pursuant to relevant legislation.

5.2. *Court Approval*

In addition to the approval by the Shareholders of the Resolutions regarding the Capital Reduction, the Capital Reduction requires the approval of the Court. Accordingly, following the General Meeting, an application will be made to Court in order to confirm and approve the Capital Reduction.

In providing its approval to the Capital Reduction, the Court may require protection for the creditors (including contingent creditors) of the Company whose debts remain outstanding on the relevant date, except in the case of creditors which have consented to the Capital Reduction. Any such creditor protection may include seeking the consent of the Company's creditors to the Capital Reduction or the provision by the Company to the Court of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging the non-consenting creditors of the Company.

It is anticipated that the initial directions hearing in relation to the Capital Reduction will take place as soon as reasonably possible after the General Meeting, with the final Court Hearing taking place around mid-January 2022. The Capital Reduction will become effective following the necessary registration of the Court Order at Companies House.

The Board reserves the right to abandon or to discontinue (in whole or in part) the application to the Court in the event that the Board considers that the terms on which the Capital Reduction would be (or would be likely to be) confirmed by the Court would not be in the best interests of the Company and/or its Shareholders as a whole. The Board has undertaken a thorough and extensive review of the Company's liabilities (including

contingent liabilities) and considers that the Company will be able to satisfy the Court that, as at the date (if any) on which the Court Order relating to the Capital Reduction and the statement of capital in respect of the Capital Reduction have both been registered by the Registrar of Companies at Companies House and the Capital Reduction will therefore become effective, the Company's creditors will be sufficiently protected.

6. NM INC AND THE DISPOSAL

Subject to the Capital Reduction being approved by Shareholders at the General Meeting, on completion of the Disposal, NM Inc will issue Consideration Shares to the holders of New Ordinary Shares so that they will hold one NM Inc Share for every one New Ordinary Share held by them in the Company as at the Disposal Record Time which is expected to be 6.00 p.m. on 27 January 2022. Shareholders on the Register at this time will participate in the Disposal and will receive Consideration Shares. The Disposal is expected to occur at 11.59 p.m. on 27 January 2022. At this time the Share Purchase Agreement will complete: (i) the Company will transfer Rhapsody to NM Inc; and (ii) NM Inc will issue the Consideration Shares to Shareholders on the register at the Disposal Record Time. NM Inc's directors have the power to issue the Consideration Shares. The Consideration Shares will not be freely tradable and will be restricted until NM Inc lists on Nasdaq, which cannot be guaranteed to occur. It is anticipated that NM Inc will seek to secure a listing on Nasdaq during the first half of 2023, once appropriate disclosure documents have been prepared and audited financial statements for NM Inc for the year ended 31 December 2022 have been prepared.

Following a valuation exercise, it has been determined that the fair market value of the invested capital of NM Inc on a *pro forma* basis is US\$46.6 million as at 31 August 2021 on the basis that the Disposal occurred as at that date and the only assets and liabilities within NM Inc are those that form part of the Disposal. Please see Part 4 of this document for further detail.

NM Inc attaches great importance to the skills, expertise and experience of the existing management and employees of the Group and believes they will be an important factor in maximising the opportunities and benefits of NM Inc post Completion and in the deliverability of NM Inc's strategic objectives of a listing in the US. Accordingly, in connection and as part of the Disposal, certain existing contracts of the Board together with all management and employees, will transfer on the same terms across to NM Inc. It is intended that Lansing Davis will step down from the Board at the General Meeting. The Directors, other than Lansing Davis, will remain on the Board following the Disposal.

Issue of Consideration Shares

It is proposed that NM Inc will engage the Transfer Agent to issue the Consideration Shares on NM Inc's behalf upon completion of the Disposal. The Transfer Agent will be provided with the relevant details for each Shareholder by the Registrar. As NM Inc is a US entity, Shareholders will not be able to hold NM Inc Shares in CREST so the issue of the Consideration Shares shall be recorded in book form by the Transfer Agent. No stock certificates will be issued to Shareholders in respect of the NM Inc Shares. Should a Shareholder wish to receive a stock certificate in respect of their NM Inc Shares, this can be requested by contacting the Company on the following email address transfers@napster.com.

It should be noted that the Consideration Shares issued upon completion of the Disposal will be "restricted" under US securities laws and will be marked as such on the register held by the Transfer Agent and on any share certificate which is issued. Subject to certain limited exemptions pursuant to the US securities laws, and certain exceptions, the stock cannot be transferred in the United States or to US persons until specified information is made available to shareholders, and transfers outside the US will need to be made in compliance with Rule 904 of Regulation S). This will mean that the Consideration Shares will not be as readily tradeable as the Ordinary Shares have been and some Shareholders may not be able trade their Consideration Shares at all for a period following their issue. However, as noted above, following completion of the Disposal it is intended that NM Inc will seek to list the NM Inc Shares on Nasdaq within the next 18 months.

7. INVESTMENT INTO NM INC

The ongoing success of the business is dependent upon securing an appropriate level of funding to support a successful launch of the business' new music platform. NM Inc has engaged the services of an investment bank headquartered in California (the '**Investment Bank**') who will sponsor and co-ordinate the process of listing NM Inc on Nasdaq assuming the Disposal completes. It is anticipated that immediately following the Disposal, the Investment Bank will also assist NM Inc in seeking to secure initial interim funding for NM Inc (the "**Placement**"), the proceeds of which will be used to support the launch of the new music service and fund NM Inc's operations prior to its intended listing in the US. As such, on 2 December 2021, an agreement to appoint the Investment Bank was entered into and following the Disposal, the Investment Bank will act as NM Inc's sole placement agent in connection with the Placement. Pursuant to the Placement, NM Inc will seek to secure initial interim funding of up to US\$50 million.

Subject to a successful launch, and a period of subsequent growth in which the business is able to demonstrate appropriate traction in terms of user engagement and revenue generation, NM Inc will seek to secure a listing on Nasdaq. It is anticipated that NM Inc will seek to secure such a listing during the course of the first half of 2023, once audited results for NM Inc for the year ended 31 December 2022 have been prepared.

A *pro forma* balance sheet (as at 31 August 2021) for the Company showing its expected assets immediately following completion of the Capital Reduction and Disposal is set out in Part 4 of this document.

A *pro forma* balance sheet (as at 31 August 2021) for NM Inc showing its expected assets immediately following completion of the Disposal is set out in Part 4 of this document.

8. AIM RULE 15

In accordance with AIM Rule 15, the Disposal constitutes a fundamental change of business of the Company and in order to effect the Disposal the Company requires the approval of its Shareholders in the manner described below. The Disposal cannot be effected unless the Company receives the approval by the requisite majority of Shareholders.

The votes of the Shareholders will be added together at the General Meeting and the Resolutions to approve the Disposal, which will be proposed as an ordinary resolution, therefore requiring a majority in favour of more than 50 per cent. of those Shareholders attending and voting in person or by proxy in order to be passed.

Subject to the requisite Shareholder approval being received at the General Meeting, on completion of the Disposal, the Company would cease to own, control or conduct substantially all of its existing trading business, activities or assets. Following completion of the Disposal therefore, the Company will become an AIM Rule 15 cash shell. It is the Company's intention that once it becomes an AIM Rule 15 cash shell, subject to Shareholder approval of the De-Listing Resolution at the General Meeting, the Company will pursue the De-Listing and Re-Registration.

9. DE-LISTING

The Directors have for some time been reviewing the merits or otherwise of the Ordinary Shares continuing to be admitted to trading on AIM and remaining a public limited company in the UK. The following key factors have been taken into account by the Directors in reaching the conclusion that, assuming completion of the Disposal, the De-Listing is in the best interests of the Company and its Shareholders as a whole:

- following completion of the Disposal, there will be negligible assets remaining within the Group which would not justify the costs associated with remaining as a listed business; and
- as a cash shell, the Directors believe that the Company would not be of sufficient scale to attract any interest from institutional and other investors and would consequently suffer from a lack of liquidity in its Ordinary Shares.

The Directors strongly believe that for the reasons referred to above, should the Disposal be completed, the Company should seek the cancellation of the admission of its Ordinary Shares to trading on AIM and re-register as a private limited company.

In the event that the Disposal is completed and the De-Listing does not occur and, as an AIM Rule 15 cash shell, the Company does not make an acquisition or acquisitions constituting a reverse takeover under the AIM Rules within twelve months of becoming an AIM Rule 15 cash shell, then the Company's New Ordinary Shares would be suspended from trading on AIM.

9.1. Effect of De-Listing

The principal effects that the completion of the Disposal and the De-Listing would have on Shareholders are as follows:

- 9.1.1. the Company would no longer be subject to the AIM Rules (and accordingly Shareholders will no longer be afforded the protections given by the AIM Rules). Such protections include:
 - (a) the Company will not be bound to make any public announcements of material events, or to announce interim or final results, announce substantial transactions and related party transactions, or comply with the requirement to obtain shareholder approval for reverse takeovers and fundamental changes in the Company's business; and
 - (b) finnCap will cease to be the Company's nominated adviser and broker and the Company will cease to be required to retain a nominated adviser and broker;
- 9.1.2. the Company would no longer be subject to the DTRs and would therefore no longer be required to specifically disclose major shareholdings in the Company;
- 9.1.3. the Company will no longer be subject to MAR regulating inside information; and
- 9.1.4. the Company would no longer be required to comply with any of the additional corporate governance requirements applicable to companies admitted to trading on AIM.

Shareholders should note that the Code will continue to apply to the Company following the De-Listing and Re-Registration for a period of ten years, provided the Company continues to have its place of central management and control in the UK, the Channel Islands or the Isle of Man. The Company will also continue to be bound by the Act (which requires Shareholder approval for certain matters) following the De-Listing. In addition, Shareholders should note that they may find it difficult to sell their Ordinary Shares after De-Listing and that there is no guarantee any purchaser would be willing to purchase Ordinary Shares and that any price offered may not reflect the underlying value of the Company.

The above considerations are not exhaustive, Shareholders should seek their own independent advice when assessing the likely impact of the Disposal and De-Listing on them.

Shareholders who receive NM Inc Shares will receive certain protections at such future time if and when NM Inc is successful on listing on Nasdaq (or another stock exchange), for example:

- i. NM Inc will become subject to US securities reporting requirements pursuant to the US Securities Exchange Act of 1934, as amended. This will, among other things, require filing quarterly and annual reports, as well as interim reports for material events; and
- ii. NM Inc will become subject to Nasdaq's corporate governance requirements, which, among other things, would require that the directors of NM Inc to include a majority of 'independent' directors (as defined in the relevant Nasdaq rules), and require NM Inc to obtain the approval of stockholders for material transactions.

However, until such time as NM Inc is listed on Nasdaq (or another stock exchange), there would not be a formal mechanism enabling Shareholders to trade their NM Inc Shares through the public market. Furthermore, as noted in paragraph 6 above, the NM Inc Shares issued upon completion of the Disposal will be "restricted" under US securities laws and will be marked as such on the register held by the Transfer Agent and on any stock certificate which is issued. Accordingly, the NM Inc Shares will not

be able to be transferred (subject to certain exemptions) and thereafter, should the listing on Nasdaq (or another stock exchange) not occur, the NM Inc Shares may be more difficult to sell compared to shares of companies admitted to trading on AIM (or any other recognised market or trading exchange).

9.2. De-Listing Process

The AIM Rules require an AIM company wanting the LSE to cancel admission of its shares to trading on AIM to notify the LSE of the intended cancellation and, separately, inform the LSE of its preferred cancellation date at least 20 Business Days prior to such date. The cancellation is conditional upon the consent of not less than 75 per cent. of votes cast by Shareholders given in a general meeting.

The Notice of General Meeting contains a special resolution which proposes that the Company's admission to trading on AIM is cancelled.

Subject to the passing of the De-Listing Resolution it is expected that the last day of dealings in Ordinary Shares on AIM will be 27 January 2022 and that De-Listing will be effective from 7.00 a.m. on 28 January 2022.

9.3. Re-Registration

Following the De-Listing there will be no need for the Company to remain as a public limited company, which has additional requirements over and above those imposed on a private limited company by the Act. As a result, following the De-Listing the Company will seek to re-register as a private company. In order for the Company to effect the Re-Registration, Shareholders will be asked to pass the special resolution set out in the Notice of General Meeting which will be conditional on the approval of the De-Listing Resolution and the De-Listing taking effect.

If the Resolution to approve the Re-Registration is passed, upon the De-Listing taking effect, the Company will file the requisite documents with the Registrar of Companies along with the relevant fee for re-registration. The Re-Registration will become effective upon the Registrar of Companies issuing a certificate of incorporation as a private limited company, which will be issued once the Registrar is satisfied that no valid application can be made to cancel the Resolution approving the Re-Registration.

If the Resolution to approve the Re-Registration is not passed, the Company will still proceed with the De-Listing and the collapse of the existing corporate structure.

10. THE CODE

The Code will continue to apply to the Company and Shareholders will remain entitled to the protections afforded to them by the Code until the tenth anniversary of the date on which admission of the Ordinary Shares to trading on AIM is cancelled.

If the Disposal and the Capital Reduction are implemented, substantially all of the Company's assets will be transferred to NM Inc, which will, at the time of completion of the Disposal, be a foreign entity to which the Code will no longer apply.

Brief details of the Code, the Panel and the protections given by the Code are set out in Part 2 of this document.

11. EMPLOYEE BENEFIT TRUST SUBSCRIPTION

The Company announced earlier today that the EBT had subscribed for the EBT Shares at nominal value (the "**EBT Subscription**"). The EBT Subscription will be used to effect the Company's joint share ownership plan ("**JSOP**") as previously announced on 23 March 2020, which was implemented to incentivise and retain key members of the executive management team.

Terms of the JSOP

Pursuant to the JSOP, certain Directors and other members of the executive team have been granted options over the EBT Shares each with an exercise price of £0.0275 (the "**JSOP Options**") subject to certain share price hurdles and other performance targets which, if

achieved, would reduce the exercise price payable and accelerate the vesting period. In the event that certain performance targets are met, the minimum exercise price payable is nil. The JSOP Options have performance criteria relating to share price and other performance conditions and vest (subject to the hurdles referred to above) in equal tranches over a period of up to 3 years.

The table below details the number of JSOP Options each Director or Member of the Executive Team has received:

Name	Position	Number of JSOP Options
Anthony Matchett	Chief Executive Officer	100,000,000
Steven Hancock	Chief Relationship Officer	64,000,000
Simon Cole	Non-Executive Chairman	11,000,000
Russell Backhouse	Head of Corporate Finance	56,000,000
Joe Clark	Chief Operating Officer	17,000,000

It is expected that the EBT Shares will be admitted to trading on AIM and that admission of the EBT Shares will become effective and trading will commence at 8.00 a.m. on 9 December 2021.

The EBT has confirmed that it intends to vote in favour of the Resolutions, in respect of their entire to be issued holding of 248,000,000 Existing Ordinary Shares, representing approximately 7.3 per cent. of the Company's issued share capital at the date of this document.

The EBT Shares will be classified as Existing Ordinary Shares in relation to the Share Consolidation and will be adjusted as part of the Share Consolidation in the same way as other Existing Ordinary Shares will be adjusted.

12. TAXATION

Your attention is drawn to Part 3 (*Taxation*) of this document which contains a general summary of the key taxation issues relevant to UK and US Shareholders arising as a direct result of the Proposals.

The summary contained in Part 3 (*Taxation*) is not to be construed as tax advice. Each Shareholder should consult their respective tax adviser (or other suitably qualified professional adviser) for tax advice in connection with the matters referred to in this document. In particular, any Shareholders who are subject to tax in any jurisdiction outside of the UK and US should seek appropriate tax advice from their local tax adviser (or other suitable qualified professional adviser).

13. NON-UK SHAREHOLDERS

The distribution of this document may be restricted by law in certain jurisdictions. Persons into whose possession this document comes should inform themselves about and observe any such restrictions.

Shareholders who are not resident in the UK should note that they should satisfy themselves that they have fully observed any applicable legal requirements under the laws of their relevant jurisdictions in relation to the Proposals.

14. GENERAL MEETING

At the end of this document is a notice convening the General Meeting which is to be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London, England EC2A 2RS at 11.00 a.m. on 20 December 2021.

At the General Meeting:

- ordinary resolutions will be proposed to approve:

- the Share Consolidation (subject to the approval of the Disposal);
- the Disposal;
- special resolutions of the Company will be proposed to:
 - extinguish the amount standing to the credit of the Share Premium Account;
 - approve the De-Listing (subject to the approval of the Disposal); and
 - approve the Re-Registration (subject to the approval of the De-Listing).

Completion of the Share Consolidation is conditional on Resolution 1 being duly passed at the General Meeting. The Disposal is conditional, amongst other things, on Resolution 2 being duly passed at the General Meeting. The Capital Reduction is conditional on Resolution 3 being duly passed at the General Meeting and upon the Registrar of Companies subsequently registering the Capital Reduction in accordance with the Act. Completion of the De-Listing is conditional on the Disposal Resolution and the De-Listing Resolution being duly passed at the General Meeting.

The continuing coronavirus (COVID-19) pandemic continues to impact on the way in which we all conduct business and in particular on travel and public gatherings. The priority of the Board at this time is the health, safety and wellbeing of all Shareholders and Directors. We are therefore proposing to hold the General Meeting as a combined physical and electronic meeting as we appreciate that some of our Shareholders may feel uncomfortable about travelling or attending large gatherings or may be in isolation either on a voluntary or mandatory basis. This will ensure that there is a forum for the conduct of the formal business set out in the Notice of General Meeting.

Shareholders will therefore be able to take part in the meeting remotely via a Zoom webinar facility, which can be accessed from any computer with internet access or through a telephone (mobile or landline). Shareholders taking part via the Zoom webinar facility will not be able to speak or vote on the Resolutions on the day of the General Meeting.

If Shareholders wish to attend the General Meeting remotely, they are required to register their attendance via the Zoom facility in advance of the General Meeting, through the Company's website. After verification of their identity, details of how to join the Zoom webinar will be provided to each Shareholder. The final arrangements, including details of how to register for the Zoom webinar facility, are available on the Company's website at <https://napster.group/>.

Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy. It is highly recommended that Shareholders submit their Form of Proxy as early as possible to ensure that their votes are counted at the General Meeting. Shareholders are strongly encouraged to appoint the Chairman as their proxy to ensure that each Shareholder's vote will be counted.

The situation in respect of COVID-19 may change rapidly and Shareholders should note that further changes may need to be put in place at short notice in relation to the General Meeting. Any updates to the position will be included on the Company's website at <https://napster.group/>.

Further guidance can be found at notes 11 and 12 to the Notice of General Meeting set out at the end of this document. Shareholders should also continue to monitor the Company's website and the Company's announcements for any updates regarding the General Meeting.

15. ACTION TO BE TAKEN

Please check that you have received a Proxy Form for use in relation to the General Meeting with this document.

Whether or not you intend to be present at the General Meeting, you are asked to complete, sign and return the Proxy Form in accordance with the instructions printed thereon so as to be received by post or, during normal business hours only, by hand, by the Registrars, Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD as soon as possible but in any event not later than 11.00 a.m. on 16 December 2021 (or, in the

case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

16. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from Shareholders other than the Shareholder Directors to vote in favour of the Resolutions, in respect of their entire holdings of 924,449,636 Existing Ordinary Shares in aggregate, representing approximately 27.0 per cent. of the Company's issued share capital at the date of this document.

In addition, the Company has received irrevocable undertakings from the Shareholder Directors to vote in favour of the Resolutions, in respect of their entire holdings of 633,167,326 Existing Ordinary Shares in aggregate, representing approximately 18.5 per cent. of the Company's issued share capital at the date of this document. Furthermore, it is anticipated that the 248,000,000 EBT Shares issued under the JSOP representing approximately 7.3 per cent. of the Company's issued share capital at the date of this document will also vote in favour of the Resolutions as proposed.

Having regard to the EBT's intention to vote in favour of the Resolutions, taken together with the irrevocable undertakings to vote in favour of the Resolutions, the Directors believe that at least 52.8 per cent. of the Company's issued share capital at the date of this document will vote in favour of the Resolutions and therefore it is confident that the requisite majority needed to approve the ordinary resolutions in relation to the Share Consolidation and the Disposal will be achieved. In order for Shareholders to benefit financially from the Disposal and receive the Consideration Shares, the special resolution to approve the Capital Reduction must be passed by more than 75 per cent. of Shareholders.

17. RECOMMENDATION

Your Directors believe that the Proposals are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all of the Resolutions to be proposed at the General Meeting, as they have irrevocably undertaken to do (or procured to be done) in respect of their own beneficial holdings (or shareholdings they control) which, in aggregate, amount to 633,167,326 Ordinary Shares (representing approximately 18.5 per cent. of the Ordinary Shares in issue at the date of this document).

Yours faithfully

Simon Cole
Chairman

PART 2 – THE TAKEOVER CODE

1. The Code

The Code is issued and administered by the Panel. The Company is a company to which the Code applies and Shareholders are accordingly entitled to the protections afforded by the Code.

The Code and the Panel operate principally to ensure that shareholders in companies to which the Code applies are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. It is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

2. The General Principles and Rules of the Code

The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. For your information, these General Principles are set out in paragraph 4 of this Part 2. The General Principles apply to all transactions with which the Code is concerned. They are expressed in broad general terms and the Code does not define the precise extent of, or the limitations on, their application. They are applied by the Panel in accordance with their spirit to achieve their underlying purpose.

In addition to the General Principles, the Code contains a series of rules, of which some are effectively expansions of the General Principles and examples of their application and others are provisions governing specific aspects of the takeover procedure. Although most of the rules are expressed in more detailed language than the General Principles, they are not framed in technical language and, like the General Principles, are to be interpreted to achieve their underlying purpose. Therefore, their spirit must be observed as well as their letter. The Panel may derogate or grant a waiver to a person from the application of a rule in certain circumstances.

3. Giving up the protection of the Code

Completion of Proposals will not result, in itself, in the Company ceasing to be required to comply with the Code. However, if the Disposal is completed on the terms currently expected, it will involve substantially all of the Company's assets being transferred to NM Inc. Whilst NM Inc will (immediately following completion of the Disposal) be owned by Shareholders in exactly the same proportions as they currently hold the Ordinary Shares, **the Code will not apply to NM Inc.**

4. Further information on the provisions of the Code

You are encouraged to read this information carefully as it outlines certain important protections which will cease to apply if the Disposal is completed. Please note that implementation of the Proposals will not cause the Code to cease to apply to the Company.

General Principles of the Code

The General Principles of the Code are as follows:

1. All holders of the securities of an offeree company of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.
2. The holders of the securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on the bid; where it advises the holders of securities, the board of the offeree company must give its views on the effects of implementation of the bid on employment, conditions of employment and the locations of the company's places of business.
3. The board of an offeree company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the bid.
4. False markets must not be created in the securities of the offeree company, of the offeror company or of any other company concerned by the bid in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.

5. An offeror must announce a bid only after ensuring that he/she can fulfil in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.
6. An offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a bid for its securities.

Detailed application of the Code

The following is a summary of key provisions of the Code which apply to transactions to which the Code applies.

(a) Equality of treatment

General Principle 1 of the Code states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment. Furthermore, rule 16.1 requires that, except with the consent of the Panel, special arrangements may not be made with certain shareholders in the Company if there are favourable conditions attached which are not being extended to all shareholders.

(b) Information to shareholders

General Principle 2 requires that holders of securities of an offeree company must have sufficient time and information to enable them to reach a properly informed decision on a bid. Consequently, a document setting out full details of an offer must be sent to the offeree company's shareholders.

(c) The opinion of the offeree board and independent advice

The board of the offeree company is required by rule 3.1 of the Code to obtain competent independent advice on an offer and the substance of such advice must be made known to its shareholders. Rule 25.2 requires that the board of the offeree company must provide the offeree company's shareholders and persons with information rights its opinion on the offer and its reasons for forming that opinion. That opinion must include the board's views on: (i) the effects of implementation of the offer on all of the company's interests, including, specifically, employment; and (ii) the offeror's strategic plans for the offeree company and their likely repercussions on employment and the locations of the offeree company's places of business.

The circular from the offeree company must also deal with other matters such as interests and recent dealings in the securities of the offeror and the offeree company by relevant parties and whether the directors of the offeree company intend to accept or reject the offer in respect of their own beneficial shareholdings.

Rule 20.1 states that information about the companies involved in the offer must be made equally available to all offeree company shareholders as nearly as possible at the same time and in the same manner.

(d) Optionholders and holders of convertible securities or subscription rights

Rule 15 of the Code provides that when a Code offer is made for voting equity share capital or other transferable securities carrying voting rights and the offeree company has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the stockholders to ensure their interests are safeguarded. Rule 15 also applies in relation to the holders of options and other subscription rights.

PART 3 – TAXATION

UK tax implications of the Proposals for UK Shareholders

The following statements do not constitute tax advice and are intended only as a general guide based on current UK law and HMRC published practice. This general guide summarises only the key UK taxation issues for UK Shareholders arising as a direct result of the Proposals. For the purposes of this guide, it is assumed that the Shareholders in question are UK tax resident (and domiciled in the UK, where relevant) and beneficially entitled to their Existing Ordinary Shares, which they hold as an investment.

*The tax treatment set out below is based on the assumption that the Company received, on the issue of Existing Ordinary Shares to each Shareholder, a share premium from each such Shareholder (in aggregate) equal to or greater than the market value of the NM Inc shares to be issued to such Shareholder (or the subsequent owner of the relevant Existing Ordinary Shares) as part of the steps referred to in paragraph 4.3 (the ‘**Capital Reduction Demerger**’) of this document.*

Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional adviser without delay. Specifically, it should be noted that certain Shareholders (such as employees, pension schemes and clearance service providers) may be subject to different rules, and therefore the summary below may be inaccurate.

Chargeable gains

The Share Consolidation should not trigger any UK tax on chargeable gains for any Shareholder, provided that any proceeds received by the Shareholder from the sale of their fractional entitlements do not exceed £3,000 and are not greater than the Shareholder’s base cost in their Existing Ordinary Shares. Instead, the Shareholder would be treated for UK tax purposes as acquiring their New Ordinary Shares at the same time and for the same consideration as their Existing Ordinary Shares, except that the base cost in their New Ordinary Shares would be lower by the amount of any sale proceeds received by the Shareholder from the sale of their fractional entitlements.

The Capital Reduction Demerger should not trigger any UK tax on chargeable gains for the Shareholders because it should be respected as a scheme of reconstruction for UK chargeable gains tax purposes. The effect of this, broadly speaking, is that the Shareholders should not be treated as having disposed of their New Ordinary Shares – rather, the NM Inc shares that each Shareholder will receive, and the New Ordinary Shares they already hold, are taken to be the same asset, acquired at the same time and for the same consideration (for UK taxation purposes). Each Shareholder’s base cost in their New Ordinary Shares would therefore be apportioned between their New Ordinary Shares and their NM Inc Shares by reference to their respective market values (in the case of the NM Inc Shares, converted into pounds sterling using the applicable exchange rate) at the time of the Capital Reduction Demerger. This apportionment is relevant for determining the extent of any gains on which a Shareholder is subject to UK tax on a future disposal (for UK tax purposes) of their NM Inc shares or New Ordinary Shares.

The above tax treatment is subject to the UK tax authority being satisfied that the Capital Reduction Demerger is being effected for *bona fide* commercial reasons and not as part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of a liability to UK capital gains tax or UK corporation tax. The Company has applied to the UK tax authority to confirm its view on these points.

Taxation of income

The receipt of proceeds by Shareholders from the sale of their fractional entitlements pursuant to the Share Consolidation should be treated as capital distributions for UK tax purposes, and the Capital Reduction Demerger should be treated as a repayment of capital to the relevant Shareholders for UK tax purposes. Neither the Share Consolidation nor the Capital Reduction Demerger should therefore result in an income distribution subject to UK taxation arising in the hands of the Shareholders.

It should be noted that this is subject to certain anti-avoidance provisions (known as the transactions in securities rules) which could, where they apply, alter the tax treatment referred to

above. The Company has applied to the UK tax authority for confirmation that such rules ought not to apply to the Share Consolidation or the Capital Reduction Demerger.

Stamp duty

No UK stamp duty should arise as a result of the Share Consolidation or the Capital Reduction Demerger.

US tax implications of the Proposals for US Shareholders

The following statements do not constitute tax advice and are intended only as a general guide based on current US federal income tax law. This general guide summarises only the key US taxation issues for the Company and US Shareholders arising as a direct result of the Proposals. For the purposes of this section, it is assumed that the Shareholders in question are US tax resident and beneficially entitled to their New Ordinary Shares, which they hold as an investment.

THE US FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES ARE COMPLEX AND MAY BE UNFAVORABLE TO US HOLDERS. ACCORDINGLY, EACH US SHAREHOLDER IS STRONGLY URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE US FEDERAL, STATE, LOCAL AND FOREIGN INCOME, ESTATE, GIFT AND OTHER TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES, WITH SPECIFIC REFERENCE TO SUCH HOLDER'S PARTICULAR CIRCUMSTANCES.

Chargeable Gains

The transfer of Rhapsody to NM Inc. from the Company and the Capital Reduction are viewed as integrated steps for a US income tax purposes. It is expected that after completion of the transfer of Rhapsody to NM Inc, and the Capital Reduction and subject to the approval of Shareholders, the Company is intended to liquidate and otherwise take action in accordance with an associated plan of liquidation.

The result is that the Shareholders are expected to be treated as having disposed of their New Ordinary Shares in the Company in exchange for their respective proportionate shares in NM Inc. at fair market value and the receipt of the proceeds from the sale of fractional entitlements distributed to them (if any) (together, referred to as the "**Liquidating Distribution**"). The Liquidating Distribution is expected to be considered as a full payment in exchange for each Shareholder's New Ordinary Shares in the Company. Shareholders are expected to recognize gain (or loss) in an amount equal to the difference between: (i) the fair market value of NM Inc. shares received, plus their share of the proceeds from the sale of fractional entitlements distributed to them (if any); and (ii) their respective adjusted basis in the New Ordinary Shares in the Company treated as surrendered. To the extent the Company shares have been held by Shareholders for more than 12 months, such shares should be considered as a capital asset in such shareholder's hands and should qualify for associated capital gain or loss treatment.

The Shareholders resulting basis in NM shares is expected to be equal to the value of NM shares received in the Liquidating Distribution.

Taxation of income

The Capital Reduction Demerger and the transfer of Rhapsody to NM Inc., collectively, are considered as the Liquidating Distribution and that is expected to give rise to capital gain (or loss), as discussed above. Therefore, no other income is expected to arise which will be taxable to Shareholders as result of the Capital Reduction and the transfer of Rhapsody to NM Inc.

Stamp duty

No US stamp duty should arise as a result of the Capital Reduction Demerger.

PART 4 – PRO FORMA BALANCE SHEETS

- a) Set out below is an unaudited pro-forma balance sheet of the Group assuming completion of the Capital Reduction and the Disposal had occurred on 31 August 2021

STATEMENT OF PRO-FORMA RETAINED AND TRANSFERRED ASSETS AS AT 31 AUGUST 2021

	Unaudited Retained by the Group 31.8.2021 £'000	Unaudited Transferred to NM Inc 31.8.2021 £'000
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	63.2	2,296.4
Right of Use Assets	65.9	1,918.4
Goodwill	—	9,757.5
Intangible assets	274.8	—
TOTAL NON-CURRENT ASSETS	403.9	13,972.3
CURRENT ASSETS		
Inventories		
Trade and other receivables	1,329.1	17,113.8
Cash and cash equivalents	—	6,741.6
TOTAL CURRENT ASSETS	1,329.1	23,855.4
TOTAL ASSETS	1,733.0	37,827.7
CURRENT LIABILITIES		
Trade and other payables	(2,705.7)	(41,395.8)
Borrowings	(2,000.0)	(13,244.1)
Lease liabilities	(70.5)	(933.4)
TOTAL CURRENT LIABILITIES	(4,776.2)	(55,573.3)
NON-CURRENT LIABILITIES		
Lease liabilities	—	(30.2)
NET LIABILITIES	(3,043.2)	(17,775.8)

- b) Set out below is an unaudited pro-forma balance sheet of NM Inc following its acquisition of Rhapsody pursuant to the terms of the Share Purchase Agreement assuming the Disposal had occurred on 31 August 2021 (based on an exchange rate of £1.00:US\$1.3755)

**PRO-FORMA STATEMENT OF FINANCIAL POSITION FOR NM INC
AS AT 31 AUGUST 2021**

	Unaudited Pro-forma 31 August 2021 \$'000
ASSETS	
NON CURRENT ASSETS	
Property, plant and equipment	3,158.3
Right of Use Assets	2,638.4
Goodwill & Intangible ¹ Assets	84,467.2
	90,263.9
TOTAL NON-CURRENT ASSETS	90,263.9
CURRENT ASSETS	
Trade and other receivables	23,537.1
Cash and cash equivalents	9,271.9
	32,809.0
TOTAL CURRENT ASSETS	32,809.0
TOTAL ASSETS	123,072.9
CURRENT LIABILITIES	
Trade and other payables	(56,932.7)
Borrowings	(18,214.9)
Lease liabilities	(1,283.7)
	(76,431.3)
TOTAL CURRENT LIABILITIES	(76,431.3)
NON-CURRENT LIABILITIES	
Lease liabilities	(41.5)
	46,600.0
NET ASSETS	46,600.0
EQUITY	
Share capital	46,600.0
	46,600.0
TOTAL EQUITY	46,600.0

¹ Goodwill and Intangible assets includes estimates for the fair value of assets acquired in respect of customer relations, the Napster brand and its technology platform.

Napster Group PLC

(Registered in England and Wales with registered number 05628362)

NOTICE OF GENERAL MEETING

NOTICE is hereby given that a General Meeting of Napster Group PLC will be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS, at 11.00 a.m. on 20 December 2021 for the purposes of considering and, if thought fit, passing the resolutions set out below of which resolutions 1 and 2 will be proposed as ordinary resolutions of the Company and resolutions 3 to 5 will be proposed as special resolutions of the Company.

For the purposes of these Resolutions capitalised terms shall (unless the context requires otherwise) have the meaning ascribed to them in a circular from the Company to its Shareholders dated 3 December 2021.

Ordinary Resolutions

1. **THAT**, every 750 Existing Ordinary Shares be consolidated into 1 New Ordinary Share, such New Ordinary Shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares as set out in the Articles.
2. **THAT**, the disposal by the Company of Rhapsody, pursuant to the Transaction Documents and related documentation, be and hereby is approved with such amendments as the Directors may approve, and the Directors, or any duly authorised committee thereof, be and are hereby authorised to take all necessary steps and to execute all other documents and deeds as they may consider to be necessary or desirable to conclude the Disposal.

Special Resolutions

3. **THAT:**
 - 3.1 the amount of £55,252,677 standing to the credit of the Share Premium Account be and is hereby reduced by £38,000,000; and
 - 3.2 subject to confirmation and approval of the Court of the Capital Reduction, there shall be paid to each Shareholder a repayment of capital in specie of an amount equal to the market value of the NM Inc Share(s) (see below) to be issued to each such Shareholder, which shall be satisfied by the Company transferring its entire shareholding in Rhapsody to NM Inc in consideration for the allotment and issue of such number of Consideration Shares as shall result in each Shareholder (immediately following completion of the Disposal) holding one NM Inc Share for every 1 New Ordinary Share held at the Disposal Record Time.
4. **THAT**, subject to and conditional upon Resolution 2 above being passed, the admission to trading on AIM of the Ordinary Shares be cancelled and that the Directors of the Company be and are hereby authorised to take all steps which are necessary or desirable in order to effect such cancellation.
5. **THAT**, conditional upon Resolution 4 above being passed and on the De-Listing taking effect, the Company be re-registered as a private company under the Act by the name of Napster Group Limited.

By Order of the Board

S Cole
Chairman

Registered office:
55 Poland Street
London
W1F 7NN

Dated: 3 December 2021

Notes:

Appointment of proxies

1. If you hold Existing Ordinary Shares at the time set out in note 8 below (“**eligible member**”), you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a Proxy Form with this Notice of General Meeting. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact the Company’s registrars, Neville Registrars Limited, on 0121 585 1131. You can only appoint a proxy using the procedures set out in these notes and the notes to the Proxy Form.
2. A proxy does not need to be an eligible member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the Proxy Form are set out in the notes on that Proxy Form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the enclosed proxy form.
4. Appointment of a proxy does not preclude you from attending the General Meeting and voting in person. If you have appointed a proxy and attend the General Meeting in person, your proxy appointment will automatically be terminated.
5. The notes to the Proxy Form explain how to direct your proxy how to vote on the resolution or to withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting or any adjournment thereof.
6. To appoint a proxy, the Proxy Form must be:
 - completed and signed;
 - sent or delivered to the Company’s registrars, Neville Registrars Limited of Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD; and
 - received by the Company’s registrars no later than 11.00 a.m. on 16 December 2021 or, if the General Meeting is adjourned, not less than 48 hours (excluding any part of a day that is not a Business Day) before the time of the adjourned meeting.

In the case of an eligible member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.

Joint members

7. In the case of eligible members who hold their Ordinary Shares jointly, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).

Entitlement to attend and vote

8. Only those eligible members registered on the Register at 11.00 a.m. on 16 December 2021 or, if the General Meeting is adjourned, at 11.00 a.m. two Business Days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting. Such Shareholders

may only cast votes in respect of Existing Ordinary Shares held at such time. Changes to entries on the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

Corporate representatives

9. A corporation which is an eligible member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as an eligible member provided that no more than one corporate representative exercises powers over the same share.

Documents on display

10. Copies of this document and the Transaction Documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the General Meeting and will also be available for inspection for 15 minutes before and during the General Meeting at the location of the General Meeting.

Arrangements for the meeting – COVID-19

11. The Company has been monitoring the evolving situation relating to the Coronavirus (COVID-19) pandemic, including the current guidance on travel and public gatherings and social distancing. The Board has also noted that, at the time of producing this document, the UK government had lifted legal restrictions in England however, the situation remains uncertain and there is no guarantee that there will not be any further changes prior to the General Meeting.
12. The priority of the Board at this time is the health, safety and wellbeing of all Shareholders and Directors. We are therefore proposing to hold our General Meeting as a combined physical and electronic meeting and offering Shareholders the option to participate in the meeting remotely via a Zoom conference call. If you wish to use this facility, please register via the Company's website at <https://napster.group/>. Please note that Shareholders will not be able to use this facility to actively participate in the General Meeting by voting on the resolutions or asking questions. Pending further developments, the Board:
 - encourages Shareholders to submit their votes via proxy as early as possible, and Shareholders should appoint the Chairman of the meeting as their proxy. A form of proxy which may be used is attached. If a Shareholder appoints someone else as their proxy, that proxy may not be able to attend the General Meeting in person or cast the Shareholder's vote. All proxy appointments should be received by no later than 11.00 a.m. on 16 December 2021.
 - strongly recommends CREST members to vote electronically through the CREST electronic proxy appointment service as your vote will automatically be counted.
 - proposes that voting at the General Meeting will be conducted by means of a poll on all resolutions, with each Shareholder having one vote for each Existing Ordinary Shares held, thereby allowing all those proxy votes submitted and received prior to the General Meeting to be counted.
 - will continue to closely monitor the COVID-19 situation in the lead up to the General Meeting and make further updates about the meeting on the Company's website at <https://napster.group/>. Please ensure that you regularly check this page for updates.

