

7DIGITAL GROUP PLC

- and -

MAGIC INVESTMENTS S.A.

- and -

SHMUEL KOCH HOLDINGS LTD.

SUBSCRIPTION AGREEMENT

- relating to -

7DIGITAL GROUP PLC



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THIS AGREEMENT IS MADE ON

7 JUNE 2019

BETWEEN:

- (1) **7DIGITAL GROUP PLC**, a public limited company incorporated in England and Wales (registered number 03958483) whose registered office is at 69 Wilson Street, London, EC2A 2BB (the "**Company**"); and
- (2) The several persons whose names and addresses are set out in Part 1 of Schedule 1 (the "**Investors**").

WHEREAS:

- (A) The Company is a public company limited by shares whose shares are traded on AIM.
- (B) The Investors have agreed to subscribe for shares in the Company, and the Company has agreed to allot and issue shares to the Investors, on the terms and subject to the conditions set out in this Agreement.

IT IS AGREED:

1. INTERPRETATION

1.1 In this Agreement and its Recitals and the Schedules:

"**Accounts**" means the audited consolidated financial statements of the Group as at and for the year ended on the Accounts Date;

"**Accounts Date**" means 31 December 2017;

"**Admission**" means admission of the New Shares to trading on AIM becoming effective in accordance with the AIM Rules;

"**Aggregate Exchange Price**" means an amount equal to the multiple of the Exchange Shares and the Exchange Price;

"**Aggregate Subscription Price**" means in respect of each Investor, an amount equal to the multiple of the Subscription Shares subscribed by such Investor and the Subscription Price;

"**AIM Rules**" means the AIM Rules for Companies made by the LSE;

"**Announcement**" means the announcement relating to (a) the intentions of each Investor with respect to its commercial relationship with the Company and (b) its subscription for shares under the terms of this Agreement, such announcement to be released by the Company in accordance with clause 8.3;

"**Arden**" means the Company's financial advisor, Arden Partners Plc a company incorporated in England and Wales (registered number 04427253) whose registered office is at 5 George Road, Edgbaston, Birmingham, England, B15 1NP;

"**Articles**" means the articles of association of the Company as amended from time to time;

"**Board**" means the board of directors of the Company from time to time;

"Business Day" means any day which is not a Saturday, a Sunday or a bank or public holiday in London;

"City Code" means the City Code on Takeovers and Mergers;

"Closing" has the meaning given to it in clause 2.2;

"Closing Conditions" has the meaning given to it in clause 3.1;

"Closing Date" means 26 June 2019, being the expected date for Admission, or such later date as may be agreed in writing by the parties, provided that such date shall be no later than the Long Stop Date;

"Companies Act" means Companies Act 2006, as amended;

"Company's Solicitors" means Osborne Clarke LLP of One London Wall, London EC2Y 5EB;

"Company's Solicitors' Account" means the account held at Natwest Bank, Bristol City Office, 32 Corn Street, Bristol, BS1 1HQ in the name of the Company's Solicitors and as notified to the Investors and finnCap prior to the date of this Agreement;

"Consideration Payment Date" has the meaning given to it in clause 4.1;

"Convertible Loan Notes" means the principal amount five hundred and seventy eight thousand, eight hundred and sixty four Sterling (£578,864) convertible loan notes held by Magic and which were constituted by the Company pursuant to the convertible loan note instrument dated 25 October 2018;

"CREST" means the facilities and procedures for the time being of the relevant system administered by Euroclear UK and Ireland Limited;

"Deferred Shares" means deferred shares of £0.01 nominal value each in the capital of the Company issued and designated as "Deferred Shares" and having the rights, restrictions and entitlements set out in the Articles;

"Dispute" means any dispute, claim or controversy in any way relating to, in connection with or arising out of this Agreement, whether contractual or non-contractual (and including any dispute, claim or controversy regarding: (i) its negotiation; (ii) its interpretation; (iii) its existence, validity or enforceability; (iv) the performance of a party's duties or obligations under it; or (v) its breach or termination);

"eMusic" means eMusic.com, Ltd. a company incorporated in England and Wales (registered number 05702595) whose registered office is at C/o Lewis Golden, 40 Queen Anne Street London, England, W1G 9EL;

"Encumbrance" means any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing;

"Exchange Price" means an amount equal to 0.176 pence per Exchange Share;

"Exchange Shares" means the 332,915,704 new ordinary shares of 0.01 pence each in the capital of the Company to be issued to Magic in accordance with clause 2.2;

"**FCA**" means the UK Financial Conduct Authority (or its successor bodies);

"**finnCap**" means finnCap Ltd, a company incorporated in England and Wales (registered number 06198898) whose registered office is at 60 New Broad Street, London, EC2M 1JJ;

"**Group**" means the Company and its subsidiary undertakings from time to time;

"**Insolvency Event**" means, in relation to any member of the Group, any of the following:

- (a) any form of liquidation, receivership, administrative receivership, administration, arrangement or scheme with creditors, moratorium, stay or limitation of creditors' rights, interim or provisional supervision by the court or by persons appointed by the court (or any equivalent or similar procedure under the laws of any jurisdiction in which the relevant person is incorporated, registered, domiciled or resident or carries on business or has assets) being commenced or otherwise in place or under way in relation to it, whether in or out of court; or
- (b) any distress, execution or other process being levied against any of its assets which has not been satisfied in full;

"**Intellectual Property**" means trade marks, trade names, domain names, get-up, logos, patents, design rights, copyrights (including copyrights in software), database rights, know-how and all other similar rights in any part of the world, including any registration of such rights and applications and rights to apply for such registrations;

"**Interim Accounts**" means the unaudited interim accounts of the Company for the six months ended on the Interim Accounts Date;

"**Interim Accounts Date**" means 30 June 2018;

"**IT Systems**" means the information technology used by any member of the Group or required for use in their businesses, including, without limitation, hardware, proprietary and third party software, networks, peripherals and associated documentation;

"**Long Stop Date**" means 30 June 2019 or such later date as may be agreed in writing by the parties;

"**LSE**" means the London Stock Exchange plc (or its successor bodies);

"**Magic**" means Magic Investments S.A., a company incorporated under the laws of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B186.943 whose registered office is at 33, rue du Puits Romain L-8070 Bertrange, Grand Duchy of Luxembourg;

"**MAR**" means The Market Abuse Regulation (*Regulation 596/2014*) and the regulations made pursuant to it;

"**Money Laundering and Anti-Corruption and Anti-Bribery Laws**" means any laws or regulations concerning bribery, corruption or similar activities that are applicable to a member of the Group or any employees, officers or entities connected with any member of the Group's business operations (including the US Foreign Corrupt Practices Act of 1977 and the rules and regulations under that act, and the UK Bribery Act 2010)

"**New Shares**" means the Subscription Shares together with the Exchange Shares;

"OC Undertaking" means the undertaking by the Company's Solicitors (countersigned by the Investors) issued on or around the date of this Agreement;

"Ordinary Shares" means ordinary shares of (a) prior to the Re-organisation, £0.01 nominal value each in the capital of the Company and (b) immediately following the Re-organisation, 0.01 pence nominal value each in the capital of the Company in each case issued and designated as "Ordinary Shares" and having the rights, restrictions and entitlements set out in the Articles;

"Permitted Transferee" means, in respect of an Investor, each or any of (i) any subsidiary of such Investor; (ii) any parent undertaking of such Investor; (iii) any subsidiary of any parent undertaking of such Investor; (iv) any nominee or trustee of any of the persons referred to in (i) to (iii); or (v) eMusic;

"Previous Announcements" means:

- (a) all documents issued; and
- (b) all announcements made,

in each case on or on behalf of the Company to any stock exchange or via a Regulatory Information Service or pursuant to any regulatory obligation, since the Interim Accounts Date;

"Regulation S" means Regulation S under the Securities Act, as amended;

"Regulatory Approval" means a resolution by the applicable independent Shareholders waiving any obligation on the Investors to make any offer for the Ordinary Shares pursuant to Rule 9 of the City Code following allotment of any of the New Shares and the consequent waiver by the Panel on Takeovers and Mergers of the obligation on the Investors (either individually or collectively) to make an offer for the Ordinary Shares under Rule 9 of the City Code;

"Regulatory Information Service" has the meaning given to it in the AIM Rules;

"Relevant Fundraising" has the meaning given in clause 6.1;

"Re-organisation" means the proposed re-organisation of the share capital of the Company pursuant to resolutions 2 and 3 of the Shareholder Resolutions;

"Rule 144A" means Rule 144A under the Securities Act;

"Securities Act" means the U.S. Securities Act of 1933, as amended;

"Shareholder Resolutions" means resolutions 2, 3, 4 and 5 in the notice of the Company's general meeting circulated by the Company to its Shareholders on or around the date of this Agreement;

"Shareholders" mean the holders of the Ordinary Shares;

"Sterling" means the lawful currency of the United Kingdom;

"Subscription" means the subscription for 634,132,641 new ordinary shares of 0.01 pence each in the capital of the Company pursuant to this Agreement;

"Subscription Price" means an amount equal to 0.2 pence per Subscription Share;

"Subscription Shares" means the number of new ordinary shares of 0.01 pence each in the capital of the Company to be subscribed for by each Investor, pursuant to this Agreement as listed next to their names in column 3 of Part 1 of Schedule 1; and

"United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

1.2 In this Agreement, references to any statutory provision shall include such provision as from time to time amended, whether before on or (in the case of re-enactment or consolidation only) after the date hereof, and shall be deemed to include provisions of earlier legislation (as from time to time amended) which have been re-enacted (with or without modification) or replaced (directly or indirectly) by such provision and shall further include all statutory instruments or orders from time to time made pursuant thereto.

1.3 In this Agreement and its Schedules:

- (a) the neuter gender shall include the masculine and the feminine;
- (b) the singular number shall include the plural and vice versa;
- (c) references to persons shall include individuals, bodies corporate, unincorporated associations and partnerships;
- (d) all references to time in this Agreement are to the time in London, the United Kingdom;
- (e) the headings are inserted for convenience only and shall not affect the construction of this Agreement;
- (f) references to recitals, clauses and schedules and subdivisions thereof, unless a contrary intention appears, are to the recitals and clauses of and schedules to this Agreement and subdivisions thereof respectively; and
- (g) the expressions "**subsidiary**", "**subsidiary undertaking**" and "**parent undertaking**" have the meanings given to them by the Companies Act.

1.4 The Schedules form part of this Agreement and shall be construed and shall have the same full force and effect as if expressly set out in the body of this Agreement.

2. **SUBSCRIPTION**

2.1 Subject to clause 3.1, each of the Investors irrevocably agrees, acting severally and not jointly:

- (a) to subscribe for the relevant number of Subscription Shares as is set opposite its name in Part 1 of Schedule 1 at the Subscription Price;
- (b) to pay the Aggregate Subscription Price in respect of such Subscription Shares in accordance with clause 4.1(b); and
- (c) to accept the Subscription Shares for which it has applied subject to the terms of the Articles and consents to the entry of its name in the register of members of the Company as the holder of such shares.

2.2 Subject to clause 3.1, Magic irrevocably agrees:

- (a) to subscribe for the Exchange Shares at the Exchange Price;
 - (b) that the Aggregate Exchange Price shall be satisfied in full by the cancellation and release of the Company's liability to pay under the Convertible Loan Notes by the Company; and
 - (c) to accept the Exchange Shares for which it has applied subject to the terms of the Articles and consents to the entry of its name in the register of members of the Company as the holder of such shares.
- 2.3 Subject to clause 3.1, on the Closing Date the Company shall allot, issue, and deliver the New Shares to each Investor fully paid, and free from all Encumbrances, subject to each Investor complying with its payment obligations in accordance with clause 4 ("**Closing**"). The failure of one Investor to comply with the terms of this Agreement shall not affect the Company's obligations to any other Investor under this Agreement.
- 2.4 The Company warrants that the New Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Ordinary Shares immediately following the Re-organisation.
- 2.5 Each Investor may direct, at least one Business Day prior to Closing and by giving notice in writing to the Company, that all or any proportion of the New Shares to be subscribed for by it are issued and registered in the name of:
- (a) any Permitted Transferee of such Investor; or
 - (b) any nominee or custodian holding such shares on behalf of such Investor or any Permitted Transferee of such Investor.
3. **CONDITIONS**
- 3.1 The obligations of each of the Investors and the Company under clause 2 are conditional in all respects upon:
- (a) the passing the Shareholder Resolutions by the applicable majority of the Shareholders;
 - (b) the Regulatory Approval being obtained;
 - (c) Admission becoming effective in accordance with the AIM Rules by no later than the Long Stop Date; and
 - (d) the Announcement being released by no later than 08:00 on 10 June 2019 or such later date as the parties may agree;
- ((a) – (d) the "**Closing Conditions**").
- 3.2 The Company undertakes to use all reasonable endeavours to procure that the Closing Conditions are satisfied before 16:59 on the Long Stop Date.
- 3.3 The Company shall notify the Investors promptly (but in any event within 2 Business Days) upon becoming aware that any of the Closing Conditions have been fulfilled.
- 3.4 If the Closing Conditions have not been satisfied by 17:00 on the Long Stop Date:

- (a) the obligations of each Investor and the Company pursuant to clauses 2.1 and 2.2, respectively shall cease;
- (b) the Company shall cause to be returned to the Investors, any monies received from the Investors (together with any accrued interest) under the terms of this Agreement as soon as is practicable, and in any event, no later than two (2) Business Days following the Long Stop Date; and
- (c) subject to clauses 3.4(b) and 6, this Agreement will terminate.

4. CLOSING

4.1 On or prior to 16.00 on the Business Day immediately preceding the Closing Date (the "**Consideration Payment Date**"), each Investor shall:

- (a) notify the Company of the details of the CREST stock account into which it wishes to have its New Shares credited on Closing; and
- (b) pay, or arrange for finnCap to pay on its behalf, the Aggregate Subscription Price for the Subscription Shares to be subscribed by it in Sterling by electronic transfer into the Company's Solicitors' Account to be held in accordance with the terms of the OC Undertaking. Release of an Investor's Aggregate Subscription Price to the Company under the terms of the OC Undertaking shall be deemed to satisfy and discharge that Investor's payment obligations in clause 2.1 above.

4.2 The Company shall, as soon as reasonably practicable following the Consideration Payment Date:

- (a) procure that the Board (or a duly authorised committee thereof) passes appropriate resolutions and takes all other necessary steps to allot, subject only to Admission, the New Shares to each Investor (subject to, in respect of the relevant Investor, compliance with clause 4.1 by such Investor) fully paid up at the Subscription Price on the Closing Date free from Encumbrances, in such number as set out in Part 1 of Schedule 1;
- (b) cancel the Convertible Loan Notes, conditional only upon Admission;
- (c) submit an application for Admission in accordance with Rule 29 of the AIM Rules; and
- (d) procure that the Registrar takes all necessary steps and gives all necessary instructions to Euroclear to ensure that, at Closing, each relevant Investor's New Shares are credited to its CREST stock account so notified to the Company in accordance with clause 4.1(a) above and effect the registration, without registration fee, of each relevant Investor as holder of the New Shares to which it has subscribed.

5. ACKNOWLEDGEMENTS, REPRESENTATIONS AND WARRANTIES

5.1 The Company represents and warrants to each Investor that the statements contained in Part 1 of Schedule 2 are true and accurate and not misleading as at the date of this Agreement and will be true and accurate and not misleading as at Admission.

- 5.2 Each Investor severally represents and warrants to the Company that the statements contained in Part 2 of Schedule 2 are true and accurate and not misleading as at the date of this Agreement and will be true and accurate and not misleading as at Admission.
- 5.3 Each Investor acknowledges the statements contained in Part 3 of Schedule 2.
- 5.4 The Company:
- (a) acknowledges, confirms and agrees that each Investor will rely upon the truth and accuracy of the representations, warranties and acknowledgements made by the Company set forth herein; and
 - (b) agrees to notify each Investor as soon as reasonably practicable in writing if any of the representations, warranties or acknowledgements herein ceases to be true and accurate or becomes misleading on or before Admission.
- 5.5 Each Investor severally:
- (a) acknowledges, confirms and agrees that the Company will rely upon the truth and accuracy of the representations, warranties and acknowledgements made by such Investor set forth herein; and
 - (b) agrees to notify the Company as soon as reasonably practicable in writing if any of the representations, warranties or acknowledgements made by such Investor herein ceases to be true and accurate or becomes misleading on or before Admission.
- 5.6 The Company undertakes not to declare or make any dividends or distributions in respect of existing Ordinary Shares between the date of this Agreement and Closing.

6. **FURTHER SUBSCRIPTIONS**

- 6.1 If within twelve (12) months of Admission the Company enters into, or agrees to enter into, a legally binding agreement with any person other than the Investors (the "**Further Subscription Agreement**") to issue new Ordinary Shares for a subscription price lower than the Subscription Price (the "**New Subscription Price**") (a "**Relevant Fundraising**"), the Company undertakes to, as soon as reasonably practicable after entering into the Further Subscription Agreement but in any event prior to issuing the new Ordinary Shares pursuant to the Further Subscription Agreement, subject to the receipt of the relevant subscription monies from each Investor, issue at nominal value a number of Ordinary Shares to each Investor to put that Investor in the position they would have been in had they subscribed for the Subscription Shares issued to them pursuant to this Agreement at the New Subscription Price, provided that the number of additional Ordinary Shares issued to the Investors pursuant to this clause shall not exceed 211,377,546 in aggregate (which shall be divided between the Investors pro rata to their existing percentage ownership of the Company's issued share capital) and shall not increase the Investor's percentage ownership of the Company's issued share capital (save where any such percentage increase does not trigger a mandatory offer under Rule 9 of the City Code).
- 6.2 For the avoidance of doubt, nothing in clause 6.1 shall preclude the Investors from participating in any Relevant Fundraising and any such participation will not prejudice the rights of the investors under clause 6.1.

7. TERMINATION

7.1 This Agreement may be terminated:

- (a) in accordance with clause 3.4; or
- (b) with the written consent of all the parties to this Agreement.

7.2 In the event of a material breach of this Agreement by an Investor (a "**Defaulting Investor**"), the Company shall be entitled by serving written notice on such Defaulting Investor, provided that such notice is given to the Defaulting Investor as soon as the Company becomes aware of such breach and such breach is not remedied by such Defaulting Investor as soon as reasonably practicable following receipt of such notice and, in any event, prior to the Closing Date, to issue a further notice to the Defaulting Investor notifying the Defaulting Investor that all of the obligations and liabilities of the Company to such Defaulting Investor under this Agreement thereby cease with immediate effect and that, subject to the return of any monies (together with any accrued interest) received by the Company's Solicitors from such Defaulting Investor in accordance with clause 4.1, from such time the Defaulting Investor shall have no further rights under this Agreement.

7.3 In the event of a material breach of this Agreement by the Company, each Investor shall be entitled by serving written notice on the Company, provided that such notice is given to the Company soon as reasonably practicable after such Investor becomes aware of such breach and such breach is not remedied by the Company as soon as reasonably practicable following receipt of such notice and, in any event, prior to the Closing Date, to issue a further notice to the Company notifying the Company that all of the obligations and liabilities of such Investor to the Company under this Agreement thereby cease with immediate effect and that, subject to the return of any monies, together with interest, received by the Company's Solicitors from such Investor in accordance with clause 4.1, from such time the Company shall have no further rights as regards that Investor under this Agreement.

7.4 Any termination in whole or in part in accordance with the provisions of this clause 6 shall be without prejudice to the accrued rights or liabilities of any party to the other parties in respect of the terms herein at or before such termination and the provisions of clauses 8, 9, 10 and 11 shall remain in full force and effect.

8. ANNOUNCEMENTS AND CONFIDENTIALITY

8.1 None of the parties shall disclose any information concerning this Agreement, its terms or the negotiations relating to it, or the transactions contemplated herein or any other arrangement involving the Company and any of the Investors without the prior written consent of the other parties hereto. Notwithstanding the foregoing, such information may be disclosed:

- (a) to the FCA, the LSE, and any other regulator to which the Company or any Investor is subject;
- (b) by any party to its legal and financial advisors, auditors and directors, officers or employees on a need-to-know basis;
- (c) by an Investor to the other Investors;

- (d) by an Investor to any Permitted Transferee of that Investor;
- (e) by an Investor to any non-executive director of the Company nominated by such Investor from time to time;
- (f) by any party as may be required by any law, regulatory or tax authority, stock exchange or court of competent jurisdiction (provided that where possible it will provide a draft of any such announcement to the other parties in advance of disclosure); and
- (g) by any party, if the information is or becomes publicly available (other than by breach of this Agreement) or if the information was in the public domain prior to such disclosure.

8.2 The Company shall provide the Announcement to each of the Investors prior to publication and shall (subject to requirements of law and applicable regulation) consider any amendments requested by the Investors in relation to such disclosure. Notwithstanding the foregoing, the Company will not make any reference in the Announcement, or amend any part of the Announcement (from the draft appended to this Agreement and initialled by or on behalf of the Company and the Investors, for the purposes of identification only) relating to an Investor or any existing or proposed relations, arrangements or agreements with an Investor, without such Investor's prior written consent.

8.3 The Company shall release the Announcement as soon as possible following execution of this Agreement and in any case not later than the time set forth in clause 3.1.

8.4 The parties agree that Arden may disclose, to the extent Arden considers it reasonably necessary in connection with any regulatory investigation or as part of any defence in any proceedings, the representations, warranties and acknowledgements given by the Investors and the Company contained in this Agreement.

9. NOTICES

9.1 Any notice or other communication to be given hereunder shall either be delivered personally or sent by first class post or by email if sent:

- (a) in the case of the Company, to the address stated at the head of this Agreement or, in respect of any notice sent by email, to julia.hubbard@7digital.com marked "For the attention of the Chief Financial Officer";
- (b) in the case of each of the Investors, to the address or email address (as applicable) set out in Part 1 of Schedule 1; or
- (c) in respect of any of the parties, to such other address or email address as the party to be served may have previously notified to all the other parties.

9.2 All notices shall be deemed to have been served as follows:

- (a) if personally delivered, at the time of delivery;
- (b) if posted, at the expiration of seventy-two (72) hours after the envelope containing the same was delivered into the custody of the postal authorities; and
- (c) if communicated by email, at the time the email was sent,

provided that where, in the case of delivery by hand or transmission by email, such delivery or transmission occurs after 18.00 on a Business Day or on a day which is not a Business Day, service shall be deemed to occur at 9.00 on the next Business Day.

9.3 In proving such service it shall be sufficient to prove that personal delivery was made, or that the envelope containing such notice was properly addressed and delivered into the custody of the postal authorities as a pre-paid first class letter or equivalent, or that the email was sent to the email address specified in clause 9.1 or Part 1 of Schedule 1 (as the case may be).

10. **GENERAL**

10.1 Each of the Investors and the Company shall reasonably cooperate with respect to any notifications to, or consents and/or approvals of, third parties which are or may be required for the purposes of or in connection with this Agreement.

10.2 No alteration to, or variation of, this Agreement shall be effective unless it is in writing and signed by or on behalf of all the parties.

10.3 Each party shall bear its own legal and professional fees, costs and expenses incurred in connection with this Agreement.

10.4 Time shall be of the essence in this Agreement.

10.5 All provisions of this Agreement shall so far as they are capable of being performed or observed continue in full force and effect notwithstanding completion of the purchase of the New Shares by the Investors in accordance with clause 4 of this Agreement except in respect of those matters then already performed.

10.6 This Agreement constitutes the entire agreement and understanding between the parties in connection with the investment in the Company by the Investors. This Agreement supersedes all prior communications, understandings and agreements relating to the subject matter hereof, whether written or oral.

10.7 No delay or failure by a party to exercise or enforce (in whole or in part) any right provided by this Agreement or by law shall operate as a release or waiver, or in any way limit that party's ability to further exercise or enforce that, or any other, right. A waiver of any breach of any provision of this Agreement shall not be effective, or implied, unless that waiver is in writing and is signed by the party against whom that waiver is claimed.

10.8 Each of the parties to this Agreement shall execute and perform (and procure that there are executed and performed) such further documents and acts as the other parties to this Agreement may reasonably require to give effect to the provisions of this Agreement.

10.9 This Agreement may be entered into in any number of counterparts and by the parties to it on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument. Delivery of an executed signature page of a counterpart by facsimile transmission or in Adobe Portable Document Format (PDF) sent by electronic mail shall take effect as delivery of an executed counterpart of this Agreement. If either method is adopted, without prejudice to the validity of such agreement, each party shall provide the others with the original of such page as soon as reasonably practicable thereafter.

- 10.10 Each of the parties to this Agreement agrees that a person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999.
- 10.11 Each of the obligations of the parties to this Agreement is several, not joint and several, and no Investor shall be liable to any other party for any failure of or default by another party to comply with its obligations hereunder.
- 10.12 Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between any of the parties, constitute any party the agent of another party, authorise any party to make or enter into any commitments for or on behalf of any other party or to establish any course of dealings which could cause the parties to be considered to be "acting in concert" with each other as such term is defined in the City Code. Each party confirms it is acting on its own behalf and not for the benefit of any other person.

11. **GOVERNING LAW AND JURISDICTION**

- 11.1 This Agreement, the jurisdiction clause contained in it, all the documents referred to in it which are not expressed to be governed by another law, and all non-contractual obligations arising in any way whatsoever out of or in connection with this Agreement or any such documents are governed by, construed and take effect in accordance with English law.
- 11.2 The courts of England have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise in any way whatsoever out of or in connection with this Agreement (including without limitation claims for set-off or counterclaim) or the legal relationships established by this Agreement.
- 11.3 A document which starts or is otherwise required to be served in connection with any legal action or proceedings relating to a Dispute ("**Process Document**") may be served in the same way as notices in accordance with clause 9 and may be deemed served if served in accordance with clause 12. This sub-clause does not prevent a Process Document being served in another manner permitted by law.

12. **PROCESS AGENT**

Each Investor irrevocably appoints the person set out next to its name in Part 2 of Schedule 1 to receive, for it and on its behalf, service of process in proceedings in England and Wales. Such service shall be deemed completed on delivery to the process agent (whether or not it is forwarded to and received by the Investor). If for any reason the process agent ceases to be able to act as such or no longer has an address in England and Wales, the relevant Investor irrevocably agrees to appoint a substitute process agent acceptable to the Company and to deliver to the Company a copy of the new process agent's acceptance of that appointment, within 30 days thereof.

SCHEDULE 1

Part 1

Investors

(1) Name	(2) Address and email address for notices	(3) Number of Subscription Shares	(4) Aggregate Subscription Price (£)	(5) Number of Exchange Shares	(6) Percentage of issued share capital following Closing*
Magic Investments S.A.	Magic Investments S.A. c/o Simon Baker, Zimmer & Partners S.A., 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg Email: alan.dacosta@ram.co.za	209,920,515	419,841.03	332,915,704	39.15%
Shmuel Koch Holdings Ltd.	Shmuel Koch Holdings Ltd. 6 Hevra Hadasha Street, Tel Aviv, Israel FOA: Yaron Koch Email: tamir@triplay-inc.com and yaron@ikoch.com	424,212,126	848,424.25	0	30.59%

*Assuming all New Shares are issued and allotted at Closing.

Part 2
Process agents

(1) Name of Investor	(2) Name and address of process agent
Magic Investments S.A.	Name: Hogan Lovells International LLP Address: Atlantic House, Holborn Viaduct, London EC1A 2FG (FOA Daniel Simons) Copy to: Daniel.Simons@hoganlovells.com and alan.dacosta@ram.co.za
Shmuel Koch Holdings Ltd.	Name: Hogan Lovells International LLP Address: Atlantic House, Holborn Viaduct, London EC1A 2FG (FOA Daniel Simons) Copy to: Daniel.Simons@hoganlovells.com and tamir@triplay-inc.com and yaron@ikoch.com

SCHEDULE 2

Part 1

Warranties - Company

1. The Company represents and warrants to the Investors that:
 - 1.1 it has been duly incorporated and is validly existing under the laws of England and Wales;
 - 1.2 it has full power, authority and capacity, and has taken all actions, including obtaining any necessary corporate and regulatory approvals and consents, required to enter into this Agreement, and, on or prior to Admission, it will have taken all actions required to perform its obligations under this Agreement;
 - 1.3 on or prior to Admission, it will have taken, and will for the term of this Agreement, take all necessary steps to perform its obligations under this Agreement and to give effect to this Agreement and the transactions contemplated in this Agreement;
 - 1.4 neither the execution and delivery of this Agreement by the Company nor the allotment and issue of the New Shares (a) violates any provision of the Articles, (b) shall cause a default under any agreement, (c) contravenes or results in a contravention of the laws of any jurisdiction to which the Company is subject in respect of the transactions contemplated under this Agreement or which may otherwise be applicable to the Company in connection with the allotment and issue of the New Shares, (d) breaches any applicable order, judgment or decree of any court by which it is bound, or (e) breaches any rule or regulation of any applicable stock exchange or regulatory body;
 - 1.5 immediately prior to Admission (a) there are 419,622,489 Ordinary Shares and 419,622,489 Deferred Shares in issue, and such shares constitute the entire issued share capital of the Company and have been properly and validly allotted and are fully paid up and (b) the fully diluted share capital of the Company (comprising both issued Ordinary Shares and any unissued shares in the Company which any person has a right to receive, acquire or subscribe for, whether conditionally or unconditionally) is made up of 1,402,928,466 Ordinary Shares and 419,622,489 Deferred Shares;
 - 1.6 save as fairly disclosed in the Previous Announcements, no Insolvency Event has occurred in relation to any member of the Group, other than solvent liquidations or striking-off applications (or equivalent in any jurisdiction outside the United Kingdom) that have been carried out by members of the Group as part of a group re-organisation. Save as fairly disclosed in the Previous Announcements, so far as the Company is aware, there are no circumstances which are likely to result in such an Insolvency Event;
 - 1.7 in relation to Previous Announcements, save to the extent corrected in any announcement subsequently made by or on behalf of the Company through a Regulatory Information Service, (a) all statements of fact contained therein were, when made, and remain true and accurate in all material respects and not misleading and (b) all forecasts, estimates, expressions of opinion, intention or expectation contained therein were, when made truly and honestly held and fairly based on reasonable grounds and/or assumptions after due and careful enquiry;
 - 1.8 in relation to the Announcement, all statements of fact contained therein are true and accurate in all material respects and not misleading and all forecasts, estimates,

expressions of opinion, intention or expectation contained therein are truly and honestly held and fairly based on reasonable grounds and/or assumption after due and careful consideration;

- 1.9 save for information contained in the Announcement, the Company does not have any non-public information which is material or price-sensitive, and the issue of New Shares to be sold hereunder will not constitute a violation by the Company of Part V of the UK Criminal Justice Act 1993, MAR or any other applicable law prohibiting "insider dealing" in securities. The Company is not aware of any non-public fact or circumstance that, if made public, would be reasonably expected to have a significant effect upon the trading price or the market price of the Ordinary Shares or which is required by applicable law or regulation to be disclosed to the public;
- 1.10 all written information supplied directly or indirectly by the directors and/or the Company to the Investors (or any persons acting on its behalf) for the purposes of or in connection with the Subscription was when supplied (save to the extent corrected, updated or supplemented) and is as at the date of this Agreement true and accurate in all material respects, and where such information was expressed as an opinion of any person such opinion was and continues to be honestly and reasonably held by the person giving it by reference to the facts and circumstances now subsisting;
- 1.11 the Company and the directors have at all times complied in all material respects with the AIM Rules and all other applicable laws and regulations in any jurisdiction in which the Group carries on business;
- 1.12 the Accounts:
 - (a) were prepared in accordance with applicable laws International Financial Reporting Standards as adopted by the EU, Interpretations issued by the International Financial Reporting Interpretations Committee which have been confirmed by the International Accounting Standards Board and other generally accepted accounting principles and practices in England as at the date of the audit report on them and otherwise on a basis substantially consistent with the consolidated statutory group accounts of the Group for the previous two financial years; and
 - (b) gave a true and fair view of the state of affairs as at the Accounts Date, and of the profit or loss for the financial year ended on the Accounts Date, of the Group taken as a whole, so far as concerns members of the Company;
- 1.13 the Interim Accounts:
 - (a) were prepared with proper care and attention and present a reasonably accurate view of:
 - (i) the financial position of the Company as at the date to which they were drawn up; and
 - (ii) the profit or loss of the Company for the periods to which they in relate;
 - (b) do not materially over-state the value of the assets or materially under-state the extent of the liabilities of the Company as at the date to which they were drawn up; and

- (c) were prepared on a basis substantially consistent with the consolidated statutory group accounts of the Company for the previous two financial years;
- 1.14 Since the Interim Accounts Date:
- (a) each of the businesses of the Group has been carried on in the ordinary and usual course;
 - (b) save as fairly disclosed in the Previous Announcements, there has been no material change in the Company or the Group's financial position;
 - (c) the Company has notified a Regulatory Information Service of all information required to be notified by it in accordance with the AIM Rules and has complied in all material respects with all the requirements of the AIM Rules applicable to the Company, MAR and any requests for disclosure made by the LSE;
 - (d) save as fairly disclosed in the Previous Announcements, no member of the Group has acquired or disposed of or agreed to acquire or dispose of any material assets or businesses other than in the ordinary course of trading;
 - (e) the Company has not entered into or assumed or incurred any material contract, commitment (whether in respect of capital expenditure or otherwise), borrowing, indebtedness in the nature of borrowing, guarantee, liability (including contingent liability) or any other agreement or obligation in relation to any member of its Group; and
 - (f) save as fairly disclosed in the Previous Announcements, no member of the Group has paid or made any material payment or transfer of any dividend, bonus, loan or distribution, otherwise than to another member of the Group as part of the normal intra-group cash flow and funding movements;
- 1.15 all Intellectual Property which is material in the context of the Group and which is required for the carrying on of the businesses of the Group, as such businesses are carried on at the date of this Agreement (the "**Group Intellectual Property**"), is either:
- (a) legally and beneficially owned by the Company or a wholly owned subsidiary of the Company; or
 - (b) lawfully used by the Company or a wholly owned subsidiary of the Company or, if relevant, with consent of the owner under licence;
- 1.16 the Group Intellectual Property which is owned by the Company or wholly owned subsidiary of the Company is:
- (a) valid and enforceable;
 - (b) so far as the Company is aware, not being infringed by any person; and
 - (c) not the subject of any material attack, challenge or opposition, or threatened attack, challenge or opposition, by any person which, if decided against the relevant member of the Group;
- 1.17 No Intellectual Property which is required for the carrying on of the business of the Group was transferred to TDC Group as part of the sale of the Company's Denmark subsidiary,

7digital ApS, which was announced via the Regulatory Information Service on 2 May 2019.

- 1.18 so far as the Company is aware, the processes employed and the products and services dealt in by each member of the Group, and which are required for the carrying on of the businesses of the Company and the Group, as such businesses are carried on at the date of this Agreement, do not in any material respect use, embody or infringe any rights or interests of third parties in Intellectual Property (other than those licensed to the relevant member of the Group) and no material claims of infringement of any such rights or interests have been made by any third party;
- 1.19 all the material IT Systems and business records used or required for use by the Group as at Admission are recorded, stored, maintained or operated or otherwise held and owned by a member of the Group and are not dependent on any facilities or systems which are not under the exclusive ownership or control of, or licensed by, the Group;
- 1.20 each member of the Group is licensed or otherwise authorised to use all material IT Systems in the same manner in which they are used at Admission;
- 1.21 there have been no material failures of the IT Systems in the 12 months prior to the date of this Agreement and each member of the Group has, in accordance with good industry practice, taken precautions to preserve the availability, security and integrity of the IT Systems, including in the event of any failure in the IT Systems;
- 1.22 all filings and other formalities required by any applicable law to be made by any member of the Group to any corporate or commercial registries, tax authorities or their equivalent have been completed and/or made in all material respects in a timely fashion;
- 1.23 no member of the Group is engaged in any material civil, criminal or arbitration proceedings ("**Litigation**"), there is no Litigation pending or threatened by or against any member of the Group and, so far as the Company's directors are aware, there are no circumstances likely to give rise to any such Litigation (including as a result of any breach by any member of the Group of any rights or interests of third parties in Intellectual Property);
- 1.24 there are no unfulfilled or unsatisfied judgements or court orders outstanding against the Group and which are material in the context of the Group and its businesses;
- 1.25 no member of the Group nor any of its directors, officers, agents, employees, or affiliates is currently subject to any sanctions administered by the United Nations Security Council, the European Union, the United Kingdom, the Office of Foreign Assets Control of the U.S. Department of the Treasury, or any other relevant sanctions authority;
- 1.26 each member of the Group, and to the best of the knowledge and belief of each of the Company, its affiliates and agents, have at all times conducted their businesses in compliance with the Money Laundering and Anti-Corruption and Anti-Bribery Laws and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to be adequate to ensure, continued compliance by the Company, each such other member of the Group, and each of its affiliates and agents with the Money Laundering and Anti-Corruption and Anti-Bribery Laws and to prevent any breach of such laws by the Company, each other member of the Group or any of its affiliates or agents occurring;

- 1.27 no action, suit, or proceeding with respect to the Money Laundering and Anti-Corruption and Anti-Bribery Laws subsists, is pending or, to the Company's best knowledge, threatened by or before any court or governmental agency, authority, or body, or any arbitrator involving the Company or its respective directors, officers, employees, agents, affiliates, or other persons acting on behalf of the Company; and
- 1.28 None of the Company or any of its affiliates or any person acting on behalf of it or its affiliates has engaged in, nor will it engage in, any "directed selling efforts" (as that term is defined in Regulation S) with respect to the New Shares and the Company or any of its respective affiliates, and any person acting on behalf of it or its affiliates have complied, and will comply, with the offering restrictions requirement of Regulation S.

Part 2

Warranties – Investors

1. Each Investor severally represents and warrants to the Company that, with respect to itself:
 - 1.1 it has been duly incorporated and is validly existing under the laws of the jurisdiction in which it is incorporated and/or resident;
 - 1.2 it has full power, authority and capacity, and has taken all actions required to enter into this Agreement, and, on or prior to Admission, it will have taken all actions required to perform its obligations under this Agreement in so far as they relate to it;
 - 1.3 on or prior to Admission, it will have taken, and will for the term of this Agreement, take all necessary steps to perform its obligations under this Agreement and to give effect to this Agreement and the transactions contemplated in this Agreement;
 - 1.4 the execution and delivery of, and the performance by the Investor of its obligations under, this Agreement will not:
 - (a) be or result in a breach of any provision of its memorandum or articles of association (or equivalent constitution documents);
 - (b) be or result in a breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound and which is material in the context of the transaction contemplated by this Agreement; or
 - (c) save as envisaged by this Agreement, require the Investor to obtain any consent or approval of, or give any notice to or make any registration with any governmental or other authority which has not been obtained or made at the date hereof on an unconditional basis and on a basis which cannot be revoked;
 - 1.5 it nor, to the Investor's best knowledge, any of its directors, officers, agents, employees, or affiliates is currently subject to any sanctions administered by the United Nations Security Council, the European Union, the United Kingdom, the Office of Foreign Assets Control of the U.S. Department of the Treasury, or any other relevant sanctions authority;
 - 1.6 it and, to the Investor's best knowledge, its affiliates and agents, have at all times conducted their businesses in compliance with the Money Laundering and Anti-Corruption and Anti-Bribery Laws and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to be adequate to ensure, continued compliance by the Investor and each of its affiliates and agents with the Money Laundering and Anti-Corruption and Anti-Bribery Laws and to prevent any breach of such laws by the Investor or any of its affiliates or agents occurring; and
 - 1.7 no action, suit, or proceeding with respect to the Money Laundering and Anti-Corruption and Anti-Bribery Laws subsists, is pending or, to the Investor's best knowledge, threatened by or before any court or governmental agency, authority, or body, or any arbitrator involving the Investor or its directors, officers, employees, agents, affiliates, or other persons acting on behalf of the Investor.

Part 3

Acknowledgements – Investors

1. Each Investor severally acknowledges that, with respect to itself:
 - 1.1 (a) the New Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States; and (b) the New Shares may not be reoffered, resold, pledged or otherwise transferred except in the United States in accordance with an exemption from, or in a transaction not subject to, or in compliance with, the registration requirements of the Securities Act, and in each case, in accordance with all applicable securities laws of each state of the United States;
 - 1.2 any information or material which may have been provided to the Investor on a confidential basis is subject to change and should not be relied upon by the Investor in determining whether to invest in the New Shares. For the avoidance of doubt:
 - (a) none of the information which may have been provided to the Investor (other than this Agreement) constitutes an invitation or offer to sell, or a solicitation of an offer to acquire, purchase or buy, any Ordinary Shares or any other securities;
 - (b) save as set out in this Agreement, nothing contained in information or material which may have been provided to the Investor shall form the basis of any contract or commitment whatsoever; and
 - (c) no offers of, or invitations to subscribe for, any Ordinary Shares or any other securities shall be made or received on the basis of any information which may have been provided to the Investor;
 - 1.3 the Investor will on request provide as soon as reasonably practicable to the Company such information as may be required by the LSE and any other governmental or regulatory authority or securities exchange;
 - 1.4 any information, whether written or oral, provided by the Company or any of its agents, advisors or affiliates in connection with the Subscription may contain certain projections forecasts or forward looking statements with respect to the business, investment and strategy of the Company, and expectations as to the future financial condition and performance of the Company. Without prejudice to paragraph 1.7 and 1.8 of Part 1 of Schedule 2, the Investor agrees and acknowledges that: (i) by their nature, such projections forecasts or forward looking statements involve risk and uncertainty because they relate to future events and circumstances; and (ii) save as set out in this Agreement, neither the Company nor any of its agents, advisors or affiliates makes any representation and gives no warranty, express or implied, that any such projections forecasts or forward looking statements will be realised; and
 - 1.5 save as set out in this Agreement, neither the Company, nor any of its officers, directors, employees, advisors, agents, representatives, affiliates or associates makes any representation or gives any warranty or undertaking that transactions contemplated by this Subscription Agreement will proceed or be completed (within any particular time period or at all) or, save as provided in this Agreement, will be under any liability whatsoever to the Investor in the event transactions contemplated by the Subscription Agreement does not proceed or is not completed for any reason.

IN WITNESS WHEREOF this Agreement has been signed by the parties on the date stated at the beginning of this Agreement.

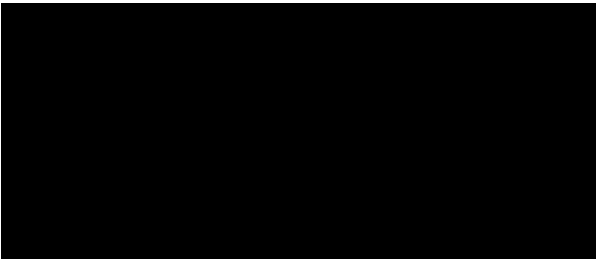
Signed by Julia Hubbard
for and on behalf of **7-DIGITAL**
GROUP PLC

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Signed by **Alan Da Costa** for and
on behalf of **MAGIC INVESTMENTS**
S.A.

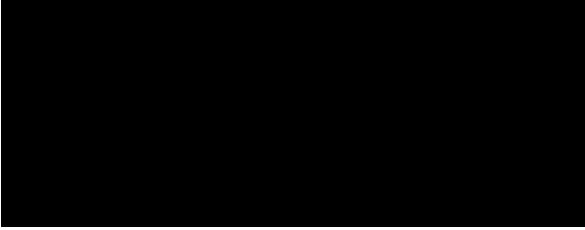
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Signed by **Yaron Asher Koch** for
and on behalf of **SHMUEL KOCH**
HOLDINGS LTD.

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APPENDIX 1
Announcement

THIS ANNOUNCEMENT AND THE INFORMATION CONTAINED HEREIN IS RESTRICTED AND IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION IN WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL. PLEASE SEE THE IMPORTANT NOTICES AT THE END OF THIS ANNOUNCEMENT.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

For immediate release

7 June 2019

7digital Group plc

**Proposed subscription for 634,132,641 New Ordinary Shares
at 0.2 pence per share to raise up to £1.3 million**

and

Proposed Debt for Equity Swap

Summary

7digital Group plc (AIM: 7DIG) ("**7digital**", the "**Company**" and together with its subsidiary undertakings, the "**Group**") is pleased to announce the following important developments to raise additional finance to meet the immediate working capital requirements of the Group:

- a consortium, comprising Magic Investments S.A. (a technology investment holding company) ("**Magic**") and Shmuel Koch Holdings Limited ("**SKH**"), has conditionally agreed to subscribe for, an aggregate of, 634,132,641 new Ordinary Shares (the "**Subscription Shares**") at 0.2 pence per share (the "**Issue Price**"), to raise £1.3 million (before expenses);
- Magic has agreed to capitalise the outstanding £585,932 principal and accrued interest of the Convertible Loan Notes held by it at into 332,915,704 new Ordinary Shares (the "**Exchange Shares**") (at a 12 per cent. discount to the Issue Price (the "**Exchange Price**"));
- a number of changes to the Board have been proposed, conditional upon the passing of the Resolutions at the General Meeting to be convened for 10.00 a.m. on 25 June 2019, details of which are set out below.

The Issue Price represents a discount of 11 per cent. to the closing middle market price of an Ordinary Share on 6 June 2019 (being the last dealing date prior to the publication of this announcement).

In order for the Company to lawfully allot the Subscription Shares and the Exchange Shares the Company is proposing a subdivision of each Existing Ordinary Share of one penny into one New Share of 0.01 pence and one Deferred A Share of 0.99 pence (the "**Capital Reorganisation**").

If the Debt for Equity Swap and the Subscription are completed, the Consortium will hold, in aggregate, up to a maximum of 69.7 per cent. of the Enlarged Share Capital, with Magic individually holding up to a maximum of 39.1 per cent. of the Enlarged Share Capital and SKH individually holding up to a maximum of 30.6 per cent. of the Enlarged Share Capital.

The Debt for Equity Swap and the Subscription are conditional upon, amongst other things, the Capital Reorganisation being approved by Shareholders, the Company obtaining approval from its Shareholders to disapply statutory pre-emption rights and to grant the Board authority to allot the New Ordinary Shares in connection with the Debt for Equity Swap and the Subscription, and the Independent Shareholders approving the waiver of the obligation to make a general offer pursuant to Rule 9 of the Code which would otherwise fall upon the Concert Party as a result of the issue and allotment to the Consortium of the New Ordinary Shares. In addition, the Capital Reorganisation is conditional upon Shareholder approval to sub-divide the Existing Ordinary Shares and adopt the New Articles.

The Proposals are necessary to finance the immediate working capital requirements of the Company as announced on the 9 April 2019 and on the 13 May 2019. The Board, however, remains of the view that additional equity investment is required to meet the short-term working capital requirements of the Company. It is intended that, on publication of the Company's annual report for the year ended 31 December 2018 which is anticipated shortly after Admission, the Company will seek to raise an additional £4.5 million (the "**Additional Funds**") by way of a placing and further subscription of new Ordinary Shares with new and existing shareholders at the Issue Price. The Consortium has indicated that, acting together with its business partners and associates, it may subscribe for up to £2.5 million of this amount, subject to review of the annual report, however no assurance can be given in this respect.

Shareholders should be aware that if Resolutions 1 to 5 are not approved at the General Meeting, the Subscription will not complete and none of the net proceeds of the Subscription will be received. If this were to happen then the Group would only have sufficient working capital to trade through to late June 2019. Accordingly, based on the projected cash flows of the Group, it is highly likely the Company would need to be placed into administration.

Furthermore, if the Subscription completes but the Company is unable to raise Additional Funds of at least £4.5 million by 31 July 2019 then, based on the projected cash flows of the Group, the Company will be unable to pay its creditors and it is highly likely that it would need to be placed into administration. If Resolutions 6 and 7 are not approved at the General Meeting the Company will be unable to raise the Additional Funds.

In the event that the Company is unable to meet such obligations as a result of the failure of the Subscription to complete and/or the failure to raise Additional Funds by 31 July 2019, it is unlikely that the Company will be able to continue trading and it is highly likely that the Directors would need (in order to fulfil their duties to the Company's creditors (and to other applicable stakeholders)) to place the Company into administration. Any such administration would be likely to result in little or no value for Shareholders.

These possibilities are considered to be realistic, not remote.

Background to the Proposals

Following the appointment of John Aalbers, Chief Executive Officer, and Julia Hubbard, Chief Financial Officer, the Company announced on 9 April 2019 that under Julia Hubbard's supervision, the Company had started work on the preparation of the accounts for the financial year ended 31 December 2018 and reviewing budgets for the current year in conjunction with John Aalbers' review of the Company strategy. The announcement noted that the review was taking a more circumspect view of the sales pipeline and that, whilst the work was not yet concluded and no final conclusions had been reached as to quantum, the Board's view at the time of the announcement was that the Group would require material further equity and/or debt funding in the next quarter without which the Company would be unable to continue as a going concern.

Furthermore, on 11 April 2019, the Company announced that it had received a notice of redemption from a holder in respect of a tranche of the Convertible Loan Notes previously issued to certain investors, due to non-payment of interest. The Convertible Loan Notes provide for a maturity date of 31 December 2019. The notice related to outstanding Convertible Loan Notes and interest amounting to £325,570.

Following initial discussions between the Consortium and the Company regarding a possible investment in the Company, on 13 May 2019, Magic agreed to purchase all of the outstanding Convertible Loan Notes and entered into the Standstill Agreement with the Company pursuant to which Magic agreed not to seek early redemption or conversion of the notes before 30 June 2019, except in certain limited circumstances (including a major equity issuance or the insolvency of the Company). As part of this arrangement, the redemption notice served by one of the loan noteholders was revoked.

Working capital

Assuming the Proposals complete and the Additional Funds are secure, the Company's business plan and working capital requirement make certain assumptions as to the:

- time to implement the Company's new strategy set out below;
- growth in revenue from the new standardised product; and
- timing of and ability to reduce certain costs.

If the implementation of the Company's new strategy takes longer than currently expected, growth in revenue is slower or the Company is unable to reduce certain costs as anticipated then it is highly likely that the Company will be required to raise additional finance during 2020.

Update on strategy

Following the appointment of John Aalbers and Julia Hubbard, the Directors undertook a review of the Company's overall strategy. The primary outcome from that review was to recognise that the Company was, foremost, a technology company rather than a media company. Accordingly, the Company's focus should be winning repeatable, long-term business through the provision of a standardised product that can be provided to a wide range of enterprises as a "Platform as a Service" ("**PaaS**") with the appropriate operating structure to support this model. This compares to previous strategies in which the Company implemented bespoke solutions for a diverse range of customers often with divergent needs, leading to unprofitable business at higher risk.

Subject to the completion of the Proposals and the raising of the Additional Funds, the vision of the new management team is to become the leading supplier of business-to-business ("**B2B**") music streaming solutions globally. While the Company will continue to sell into and build on the "music industry" customer base that the Company has historically been able to secure and service, the Directors intend to focus on growing other B2B markets. Expansion into new markets will be targeted through a focus on identification on specific verticals that exhibit ideal customer characteristics for the deployment of the Company's solutions.

To this end, the Company has identified the following market verticals in which enterprises with these characteristics reside and the Directors have determined that demand is potentially high. These include:

- Mobile Telecommunications – Specifically Mobile Virtual Network Operators (MVNOs);
- Retail Loyalty Program Providers; and
- Automotive Systems Providers.

7digital's primary offering would be a "turn-key", advanced feature, music streaming platform, which enterprises can brand as their own. The Company's platform already provides an extensive music catalogue (in excess of 70 million songs) and can be offered to the enterprise's consumer customers as part of a loyalty and churn reduction programme to increase customer retention and the reduce churn.

In addition, the Company's core strategy described above, incremental revenue and competitive advantage is expected to be achieved from the second half of 2020 through an arms-length commercial agreement with eMusic.com, Inc., a leading source of discovery and sales for independent music and artists a company of which Tamir Koch is President. Synergy is expected to be created with eMusic and its blockchain infrastructure which would allow DIY artists to upload content to 7digital's platform directly.

The Directors expect this to benefit 7digital by:

- enabling 7digital to distribute to all music digital subscription providers; and
- enabling 7digital to offer unique content when selling to new music service providers.

The Company's sales strategy will be restructured to focus on the tightly defined market verticals where the Company's core customers operate. The Company accordingly intends to both enhance its direct sales force with experienced sales personnel and to also scale up the Company's reach to a much wider market by creating a global partner programme.

Terms of the Subscription and the Debt for Equity Swap

The Consortium has conditionally agreed to subscribe for the Subscription Shares at the Issue Price pursuant to the Subscription Agreement. The Subscription Shares will represent 45.7 per cent. of the Enlarged Share Capital on Admission.

In addition, the Subscription Agreement sets out the mechanism pursuant to which the Company has conditionally agreed to reduce certain of its outstanding indebtedness through the capitalisation of £585,932 in principal and interest under the Convertible Loan Notes pursuant to the Debt for Equity Swap. Under this arrangement, the Company will extinguish its liability by the issue to Magic of the Exchange Shares at the Exchange Price. The Exchange Shares will represent 24.0 per cent. of the Enlarged Share Capital on Admission.

The Subscription Agreement is conditional upon, amongst other things, the Resolutions being passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 26 June 2019.

The Subscription Shares and the Exchange Shares, when issued fully paid, will rank equally in all respects with the New Shares including the right to receive any dividends or other distributions declared, made or paid after the date of issue of the New Ordinary Shares.

Application will be made to the London Stock Exchange for the Subscription Shares and the Exchange Shares to be admitted to trading on AIM and such admission is expected to become effective at 8.00 a.m. on 26 June 2019.

The net proceeds of the Subscription will be used to settle certain of the Group's existing creditors.

The Capital Reorganisation

As at 6 June 2019 (being the latest practicable date prior to the publication of this announcement), the Company had 419,622,489 Existing Ordinary Shares in issue, with an Existing Ordinary Share having a mid-market price at the close of business on such date (as derived from the AIM Appendix of the Daily Official List) of 0.23 pence per Existing Ordinary Share. The Sub-Division is necessary as a company is unable to lawfully issue shares for less than the nominal value of its ordinary shares. Therefore, without the Sub-Division, the Company would not be able to issue the Subscription Shares and the Exchange Shares.

The Board is therefore of the view that the Sub-Division would benefit the Company and its Shareholders as it would reduce the nominal value of Existing Ordinary Shares in issue to enable the Company to issue the Subscription Shares and Exchange Shares.

The Capital Reorganisation will consist of the following steps:

- Shareholder approval of the Sub-Division, including the creation of a new class of Deferred A Shares;
- the sub-division of each Existing Ordinary Share of one penny into one New Share of 0.01 pence and one Deferred A Share of 0.99 pence; and
- the adoption of the New Articles which include the rights and restrictions attaching to the Deferred A Shares.

Proposed changes to the Board

On completion of the Proposals, and subject to the completion of Arden's due diligence as nominated adviser to the Company, Tamir Koch will join the Board as Non-Executive Chairman and David Lazarus will join the Board as a Non-Executive Director. At the same time, Sir Donald Cruickshank has agreed to step down as Chairman and Eric Cohen will step down as a Non-Executive Director. Following these changes, the Board will consist of six directors, with two executive directors and four non-executive directors of whom two are independent. It is anticipated that a further independent non-executive director may be appointed in due course. Anne De Kerckhove Dit Van Der Varent has agreed to remain on the Board until such time that a further independent non-executive director is appointed.

Further details of the Proposed Directors are as follows:

Tamir Koch, aged 47 – Proposed Non-Executive Chairman

Tamir Koch is President of eMusic.com, Inc., an online music and audiobook store and brand which started trading in 1998 and focused on discovery and sales of independent music and artists. Most recently Tamir has led, the eMusic Blockchain Project, seeking to provide a decentralised approach to music distribution and rights management to facilitate the utilisation of blockchain within the music industry.

Tamir has previously founded several successful startups including Orca Interactive and Dotomi. Orca was sold to Emblaze Systems in 2000, which then floated Orca on AIM. It was subsequently acquired by France Telecom in 2008. Dotomi was acquired by ValueClick in 2011.

David Lazarus, aged 55 – Proposed Non-Executive Director

David is an industrialist and international entrepreneur. David spent six years at Lloyds of London as an accredited Lloyds Broker attending to Insurance and Re-Insurance. David is currently an Executive Director of the RAM Hand-to-Hand Couriers Group, a leader in the Courier, Logistics and Express Parcel Industry in Southern Africa. The RAM Group operates from approximately 40 hubs, with approximately 1,700 vehicles and over 2,800 staff across Southern Africa. David is also a member of the Young Presidents Organisation. David has been involved in several international businesses, including having knowledge of the various investments of Magic.

Current trading

Period ended 31 December 2018

The interim results for the six months ended 30 June 2018 were released on the 28 September 2018. The Company expects revenue in the six months ended 31 December 2018 to be marginally higher than the first half, although this benefit will be largely offset by higher costs.

Year end accounts

The Company is currently preparing its results for the year ended 31 December 2018 which it expects to release before 30 June 2019. The Board confirms that the Company's accounts will be prepared on a going concern basis but subject to completion of the Proposals and the Company obtaining Additional Funds to support the future strategy.

As previously announced on 28 September, the Company consolidated acquired businesses and technology platforms in the second half of 2018.

In addition, following the loss of the Company's largest customer, MediaMarktsaturn, announced on 4 January 2019 and the subsequent sale of an unprofitable technology platform to TDC on 2 May 2019, the Company has undertaken a review of intangible assets, acquired goodwill, capitalised assets and other assets which will result in a significant impairment charge being recognised in the year.

Post year end trading update

Following the appointment of John Aalbers and Julia Hubbard and the loss of MediaMarktsaturn, a major customer, in March 2019 the Board has been undertaking a review of the Company's strategy and budgets taking a more circumspect view of the sales pipeline. Consequently, there has been significant disruption within the business since the beginning of the year which has had a marked effect on customer sentiment. Trading has continued to be challenging and the Board expects revenue for the six months to the 30 June 2019 to be significantly behind the equivalent period in the prior year.

A circular containing, amongst other things, further details of the Proposals and the Concert Party and the notice of the General Meeting is expected to be published by the Company later today.

The person responsible for the release of this announcement is Julia Hubbard, Chief Financial Officer of the Company.

Don Cruickshank, Chair of 7digital, commented:

"Our new management team of John Aalbers and Julia Hubbard have engineered a new partnership with new investors. This should bring both the capacity to exploit the streaming services market that grows by the day and to exploit new sources of income from blockchain based services for artists."

For further information please contact:

7digital

020 7099 7777

John Aalbers, CEO
Julia Hubbard, CFO
Holly Ashmore, PR Manager

Arden Partners (nominated adviser and broker)

020 7614 5900

Ruari McGirr/ Tom Price/ Benjamin Cryer – Corporate Finance
Fraser Marshall – Equity Sales

The following definitions are used throughout this announcement, unless the context provides otherwise:

Additional Funds	certain additional funds being targeted by the Company, being up to £4.5 million to be raised pursuant to a proposed equity placing and/or subscription, being considered following the completion of the Proposals;
Admission	admission to trading on AIM of the Exchange Shares and the Subscription Shares becoming effective in accordance with Rule 6 of the AIM Rules
AIM	the AIM Market operated by the London Stock Exchange;
AIM Rules	the AIM Rules for Companies published by the London Stock Exchange from time to time;
Arden	Arden Partners plc, the Company's nominated adviser, broker and financial adviser;
Board or Directors	the board of directors of the Company;
Business Day	a day other than a Saturday or Sunday or public holiday in England and Wales on which banks are open in London for general commercial business;
Capital Reorganisation	the Sub-Division and such other matters necessary to give effect to the same;
Code	the City Code on Takeovers and Mergers, as amended by the Panel from time to time;
Company or 7digital	7digital Group plc, a company incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3958483;
Concert Party	the concert party for the purposes of the Code as more particularly described in the Circular;
Consortium or Investors	together, Magic and SKH;
Convertible Loan Note Instrument	the convertible loan note instrument dated 25 October 2018;
Convertible Loan Notes	the Convertible Loan Notes, constituted pursuant to the Convertible Loan Note Instrument;
Debt for Equity Swap	the proposed debt for equity swap of the outstanding principal and accrued interest of the Convertible Loan Notes in exchange for

	the Exchange Shares;
Deferred A Shares	the 419,622,489 deferred A shares of 0.99 pence each in the capital of the Company arising pursuant to the Sub-Division;
Deferred Shares	the 115,751,517 existing deferred shares of 9 pence each in the capital of the Company;
Enlarged Share Capital	the ordinary share capital of the Company immediately following Admission of the Exchange Shares and the Subscription Shares;
Exchange Price	0.176 pence per Exchange Share, being the effective issue price of the Exchange Shares;
Exchange Shares	the 332,915,704 New Shares to be issued pursuant to the Debt for Equity Swap;
Existing Ordinary Shares	the 419,622,489 Ordinary Shares in issue at the date of the announcement;
FCA	the Financial Conduct Authority;
General Meeting	the general meeting of the Company, to be held at the offices of Arden Partners PLC, 125 Old Broad Street, London EC2N 1AR at 10.00 a.m. on 25 June 2019, or any adjournment thereof, notice of which will be set out at the end of the Circular;
Group	the Company and its subsidiaries and subsidiary undertakings from time to time;
Independent Shareholders	all Shareholders with the exception of any Shareholders who are members of the Concert Party;
Issue Price	0.2 pence per Subscription Share;
Issued Share Capital	the ordinary shares of the Company in issue from time to time;
London Stock Exchange	London Stock Exchange plc;
Magic	Magic Investments S.A., a company incorporated under the laws of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B186.943 with its registered address at 33, rue du Puits Romain L-8070 Bertrange, Grand Duchy of Luxembourg;
New Articles	the articles of association of the Company, amended to include the rights and restrictions attaching to the Deferred A Shares;
New Ordinary Shares	together, the Exchange Shares and the Subscription Shares;
New Shares	new ordinary shares of 0.01 pence each in the capital of the Company, following completion of the Sub-Division;
Notice of General Meeting	the notice of the General Meeting which appears at the end of the

	Circular;
Ordinary Shares	means, prior to the Capital Reorganisation, the ordinary shares of one penny each in the capital of the Company or, following the Capital Reorganisation, the ordinary shares of 0.01 pence each in the capital of the Company (as applicable);
Panel	the Panel on Takeovers and Mergers;
Panel Waiver	the waiver by the Panel of the obligation which would otherwise arise under Rule 9 of the Code requiring one or more of the members of the Concert Party to make an offer for the Issued Share Capital of the Company pursuant to Rule 9 of the Code as a result of the issue of the Subscription Shares and the Exchange Shares to the Consortium;
Proposals	means, together, the Capital Reorganisation, the Subscription, the Debt for Equity Swap, the Waiver Proposal and Admission;
Proposed Directors	means each of Tamir Koch and David Lazarus;
Resolutions	the Resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting;
Rule 9	Rule 9 of the Code;
Shareholders	holders of Ordinary Shares;
SKH	Shmuel Koch Holdings Limited, a company incorporated under the laws of Israel with company number 512962812 and its registered address at 6 Hevra Hadasha Street, Tel Aviv, Israel;
Standstill Agreement	the standstill agreement entered into on 13 May 2019 between the Company and Magic;
Subscription	the proposed subscription by the Consortium for the Subscription Shares at the Issue Price;
Subscription Shares	the 634,132,641 New Shares to be subscribed for by the Consortium pursuant to the Subscription;
Subscription Agreement	the conditional agreement entered into on 7 June 2019 between the Company and the Consortium pursuant to which the Consortium agreed to subscribe for the Subscription Shares at the Issue Price and sets out the terms of the Debt for Equity Swap;
Sub-Division	the sub-division of each Existing Ordinary Share into one New Share and one Deferred A Share; and
Waiver Proposal	the proposals that Independent Shareholders approve, on a poll, the Panel's agreement to waive any obligation on any member of the Concert Party to make a general offer to Shareholders pursuant to Rule 9 that would otherwise arise as a result of the issue and allotment of the New Ordinary Shares to the Consortium pursuant to the Subscription and the Debt for Equity

Swap.

Important notices

The distribution of this announcement and any other documentation associated with the Proposals into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. In particular, this announcement should not be distributed, forwarded to or transmitted, directly or indirectly, in whole or in part, in, into or from the United States, Australia, Canada, Japan or the Republic of South Africa or any other jurisdiction where to do so may constitute a violation of the securities laws or regulations of any such jurisdiction (each a "Restricted Jurisdiction").

The New Ordinary Shares have not been and will not be registered under the US Securities Act 1933 (as amended) (the "US Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of any Restricted Jurisdiction and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within any Restricted Jurisdiction except pursuant to an applicable exemption from registration requirements. There will be no public offer of New Ordinary Shares in Australia, Canada, Japan, or the Republic of South Africa.

This announcement is for information purposes only and does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in any jurisdiction and should not be relied upon in connection with any decision to subscribe for or acquire any of the New Ordinary Shares. In particular, this announcement does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in the United States.

This announcement has been issued by, and is the sole responsibility of, the Company. No person has been authorised to give any information or to make any representations other than those contained in this announcement and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Arden Partners PLC ("Arden"). Subject to the AIM Rules for Companies, the issue of this announcement shall not, in any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this announcement or that the information contained in it is correct at any subsequent date.

Arden, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and no one else in connection with the Proposals and will not regard any other person (whether or not a recipient of this announcement) as a client in relation to the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Proposals or any matters referred to in this announcement.

Apart from the responsibilities and liabilities, if any, which may be imposed on Arden by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Arden does not accept any responsibility whatsoever for the contents of this announcement, and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the New Ordinary Shares or the Proposals, and nothing in this announcement is or shall be relied upon as, a promise or representation in this respect whether as to the past or future. Arden accordingly disclaims to the fullest extent permitted by law all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement.

No statement in this announcement is intended to be a profit forecast or profit estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share of the Company.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by applicable law or by the AIM Rules for Companies, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this announcement.

Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this announcement.

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