

## ASX ANNOUNCEMENT

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

23 May 2023

### **RETAIL ENTITLEMENT OFFER OPENS AND DESPATCH OF RETAIL OFFER BOOKLET TO ELIGIBLE RETAIL SHAREHOLDERS**

On Tuesday 16 May 2023, Appen Limited (ASX code: APX) (**Appen**) announced an accelerated non-renounceable entitlement offer (**Entitlement Offer**) and placement to raise approximately \$60 million.

The retail component of Appen's Entitlement Offer (**Retail Entitlement Offer**) opens today, Tuesday 23 May 2023. The Retail Entitlement Offer is expected to close at 5.00pm (Sydney time) on Tuesday 6 June 2023 (unless extended).

Attached is a copy of the Retail Offer Booklet which will be made available to eligible retail shareholders, either by email (if they have elected to receive electronic communications only), online or by post together with an Entitlement and Acceptance Form. A copy of both documents can also be accessed by eligible retail shareholders through <https://events.miraqle.com/apx-offer/>. To be an eligible retail shareholder, a person must not be in the United States or acting for the account or benefit of a person in the United States.

Also attached is a copy of a letter that will be made available to eligible retail shareholders notifying them of the Retail Entitlement Offer.

The Retail Offer Booklet and the Entitlement and Acceptance Form contains important information about the Retail Entitlement Offer including how eligible retail shareholders in Australia and New Zealand can apply to participate in the Retail Entitlement Offer.

Eligible shareholders can contact the Offer Information Line on 1800 500 095 (within Australia) and +61 1800 500 095 (outside of Australia) at any time between 8.30am to 5.30pm (Sydney time), Monday to Friday during the offer period for the Retail Entitlement Offer for more information.

**Authorised by the Board of Appen Limited.**

**For more information, please contact:**

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## **Important Information**

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision.

## **Not for Release or Distribution in the United States**

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person acting for the account or benefit of any person in the United States. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States or persons acting for the account or benefit of persons in the United States (to the extent such persons are acting for the account or benefit of persons in the United States), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

## **About Appen**

Appen is a global market leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world’s most innovative artificial intelligence systems.

Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry’s most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products. Founded in 1996, Appen has customers and offices globally.

Appen Limited

# Retail Entitlement Offer Booklet

**Appen Limited**  
**(ACN 138 878 298)**

**23 May 2023**

1 for 6 pro rata accelerated non-renounceable entitlement offer of Appen Limited ordinary shares at an Offer Price of A\$1.85 per New Share

Retail Entitlement Offer closes at 5.00pm (Sydney time) on Tuesday, 6 June 2023

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

If you are an Eligible Retail Shareholder, this Retail Offer Booklet and the personalised Entitlement and Acceptance Form that accompanies it contains important information and requires your immediate attention. You should read both documents carefully and in their entirety. This Retail Offer Booklet is not a prospectus under the *Corporations Act 2001* (Cth) (**Corporations Act**) and has not been lodged with the Australian Securities and Investments Commission (**ASIC**). If you have any questions, please call your stockbroker, accountant or other professional adviser or the Appen Limited Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday.

# Important Notices

This Retail Offer Booklet is dated 23 May 2023, and has been issued by Appen Limited (ACN 138 878 298) (**Appen**). It relates to the Retail Entitlement Offer, which is part of the Entitlement Offer by Appen to raise approximately A\$60 million. Unless otherwise defined in this section, capitalised terms in this section have the meaning given to them elsewhere in this Retail Offer Booklet.

The Retail Entitlement Offer is made in accordance with section 708AA of the Corporations Act (as notionally modified by the ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) and Australian Securities Investments Commission Corporations (Disregarding Technical Relief) Instrument 2016/73. This Retail Offer Booklet is not a prospectus or a product disclosure statement under the Corporations Act and it has not been lodged with ASIC. This Retail Offer Booklet does not contain all of the information which would be required to be disclosed in a prospectus or a product disclosure statement. As a result, it is important for you to read and understand the publicly available information on Appen and the Entitlement Offer (for example, the information available on Appen's website at [appen.com](https://www.appen.com) or on the Australian Securities Exchange (**ASX**) website at <https://www.asx.com.au>) prior to deciding whether to accept your Entitlement and apply for New Shares. The information in this Retail Offer Booklet does not constitute financial product advice, and does not take into account your investment objectives, financial situation or particular needs.

There may be additional announcements made by Appen after the launch of the Retail Entitlement Offer on 23 May 2023 and throughout the period that the Retail Entitlement Offer is open that may be relevant to your consideration of whether to take up or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by Appen (by visiting the ASX website at <https://www.asx.com.au>) before submitting your Application to take up your Entitlement or doing nothing with your Entitlement.

**Please contact your stockbroker, accountant or other professional adviser or the Appen Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday if you have any questions.**

This Retail Offer Booklet should be read in its entirety (including the accompanying Entitlement and Acceptance Form) before you decide whether to participate in the Retail Entitlement Offer. In particular, the Investor Presentation in Section 4 of this Retail Offer Booklet details important factors and risks that could affect the financial and operating performance of Appen. Please refer to the "Key Risks" sections of the Investor Presentation for details. When making an investment decision in connection with the Retail Entitlement Offer, it is essential that you consider these risk factors carefully in light of your individual personal circumstances, including financial and taxation issues (some of which have been outlined in Section 3 of this Retail Offer Booklet).

In addition to reading this Retail Offer Booklet in conjunction with Appen's other periodic and continuous disclosure announcements, you should conduct your own independent review, investigations and analysis of Appen and the New Shares and obtain any professional advice you require to evaluate the merits and risks of an investment in Appen before making any investment decision.

By paying for your New Shares through BPAY® or EFT in accordance with the instructions in the Entitlement and Acceptance Form, you acknowledge that you have read this Retail Offer Booklet and you have acted in accordance with and agree to the terms of the Retail Entitlement Offer detailed in this Retail Offer Booklet.

## No overseas offering

The Retail Offer Booklet, the accompanying Entitlement and Acceptance Form and any accompanying ASX announcements have been prepared to comply with the requirements of the securities laws of Australia and New Zealand. To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are applying for New Shares is not in the United States and not acting for the account or benefit of a person in the United States.

This Retail Offer Booklet does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Retail Offer Booklet (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Retail Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions. See the foreign selling restrictions set out in the "International selling restrictions" section of the Investor Presentation included in Section 4 of this Retail Offer Booklet for more information.

Any non-compliance with these restrictions may contravene applicable securities laws.

## New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of Appen with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

## United States

None of this Retail Offer Booklet, any accompanying ASX announcements and the Entitlement and Acceptance Form constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States.

The Entitlements and the New Shares have not been and will not be registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up or exercised by and the New Shares may not be offered, sold or resold, directly or indirectly, to a person in the United States or acting for the account or benefit of a person in the United States (to the extent such persons are acting for the account or benefit of a person in the United States), except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction of the United States.

In the Retail Entitlement Offer, the Entitlements may only be taken up or exercised by and the New Shares may only be offered or sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act. Neither this Retail Offer Booklet (nor any part of it), the Entitlement and Acceptance Form, any accompanying ASX announcement nor any other material relating to the Retail Entitlement Offer may be distributed or released in the United States, to any person in the United States or to any person acting for the account or benefit of any person in the United States.

## Future performance and forward looking statements

This Retail Offer Booklet and certain accompanying ASX announcements contain certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "expect", "anticipate", "likely", "intend", "propose", "should", "could", "may", "guidance", "outlook", "predict", "plan", "will", "believe", "forecast", "estimate", "target", and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Retail Offer Booklet are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Appen, its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Retail Offer Booklet in light of those disclosures. You are cautioned not to place undue reliance on any forward looking statements.

No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this Retail Offer Booklet.

The forward looking statements are based on information available to Appen as at the date of this Retail Offer Booklet. Except as required by law or regulation (including the ASX Listing Rules), Appen undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

### Past performance

Investors should note that any past performance information, including past share price performance and pro forma historical information, is provided for illustrative purposes only, and cannot be relied upon as an indicator of (and provides no guarantee or guidance as to) future Appen performance, including future financial position or share price performance. The pro forma historical information is not represented as being indicative of Appen's views on its future financial condition and/or performance.

### References to “you” and “your Entitlement”

In this Retail Offer Booklet, references to “you” are references to Eligible Retail Shareholders (as defined in Section 5.1) and references to “your Entitlement” (or “your personalised Entitlement and Acceptance Form”) are references to the Entitlements (or personalised Entitlement and Acceptance Form) of Eligible Retail Shareholders.

### Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Sydney time. Refer to the “Key Dates” section of this Retail Offer Booklet for more details.

### Currency

Unless otherwise stated, all dollar values in this Retail Offer Booklet are in Australian dollars (A\$).

### Taxation

There will be tax implications associated with participating in the Retail Entitlement Offer and receiving New Shares. Section 3 provides a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for certain Eligible Retail Shareholders. The guide is expressed in general terms and does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. Appen recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

### Governing law

This Retail Offer Booklet, the Retail Entitlement Offer, and the contracts formed on acceptance of the Applications are governed by the laws of New South Wales, Australia. Each Eligible Retail Shareholder who submits an Application submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### No representations

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer which is not contained in the Retail Offer Booklet. Any information or representation in connection with the Retail Entitlement Offer not contained in the Retail Offer Booklet, the accompanying Entitlement and Acceptance Form and any accompanying ASX announcements, may not be relied upon as having been authorised by Appen or any of its officers in connection with the Retail Entitlement Offer.

### Underwriter

Barrenjoey Markets Pty Limited (ACN 636 976 059) (**Underwriter**) is acting as lead manager, bookrunner and underwriter to the Entitlement

Offer. Neither the Underwriter, nor any of its affiliates, related bodies corporate (as that term is defined in the Corporations Act), nor its directors, employees, officers, representatives, agents, partners, consultants and advisers (together the **Underwriter Parties**), nor the advisers to Appen or any other person including clients named in this document, have authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Retail Offer Booklet (or any other materials released by Appen) and none of them makes or purports to make any statement in this Retail Offer Booklet and there is no statement in this Retail Offer Booklet which is based on any statement by any of them.

The Underwriter Parties may, from time to time, hold interests in the securities of, or earn brokerage, fees or other benefits from Appen.

### Disclaimer

Determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Appen and the Underwriter. To the maximum extent permitted by law, each of Appen and the Underwriter and each of their respective affiliates disclaim any duty or liability (including for fault or negligence) in respect of that determination and the exercise or otherwise of that discretion. To the maximum extent permitted by law, the Underwriter Parties expressly disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Retail Entitlement Offer and the information in this Retail Offer Booklet being inaccurate or due to information being omitted from this Retail Offer Booklet, whether by way of negligence or otherwise, and make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this Retail Offer Booklet.

The Underwriter Parties take no responsibility for any part of this Retail Offer Booklet or liability (including, without limitation, any liability arising from fault or negligence on the part of any person) for any direct, indirect, consequential or contingent loss or damage whatsoever arising from the use of any part of this Retail Offer Booklet or otherwise arising in connection with either of them.

The Underwriter Parties make no recommendation as to whether you or your related parties should participate in the Retail Entitlement Offer nor do they make any representations or warranties, express or implied, to you concerning the Entitlement Offer or any such information, and by paying for your New Shares through BPAY® or EFT in accordance with the instructions on the Entitlement and Acceptance Form, you represent, warrant and agree that you have not relied on any statements made by the Underwriter Parties in relation to the New Shares or the Entitlement Offer generally.

Statements made in this Retail Offer Booklet are made only as the date of this Retail Offer Booklet. The information in this Retail Offer Booklet remains subject to change without notice.

### Trading New Shares

Appen and the Underwriter, and each of their directors, officers, employees, agents and consultants, will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Appen or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters you should first consult with your stockbroker, accountant or other professional adviser.

### No Entitlements trading

The Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.

### No cooling-off rights

Cooling-off rights do not apply to an investment in New Shares. You cannot withdraw an Application once it has been submitted.



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## Summary of the Retail Entitlement Offer

Offer price	A\$1.85 per New Share
Your Entitlement	1 New Share for every 6 Existing Shares held on the Record Date

## Key dates for the Retail Entitlement Offer

EVENT	DATE
Announcement of the Entitlement Offer and the Placement	Tuesday, 16 May 2023
Record Date for eligibility in the Retail Entitlement Offer (7.00pm, Sydney time)	Thursday, 18 May 2023
<b>Retail Entitlement Offer opens</b>	Tuesday, 23 May 2023
Retail Offer Booklet made available, including personalised Entitlement and Acceptance Form	Tuesday, 23 May 2023
<b>Retail Entitlement Offer closes (5.00pm, Sydney time)</b>	Tuesday, 6 June 2023
Settlement of Retail Entitlement Offer	Tuesday, 13 June 2023
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 14 June 2023
Quotation and normal trading on ASX of New Shares issued under the Retail Entitlement Offer	Thursday, 15 June 2023
Despatch of holding statements	Monday, 19 June 2023

**Note:** The timetable above is indicative only and may change. Appen reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Appen reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late Applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Retail Entitlement Offer without prior notice. Any extension of the closing date may have a consequential effect on the issue date of New Shares. The commencement of quotation of New Shares is subject to confirmation from ASX.

### No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to pay for your New Shares through BPAY® or EFT in the manner described in this Retail Offer Booklet and your Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

### Enquiries

If you have any questions, please call the Appen Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia). The Appen Offer Information Line will be open from 8.30am to 5.30pm (Sydney time), Monday to Friday.

Alternatively, contact your stockbroker, accountant or other professional adviser.



# Chair's Letter

Dear Appen Shareholder,

On behalf of the Appen Limited board, I am pleased to invite you to participate in a 1 for 6 pro rata accelerated non-renounceable entitlement offer of new Appen ordinary shares (**New Shares**) at an offer price of A\$1.85 per New Share (**Offer Price**), to raise gross proceeds of approximately A\$60 million. (**Entitlement Offer**).

The proceeds of the Entitlement Offer are intended to be used to provide balance sheet flexibility and general working capital requirements to support Appen's return to profitability, and one-off costs associated with the cost reduction program and transaction costs.

## Details of the Entitlement Offer

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**), and is being conducted in conjunction with a placement of ordinary shares to Institutional Investors (**Placement**), as announced on 16 May 2023. The Offer Price is the same as the offer price under the Placement. As announced to ASX on 17 May 2023, Appen has successfully completed the Institutional Entitlement Offer and the Placement, raising approximately \$30 million for Appen. The Retail Entitlement Offer is expected to raise approximately \$30 million. The Placement and the Entitlement Offer are fully underwritten.

Under the Retail Entitlement Offer, Eligible Retail Shareholders (as defined in Section 5.1) are being offered the opportunity to subscribe for 1 New Share for every 6 existing Appen ordinary shares (**Shares**) held on the Record Date of 7.00pm (Sydney time) on 18 May 2023. (**Entitlements**). The Offer Price of A\$1.85 per New Share represents an approximate 19.6% discount to the closing share price of \$2.30 on 15 May 2023, being the last trading day shares traded before the Entitlement Offer was launched and a 16.2% discount to the theoretical ex-rights price of \$2.21 on 15 May 2023, being the last trading day shares traded before the Entitlement Offer was launched.

## Other information

This offer booklet (**Retail Offer Booklet**) relates to the Retail Entitlement Offer. This Retail Offer Booklet contains important information about the Retail Entitlement Offer and Appen's business under the following headings:

- Key dates;
- Summary of options available to you;
- Actions required by you (including instructions on how to participate in the Retail Entitlement Offer if you choose to do so);
- Australian taxation considerations;
- ASX announcements (including the Investor Presentation, which provides information on Appen, including information relating to the use of the proceeds of the



Entitlement Offer, and a summary of some of the key risks associated with an investment in Appen); and

- Additional information.

Accompanying this Retail Offer Booklet is your personalised Entitlement and Acceptance Form which contains details of your Entitlement. Your Entitlement may have value and it is important that you determine whether to take up or do nothing in respect of your Entitlement. If you choose to do nothing, your Entitlement will lapse and you will receive no value for your Entitlement.

**The Retail Entitlement Offer closes at 5.00pm (Sydney time) on 6 June 2023.**

To participate, you need to ensure that you have completed your Application by paying the Offer Price multiplied by the number of New Shares you are applying for (**Application Monies**) by BPAY® or EFT before this time in the manner described in this Retail Offer Booklet.

Please carefully read this Retail Offer Booklet in its entirety before you invest and consult your stockbroker, solicitor, accountant or other professional adviser before making your investment decision. In particular, you should read and consider the "Key risks" section of the Investor Presentation included in Section 4 of this Retail Offer Booklet which contains a summary of some of the key risks associated with an investment in Appen.

If you have any questions in respect of the Entitlement Offer please call the Appen Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) at any time from 8.30am to 5.30pm (Sydney time), Monday to Friday. Please consult your stockbroker, accountant or other professional adviser before making your investment decision.

On behalf of the Board of Appen, I thank you for your continued support and encourage you to consider this investment opportunity.

Yours faithfully,

**RICHARD FREUDENSTEIN**  
Chair

23 May 2023





## Summary of options available to you

If you are an Eligible Retail Shareholder (as defined in Section 5.1) you may take any one of the following actions:

- take up all of your Entitlement;
- take up some of your Entitlement and allow the balance to lapse; or
- do nothing, in which case your Entitlement will lapse and you will receive no value for your lapsed Entitlement.

The Retail Entitlement Offer closes at 5.00pm on 6 June 2023.

If you are a retail Shareholder that is not an Eligible Retail Shareholder (as defined in Section 5.1), you are an Ineligible Retail Shareholder. Ineligible Retail Shareholders are not entitled to participate in the Retail Entitlement Offer.

OPTIONS AVAILABLE TO YOU	KEY CONSIDERATIONS
<b>1. Take up all of your Entitlement</b>	<ul style="list-style-type: none"><li>• You may elect to purchase New Shares at the Offer Price (see Section 2.4.1 for instructions on how to take up your Entitlement).</li><li>• The New Shares will rank equally in all respects with Existing Shares (including rights to dividends and distributions).</li></ul>
<b>2. Take up part of your Entitlement</b>	<ul style="list-style-type: none"><li>• If you do not take up your Entitlement in full, that portion of your Entitlement not taken up will lapse and you will not receive any payment or value for them.</li><li>• If you do not take up your Entitlements in full, your percentage holding in Appen will be diluted.</li></ul>
<b>3. Do nothing, in which case your Entitlements will lapse and you will receive no payment or value for those lapsed Entitlements</b>	<ul style="list-style-type: none"><li>• If you do not take up any of your Entitlements, you will not be allocated New Shares and your Entitlements will lapse. Your Entitlements are non-renounceable, which means your Entitlements are non-transferable and cannot be sold, traded on ASX or any other exchange, nor can they be privately transferred.</li><li>• You will not receive any payment or value for those Entitlements not taken up.</li><li>• Although you will continue to own the same number of Appen shares, your percentage holding in Appen will be diluted.</li></ul>



## Actions required by you

### 2.1 Overview of the Entitlement Offer

Appen intends to raise approximately \$38 million under the Entitlement Offer. As part of the Entitlement Offer, Eligible Retail Shareholders (as defined in Section 5.1) are being offered the opportunity to subscribe for 1 New Share for every 6 Existing Shares held as at 7.00pm (Sydney time) on 18 May 2023 (**Record Date**), at the Offer Price of A\$1.85 per New Share.

The Entitlement Offer is comprised of:

- **Institutional Entitlement Offer** – Eligible Institutional Shareholders were given the opportunity to take up all or some of their Entitlements at the Offer Price of A\$1.85 per New Share. Entitlements under the Institutional Entitlement Offer were non-renounceable. In total, approximately \$8.8 million was raised in the Institutional Entitlement Offer; and
- **Retail Entitlement Offer** – Eligible Retail Shareholders are being offered Entitlements under the Retail Entitlement Offer which can be taken up in whole or in part. Entitlements are non-renounceable and are not tradeable or otherwise transferable.

The Entitlement Offer is fully underwritten. Barrenjoey Markets Pty Limited (ACN 636 976 059) has been appointed by Appen as underwriter of the Entitlement Offer (**Underwriter**).

You have a number of decisions to make in respect of your Entitlement. These decisions may materially affect the value (if any) that may be received in respect of your Entitlement. You should read this Retail Offer Booklet carefully before making any decisions in relation to your Entitlement.

Further details on the Retail Entitlement Offer are set out below.

### 2.2 The Retail Entitlement Offer

The Retail Entitlement Offer opens on 23 May 2023 and will close at 5.00pm (Sydney time) on 6 June 2023.

The Retail Entitlement Offer is being made pursuant to section 708AA of the Corporations Act (as modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84*), which allows rights issues to be offered without a prospectus, provided certain conditions are satisfied. This Retail Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an Application for New Shares offered under the Retail Entitlement Offer. As a result, it is important for you to read carefully and understand the information on Appen and the Retail Entitlement Offer made publicly available, including the information lodged by Appen with ASX as part of its continuous disclosure obligations, prior to deciding whether to take up all or some of your Entitlement or do nothing in respect of your Entitlement. In particular, please refer to this Retail Offer Booklet and other announcements made available at <https://www.asx.com.au> (including announcements which may be made by Appen after publication of this Retail Offer Booklet).

Please consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer.

Eligible Retail Shareholders should be aware that an investment in Appen involves risks. The key risks identified by Appen are set out in the “Key risks” section of the Investor Presentation (enclosed in Section 4 of this Retail Offer Booklet).

## 2.3 Your Entitlement

Your Entitlement is set out on your personalised Entitlement and Acceptance Form and have been calculated as 1 New Share for every 6 Existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement has been rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

New Shares issued under the Retail Entitlement Offer will be fully paid and from allotment rank equally in all respects with Existing Shares and will be entitled to dividends/distributions on the same basis as Existing Shares.

See Section 5.1 and the 'Important Notices' section (particularly under the heading 'No overseas offering') for information on restrictions on participation in the Retail Entitlement Offer.

The Entitlement stated on your personalised Entitlement and Acceptance Form may be in excess of the actual Entitlement you may be permitted to take up where, for example, you are holding Shares on behalf of a person in the United States.

## 2.4 Options available to you

If you are an Eligible Retail Shareholder, you may take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Entitlement:

- (a) take up your Entitlement in full (see Section 2.4.1); or
- (b) take up part of your Entitlement, in which case the balance of your Entitlement would lapse (see Section 2.4.2); or
- (c) do nothing, in which case your Entitlement will lapse and you will receive no payment or value for your lapsed Entitlement (see Section 2.4.3).

The Entitlements are non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any payment or value for any part of their Entitlement they do not take up. Their percentage holding in Appen will be diluted.

Appen reserves the right to reject any Application that is received after the Retail Entitlement Offer closes. The Retail Entitlement Offer closes at 5.00pm on 6 June 2023 (however, that date may be varied by Appen, subject to the Corporations Act, the ASX Listing Rules and other applicable laws).

### 2.4.1 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, please pay your Application Monies via BPAY® or EFT by following the instructions set out on the personalised Entitlement and Acceptance Form, by no later than 5.00pm (Sydney time) on 6 June 2023.

Application Monies received by Appen in excess of the amount in respect of your Entitlement will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to you on any Application Monies received or refunded.

If you take up and pay for all your Entitlement before the close of the Retail Entitlement Offer, it is expected that you will be issued New Shares on 14 June 2023.

### 2.4.2 Take up part of your Entitlement and allow the balance to lapse

If you wish to take up some of your Entitlement, please pay your Application Monies via BPAY® or EFT by following the instructions set out on the personalised Entitlement and Acceptance Form by no later than 5.00pm (Sydney time) on 6 June 2023.

If Appen receives an amount that is less than the Offer Price multiplied by your Entitlement, your payment may be treated as an Application for as many New Shares as your Application Monies will pay for in full at the Offer Price and the excess amount will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to you on any Application Monies received or refunded.

If you take up and pay for some of your Entitlement before the close of the Retail Entitlement Offer, it is expected that you will be issued New Shares on 14 June 2023.

### 2.4.3 Allowing your Entitlement to lapse

If you take no action, you will not be allocated New Shares and your Entitlement will lapse.

## SECTION 2

# Actions required by you

### 2.5 Payment

Please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Receipts for payment will not be issued. Appen will treat you as applying for as many New Shares as your payment will pay for in full at the Offer Price.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

Please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only, use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your Application will not be recognised as valid.

By paying by BPAY®:

- you do not need to submit your personalised Entitlement and Acceptance Form but you are deemed to have made the declarations, representations and warranties on that personalised Entitlement and Acceptance Form and in Section 2.7; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares as is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on 6 June 2023. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should take this into consideration in the timing of when you make payment.

### 2.6 Eligible Retail Shareholders in New Zealand

If you are an Eligible Retail Shareholder in New Zealand who does not have an Australian bank account or cannot pay via BPAY®, you can pay by EFT. For more information, you should contact the Appen Limited Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday.

### 2.7 Representations by acceptance

Making an Application (via payment made through BPAY® or otherwise) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Retail Offer Booklet and, once paid, cannot be withdrawn.

By making a payment by BPAY® or EFT or otherwise applying to participate, you will be deemed to have represented and warranted to Appen on behalf of yourself and each person on whose account you are acting that you are an Eligible Retail Shareholder and you:

- acknowledge that you have received, read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet, and Appen's constitution;
- authorise Appen to register you as the holder of New Shares allotted to you;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that there is no cooling off period under the Retail Entitlement Offer and that once Appen receives your payment of Application Monies, you may not withdraw your Application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares for which you have submitted payment of any Application Monies, at the Offer Price per New Share;
- authorise Appen, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- acknowledge and agree that:
  - determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Appen and/or the Underwriter; and
  - each of Appen and the Underwriter, and each of their respective affiliates, disclaim any duty or liability (including for fault or negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;

- acknowledge that the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in Appen and is given in the context of Appen's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the "Key risks" section of the Investor Presentation contained in Section 4 of this Retail Offer Booklet, and that investments in Appen are subject to risk;
- acknowledge that none of Appen, the Underwriter, or their respective related bodies corporate and affiliates and their respective directors, contractors, partners, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the New Shares or the performance of Appen, nor do they guarantee the repayment of capital from Appen;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise Appen to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of Appen, the Underwriter, and their related bodies corporate and affiliates) that you did not participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that the law of any place does not prohibit you from being given access to this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that you are not in the United States and you are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States, and are not otherwise a person to whom it would be illegal to make an offer or issue of New Shares under the Retail Entitlement Offer;
- understand and acknowledge that the Entitlements and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and that accordingly the Entitlements may not be taken up or exercised by and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States or persons who are acting for the account or benefit of a person in the United States. You further acknowledge that New Shares offered and sold pursuant to the Retail Entitlement Offer may not only be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- are subscribing for Entitlements or purchasing New Shares outside of the United States in an "offshore transaction" (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act;
- you and each person on whose account you are acting have not and will not send this Retail Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand;
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the personalised Entitlement and Acceptance Form is resident in Australia or New Zealand, is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Retail Offer Booklet, the personalised Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person; and
- make all other representations and warranties set out in this Retail Offer Booklet.

## 2.8 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions regarding the Entitlement Offer, please contact the Appen Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia). The Appen Offer Information Line will be open from 8.30am to 5.30pm (Sydney time), Monday to Friday. Alternatively, you can access information about the Retail Entitlement Offer online at <https://events.miraql.com/apx-offer>. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.



## Australian taxation considerations

### 3.1 General

Set out below is a general summary of the Australian income tax, goods and services tax (GST) and stamp duty implications associated with the subscription of New Shares for certain Eligible Retail Shareholders.

This summary is general in nature and does not take account of the individual circumstances, financial objectives, tax positions, or investment needs of particular Eligible Retail Shareholders and does not constitute tax advice. The tax implications associated with subscribing for New Shares will vary depending on your particular circumstances. Neither Appen nor any of its officers or employees, nor its taxation or other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

This taxation summary does not constitute financial product advice as defined in the *Corporations Act 2001* (Cth). This summary is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments.

**You should consult your own professional tax adviser regarding the consequences of subscribing to New Shares to you in light of your particular circumstances.**

The information provided below is not applicable to all Eligible Retail Shareholders. This tax summary deals only with the Australian taxation implications associated with subscribing for the New Shares if you:

- are a resident for Australian income tax purposes; and
- hold your Shares on capital account.

This summary will not apply to you if you:

- are not a resident for Australian income tax purposes;
- hold your Shares on 'revenue account' or as 'trading stock' (as defined in the *Income Tax Assessment Act 1997* (Cth) (the **1997 Act**), such as share trading entities or entities who acquired their Shares for the purposes of resale at a profit);
- may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or Shareholders who change their tax residency while holding their Shares;
- acquired the Shares in respect of which the Entitlements are issued under any employee share scheme or where the New Shares are acquired pursuant to any employee share scheme, and where those shares remain subject to deferred taxation under Division 83A of the 1997 Act (other than where those Shares are no longer subject to any relevant employee share scheme rules); and/or
- are subject to the taxation of financial arrangement rules in Division 230 of the 1997 Act in relation to gains and losses on your Shares, except as otherwise noted in section 3.7 below.

This summary is based on the provisions of the *Income Tax Assessment Act 1936* (Cth) and the 1997 Act as at the date of this Retail Offer Booklet. The summary does not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time unless otherwise specified. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities. The summary also does not take into account tax legislation of any country other than Australia.

### 3.2 Issue of Entitlements

The issue of the Entitlements should not, of itself, result in any amount being included in your assessable income.

### 3.3 Exercise of Entitlements

You should not derive any assessable income, or make any capital gain or loss, if you take up (i.e. exercise) all or some of your Entitlements and you acquire New Shares.

The cost base (and reduced cost base) for capital gains tax (CGT) purposes of each New Share should include the Offer Price for those New Shares plus certain non-deductible incidental costs you incur in acquiring them.

For CGT purposes, the date that the New Shares should be treated as having been acquired is the date of exercising the Entitlement.

### 3.4 Entitlements not taken up

Any Entitlements not taken up under the Retail Entitlement Offer will lapse and the Eligible Retail Shareholder will not receive any consideration. In these circumstances, there should not be any tax implications for an Eligible Retail Shareholder from the lapse of all or some of their Entitlements.

### 3.5 Dividends on New Shares

Generally speaking, future dividends paid or other distributions made in respect of New Shares should be subject to the same tax issues as dividends paid or other distributions made on Existing Shares held in the same circumstances.

### 3.6 Disposal of New Shares

A disposal of a New Share will trigger a CGT event A1.

Broadly, you will:

- make a 'capital gain' if the capital proceeds received from the disposal exceed the cost base of the New Share;
- make a 'capital loss' if the capital proceeds from the disposal are less than the reduced cost base of the New Share.

The cost base of New Shares is described above in Section 3.3.

Generally, Eligible Retail Shareholders who are individuals, trustees or complying superannuation entities that have held the New Shares for at least 12 months at the time of disposal (not including the date of acquisition or disposal) should be entitled to apply the applicable CGT discount to reduce the capital gain (after offsetting any available capital losses and subject to certain integrity rules).

The applicable CGT discount is 50% for individuals and trusts, or 33½% for Australian complying superannuation entities. The CGT discount is not available for companies.

Based on the acquisition date of the New Shares (as described in section 3.3 above), in order to be eligible for the CGT discount on the disposal of a New Share, the New Share must be held for at least 12 months after the date that you exercised your Entitlement.

As the rules relating to discount capital gains for trusts are complex, Appen recommends that trustees seek their own independent advice on how the CGT discount provisions will apply to them and the trusts' beneficiaries.

If you make a capital loss, you can only use that loss to offset capital gains from other sources; i.e. the capital loss cannot be used against assessable income on revenue account. However, if the capital loss cannot be used in a particular income year it can be carried forward to reduce capital gains you derive in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances.

### 3.7 Taxation of Financial Arrangements

The 'Taxation of Financial Arrangements' rules under Division 230 of the 1997 Act (**TOFA Provisions**) operate to make assessable or deductible, gains or losses arising from certain 'financial arrangements'.

A right to receive a share is a 'financial arrangement'. However, depending on the circumstances of the particular Eligible Retail Shareholder, the TOFA Provisions may not apply. Further, certain taxpayers (including individuals) are generally excluded from the operation of the TOFA Provisions unless they have made a valid election for it to apply.

The application of the TOFA Provisions is complex, and dependent on the particular facts and circumstances of the Eligible Retail Shareholder. Each Eligible Retail Shareholder should obtain their own advice regarding the potential application of the TOFA Provisions to their particular facts and circumstances.

### 3.8 Provision of TFN and/or ABN

Appen is required to deduct withholding tax from payments of dividends that are not 100% franked, at the rate specified in the *Taxation Administration Regulations 2017* (Cth) (currently 47%), and remit such amounts to the ATO, unless you have quoted a TFN or an ABN, or a relevant exemption applies (and has been notified to Appen).

You are able to provide your TFN, ABN or relevant exemption online with the Share Registry at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). When providing your details online, you will be required to enter your SRN/HIN as shown on your Issuer Sponsored/CHESS statements and other personal details such as your postcode.

### 3.9 Other Australian Taxes

Subject to the proviso below, there should be no Australian GST or stamp duty payable by Eligible Retail Shareholders in respect of the issue or taking up of Entitlements, the acquisition of New Shares, pursuant to the Retail Entitlement Offer.

No stamp duty should be payable by an Eligible Retail Shareholder on the acquisition of New Shares provided each Eligible Retail Shareholder, and any associated persons, do not hold, as a result of such acquisition, 90% or more of the interests in Appen.



# 4

## Announcements

ASX Market Update dated 10 May 2023	<b>13</b>
ASX Announcement – Capital Raising dated 16 May 2023	<b>19</b>
ASX Investor Presentation – Capital Raising dated 16 May 2023	<b>25</b>
ASX Announcement – Institutional component completion 17 May 2023	<b>46</b>



## ASX ANNOUNCEMENT

10 May 2023

### April trading update, cost reduction program and strategy refresh

- **Appen provides FY23 trading update as at 30 April 2023**
- **Significant cost reduction program commenced to return to profitability**
- **Strategy refresh to deliver long term growth and revenue diversification with a focus on generative AI**

Appen Limited (“**Appen**”) (ASX: APX) provides the following April trading update and outlook for the remainder of FY23.

On 27 February 2023, Appen stated that it expects a soft start to FY23 carrying over from 2022. At that time, Appen also stated that it expects 1H FY23 underlying EBITDA to be materially lower than 1H FY22.

The challenging external operating and macroeconomic conditions that were noted at the FY22 result have persisted into FY23. As a result, Appen provides the following unaudited FY23 financial update for the four months ending 30 April 2023<sup>1</sup>:

- Revenue April YTD of \$95.7 million (21.4% below pcp)
- Gross profit April YTD of \$35.8 million (24.7% below pcp)<sup>2</sup>
- Underlying EBITDA (excl FX) April YTD of (\$12.4) million (vs pcp of \$7.9 million)

### **Renewed focus on operational rigour**

On 27 February 2023, Appen stated that its top priority was to establish a greater level of operational rigour and it identified ~\$10 million of cost savings.

In keeping with a renewed focus on operational rigour, these previously announced cost savings will now be implemented over the course of FY23. Appen also today announces a series of significant measures to achieve further annualised cost savings to those announced in February. These measures, which will be delivered over the course of FY23, are expected to deliver further annualised cost savings of approximately \$36 million. The first full year impact of these measures is expected to be achieved in FY24.

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<sup>1</sup> All amounts stated are in US\$ and all comparisons are to the four months ended 30 April 2022 unless otherwise stated. The financial figures as at 30 April 2023 are based on unaudited management accounts.

<sup>2</sup> Gross profit refers to revenue less crowd expenses.

## SECTION 4

# Announcements



Following implementation of these initiatives and those announced on 27 February 2023, Appen expects to exit FY23 with an annualised run-rate cash operating cost base of approximately \$113 million<sup>3</sup>. This includes capitalised software development costs of approximately \$11 million and excludes non-cash share-based payment expenses of approximately \$7 million. The first full year impact of this is expected to be achieved in FY24. Refer to Appendix A for further detail.

These cost saving initiatives were identified as part of a strategic review and are expected to have minimal impact on Appen's ability to generate revenue.

The one-off costs associated with implementing the cost reduction program are expected to be approximately \$4 - \$5 million and will be reported as a non-recurring expense and excluded from underlying EBITDA for FY23. Appen is committed to its reshaped vision for the business and will continue to take a disciplined approach to capital investment to ensure maximisation of shareholder value. Appen continues to review options to maximise its balance sheet flexibility.

Going forward, costs will be managed in line with the revenue opportunity and market conditions. This dynamic approach will better place Appen to adapt to ongoing changes in market demand. Appen's cash balance at the end of April was \$27 million.

### **Strategy refresh – long term growth and revenue diversification**

Appen has been at the forefront of AI for more than 25 years, delivering AI products and services to many of the world's largest tech and Fortune 500 customers globally.

Generative AI creates a significant growth opportunity for Appen. The generative AI market is expected to grow from \$8 billion in 2021 to more than \$110 billion by 2030<sup>4</sup>, with 98% of global executives agreeing that AI foundation models will play an important role in their organizations' strategies in the next 3 to 5 years<sup>5</sup>.

Generative AI models like OpenAI's ChatGPT require large volumes of human feedback to create experiences that are comparable to humans and avoid risks such as hallucination, bias, and toxicity. Furthermore, to increase the value of generative AI and foundation models in specific business use cases, companies will customise pretrained models by fine-tuning.

Appen's deep expertise in crowd-based data collection, annotation and model evaluation is highly relevant for generative AI.

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<sup>3</sup> Excludes crowd expenses

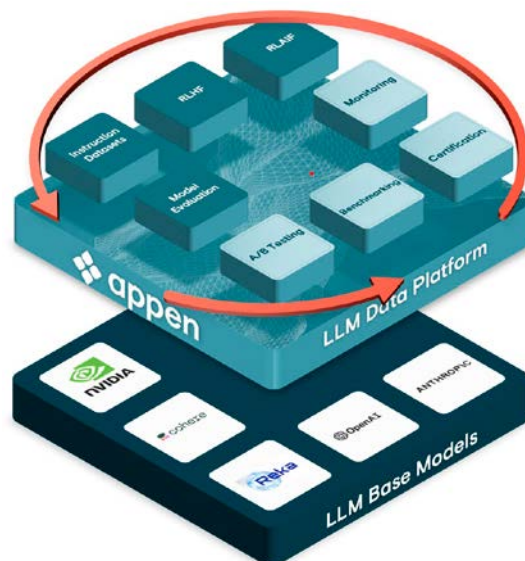
<sup>4</sup> Acumen Research

<sup>5</sup> Accenture: A new era of generative AI for everyone

The generative AI market will be driven by adoption in both technology companies and non-tech enterprises, presenting an opportunity for Appen to meaningfully diversify revenue through a focus on enterprise adoption of generative AI.

Appen is launching a new set of Large Language Model (LLM) data products that provide a comprehensive toolset for enterprise customers capture value from generative AI models. There are two core components:

1. Fine tuning: Customisation, called fine tuning, is a critical step that enables the models to understand and respond to the intended context, while also limiting the ability to provide responses outside of the desired context. Appen's fine tuning products enables enterprises to customise existing generative AI models from Nvidia, OpenAI, Cohere, Google, Anthropic, Reka and open-source channels.
2. Assurance: Models in product must be continually monitored to ensure that performance is maintained and to measure and identify sources of potential negative customer experiences. Appen's assurance products ensure customers' model performance is accurately measured and monitored to avoid risks such as hallucination, bias, and toxicity.



Appen LLM Data Platform

Appen has achieved early progress on its expansion into generative AI related services. It currently has multiple projects underway that relate to generative AI model development and evaluation for both large tech and enterprise customers.

Appen is focussing on increasing channels to market to increase access points to enterprise customers and broaden its target markets. Appen's partnership program is an important component of this strategy and will provide further access to enterprise clients.

Appen Limited, 9 Help Street, Chatswood, NSW 2067, Australia | ACN 138 878 298

## SECTION 4

# Announcements



Appen's expansion into generative AI and initiatives to increase channels to market will accelerate its focus on revenue diversification. Excluding its largest customer, Appen's revenue grew at a CAGR of approximately 10% over the period from 2018 to 2022 after adjusting for M&A<sup>6</sup>.

Further detail on Appen's strategy refresh will be provided at the Appen Investor Technology Day which will take place after the AGM on 26 May 2023.

Additional information on the capabilities of Appen's new LLM data products can be found on Appen's website at [Appen LLM Data Products Overview](#).

### Outlook

Appen continues to face headwinds from the broader technology market slowdown. As a result, we expect revenue to decline materially in FY23 compared to FY22.

Taking into account these factors, historical fourth quarter seasonal trends, regular dialogue with customers and our pipeline of project work across all clients, we expect an improvement in 2H FY23 revenue relative to revenue achieved in 1H FY23. Should current conditions persist throughout the year, we believe the initiatives announced today will result in Appen exiting FY23 with a return to underlying EBITDA and underlying cash EBITDA<sup>7</sup> profitability on an annualised, run-rate basis.

Longer term, we expect to deliver greater diversification of revenue and profitability through implementation of our operational rigour initiatives and strategy refresh.

### Commentary

Appen's CEO Armughan Ahmad said: "Appen has tremendous potential. These important initiatives announced today represent a refresh of the business. We are highly focused on the areas that are within our control and have taken the necessary steps to align our cost structure with current revenue expectations and now expect to exit 2023 as an underlying EBITDA and cash EBITDA positive business. With this stronger foundation, we look to the future to fully capitalise on the exciting growth opportunities enabled by generative AI."

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<sup>6</sup> Prior financial performance is not necessarily an indicator of future performance.

<sup>7</sup> Underlying cash EBITDA is underlying EBITDA less capitalised product development costs plus non acquisition related share based payment expense.



**Authorised by the Board of Appen Limited.**

**For more information, please contact:**

Rosalie Duff  
Head of Investor Relations  
+61 421 611 932  
[rduff@appen.com](mailto:rduff@appen.com)

### **Important Information**

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision.

This notice contains forward-looking statements, including statements of opinion and expectation. These statements may be affected by various assumptions, risks and uncertainties, including matters which are outside the control of Appen, and may differ from results actually achieved. Investors are cautioned against placing undue reliance upon such statements.

### **About Appen**

Appen is a global market leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world's most innovative artificial intelligence systems.

Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry's most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products. Founded in 1996, Appen has customers and offices globally.

Appen Limited, 9 Help Street, Chatswood, NSW 2067, Australia | ACN 138 878 298

## Announcements



### Appendix A

#### Expected, annualised, run-rate cash operating cost base at the end of 2023

##### US\$m

<b>Annualised, run-rate cash operating costs</b>	<b>113</b>
Less: capitalised product development costs	(11)
Add: share-based payment expense	7
<b>Annualised, run-rate P&amp;L operating costs</b>	<b>108</b>

Note: Excludes depreciation and amortisation expense. Totals may not sum due to rounding. As costs reductions initiatives are implemented in FY23, the full impact on an annualised basis is expected to be realised from the start of FY24.





## ASX ANNOUNCEMENT

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

16 May 2023

### **Appen announces a fully underwritten ~A\$60 million<sup>1</sup> equity raising (“Equity Raising”)**

- **Appen announces a fully underwritten ~A\$60 million Equity Raising to support the company’s strategic refresh and return to profitability**
- **Proceeds will be used to fund one-off costs associated with Appen’s previously announced cost reduction program, provide balance sheet flexibility and general working capital to support Appen’s return to profitability, and transaction costs**
- **Equity Raising is comprised of a ~A\$38 million 1 for 6 pro rata accelerated non-renounceable entitlement offer and a ~A\$21 million institutional placement**

On 10 May 2023, Appen Limited (“**Appen**”) (ASX: APX) Appen provided an FY23 trading update as at 30 April 2023, announced a new strategy to deliver long term growth and revenue diversification along with the commencement of a significant cost reduction program. Appen stated that should current conditions persist throughout the year, it believes the initiatives announced will result in Appen exiting FY23 with a return to underlying EBITDA and underlying cash EBITDA<sup>2</sup> profitability on an annualised, run-rate basis. Today, Appen announces a fully underwritten ~A\$60 million Equity Raising to support the business in its effort to return to profitability.

Appen supports AI training data and model evaluation for the world’s leading AI. Generative AI is unlocking the next phase of AI growth and Appen has the required capabilities and expertise to benefit.

Appen has undertaken an operational review of its business as part of its focus on operational rigour. This review identified areas where Appen is not currently realising its full potential or not fully capitalising on opportunities presented to it. Some of the key areas identified for improvement include a leadership and company culture refresh, operational

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<sup>1</sup> A\$ refers to Australian dollars. \$ refers to US dollars.

<sup>2</sup> Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes impairment losses, restructure costs, transaction costs, inventory losses and acquisition-related share-based payments expenses. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.

## SECTION 4

# Announcements



improvements to project delivery and crowd management, a cost reduction program and strengthening of sales and marketing functions.

Appen is undertaking the steps that management believes are necessary to address these areas for improvement and to better realise its potential. On 10 May 2023, it announced a significant cost reduction program to better align costs to the revenue opportunity. Appen is also undertaking a strategic refresh under new leadership. Key focus areas of this refresh include driving operational efficiency, disciplined capital management, enabling enterprise adoption of generative AI, supporting the development of generative AI and increasing channels to market.

Generative AI creates a significant growth opportunity for Appen. The generative AI market is estimated to grow from \$8 billion in 2021 to more than \$110 billion by 2030.<sup>3</sup> High performing generative AI models rely heavily on human feedback. Appen provides large volumes of human feedback on AI models and believes it is well positioned to participate and gain share in the generative AI services market. Appen is launching a new set of Large Language Model (“LLM”) fine tuning and assurance products that provide a comprehensive toolset for enterprise customers to capture value from generative AI models.

Appen is focussing on increasing channels to market to increase access points to enterprise customers and broaden its target markets. Appen’s partnership program is an important component of this strategy and is anticipated to provide further access to enterprise clients.

Appen has achieved early progress on its expansion into generative AI related services. It currently has multiple projects underway that relate to generative AI model development and evaluation for both large tech and enterprise customers.

The strategy refresh will address four key focus areas:

1. **Customer diversification** – generative AI expected to create material demand beyond large tech customers
2. **Margin improvement** – greater reliance on technology to improve gross margins
3. **Revenue visibility** – new products to have a greater proportion of recurring revenue
4. **Strong ROI** – generative AI investments will leverage existing technology investments

Further detail on Appen’s strategy refresh will be provided at the Appen Investor Technology Day which will take place after the AGM on 26 May 2023.

The proceeds of the Equity Raising will be used to fund one-off costs associated with implementing the cost reduction program. Estimated costs are expected to be approximately \$4 – 5 million relating to severance and will be reported as a non-recurring expense and excluded from underlying EBITDA for FY23 as well as leave provision payouts of \$1.5 – 2 million that were provided for in the statement of profit or loss in prior periods. The remaining proceeds from the Equity Raising (after transaction costs) are expected to provide balance

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<sup>3</sup> Acumen Research, December 2022.



sheet flexibility and support general working capital requirements to support Appen's return to profitability.

Appen's lender, Westpac, has granted a waiver of financial covenants in relation to the June testing date for its Credit Facility, conditional on completion of the equity raising.<sup>4</sup> The facility is currently undrawn.

Appen's CEO Armughan Ahmad said: "Appen is committed to its strategy to unlock the value of generative AI for enterprise customers while running the business with operational rigour. The Equity Raising is necessary to support the company as it delivers on identified cost out opportunities and returns to profitability."

### Equity Raising

The Equity Raising will consist of an offer of fully paid ordinary shares ("**New Shares**") through:

- A 1 for 6 pro rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**") to existing eligible shareholders to raise ~A\$38 million; and
- An institutional placement ("**Placement**") to raise ~A\$21 million.

The Equity Raising price of A\$1.85 per share represents a:

- 16.2% discount to the theoretical ex-rights price of A\$2.21 ("**TERP**")<sup>5</sup>
- 19.6% discount to Appen's last closing price of A\$2.30 on 15 May 2023.

Approximately 32.2 million New Shares will be issued under the Equity Raising, representing ~26% of Appen's existing shares on issue.

The New Shares will rank equally with existing shares on issue. The Equity Raising is fully underwritten.

### Institutional Offer

The Institutional Entitlement Offer and the Placement (together, the "**Institutional Offer**") will be undertaken on 16 May 2023. The Institutional Entitlement Offer will be open to Appen's eligible institutional shareholders, while the Placement will be open to institutional investors.

Eligible institutional shareholders can choose to take up all, part or none of their entitlement as part of the Institutional Entitlement Offer. Institutional entitlements that eligible institutional

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<sup>4</sup> Conditional upon Appen raising equity of A\$45m by 28 June 2023, Westpac has granted a waiver of financial covenants that would have otherwise applied and been tested as at 30 June 2023. Upon completion of the Capital Raising, the condition will be satisfied and the Credit Facility will remain available for Appen to access, subject to compliance with other terms and conditions.

<sup>5</sup> TERP is the theoretical ex-rights price including the Placement shares. TERP is calculated by reference to Appen's closing price of A\$2.30 on 15 May 2023, being the last trading day prior to the announcement of the Equity Raising. TERP is a theoretical calculation only and the actual price at which APX shares trade immediately after the ex-date of the Equity Raising will depend on many factors and may not be equal to TERP.

## SECTION 4

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shareholders do not take up by the close of the Institutional Entitlement Offer, as well as those entitlements of ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, as well as certain other institutional investors, through an institutional shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer.

### Retail Offer

The Retail Entitlement Offer will open on 23 May 2023 and close at 5:00pm (Sydney time) on 6 June 2023. It consists of an offer to eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date. Retail shareholders can choose to take up all, part or none of their entitlement.

Further details about the Retail Entitlement Offer will be set out in a retail offer booklet ("**Retail Offer Booklet**") which Appen expects to lodge with the ASX on 23 May 2023. Eligible retail shareholders are encouraged to read the Retail Offer Booklet in its entirety, in particular, the risk factors, and should seek financial advice if they are uncertain of whether or not to participate.

All Directors who are existing shareholders on the Record Date have committed to take up their pro rata entitlements under the Retail Entitlement Offer.

### Equity Raising timetable<sup>6</sup>

Event	Date
Announcement of the Equity Raising	Tuesday, 16 May
Placement and Institutional Entitlement Offer bookbuild	Tuesday, 16 May
Announcement of results of the Placement and Institutional Entitlement Offer	Wednesday, 17 May
Appen shares recommence trading	Wednesday, 17 May
Entitlement Offer Record Date (7.00pm Sydney time)	Thursday, 18 May
Retail Entitlement Offer opens (Retail Information Booklets made available to eligible retail shareholders)	Tuesday, 23 May
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 25 May

<sup>6</sup> These dates are indicative only and are subject to change. Appen, reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable. In particular, Appen reserves the right to extend the Equity Raising timetable and to withdraw or vary the Placement or Entitlement Offer without prior notice. Any extension of the Equity Raising timetable will have a consequential effect on the date for the allotment and issue of New Shares. Appen will consult with the underwriter in relation to any proposed change to this indicative timetable and any such change will require the consent of the underwriter.



Allotment and trading of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 26 May
Retail Entitlement Offer closes (5.00pm Sydney time)	Tuesday, 6 June
Settlement of New Shares issued under the Retail Entitlement Offer	Tuesday, 13 June
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 14 June
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 15 June

### Further information

Further details of the Equity Raising are set out in the investor presentation lodged with the ASX today. The investor presentation also contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

The Offer Information Line is open from 8.30am to 5.30pm (Sydney time) Monday to Friday until 6 June 2023 when the Retail Entitlement Offer closes.

As Appen will have exhausted its residual capacity to issue equity under ASX Listing Rule 7.1 for the Placement, it expects to call an Extraordinary General Meeting in coming months to seek shareholder approval to facilitate future grants of equity over the next 12 months to management and new hires. Retention and incentivisation of management, along with the ability to attract new talent, is a key component of the company's strategy refresh and return to profitability referred to above.

### Investor briefing

An investor briefing will be hosted by Armughan Ahmad, CEO and Helen Johnson, CFO at 10:30am Sydney time on Tuesday 16 May. The briefing will be webcast live at Open briefing.

Those wishing to ask questions during the briefing can join via conference call. Please pre-register for the call at Diamond pass conference call or copy and paste the link into your browser: <https://s1.c-conf.com/diamondpass/10030873-tdg8fj.html>.

### Authorised by the Board of Appen Limited.

#### For more information, please contact:

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## Announcements



### **Important Information**

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision.

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This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States, except in transactions exempt from, or not subject to, the registration of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

### **Forward-looking Statements**

This notice contains forward-looking statements, including but not limited to statements of opinion and expectation and statements about Appen's plans, future developments, strategy and the outcome and effects of the Offer and the use of proceeds. These statements may assume the success of Appen's business strategies. The words "expect", "anticipate", "estimate", "intend", "believe", "should", "may", "will" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates are based on assumptions and contingencies that may be affected by various assumptions, which are subject to change without notice, and known and unknown risks and uncertainties, including matters that are outside the control of Appen and its directors and management, and may differ from results actually achieved. Investors are cautioned against placing undue reliance upon such statements

### **About Appen**

Appen is a global market leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world's most innovative artificial intelligence systems.

Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry's most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products. Founded in 1996, Appen has customers and offices globally.

# Refreshing Appen

Strategy refresh and capital raising presentation



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## Important notice and disclaimers (1 of 4)

This investor presentation (**Presentation**) is dated 16 May 2023 and has been prepared by Appen Limited (ACN 138 878 298) (**Appen**).

- This Presentation has been prepared in relation to:
  - a pro rata accelerated non-renounceable entitlement offer of new fully paid ordinary shares in Appen (**New Shares**), to be made to:
    - eligible institutional and sophisticated shareholders of Appen (**Institutional Entitlement Offer**); and
    - eligible retail shareholders of Appen (**Retail Entitlement Offer**),(together, the **Entitlement Offer**) under section 708AA of the Corporations Act 2001 (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (the **Corporations Act**); and
  - an institutional placement of New Shares made to certain institutional and sophisticated investors (**Placement**, and together with the Entitlement Offer, the **Offer**).

### SUMMARY INFORMATION

This Presentation contains summary information about the current activities of Appen and its subsidiaries (the **Appen Group or Group**) which is current as at the date of this Presentation unless otherwise indicated. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all of the information that an investor should consider when making an investment decision nor does it contain all of the information which would be required in a product disclosure statement or prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Appen's other periodic and continuous disclosure announcements, available from the ASX at [www.asx.com.au](http://www.asx.com.au).

Certain market and industry data used in this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. None of the Appen Group nor its advisers or representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

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### FINANCIAL INFORMATION

All dollar values contained in this document are expressed in United States dollars unless otherwise stated. Totals may vary slightly due to rounding.



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## SECTION 4

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## Important notice and disclaimers (2 of 4)

Appen prepares its financial information in accordance with the Corporations Act, Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

This presentation includes certain pro forma financial information to reflect the impact of the Offer. The pro forma historical financial information provided in this presentation is for illustrative purposes only and is not represented as being indicative of Appen's views on its future financial position and/or performance. The pro forma historical financial information has been prepared by Appen Group in accordance with the measurement and recognition requirements, but not disclosure requirements, prescribed by AAS. The pro forma financial information has not been subject to audit or review in accordance with AAS. The pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

Investors should be aware that certain financial measures included in this Presentation are "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" published by ASIC and also "Non-GAAP financial measures" within the meaning of Regulation G under the US Securities Exchange Act of 1934, as amended, and are not recognised under the AAS or IFRS. Non-IFRS financial information / non-GAAP financial measures in this Presentation include underlying EBITDA and underlying cash EBITDA. Non-IFRS financial information and non-GAAP financial measures have not been subject to audit. Appen believes the non-IFRS financial information and non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of Appen Group. However, investors should note that the non-IFRS financial information and non-GAAP financial measures do not have standardised meanings prescribed by AAS or IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, nor should the information be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Presentation.

### ROUNDING

Certain figures, percentages, estimates, calculations of value and fractions provided in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in the Presentation.

### FUTURE PERFORMANCE

This Presentation may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "outlook", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, strategy, estimates, targets, management's expectations, financial position, dividends and performance are also forward-looking statements as are statements regarding Appen Group's future operations and projects, the outcome of the Offer and the use of proceeds. Any such statements, opinions and estimates in this Presentation speak only as of the date hereof and are based on assumptions and contingencies subject to significant uncertainties or change without notice, as are statements about market and industry trends, projections, guidance, estimates, guidance, potential growth, forecasts and other forward-looking information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks (including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the hostility between Russia and Ukraine and the risks set out in the "Key risks" section of this Presentation), uncertainties and other factors, many of which are beyond the control of the Appen Group, and their respective officers, employees, agents and advisors, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

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## Important notice and disclaimers (3 of 4)

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To the maximum extent permitted by law, the Appen Group, the underwriter and each of their respective affiliates and related bodies corporate, and each of their respective directors, officers, partners, employees and agents (**Extended Parties**) disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise. To the maximum extent permitted by law, each of the Appen Group and the underwriter and their respective Extended Parties disclaim any responsibility to update or revise any forward looking statement to reflect any change in the Appen Group's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by Australian law.

### PAST PERFORMANCE

Past performance and pro forma historical financial information in this Presentation is given for illustrative purposes only and should not be relied on and is not an indication of future performance including future share price information. Historical information in this Presentation relating to the Appen Group is information that has been released to the market. For further information, please see past announcements released to the ASX.

### NOT AN OFFER

This Presentation is not and should not be considered an offer or an invitation to acquire New Shares or any other securities or financial products and does not and will not form any part of any contract for the acquisition of New Shares.

### DETERMINATION OF ELIGIBILITY

Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Institutional Entitlement Offer or the Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Appen and/or the underwriter. Each of Appen and the underwriter and each of their respective Extended Parties disclaim any duty or liability (including, without limitation, any liability arising from fault or negligence on the part of any person) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The underwriter may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Entitlement Offer without having independently verified that information and the underwriter does not assume responsibility for the fairness, currency, accuracy, reliability or completeness of that information.

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### RETAIL ENTITLEMENT OFFER

The retail offer booklet for the Retail Entitlement Offer will be available to eligible retail shareholders following its lodgement with the ASX. Any eligible retail shareholder who wishes to participate in the Retail Entitlement Offer should consider the retail offer booklet in deciding whether to apply under that offer. Any eligible retail shareholder who wishes to apply for New Shares under the Retail Entitlement Offer will need to apply in accordance with the instructions contained in the retail offer booklet and the entitlement and application forms. This Presentation does not constitute financial product advice and does not and will not form part of any contract for the acquisition of New Shares.

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## Important notice and disclaimers (4 of 4)

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None of the underwriter nor any of its Extended Parties, nor the advisers to Appen, have authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and do not make or purport to make any statement in this Presentation and there is no statement in this Presentation that is based on any statement by any of those parties.

The underwriter, together with its affiliates, is a full service financial institution engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses or other transaction consideration. In the course of these activities, the underwriter and its affiliates may at any time for their own account and for the accounts of their clients make or hold investments in equity securities or other financial products of Appen or its affiliates, and receive customary fees and expenses or other transaction consideration in respect of such activities. See the Appendix 3B released to ASX on or about 16 May 2023 for a description of the fees payable to the underwriter in connection with the Offer.

The underwriter is acting as the lead manager and underwriter of the Offer. The underwriter is acting for and providing services to Appen in relation to the Offer and will not be acting for or providing services to Appen shareholders or creditors. The underwriter has been engaged solely as an independent contractor and is acting solely in a contractual relationship on an arm's length basis with Appen. The engagement of the underwriter by Appen is not intended to create any agency or other relationship between the underwriter and Appen's shareholders or creditors.

In connection with the institutional bookbuild, one or more institutional investors may elect to acquire an economic interest in the New Shares (**Economic Interest**), instead of subscribing for or acquiring the legal or beneficial interest in those securities. The underwriter (or its affiliates) may, for its own account, write derivative transactions with those investors relating to the New Shares to provide the Economic Interest, or otherwise acquire New Shares in Appen in connection with the writing of those derivative transactions in the institutional bookbuild and/or the secondary market. As a result of those transactions, the underwriter (or its affiliates) may be allocated, subscribe for or acquire New Shares or securities of Appen in the institutional bookbuild and/or the secondary market, including to hedge those derivative transactions, as well as hold long or short positions in those securities. These transactions may, together with other securities in Appen acquired by the underwriter or its affiliates in connection with their ordinary course sales and trading, principal investing and other activities, result in the underwriter or its affiliates disclosing a substantial holding and earning fees.

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The information in the Presentation remains subject to change without notice. Appen and the underwriter reserve the right to withdraw or vary the timetable for the Offer without notice.

By accepting this Presentation, you represent and warrant that you are entitled to receive such a presentation in accordance with such restrictions and agree to be bound by the limitations contain therein.



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## Executive summary

- 1 Appen overview**
  - Appen supports AI training data and model evaluation for the world's leading AI
  - The new management team has undertaken an operational review and identified a number of opportunities to instil operational rigour and return Appen to profitability
- 2 New growth strategy**
  - Strategic refresh under new leadership
  - Focus on revenue growth and diversification from enabling enterprise adoption of generative AI, supporting the development of large language models, increasing channels to market and driving operational efficiency
- 3 Operational rigour initiatives**
  - Total identified run-rate cost savings of ~\$46 million
  - New pro-forma cost base estimated to be ~\$113 million<sup>1</sup> includes capitalised software development costs of approximately \$11 million and excludes non-cash share-based payment expenses of approximately \$7 million
  - New dynamic approach to ensure costs will be managed in line with the revenue opportunity and market conditions
- 4 The New Appen**
  - An immediate focus on managing costs and delivering growth
  - We are highly focused on the areas that are within our control and have taken the necessary steps to align our cost structure with current revenue expectations and expect to exit 2023 as a profitable business on an underlying EBITDA<sup>2</sup> and underlying cash EBITDA basis<sup>3</sup>
- 5 Equity raising**
  - Fully underwritten ~A\$60 million equity raising to provide balance sheet flexibility and general working capital requirements to support Appen's return to profitability; and one-off costs associated with the cost reduction program and transaction costs

Note: 1. Excludes impairment losses, crowd labelling services, share based payments, depreciation and amortisation, transaction, finance and restructure costs and the impact of foreign exchange losses; 2. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes impairment losses, restructure costs, transaction costs, inventory losses and acquisition-related share-based payments expenses; 3. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.



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# 01 Appen overview



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## Appen is an AI platform services business



We provide **AI platform services** to many of the world's advanced big tech companies



Fortune 500 clients **value our expertise** and consultative approach

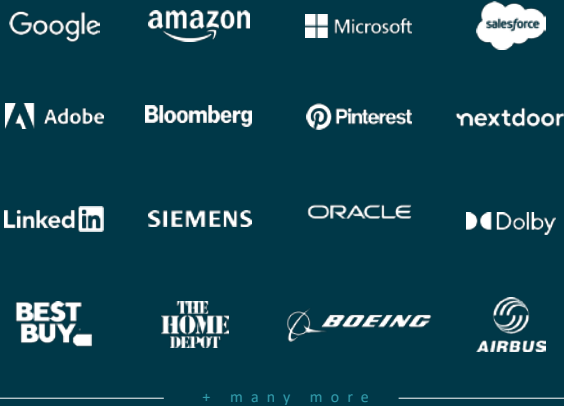


Our **AI data platform** underpins our services



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## We power the world's leading AI



**8 out of 10**

largest global tech companies by market capitalisation



**184**

new clients in 2022



**+9 years**

average tenure of our top 5 clients



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## Key findings of the operational review...

### Sales and marketing

Immediate need to level-up our sales and marketing, focus on hiring new marketing and sales operations leaders



### New market growth

Investments in Enterprise and Federal BUs have not resulted in growth – significant cost restructure required



### Operations

Growth opportunity in current business, requires operational improvements to maximise potential



### Leadership and culture

Leadership and company culture refresh is required to deliver on next phase of growth



### Transformation

Product, Engineering and Transformation investment have not delivered expected efficiencies



### Revenue diversification

Excluding our largest customer, revenue has grown at a 10% CAGR<sup>1</sup> between 2018 to 2022



### Structure

Some functions duplicated across business units – consolidation is a major opportunity for cost reduction



### Cost controls

Cost controls have lagged revenue shifts – tighter financial controls to be established



### Generative AI

Significant opportunity to support generative AI by leveraging existing tech and crowd capabilities



Note: 1. After adjusting for M&A. Past performance is not necessarily an indicator of future performance.



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## Focus for first 4 months has been on resetting for growth


Operational rigour	Product velocity	World class go-to-market	Ecosystem partnerships	#AIforGood
<ul style="list-style-type: none"> <li>Establish business management systems</li> <li>Cost reallocation to growth vectors</li> </ul>	<ul style="list-style-type: none"> <li>Launch products that capture new market growth</li> <li>Incorporate Generative AI labeling automation</li> <li>Drive internal productivity improvements</li> </ul>	<ul style="list-style-type: none"> <li>Build consultative sales and go-to-market capabilities</li> <li>Elevate our brand with greater marketing awareness</li> </ul>	<ul style="list-style-type: none"> <li>Expand our partner ecosystem to reach more clients</li> <li>Focus on key industry verticals</li> </ul>	<ul style="list-style-type: none"> <li>Deliver trustworthy AI for our clients</li> <li>Responsibility by design</li> <li>Establish and chair AI for Good Committee</li> <li>One Appen</li> </ul>

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Completed In progress

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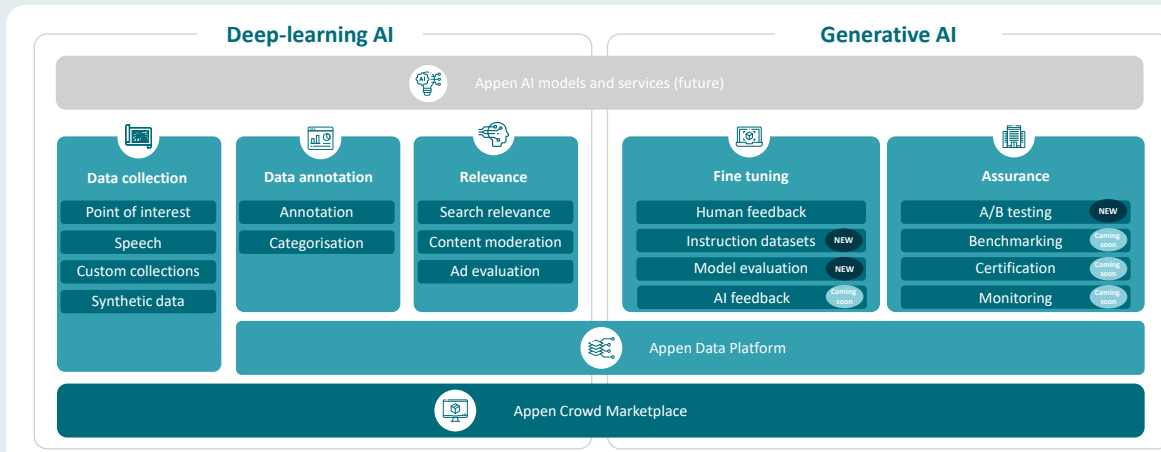
# 02 Refreshed growth strategy



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# Appen's growth vision

Full set of AI data services for deep-learning and generative AI

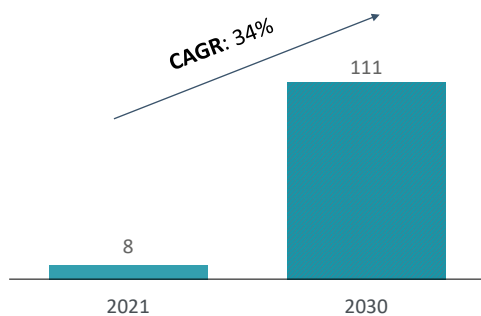


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# Generative AI market size estimated to reach >\$110 billion by 2030

Estimated Generative AI market size (\$ billion)



Source: Acumen Research (December 2022)

## Challenges with adoption Appen can help address

- Human feedback (RLHF) is required for base models to perform at levels comparable to humans and to minimize hallucinations, bias and toxicity
- Many base models do not work out of the box for companies and in a domain context – fine tuning and evaluation is required, together with real customer interactions
- New approaches for model evaluation is required, particularly when measuring against risk and compliance guidelines
- Enterprises are unclear on deployment approach, including data privacy implications of on-premise vs. cloud-based models

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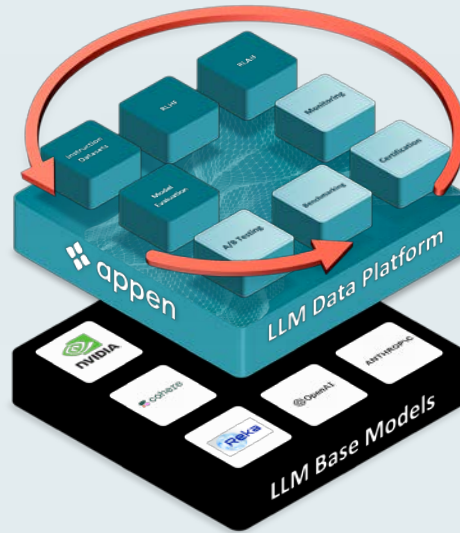
# Announcements

## Appen's new set of LLM Data products

Enabling the development and fine tuning of generative AI models

### Fine tuning products

Appen's fine tuning products enable enterprises to customise existing generative AI models from Nvidia, OpenAI, Cohere, Google, Anthropic, Reka and open-source channels.



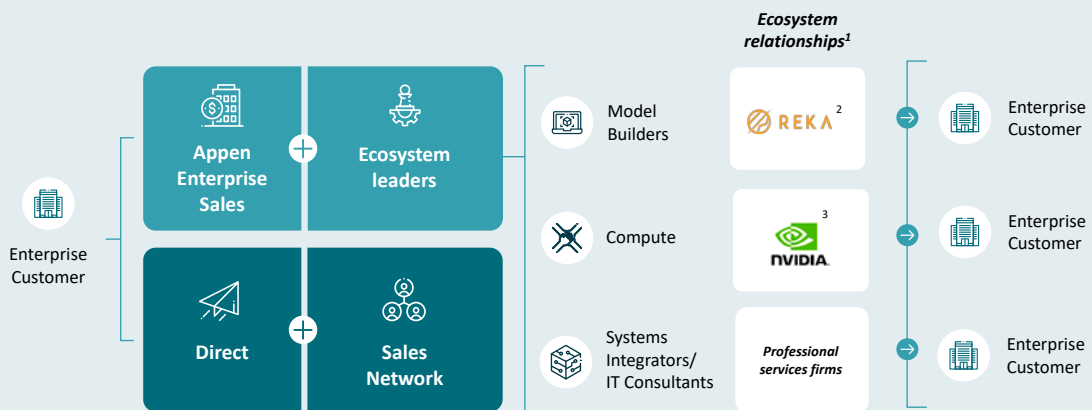
### Assurance products

Appen's assurance products ensure customers' model performance is accurately measured and monitored to avoid risks such as hallucination, bias, and toxicity.



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## Extending our channels to market will allow us to scale



Note: 1. Ecosystem relationships do not represent revenue generating customer agreements themselves, but are collaboration agreements under which the organisations agree to collaborate with a focus on serving new revenue generating customers; 2. Appen has signed a joint go-to-market collaboration agreement with Reka, with focus on promoting and delivering an end-to-end generative AI solution for enterprises; 3. Appen has signed a Master Data License and Custom Data Agreement with NVIDIA with a focus on new client acquisition.



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## We are already gaining momentum

### Large-tech model builder

Evaluated model performance of text to image generative AI models

### Enterprise model builder

Recent pilot leads to \$2 – 5 million opportunity for large scale creation of language model prompts

### Enterprise model fine tuning

Active partnership with Reka drives opportunity to deliver operational efficiencies for a major financial services client

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## Strategic refresh under new leadership

### Deep-learning AI

#### Maximise the opportunity from our current data services

Improve our project delivery and crowd management practices to deliver greater volumes of current work with improved margins

### Generative AI

#### Enable generative AI

Provide crowd-based services and products that enable the development and enterprise adoption of generative AI

#### Drive operational efficiency

Ensure strict focus on operational rigour, disciplined cost and investment management to drive profitability

#### Engage in disciplined capital management

Preserve cash to maintain flexibility and maximise shareholder value

#### Reset sales and go-to-market

New sales leadership and go-to-market strategy that leverages ecosystem partnerships to accelerate growth in target markets

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## Announcements

### Strategic refresh addresses key focus areas



**Customer diversification**

Generative AI expected to create material demand beyond large tech customers



**Margin improvement**

Greater reliance on technology to improve gross margins



**Revenue visibility**

New products to have a greater proportion of recurring revenue



**Strong ROI**

Generative AI investments will leverage existing technology investments



## 03 Operational rigour initiatives



## Operational rigour improvements delivered



**New product and engineering measurements** to drive delivery and business impact



**Generative AI automation** in our annotation processes



**Cost review** completed across all business areas



**Business Management System** for financial and operational metrics



**Target Operating Model** for delivery functions to drive efficiency and automation



**Weekly, Monthly, Quarterly business unit review cycle** across revenue generating business units



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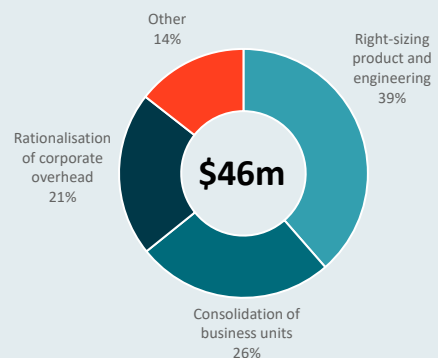
## Taking action to reduce cost base

### Reduce cost base for the future, ensuring Appen is appropriately resourced to execute on its strategy

- Total annualised cost savings of \$46 million relating to measures announced in 2023
- Cost savings to be implemented over the course of FY23 with first full year impact from FY24
- Appen expects to exit FY23 with an annualised run-rate cash operating cost base of ~\$113 million<sup>1</sup> (includes capitalised software development costs of ~\$11 million and excludes non-cash share-based payment expenses of ~\$7 million)
- Going forward, costs will be managed in line with the revenue opportunity and market conditions. This dynamic approach will better place Appen to adapt to ongoing changes in market demand
- These cost savings were identified as part of a strategic review and Appen does not anticipate any material impact on its ability to service customers or generate revenue from these measures
- One-off costs associated with implementing the cost reduction are \$4 – 5 million relating to severance that will be reported as a non-recurring expense and excluded from underlying EBITDA<sup>2</sup> for FY23. Additional cash payments include leave entitlements of \$1.5 – 2 million that have been previously provided for

**Zero-based budgeting**  
Bottom up approach to costs

### Incremental reduction in annualised operating costs



Source: Management estimates.

Note: 1. Excludes impairment losses, crowd labelling services, share based payments, depreciation and amortisation, transaction, finance and restructure costs and the impact of foreign exchange losses;

2. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit.

Underlying EBITDA excludes impairment losses, restructure costs, transaction costs, inventory losses and acquisition-related share-based payments expenses.



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# Announcements



## Management to deliver next phase of growth

 <b>Armughan Ahmad</b> Chief Executive Officer <i>Joined in 2023</i>	Corporate	 <b>Helen Johnson</b> Chief Financial Officer <i>Joined in 2023</i>	 <b>Andrea Clayton</b> Chief People & Purpose Officer	 <b>Ryan Kolln</b> SVP, Strategy & Innovation
		 <b>Sujatha Sagiraju</b> Chief Product Officer	 <b>Saty Bahadur</b> Chief Technology Officer <i>Joined in 2023</i>	 <b>Carl Middlehurst</b> VP, General Counsel
	Sales and delivery	 <b>Brian Haskett</b> GM Delivery Operations (Interim)	 <b>CMO</b> Starting Q2	 <b>CRO</b> Starting Q2

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# #CultureCode

## PURPOSE

We unlock the power of #AIforgood to build a better world.

## PERSPECTIVE

We are a learn-it-all culture and embrace that comfort and growth do not coexist.

## PROSPERITY

Four values unite us



Customer obsessed



Courage to innovate



Action oriented



Winning together



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# Turnaround scorecard for next 6 months



### Operational rigour

- Execute cost saving initiatives
- Target operating model deployed
- Streamlined crowd onboarding process



### Product velocity

- LLM benchmarking product launched
- Model monitoring solutions launched
- Synthetic instructive datasets launched



### World class go-to-market

- New sales leaders and structure in place
- Sales ops function established
- New CMO in place to amplify brand value



### Ecosystem partnerships

- Expanded set of ecosystem partners
- Joint go-to-market approach in place



### #AIforGood

- Focus on conversion to renewable energy
- Active recruitment of Impact Sourced Crowd



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# Announcements

## 2023 outlook

- Taking into account headwinds from the broader technology market slowdown, historical fourth quarter seasonal trends, regular dialogue with customers and our pipeline of project work across all clients, we expect an improvement in 2H FY23 revenue relative to revenue achieved in 1H FY23
- Should current conditions persist throughout the year, we believe that the cost reduction initiatives that we have announced will result in Appen exiting FY23 with a return to underlying EBITDA<sup>1</sup> and underlying cash EBITDA<sup>2</sup> profitability on an annualised, run-rate basis
- Longer term, we expect to deliver greater diversification of revenue and profitability through execution of our growth strategy refresh and efficiency initiatives outlined previously

Note: 1. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes impairment losses, restructure costs, transaction costs, inventory losses and acquisition-related share-based payments expenses; 2. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.



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## Wrap up

### Five key take aways

- 1 | AI is changing the world.** Generative AI is creating new experiences like we have not seen before. The future is with us
- 2 | The new strategy positions Appen well to capture growth in the deep learning and generative AI markets.** Our growth vision is to move beyond AI data into industry vertical AI solutions and expand our addressable market
- 3 | Establishing operational rigour** is a key priority to right-size our cost base, increase revenue visibility and fund new growth
- 4 | Management is committed to its vision for the New Appen** and the initiatives presented today are already underway
- 5 | We believe the Equity Raising** will provide the necessary flexibility to support the company in returning to profitability



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# 05 Equity raising



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## Sources and uses of funds

Sources of funds (A\$ million)	
Entitlement Offer	38.3
Placement	21.2
<b>Total sources of funds</b>	<b>59.5</b>

Uses of funds (A\$ million)	
Balance sheet flexibility and general working capital requirements to support Appen's return to profitability	47.0
One-off costs associated with the cost reduction program and transaction costs <sup>1</sup>	12.5
<b>Total uses of funds</b>	<b>59.5</b>

- Appen's lender, Westpac, has granted a waiver of financial covenants in relation to the June testing date for its Credit Facility, conditional on completion of the equity raising<sup>2</sup>
- The facility is currently undrawn

Note: 1. Includes one-off costs of \$4 – 5 million relating to severance that will be reported as a non-recurring expense and excluded from underlying EBITDA for FY23; as well as to fund previously provided for leave entitlements of \$1.5 – 2 million (assumed exchange rate of USD/AUD 0.67); 2. Conditional upon Appen raising equity of A\$45m by 28 June 2023, Westpac has granted a waiver of financial covenants that would have otherwise applied and been tested as at 30 June 2023. Upon completion of the Capital Raising, the condition will be satisfied and the Credit Facility will remain available for Appen to access, subject to compliance with other terms and conditions.



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## Announcements

### Equity raising details

<b>Offer structure and size</b>	<ul style="list-style-type: none"> <li>Fully underwritten ~A\$60 million Equity Raising comprised of:             <ul style="list-style-type: none"> <li>A 1 for 6 pro rata accelerated non-renounceable entitlement offer ("<b>Entitlement Offer</b>") to existing eligible shareholders to raise ~A\$38 million; and</li> <li>An institutional placement ("<b>Placement</b>") to raise ~A\$21 million</li> </ul> </li> <li>32.2 million fully paid ordinary shares ("<b>New Shares</b>") to be issued, representing ~26% of the existing shares on issue</li> </ul>
<b>Offer price</b>	<ul style="list-style-type: none"> <li>A\$1.85 per new share ("<b>Equity Raising Price</b>"), represents:             <ul style="list-style-type: none"> <li>a 16.2% discount to the theoretical ex-rights price of A\$2.21 ("<b>TERP</b>")<sup>1</sup></li> <li>a 19.6% discount to Appen's last closing price of A\$2.30 on Monday, 15 May 2023</li> </ul> </li> </ul>
<b>Institutional Offer and Placement</b>	<ul style="list-style-type: none"> <li>The institutional component of the Entitlement Offer and the Placement will be conducted on Tuesday, 16 May 2023</li> <li>Entitlements not taken up and those of ineligible shareholders will be placed into an institutional shortfall bookbuild and sold at the Equity Raising Price</li> </ul>
<b>Retail Entitlement Offer</b>	<ul style="list-style-type: none"> <li>The Retail Entitlement Offer is expected to open on Tuesday, 23 May 2023 and close on Tuesday, 6 June 2023</li> <li>Retail shareholders residing in Australia and New Zealand on the Record Date may participate in the Retail Entitlement Offer</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>The New Shares will rank equally with existing fully paid ordinary shares on issue</li> </ul>
<b>Settlement</b>	<ul style="list-style-type: none"> <li>Settlement of New Shares issued under the Placement and Institutional Entitlement is expected to be on Thursday, 25 May 2023</li> <li>Settlement of New Shares issued under the Retail Entitlement Offer is expected to be on Tuesday, 13 June 2023</li> </ul>
<b>Underwriting</b>	<ul style="list-style-type: none"> <li>The Equity Raising is fully underwritten by Barrenjoey Markets Pty Limited</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>All directors who are existing shareholders on the Record Date have committed to take up their pro-rata entitlement under the Entitlement Offer</li> </ul>

Note: 1. TERP is the theoretical ex-rights price including the Placement shares. TERP is calculated by reference to APX's closing price of A\$2.30 on 15 May 2023, being the last trading day prior to the announcement of the Equity Raising. TERP is a theoretical calculation only and the actual price at which APX shares trade immediately after the ex-date of the Equity Raising will depend on many factors and may not be equal to TERP.



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### Equity raising timetable

Events	Dates
Announcement of the Equity Raising	Tuesday, 16 May
Placement and Institutional Entitlement Offer bookbuild	Tuesday, 16 May
Announcement of results of the Placement and Institutional Entitlement Offer	Wednesday, 17 May
Appen shares recommence trading (on an ex-entitlement basis)	Wednesday, 17 May
Entitlement Offer Record Date (7.00pm Sydney time)	Thursday, 18 May
Retail Entitlement Offer opens (Retail Information Booklets made available to eligible retail shareholders)	Tuesday, 23 May
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 25 May
Allotment and trading of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 26 May
Retail Entitlement Offer closes (5.00pm Sydney time)	Tuesday, 6 June
Appen announces results of the Retail Entitlement Offer	Friday, 9 June
Settlement of New Shares issued under the Retail Entitlement Offer	Tuesday, 13 June
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 14 June
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Thursday, 15 June



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## Pro forma balance sheet

\$ million	31 Dec 2022 Actual	31 Dec 2022 Pro forma <sup>1</sup>
Cash and cash equivalents	23	61 <sup>2</sup>
Trade and other receivables	64	64
Contract assets	30	30
Intangibles	110	110
Property, plant and equipment	4	4
Other assets	23	23
<b>Total assets</b>	<b>255</b>	<b>293</b>
Trade and other payables	40	40
Contract liabilities	19	19
Borrowings	0	0
Lease liabilities	10	10
Earn-out liability	19	19
Other liabilities	19	19
<b>Total liabilities</b>	<b>107</b>	<b>107</b>
<b>Net assets</b>	<b>148</b>	<b>186</b>

Note: 1. The 31 Dec 2022 pro forma balance sheet illustrates the impact of the capital raising on the actual 31 Dec 2022 balance sheet as if the capital raising had occurred on that date; 2. Net of transaction costs of approximately A\$3.1 million (assumed exchange rate of USD/AUD 0.67). A deferred tax asset resulting from the transaction costs is expected to be recognised on the balance sheet as part of the equity raising.



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## Key risks

This section discusses some of the key risks associated with an investment in shares in Appen. These risks may affect the future operating and financial performance of the Appen Group and the value of Appen shares.

The risks set out below are not necessarily listed in order of importance and do not necessarily constitute an exhaustive list of all risks involved with an investment in Appen.

Before investing in Appen, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on the Appen Group (such as that available on the websites of Appen and ASX), carefully consider their personal circumstances (including the possibility that they may lose all or a portion of their investment) and consult their professional advisers before making an investment decision. Additional risks and uncertainties that Appen is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Appen Group's operating and financial performance. Nothing in this Presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

You should note that the occurrence or consequences of many of the risks described in this section are partially or completely outside the control of Appen, its directors and management. Further, you should note that this section focuses on the potentially key risks and does not purport to list every risk that the Appen Group may have now or in the future. It is also important to note that there can be no guarantee that the Appen Group will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Presentation will be realised or otherwise eventuate. All potential investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this section, and have regard to their own investment objectives, financial circumstances and taxation position.

Cooling off rights do not apply to the acquisition of New Shares.

### Business risks

**Strategic direction of the business** The AI market is dynamic, with changes in client needs and end-user expectations. The strategic direction of the Appen Group's business can rapidly change. Demand for services, technological developments within market segments, goeconomic confrontations (including global conflicts) and regulatory developments can all impact Appen Group's business model. Changes to these factors may result in downturns or extended periods of uncertainty or volatility which may influence spending by Appen Group clients and affect the Appen's Group's financial and operating performance, Appen's share price and Appen's ability to pay dividends.

**Concentration of customers** Appen and its subsidiaries' existing customer base consists of, amongst others, a number of large global multi-national technology companies. Currently five large global technology companies are the major buyers of AI training data and relevance work. The projects awarded by these companies, or the ongoing services which Appen may provide to these companies, can generate large amounts of revenue from that one client. This revenue model leads to a high concentration of revenues with one or more customers. Such customer concentration is not unusual in the industry in which Appen operates. Due to significant disruption in the technology sector and rapid strategic changes that customers have implemented in response to changes in the global economic environment, this risk has increased.

**Revenue model and customer contracts** The financial performance of the Appen Group is susceptible to the loss of one or more of these customers if that were to occur. A substantial part of the Appen Group's existing revenue is generated from individual case by case projects rather than long-term contracts. Appen cannot be assured that a customer will reengage the Appen Group on future projects or services once the project is completed or that the customer will not unilaterally reduce the scope of, or terminate, existing projects on short-term notice (generally 30 days, but sometimes less). The absence of guaranteed long-term revenue makes it difficult to predict the future revenues of the Appen Group and investors should consider this factor in the context of considering any investment. The Appen Group's revenue model is, and will be, predominantly driven by project demands of customers and can be unpredictable throughout any financial year due to the timing of projects, length of sales cycles and the product-release cycles of the Appen Group's clients. Revenues may be impacted from quarter to quarter, and year to year, depending on the customer demand factors or on the completion rate of projects. If a customer, particularly a key customer, reduces its expenditure on either projects or services, it may adversely impact the revenue, earnings and cash flow of the Appen Group.

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# Announcements

## Key risks (cont.)

**Business risks**

<b>Appen management personnel</b>	Appen depends on the talent and experience of its existing management personnel. However, despite incentives offered to key personnel, there can be no assurance that Appen will be able to retain all of its key personnel. The loss of any key management or other personnel with specialist skills, or a significant number of personnel generally, may have an adverse impact on the Appen Group. It may be difficult to replace those personnel, or to do so in a timely manner, or at a comparable expense. The loss of key management personnel could cause material disruption to the Appen Group's activities in the short to medium term.
<b>Recruitment and crowdsourcing</b>	The Appen Group's operating model requires an ability to mobilise a large number of independent contractors on a project-by-project basis to fulfil customer needs and project requirements. If the Appen Group fails to find independent contractors of a suitable quality, and/or suitable number, and/or jurisdictions restrict flexible independent contractor relationships, this may lead to project delays or lower revenues being generated in relation to the project. These difficulties may be more prevalent during times when national economies are strong or getting stronger due to the reduced number of persons looking for work. Some of the Appen Group's search relevance and data analytics services are crowdsourced to, and often performed by, independent contractors. The independent contractors performing these services are retained pursuant to written agreements with a member of the Appen Group that commonly specify the individual's status as an independent contractor, confirm the individuals are not employees of the employing company, and require the individuals to indemnify the employing company in the event the individual incorrectly represented their status to the employing company.  Notwithstanding the foregoing express contractual language, from time to time, individuals retained by a member of the Appen Group as independent contractors may file claims for unemployment with the applicable state unemployment agencies claiming employee status with a member of the Appen Group and seeking unemployment benefits. Unemployment benefits are, from time to time, awarded by state unemployment agencies, which may result in nominal charges or increases to the employer's unemployment tax accounts with the various states in which these individuals perform services and in which the member of the Appen Group does not have existing employees. The Appen Group is also subject to the usual risks posed to businesses that employ crowdsourcing, including claims relating to employee classification, claims to benefits, wage and hour claims and other employment claims.
<b>Investments by Appen may not be successful</b>	A member of the Appen Group may acquire businesses from time to time. While Appen will take every effort to ensure that any acquisition is successfully integrated and benefits realised, there can be no assurance that Appen will be successful in realising the anticipated benefits and synergies of any businesses that it acquires. The ability to realise these benefits will depend in part on whether Appen can efficiently integrate acquired businesses with its existing operations. The challenges of integrating and operating acquired businesses may be greater if the Appen Group acquires businesses that provide services outside the Appen Group's current geographic offering, particularly if it is unable to retain the acquired company's management. In addition, there is a risk that Appen will overestimate the value of acquired businesses and therefore overpay. These factors may adversely impact the Appen Group's financial performance. As the Appen Group's business expands, the complexity of its business will increase. If Appen is unable to adapt to address different market dynamics, the Appen Group's operational and financial performance may be adversely affected. If the actions of competitors or potential competitors of the Appen Group become more effective, Appen may be unable to compete successfully. For example, competitors of the Appen Group might adopt more aggressive strategies to capture market share, or alternatively, customers may choose to do some data automation tasks in house, change the profile of their projects or use their scale to seek better terms on pricing. Such occurrences may negatively affect the Appen Group's future profitability, planned growth and market share.
<b>Competition risk</b>	The sectors in which the members of the Appen Group operate are subject to vigorous competition, based on factors including price, service, innovation and the ability to provide the customer with the appropriate services in a timely manner. In some parts of Appen's business there is also competition from niche or low-cost providers. A member of the Appen Group's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, or a failure by a member of the Appen Group to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any changes in a member of the Appen Group's competitive position or the competitive landscape may result in a decline in sales revenue and margins, which may have a material adverse effect on its future financial performance and position.
<b>Technology failure</b>	The Appen Group relies on a variety of IT systems in order to manage and deliver services and communicate with its customers. Any failure of an IT system could cause disruption to a member of the Appen Group's ability to offer services and lead to a loss of customers or revenue, reputational damage and a weakening of the Appen Group's competitive position and financial performance. Due to the increase in cyber attacks this risk has increased.
<b>Technology</b>	Technology in the relevant market is changing rapidly and certain changes may impact the demand for Appen's services, change the market opportunity or business models of Appen customers and/or result in the disintermediation of Appen or its customers. Large language models, generalised artificial intelligence, quantum computing, VR/AR, blockchain/cryptocurrency and other developments may prove highly disruptive. Increased pressure to regulate artificial intelligence may also pose a risk to Appen and its customers. AI systems can have bias, hallucinate or otherwise produce harmful results. Implementing systems that are trustworthy and embrace AI for Good principles is not well defined currently and the failure to do so may impact societal trust and limit the deployment of new technologies.
<b>Development and commercialisation of intellectual property</b>	The Appen Group relies on its ability to develop and commercialise its products and services and keep pace with advances in the fast-growing AI market. A failure to develop and commercialise its intellectual property successfully would lead to a loss of opportunities and may adversely impact on the operating results and financial position of the Appen Group. The investment required to develop and commercialise intellectual property is expensive and may involve an extended timeframe to achieve returns. There are no assurances that the Appen Group will be able to achieve the necessary development and commercialisation of its intellectual property or have the financial resources available to underpin that development. The allocation of resources to development and commercialisation of intellectual property that ultimately fail to be commercially viable could impact the Appen Group's financial performance and reputation.



## Key risks (cont.)

**Business risks**

<b>Intellectual property rights</b>	The Appen Group's success depends, in part, on its ability to maintain trade secret protection and operate without infringing the rights of third parties. If the Company's intellectual property rights have not been protected, have not been protected adequately or cannot be protected, competitors may use a member of the Appen Group's intellectual property to take market share from the Appen Group. The Appen Group relies on various methods, including copyright and trademark laws, confidentiality and non-disclosure agreements to protect its intellectual property. It is possible that these efforts may be inadequate, and a third party may use or appropriate Appen's intellectual property, damaging the business and leading to increased expenses and/or lost revenues.
<b>Infringement of third-party intellectual property rights</b>	No member of the Appen Group believes that it is currently infringing any third party's intellectual property rights. To date, no third party has asserted to a member of the Appen Group that this is the case. However, in the future a member of the Appen Group may be subjected to infringement claims or litigation arising out of patents and pending applications for patents involving competitors, or additional proceedings initiated by third parties, the United States Patent and Trademark Office or other intellectual property regulators to re-examine the patentability of licensed or owned patents. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If a member of the Appen Group infringes the rights of third parties, a member of the Appen Group could be prevented from selling its products and be forced to defend litigation and pay damages. Further, there is always a risk of third parties claiming involvement in, or membership of, technological advances contained in a member of the Appen Group's products and, if any disputes arise, they could adversely affect the financial or operational position of the Appen Group. Training data used by large language models and generative AI has been the subject of scrutiny as has the ownership of the output produced by such models.
<b>Trade secrets</b>	In addition to its licensing activities, Appen also relies on protecting the Appen Group's trade secrets. The protective measures a member of the Appen Group employs may not always be sufficient to protect its trade secrets. If a member of the Appen Group's trade secrets become public, this could erode its competitive advantage. Appen also cannot be certain that others will not independently develop similar technologies on their own, or gain access to trade secrets, or have disclosed to them such technology, or that a member of the Appen Group will otherwise be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret. This could allow competitors to commercialise products and services competitive with a member of the Appen Group's products and services. Although Appen implements reasonable endeavours to protect the Appen Group's intellectual property, these measures may not always be sufficient.
<b>Brand and reputation risk</b>	The reputation and brand of the Appen Group and its businesses and individual products are important in attracting customers. Given the nature of the Appen Group's customer base, each member of the Appen group must act with the greatest integrity otherwise it will risk losing customers. Any reputation damage or negative publicity around the Appen Group or its businesses or products could adversely impact on the Appen Group's customer relationships, general business and ultimately its financial performance. The actions of the Appen Group's employees, including breaches of any regulations to which a member of the Appen Group is subject, or any negligence in the provision of data, may damage the Appen Group's brand. Appen has a commitment to providing fair pay for crowd workers and a failure to meet those commitments may result in financial liability and damage Appen's brand.
<b>Government and industry regulation</b>	There is risk that governments and regulators may seek to legislate or create regulations which reduce the utilisation or penetration of technologies that the Appen Group helps service in society. Public perception of machine learning, large language models and artificial intelligence may change and reduce the use, or the willingness to use, of such technologies by corporations and the general public. Compliance and ethical expectations in relation to artificial intelligence from stakeholders and broader community are increasing. These interventions could limit the scope of services offered by Appen Group or may result in additional licensing or approval requirements. In some cases, the Appen Group could be required to expend significant capital or other resources in order to comply with any such new requirements, modify existing products, or may not be able to meet such new requirements at all. Any combination of the foregoing may adversely affect the financial or operational position of the Appen Group. Regulatory pressures both on the Appen Group customers and on the group itself continue to evolve. Larger platform companies are facing increased scrutiny from an antitrust (competition law) perspective. There are risks associated with modern slavery which could impact Appen and/or its customers.
<b>Protection of confidential customer information</b>	Through the ordinary course of business, members of the Appen Group collect a range of personal and financial data from customers. Appen Group is subject to, and must comply with a range of strict data protection and privacy laws in jurisdictions where it operates. The Group has in place various compliance systems and procedures to meet its obligations under these laws and safeguard personal customer data. It is possible that the measures taken by a member of the Appen Group to protect customer data will not be sufficient to detect or prevent unauthorised access to, or a disclosure of, confidential information. Any successful cyber-attack or other breach of security could result in the loss of information integrity, or breaches of a member of the Appen Group's obligations under applicable laws or customer agreements, each of which could adversely impact the Appen Group's reputation, retention of customers, ability to attract new customers and financial performance. If privacy laws and/or data protection laws were contravened, Appen Group could be exposed to liability, penalties, regulatory enforcement action, or litigation from adversely affected customers.
<b>Breach of privacy laws</b>	Privacy laws around the world continue to develop and impose greater burdens on businesses when dealing with personally identifiable information. The laws are designed to give greater protections to data owners, improve transparency and require businesses develop better privacy processes and security practices. Failure to do so can result in pecuniary penalties, negative publicity, damage to brand and a requirement to improve processes and controls. Appen manages sensitive customer information, increasing its exposure and susceptibility to cyber attacks. Cyber threats could lead to a loss of data or service interruption impacting customers and Appen's reputation.
<b>Acts of terrorism or sabotage</b>	The Appen Group currently operates in certain jurisdictions in the world that may from time to time be the subject of heightened terrorism or sabotage threat. Appen believes that the Appen Group's operations are not immune from being the target of terrorism or sabotage. Any such attack could have a detrimental effect on the Appen Group's businesses from an employee, reputational and financial point of view.



## Key risks (cont.)

### Business risks

<b>Geopolitical risks</b>	Geopolitical tensions may impact global trade and have wide-ranging impacts to the global economy and markets. The world is currently experiencing a number of conflicts, including the war between Russia and the Ukraine, and the duration and path of those conflicts remains uncertain, and could continue to fuel, or exacerbate global tensions, energy and other commodity shortages, supply chain disruptions, inflationary pressures, weakening sentiment and growth prospects, market volatility, cyberattacks, and the proliferation of sanctions and trade measures. Tensions remain elevated between China and the U.S. over a number of issues, including trade, technology, human rights. Tensions continue between China and Taiwan. Other geopolitical tensions could also add to economic and market uncertainties. Global trade may be impacted.
<b>Foreign exchange risk</b>	The Appen Group's financial reports are prepared in United States dollars and a substantial proportion of the Appen Group's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in, US dollars. However, the Appen Group is exposed to foreign exchange risk as some transactions are denominated in foreign currencies (including Australian dollars). Movements in foreign exchange rates could also impact the cost competitiveness of both the Appen Group and its competitors. Any adverse movement in foreign exchange rates against the Appen Group but to the benefit of its competitors could affect its ability to obtain business which could adversely impact the future financial performance of the Appen Group. Movements in the exchange rate may also affect the decision of potential clients to enter certain markets.
<b>Litigation and disputes</b>	A member of the Appen Group may be involved from time to time in disputes or claims and litigation with current or former customers, employees or independent contractors. These disputes may lead to legal and other proceedings, and may cause the member of the Appen Group to suffer additional costs. If future litigation, or threatened litigation, against a member of the Appen Group were to result in damages being awarded against that member, it could have an adverse impact on the financial performance, position and future prospects of Appen (and, therefore, its share price or liquidity of its shares). On behalf of the members of the Appen Group, Appen maintains professional indemnity and public liability insurance in respect of a range of events within coverage ranges determined in accordance with the Board's review and decision. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. As far as Appen is aware, there are no current material claims or material litigation in which a member of the Appen Group is involved.
<b>Self-down by existing shareholders</b>	There is a risk that existing substantial shareholders (including directors) may seek to sell-down their shareholding in Appen. A significant sale of shares, or a perception that a sell-down may occur, could adversely affect the price of Appen shares.
<b>Risk of dividends not being paid</b>	The payment of dividends is announced at the time of release of the Appen Group's half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of the Appen Group's businesses and requires compliance with Credit Facility terms and conditions. Historically, Appen Group had a stated dividend policy. The current financial performance of the company resulted in Appen Group not paying a dividend in 2022. Circumstances may continue where Appen is required to reduce or cease paying dividends for a period of time. Appen's focus to invest for growth may also impact its ability to pay future dividends.
<b>Activity levels in key industry sectors may change</b>	The Appen Group's customer base is spread across numerous industry sectors including automobile, information technology, and government. Further, demand for services in the artificial intelligence market can rapidly change depending on technological developments within market segments. Any adverse developments which impact these industry sectors have the potential to in turn impact the demand for the Appen Group's services, which could adversely impact the future financial performance of the Appen Group.
<b>Climate/ESG risks</b>	Climate-related risks may impact Appen and/or its customers. There are risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change. Transition risks arise when transitioning to a lower-carbon economy and may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Physical risks may arise from climate change and can be acute or chronic, both may be a risk to Appen and/or its customers. Acute physical risks are those that are event-driven, including increased severity of extreme weather events, such as cyclones or floods. Chronic physical risks are longer term changes to climate patterns that may cause natural disasters or other weather related impacts.
<b>Taxation</b>	Changes to the rate of taxes imposed on a member of the Appen Group (including overseas jurisdictions in which a member of the Appen Group operates now or in the future), or tax legislation generally, may affect the Appen Group and its shareholders. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs from Appen's interpretation may lead to an increase in Appen's (or a member of the Appen Group's) taxation liabilities and a reduction in shareholder returns.
<b>Cost reduction program</b>	Appen is undertaking a significant cost reduction program over FY23. Appen's earnings and cash flow may be adversely impacted if the cost reduction program took longer or was more costly to implement than expected, did not achieve the planned quantum of cost savings or if the associated reduction in roles impacted Appen's ability to generate revenue.
<b>Credit Facility</b>	Appen's ability to draw funds under its Credit Facility is subject to compliance with terms and conditions that include, among other items, financial covenants which are subject to Appen's financial performance. Although Appen has not currently drawn-down on the Credit Facility and has been granted a waiver in respect of satisfying certain financial covenants that would be tested at 30 June 2023, any future impediment to drawing down on its facility may adversely impact its ability to execute its business strategy.

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## Key risks (cont.)

### Business risks

<b>Accounting standards may change</b>	Australian Accounting Standards are set by the AASB and are outside the control of either Appen or its Directors and management. There is a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Appen Group's consolidated financial statements.
<b>Other risks</b>	The above risks should not be taken as a complete list of the risks associated with an investment in the Appen Group or Appen shares. The risks outlined above, and other risks not specifically referred to may in the future materially adversely affect the value of Appen shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Appen in respect of Appen shares.

### Offer risks

<b>Underwriting risk</b>	Appen has entered into an underwriting agreement with the underwriter pursuant to which the underwriter has agreed to fully underwrite the Entitlement Offer and the Placement ( <b>Underwriting Agreement</b> ), subject to those terms and conditions of the Underwriting Agreement. If certain conditions are not satisfied or if certain termination events occur, the underwriters may terminate the Underwriting Agreement. Those termination events are summarised in the "Summary of Underwriting Agreement" section of this Presentation. Termination of the Underwriting Agreement would have an adverse impact on the amount of proceeds raised under the Offer. Termination of the Underwriting Agreement could adversely affect Appen Group's business, cash flow, financial condition and results of operations.
<b>Risks associated with an investment in Appen Group</b>	There are general risks associated with investments in equity capital, such as Appen shares. The trading price of Appen shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Equity Raising Price. Generally applicable factors which may affect the market price of shares include: <ul style="list-style-type: none"> <li>• general movements in Australian and international stock markets;</li> <li>• investor sentiment;</li> <li>• Australian and international economic conditions and outlook;</li> <li>• changes in interest rates and the rate of inflation;</li> <li>• changes in government legislation and policies, including taxation laws;</li> <li>• announcement of new technologies;</li> <li>• geopolitical instability, including international conflicts, and acts of terrorism (including in Ukraine);</li> <li>• epidemics and pandemics such as COVID-19;</li> <li>• demand for and supply of Appen shares;</li> <li>• announcements and results of competitors; and</li> <li>• analyst reports.</li> </ul> <p>No assurances can be given that the New Shares will trade at or above the Equity Raising Price.</p> <p>None of Appen Group, its directors or any other person guarantees the market performance of the New Shares. The financial position, performance or prospects of Appen Group and Appen's share price may be adversely affected by the worsening of general economic conditions in the United States or any other market in which Appen Group operates, as well as international market conditions and related factors. It is also possible new risks might emerge as a result of global markets experiencing extreme stress, or existing risks may manifest themselves in ways that are not currently foreseeable.</p>
<b>Liquidity risk</b>	There can be no guarantee of an active market in Appen shares or that the price of Appen shares will increase. There may be relatively few potential buyers or sellers of Appen shares on the ASX at any time. This may increase the volatility of the market price of Appen shares. It may also affect the prevailing market price at which shareholders are able to sell their shares in Appen.
<b>Dilution risk</b>	Eligible shareholders who take up their entitlements under the Entitlement Offer in full are likely to have their percentage shareholding in Appen diluted as a result of the Placement. Eligible shareholders who do not participate in the Entitlement Offer, or do not take up their entitlements under the Entitlement Offer in full, will have their percentage shareholding in Appen further diluted and they will not be exposed to future increases or decreases in Appen's share price in respect of those New Shares which would have been issued to them had they taken up all of their entitlement.

As the Entitlement Offer is non-renounceable, investors who do not take up all or part of their entitlement will not receive any value for the part not taken up.

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# Announcements

## Summary of Underwriting Agreement

Appen entered into an underwriting agreement with the underwriter in respect of the Offer on 16 May 2023 (**Underwriting Agreement**). The Underwriter's obligations under the Underwriting Agreement, including to underwrite the Placement and the Entitlement Offer of approximately A\$60 million and to manage the Offer, are conditional on certain matters, including the timely delivery of certain due diligence materials or the delivery of certain certificates or other documents. If certain conditions are not satisfied, or certain events occur, the Underwriter may terminate its obligations under the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include the following:

- a statement contained in the offer materials and public materials does not comply with the Corporations Act (including if a statement in any of the offer materials or public materials is or becomes misleading or deceptive or is likely to mislead or deceive, including by omission), or a matter required to be included under the Corporations Act or the ASX Listing Rules is omitted from those materials;
- a cleansing notice is or becomes defective or Appen gives or is required to give a corrective statement under the Corporations Act and, in each case, that defective cleansing notice or corrective statement is adverse from the point of view of an investor;
- the terms and conditions of any debt covenant waiver is or is reasonably likely to be breached, or a debt covenant waiver is or is reasonably likely to be withdrawn, rescinded, revoked (or become revocable, void or voidable), altered or amended without the prior written consent of the Underwriter (such consent not to be unreasonably withheld) or a condition precedent to which it is subject becomes unlikely or impossible to be satisfied;
- except as addressed by the debt covenant waivers, the existing debt facilities or any other debt facility or other financial accommodation is or is reasonably likely to be breached, terminated (or become terminable, void or voidable), rescinded or altered or amended without the prior written consent of the Underwriter (such consent not to be unreasonably withheld) or a condition precedent to which it is subject becomes unlikely or impossible to be satisfied or any event occurs which gives a lender or financier under the existing debt facilities or any other debt facility or other financial accommodation the right to accelerate or require repayment of the debt or financing thereunder;
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Offer materials, or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or the Offer materials and any such application, investigation or hearing, order or determination either becomes public or is not withdrawn within 2 business days after it is made or commenced (or prior to each settlement date, as the case may be);
- ASIC or any other governmental agency commences an investigation or hearing or announces or notifies of its intention to do so, or makes an order or determination which prevents or is likely to prevent Appen from proceeding with the Offer in accordance with Offer timetable;
- any material Appen Group member becomes insolvent, or there is an act or omission which is likely to result in a material Appen Group member becoming insolvent;
- Appen ceases to be admitted to the official list of ASX or the shares cease trading or are suspended from official quotation or cease to be quoted on ASX (other than where requested by Appen to facilitate the Offer);
- ASX makes any official statement to any person, or indicates to Appen or the Underwriter that it will not grant permission for the official quotation of Offer shares, or if permission for the official quotation of Offer shares is granted before the date of allotment and issue of those Offer shares, the approval is subsequently withdrawn, qualified (other than by way of customary conditions) or withheld;
- Appen withdraws the Offer or any of the Offer materials;
- Appen is or will be prevented from conducting or completing the Offer by or in accordance with the ASX Listing Rules, ASIC, ASX, any applicable laws or an order of a court of competent jurisdiction or other governmental agency;
- The S&P/ASX 200 Index falls to or below a level that is 87.5% or less of the level of the index as at the close of trading on the day before the date of the Underwriting Agreement at any time on or before the institutional settlement date;
- any of the following occurs:
  - a director of Appen or any member of senior management is charged with an indictable offence;
  - any governmental agency commences any public action against a Appen Group member or any of its respective directors or Appen senior management, in each case in their capacity as such, or announces that it intends to take action; or
  - subject to specified exceptions, any director of Appen or any member of senior management is disqualified from managing a corporation under Part 20.6 of the Corporations Act;
- Appen does not provide a certificate as and when required by the Underwriting Agreement;
- the trading halt for the Offer ends early without the prior written consent of the Underwriter; or
- any event specified in the Offer timetable is delayed:
  - in respect of events up to and including the institutional allotment date, for more than 1 business day; or
  - in respect of events up to and including the retail allotment date, for more than 2 business days, without the prior written consent of the Underwriter.

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## Summary of Underwriting Agreement (cont.)

- any adverse change occurs, or there is a development involving a prospective adverse change, in the assets, liabilities, financial position or performance, profits, losses or prospects of the Appen Group from those respectively fully and fairly disclosed in any Offer materials or public materials or from those respectively disclosed to ASX by Appen prior to the date of the Underwriting Agreement;
- a change in the board or senior management of Appen is announced or occurs;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Appen is breached, becomes not true or correct or is not performed;
- Appen fails to perform or observe any of its obligations under the Underwriting Agreement;
- a statement in any certificate to be given under the Underwriting Agreement is misleading, inaccurate or untrue or incorrect;
- Appen alters its constitution without the prior written consent of the Underwriter;
- Appen reduces, reorganises or otherwise alters or restructures its capital structure, or agree to do any of those things, without the prior written consent of the Underwriter;
- the due diligence report or any other information supplied by or on behalf of Appen to the Underwriter in relation to the Appen Group or the Offer is, or becomes, misleading or deceptive, including by way of omission;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting agreement);
- hostilities not existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) or a significant terrorist act is perpetrated, in each case involving any of Australia, the United Kingdom, the United States of America, any member of the European Union or a national emergency or a major escalation of a national emergency is declared by either of those countries; or
- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, the United Kingdom, Hong Kong, the People's Republic of China, the United States of America, Singapore or any member of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange or Hong Kong Stock Exchange is suspended or limited for at least one day on which that exchange is open for trading; or
  - any other adverse change or disruption to the political or economic conditions or financial markets of Australia, the United Kingdom, the United States of America or Hong Kong.

The Underwriter may only terminate the Underwriting Agreement in respect of certain events only if it has reasonable grounds to believe that the event (a) could be reasonably expected to have a materially adverse effect on (i) the success, settlement or marketing of the Offer or on the ability of the Underwriter to market or promote or settle the Offer; or (ii) will, or is likely to, give rise to a liability of the Underwriter under, or a contravention by the Underwriter or its affiliates of, or the Underwriter or its affiliates being involved in a contravention of, any applicable law.

Termination by the Underwriter will discharge Appen's obligation to pay the Underwriter any fees, costs, charges or expenses which have not accrued as at termination.

For details of the fees payable to the Underwriter, see the Appendix 3B released to ASX on 16 May 2023.

Appen also gives certain representations, warranties and undertakings to the Underwriter and an indemnity to the Underwriter and its affiliates subject to certain carve-outs.

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## International selling restrictions

### International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

### European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

### Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act

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## International selling restrictions (cont.)

### Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

### Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the "SFA") or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

### United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated ("relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

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## Announcements



### ASX ANNOUNCEMENT

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17 May 2023

#### **Appen successfully completes the institutional component of its ~A\$60 million<sup>1</sup> equity raising (“Equity Raising”)**

On 17 May 2023, Appen Limited (“**Appen**”) (ASX: APX), announced the successful completion of its fully underwritten institutional placement (“**Placement**”) and the institutional component (“**Institutional Entitlement Offer**”) of its 1 for 6 accelerated non-renounceable entitlement offer (“**Entitlement Offer**”) of new fully paid ordinary shares (“**New Shares**”), announced on 16 May 2023 (the Placement and Entitlement Offer collectively, the “**Equity Raising**”).

#### **Completion of the Placement and Institutional Entitlement Offer**

The Placement raised approximately A\$21.2m at the offer price of A\$1.85 per share (“**Offer Price**”) with significant demand received from both existing and new shareholders, resulting in approximately 11.4m New Shares being issued.

Under the Institutional Entitlement Offer Appen has agreed to issue approximately 4.8m New Shares to raise approximately A\$8.8m at the Offer Price. The Institutional Entitlement Offer received strong support from Appen’s eligible institutional shareholders, with a take up rate of ~95%.

Settlement of the New Shares issued as part of the Institutional Entitlement Offer and Placement is expected to occur on 25 May 2023, with the issue of those New Shares to occur and ordinary trading to commence on 26 May 2023.

Appen’s CEO Armughan Ahmad said: “Appen is delighted with the successful outcome of the Institutional Component of the Equity Raising and the support received from both existing and new institutional shareholders. We look forward to executing on the vision we have communicated to the market and delivering results for our shareholders.”

#### **Retail Offer**

The retail component of the Entitlement Offer (“**Retail Entitlement Offer**”) will open on 23 May 2023 and close at 5:00pm (Sydney time) on 6 June 2023. It consists of an offer to eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date, who are not in the United States and who are not a person (including a nominee or custodian) acting for the account or benefit of a person in the United State (to

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<sup>1</sup> A\$ refers to Australian dollars. \$ refers to US dollars.



the extent such acting person holds existing shares for the account or benefit of a person in the United States). Retail shareholders can choose to take up all, part or none of their entitlement. Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer.

For eligible retail shareholders who wish to take up all or part of their entitlement, payment must be made via BPAY® or by following the instructions set out on the personalised Entitlement and Acceptance Form. Payment is due by no later than 5:00pm (Sydney time) on 6 June 2023.

Further details about the Retail Entitlement Offer will be set out in a Retail Offer Booklet which Appen expects to lodge with the ASX on 23 May 2023. Eligible retail shareholders are encouraged to read the Retail Offer Booklet in its entirety, in particular the risk factors, and should seek financial advice if they are uncertain of whether or not to participate.

#### Equity Raising timetable<sup>2</sup>

Event	Date
Announcement of the Equity Raising	Tuesday, 16 May
Placement and Institutional Entitlement Offer bookbuild	Tuesday, 16 May
Announcement of results of the Placement and Institutional Entitlement Offer	Wednesday, 17 May
Appen shares recommence trading	Wednesday, 17 May
Entitlement Offer Record Date (7.00pm Sydney time)	Thursday, 18 May
Retail Entitlement Offer opens (Retail Information Booklets made available to eligible retail shareholders)	Tuesday, 23 May
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 25 May
Allotment and trading of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 26 May
Retail Entitlement Offer closes (5.00pm Sydney time)	Tuesday, 6 June
Settlement of New Shares issued under the Retail Entitlement Offer	Tuesday, 13 June
Allotment of New Shares issued under the Retail Entitlement Offer	Wednesday, 14 June

<sup>2</sup> These dates are indicative only and are subject to change. Appen, reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable. In particular, Appen reserves the right to extend the Equity Raising timetable and to withdraw or vary the Placement or Entitlement Offer without prior notice. Any extension of the Equity Raising timetable will have a consequential effect on the date for the allotment and issue of New Shares. Appen will consult with the underwriter in relation to any proposed change to this indicative timetable and any such change will require the consent of the underwriter.

## SECTION 4

# Announcements



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Commencement of trading of New Shares issued under  
the Retail Entitlement Offer

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Thursday, 15 June

### **Further information**

Further details of the Equity Raising are set out in the investor presentation lodged with the ASX on 16 May 2023. The investor presentation also contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

The Offer Information Line is open from 8.30am to 5.30pm (Sydney time) Monday to Friday until 6 June 2023 when the Retail Entitlement Offer closes. The Appen Offer Information Line is 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia).

As Appen will have exhausted its residual capacity to issue equity under ASX Listing Rule 7.1 for the Placement, it expects to call an Extraordinary General Meeting in coming months to seek shareholder approval to facilitate future grants of equity over the next 12 months to management and new hires. Retention and incentivisation of management, along with the ability to attract new talent, is a key component of the company's strategy refresh and return to profitability referred to above.

**Authorised by the Board of Appen Limited.**

**For more information, please contact:**

Rosalie Duff  
Head of Investor Relations  
+61 421 611 932  
[rduff@appen.com](mailto:rduff@appen.com)



### **Important Information**

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision.

### **Not for Release or Distribution in the United States**

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to any person acting for the account or benefit of any person in the United States. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States or persons acting for the account or benefit of persons in the United States (to the extent such persons are acting for the account or benefit of persons in the United States), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

### **About Appen**

Appen is a global market leader in data for the AI Lifecycle. With over 25 years of experience in data sourcing, data annotation, and model evaluation by humans, we enable organisations to launch the world's most innovative artificial intelligence systems.

Our expertise includes a global crowd of more than 1 million skilled contractors who speak over 235 languages, in over 70,000 locations and 170 countries, and the industry's most advanced AI-assisted data annotation platform. Our products and services give leaders in technology, automotive, financial services, retail, healthcare, and governments the confidence to launch world-class AI products. Founded in 1996, Appen has customers and offices globally.



# 5

## Additional information

### 5.1 Eligible Retail Shareholders

This Retail Offer Booklet is being offered to Eligible Retail Shareholders only.

**Eligible Retail Shareholders** are persons at 7.00pm on the Record Date who:

- are registered as a holder of Shares;
- have a registered address on the Appen share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States to the extent such persons hold Appen ordinary shares for the account or benefit of persons in the United States;
- did not participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as Ineligible Institutional Shareholders under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

If a Shareholder (including a nominee or custodian) is acting for the account or benefit of a person in the United States, it may not participate in the Retail Entitlement Offer on behalf of such person.

Retail Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders. (**Ineligible Retail Shareholders**). Appen reserves the right to determine whether a retail Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

By making a payment by BPAY® (or otherwise), you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Retail Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Appen may (in its absolute discretion) extend the Retail Entitlement Offer to any Institutional Shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

Appen has decided that it is unreasonable to make offers under the Retail Entitlement Offer to retail Shareholders who have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the relevant legal and regulatory requirements in those places, including the cost of complying with the relevant legal and regulatory requirements.

Appen may (in its absolute discretion) extend the Retail Entitlement Offer to Shareholders who have registered addresses outside Australia and New Zealand (except for Shareholders in the United States) in accordance with applicable law.

### 5.2 Ranking of New Shares

New Shares issued under the Retail Entitlement Offer will be fully paid and from allotment rank equally in all respects with Existing Shares and will be entitled to dividends/distributions on the same basis as Existing Shares. The rights and liabilities attaching to the New Shares are set out in Appen's constitution, a copy of which is available at <https://appen.com/investors/corporate-governance/>

### 5.3 Reconciliation

The Entitlement Offer is a complex process and in some instances investors may believe that they owned more Shares than they ultimately were recorded as holding as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. This may result in a need for reconciliation to ensure all Eligible Retail Shareholders have the opportunity to receive their full Entitlement.

Appen may need to issue a small quantity of additional New Shares to ensure all Eligible Retail Shareholders have the opportunity to receive their appropriate allocation of New Shares. The price at which these New Shares would be issued, if required, is the same as the Offer Price.

Appen also reserves the right to reduce the size of Entitlements or the number of New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders or other applicable investors, if Appen believes in its absolute discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims, or if they are not Eligible Retail Shareholders.

### 5.4 Allowing your Retail Entitlement to lapse

Retail Entitlements which are not taken up by the Retail Closing Date, being 5.00pm (Sydney time) on 6 June 2023 will lapse.

### 5.5 Rounding of Entitlements

Where fractions arise in the calculation of Entitlements, they have been rounded up to the nearest whole number of New Shares.

### 5.6 Notice to nominees and custodians

The Retail Entitlement Offer is being made to all Eligible Retail Shareholders. Nominees with registered addresses in Eligible Jurisdictions, irrespective of whether they participate under the Institutional Entitlement Offer, may be able to participate in the Retail Entitlement Offer in respect of some or all of the beneficiaries on whose behalf they hold Existing Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Retail Shareholder.

If Appen believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not purport to accept the Retail Entitlement Offer in respect of:

- beneficiaries on whose behalf they hold Existing Shares who would not satisfy the criteria for being an Eligible Retail Shareholder;
- Eligible Institutional Shareholders who participated in the Institutional Entitlement Offer (whether they accepted their Entitlements or not) and Institutional Shareholders who were treated as Ineligible Institutional Shareholders under the Institutional Entitlement Offer; or

- Shareholders who are not eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

In particular, persons acting as nominees or custodians for other persons must not take up any Entitlements on behalf of, or send any part of this Retail Offer Booklet or any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to exercise any Entitlements and may receive no payment or value for them.

Appen is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of Existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. Appen is not able to advise on foreign laws.

### 5.7 Allotment, quotation and trading

Appen will apply to ASX for official quotation of the New Shares, in accordance with the ASX Listing Rules requirements. If ASX does not grant such quotation, Appen will repay all Application Monies (without interest).

It is expected that allotment of the New Shares under the Retail Entitlement Offer will take place on 14 June 2023. Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence at 10.00am (Sydney time) on 15 June 2023. Application Monies will be held by Appen on trust for applicants until the New Shares are allotted. No interest will be paid on Application Monies.

It is the responsibility of applicants to determine the number of New Shares allotted and issued to them prior to trading in such shares. The sale by an applicant of New Shares prior to receiving their holding statement is at the applicant's own risk.

### 5.8 Continuous disclosure

Appen is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports. Appen is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, Appen has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. That information is available to the public from the ASX and can be accessed at <https://www.asx.com.au>.

Some documents are required to be lodged with ASIC in relation to Appen. These documents may be obtained from, or inspected at, an ASIC office.

## SECTION 5

# Additional information

### 5.9 Underwriting arrangements

#### 5.9.1 Underwriter

Appen has entered into an underwriting agreement with the Underwriter (**Underwriting Agreement**) under which the Underwriter has agreed to fully underwrite the Offer, subject to the terms and conditions of the Underwriting Agreement. The obligation on the Underwriter to underwrite the Offer is conditional on certain customary matters, including Appen delivering certain certificates, sign-offs and opinions to the Underwriter. The Underwriting Agreement is subject to certain terms and conditions which are customary for an Underwriting Agreement of this type, including conditions precedent, representations, warranties, indemnities and undertakings in favour of the Underwriter.

Additionally, the Underwriter may (in certain circumstances having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from its obligations under it on the occurrence of certain events, which are set out in the 'Summary of Underwriting Agreement' section of the Investor Presentation (see Section 4 of this Retail Offer Booklet).

Please see the ASX Announcement and Investor Presentation (in particular, the 'Summary of Underwriting Agreement' section of the Investor Presentation) for further details about the Underwriting Agreement.

#### 5.10 Withdrawal of the Entitlement Offer

Appen reserves the right to withdraw or vary all or part of the Entitlement Offer and this Retail Offer Booklet at any time, subject to applicable laws, in which case Appen will refund Application Monies in relation to Entitlements and New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, Appen may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to Appen will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to Appen.

### 5.11 Privacy

As a Shareholder, Appen and the Share Registry have already collected certain personal information (which includes your name, mailing address, details of your shareholding, number of Entitlements grants, and bank account details) from you. If you apply for New Shares, Appen and the Share Registry may update that personal information or collect additional personal information for the purposes of:

- processing your Application and assessing your acceptance of the New Shares;
- servicing your needs as a Shareholder and providing facilities and services that you request; and
- carrying out appropriate administration.

This Retail Entitlement Offer is a rights issue in accordance with the Corporations Act, and Appen is required to collect personal information about you under the Corporations Act and Australian taxation laws as part of this offer. If you do not provide your personal information, Appen may be hindered in, or prevented from, processing your Application. Appen and the Share Registry may disclose this personal information for these purposes, or as required or authorised by law, to its subsidiaries and relevant organisations involved in providing, managing or administering your product or service such as third party suppliers, other organisations, loyalty and affinity partners, printers, posting services, call centres, and Appen's advisers.

Some of the personal information that Appen receives about you may be collected by Appen from the Share Registry or from a broker or third party if you have listed such a party as your contact. The personal information you provide will ordinarily be held and used within Australia and disclosed to third parties who are located in Australia. Appen may disclose information to recipients which are located outside Australia. You can find details about the location of some of these recipients in Appen's Privacy Policy. Where personal information is disclosed, Appen will seek to ensure that the information is held, used or disclosed consistently with the Privacy Act 1988 (Cth) and any other applicable privacy laws and codes. Appen's Privacy Policy is available on its website at [appen.com/legal-policies/](http://appen.com/legal-policies/) and provides more information on:

- how Appen stores and uses, and how you may access and correct, your personal information;
- how you can lodge a complaint regarding Appen's handling of your personal information; and
- how Appen will handle any complaint.

If you would like any further information about Appen's privacy practices or access to the personal information collected by Appen in relation to your shareholding, you may contact Appen through the Appen Offer Information Line by calling 1800 500 095 from within Australia or +61 1800 500 095 from outside Australia. The Appen Offer Information Line operates from 8.30am to 5.30pm (Sydney time) Monday to Friday (excluding public holidays) during the Retail Entitlement Offer Period.

# 6 Glossary

<b>\$ or A\$ or dollars</b>	means Australian dollars.
<b>1997 Act</b>	means the <i>Income Tax Assessment Act 1997</i> (Cth).
<b>ABN</b>	means Australian Business Number.
<b>Appen</b>	means Appen Limited (ACN 138 878 298).
<b>Announcements</b>	means the Trading Update, ASX Announcement, the Investor Presentation and the Institutional Offer Results.
<b>Application</b>	means an application to subscribe for New Shares under the Retail Entitlement Offer in accordance with the instructions set out in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form.
<b>Application Monies</b>	means monies received from applicants in respect of their Applications.
<b>Appen Offer Information Line</b>	means the shareholder information line with the following details: 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) available at any time from 8.30am to 5.30pm (Sydney time) Monday to Friday during the Retail Entitlement Offer Period.
<b>ASIC</b>	means Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited (ABN 98 008 624 691) or the financial products market operated by that entity known as the Australian Securities Exchange.
<b>ASX Announcement</b>	means the announcement released to ASX on Tuesday, 16 May 2023 in connection with the Offer, a copy of which is included in Section 4 of this Retail Offer Booklet.
<b>ASX Listing Rules</b>	means the official listing rules of ASX, as amended or replaced from time to time except to the extent of any waiver granted by ASX.
<b>CGT</b>	means capital gains tax.
<b>Commissioner</b>	means Commissioner of Taxation.
<b>Corporations Act</b>	means <i>Corporations Act 2001</i> (Cth).
<b>CRN</b>	means customer reference number.
<b>Eligible Institutional Shareholder</b>	means an Institutional Shareholder: <ul style="list-style-type: none"> <li>(a) to whom ASX Listing Rule 7.7.1(a) does not apply; and</li> <li>(b) who is not an Ineligible Institutional Shareholder, is eligible to receive an Institutional Entitlement Offer and has successfully received an offer under the Institutional Entitlement Offer (as the Underwriter determines in its absolute discretion),</li> </ul> provided that if they are a nominee, they will only be an Eligible Institutional Shareholder to the extent they hold Shares for beneficiaries who would have been Institutional Shareholders had they held the Shares themselves.
<b>Eligible Jurisdictions</b>	means Australia and New Zealand.
<b>Eligible Retail Shareholder</b>	has the meaning in Section 5.1.

## SECTION 6

# Glossary

<b>Eligible Shareholder</b>	means a person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder.
<b>Entitlement</b>	means the entitlement to 1 New Share for every 6 Existing Shares held on the Record Date (being 7.00pm (Sydney time) on Thursday, 18 May 2023) by Eligible Shareholders.
<b>Entitlement and Acceptance Form</b>	means the entitlement and acceptance form, which can be accessed and downloaded at the Entitlement Offer website: <a href="https://events.miraqle.com/apx-offer">https://events.miraqle.com/apx-offer</a> .
<b>Entitlement Offer</b>	means the pro rata accelerated non-renounceable entitlement offer to Eligible Shareholders in the proportion of 1 New Share for every 6 Existing Shares held on the Record Date (being 7.00pm (Sydney time) on Thursday, 18 May 2023) at the Offer Price, and comprised of the Institutional Entitlement Offer and the Retail Entitlement Offer.
<b>Existing Share</b>	means a Share on issue on the Record Date (being 7.00pm (Sydney time) on Thursday, 18 May 2023).
<b>GST</b>	means goods and services tax.
<b>HIN</b>	means Holder Identification Number, which can have up to 10 digits and will start with the letter 'X'.
<b>Ineligible Institutional Shareholder</b>	means an Institutional Shareholder: (a) who has a registered address outside the Eligible Jurisdictions and any other jurisdictions as Appen and the Underwriter agree; (b) to whom ASX Listing Rule 7.7.1(a) applies; and (c) who, in the absence of the application of ASX Listing Rule 7.7.1(a), would have been an Eligible Institutional Shareholder.
<b>Ineligible Retail Shareholder</b>	means a retail Shareholder who is not an Eligible Retail Shareholder as defined in Section 5.1.
<b>Institutional Entitlement Offer</b>	means the pro rata entitlement offer of New Shares to Eligible Institutional Shareholders under the Entitlement Offer.
<b>Institutional Investor</b>	means a person: (a) to whom an offer of New Shares may be made in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such a person is an "exempt investor" as defined in <i>ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84</i> ; or (b) who is an institutional or professional investor to whom an offer of New Shares may be made outside Australia without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of a foreign jurisdiction listed in, and to the extent permitted under, the 'International selling restrictions' section of the Investor Presentation,  and in each case who has been approached by the Underwriter in their absolute discretion as part of the Institutional Entitlement Offer and provided that if such person is in the United States, the person meets certain eligibility criteria determined by Appen and the Underwriter.
<b>Institutional Offer Results</b>	means the announcement released to ASX on Wednesday, 17 May 2023 containing the results of the Institutional Entitlement Offer and the Placement, a copy of which is included in Section 4 of this Retail Offer Booklet.
<b>Institutional Shareholder</b>	means a Shareholder on the Record Date (being 7.00pm (Sydney time) on Thursday, 18 May 2023) who is an Institutional Investor.
<b>Investor Presentation</b>	means the investor presentation in connection with the Offer dated Tuesday, 16 May 2023, a copy of which is included in Section 4 of this Retail Offer Booklet.
<b>New Share</b>	means a Share issued under the Entitlement Offer.
<b>Offer</b>	means the Entitlement Offer and the Placement.

<b>Offer Price</b>	means A\$1.85 per New Share.
<b>Placement</b>	means the institutional placement, as announced by Appen on Tuesday, 16 May 2023.
<b>Record Date</b>	means 7.00pm (Sydney time) on 18 May 2023.
<b>Regulation S</b>	means Regulation S under the US Securities Act.
<b>Retail Closing Date</b>	means 5.00pm (Sydney time) on Tuesday, 6 June 2023.
<b>Retail Entitlement Offer</b>	means the pro rata accelerated non-renounceable entitlement offer to Eligible Retail Shareholders under the Entitlement Offer.
<b>Retail Entitlement Offer Period</b>	means the period from Tuesday, 23 May 2023 to 5.00pm (Sydney time) on Tuesday, 6 June 2023.
<b>Retail Offer Booklet</b>	means this booklet dated 23 May 2023.
<b>Share</b>	means each ordinary share in Appen.
<b>Share Registry</b>	means Link Market Services Limited (ABN 54 083 214 537).
<b>Shareholder</b>	means the registered holder of a Share.
<b>SRN</b>	means Security Reference Number, which can have up to 10 digits and will start with the letter 'I'.
<b>Sydney time</b>	means the time in Sydney, Australia.
<b>TFN</b>	means Tax File Number.
<b>TOFA Provisions</b>	means the 'Taxation of Financial Arrangements' rules under Division 230 of the 1997 Act.
<b>Trading Update</b>	means the announcement released to ASX on Wednesday, 10 May 2023, a copy of which is included in Section 4 of this Retail Offer Booklet.
<b>Underwriter</b>	means the underwriter of the Entitlement Offer and Placement, being Barrenjoey Markets Pty Limited (ACN 636 976 059).
<b>Underwriter Parties</b>	means the Underwriter, any of its affiliates, related bodies corporate (as that term is defined in the Corporations Act), its directors, employees, officers, representatives, agents, partners, consultants and advisers.
<b>Underwriting Agreement</b>	means the underwriting agreement between Appen and the Underwriter, as described in Section 5.9.
<b>US Securities Act</b>	means the US Securities Act of 1933.

# Corporate Directory

## Company

Appen Limited  
Level 6, 9 Help Street  
Chatswood NSW 2067

## Appen Offer Information Line

Within Australia: 1800 500 095  
Outside of Australia: +61 1800 500 095  
Open between 8.30am to 5.30pm (Sydney time) Monday to Friday

## Legal Adviser

Allens  
Deutsche Bank Place  
Corner Hunter and Phillip Streets  
Sydney NSW 2000 Australia

## Underwriter

Barrenjoey Markets Pty Limited  
ACN 636 976 059  
Quay Quarter Tower  
Level 19, 50 Bridge Street  
Sydney NSW 2000

## Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000







[appen.com](https://www.appen.com)



ABN 60 138 878 298

All Registry communications to:  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Telephone: +61 1300 554 474  
Facsimile: +61 2 9287 0303  
ASX Code: APX

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



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**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

23 May 2023

Dear Shareholder

**NOTICE TO ELIGIBLE RETAIL SHAREHOLDERS**

On 16 May 2023, Appen Limited (ACN 138 878 298) (**Company** or **Appen**) announced that it is undertaking:

- an institutional placement of fully paid ordinary shares (**New Shares**) to raise approximately \$21 million before costs (**Placement**); and
- a fully underwritten 1 for 6 pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) to raise approximately \$38 million before costs.

The Placement and Entitlement Offer are managed and fully underwritten by Barrenjoey Markets Pty Limited (ACN 636 976 059)

**Details of the Entitlement Offer**

The Entitlement Offer is being made pursuant to section 708AA of the *Corporations Act 2001* (Cth) (as modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84* and *ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73*) (**ASIC Instruments**), which allows the Entitlement Offer to be made without a prospectus.

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

The Institutional Entitlement Offer has already closed and the results have been announced to the ASX.

Shareholders who are entitled to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) may subscribe for one New Share for every 6 existing ordinary shares held on the Record Date (as defined below), at an issue price of \$1.85 per New Share.

The Company has today lodged a Retail Offer Booklet with the ASX which sets out further details in respect of the Retail Entitlement Offer (**Retail Offer Booklet**).

**Eligibility criteria**

Eligible Retail Shareholders include persons who:

- are registered as a holder of existing Shares on the Record Date, being 7.00pm (Sydney time) Thursday, 18 May 2023;

- have a registered address in Australia or New Zealand on the Record Date as noted on Appen's share register or are persons that Appen has determined in its discretion are Eligible Retail Shareholders;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent that such shareholders hold Shares for the account or benefit of such person in the United States);
- did not receive an invitation to participate in, or were otherwise ineligible to participate in, the Institutional Entitlement Offer and were not treated as "Ineligible Institutional Shareholders" under the Institutional Entitlement Offer (other than as a nominee, trustee or custodian, in each case in respect of other underlying holdings) as determined by Appen in its absolute discretion; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without a prospectus or other disclosure document or any lodgement, filing, registration or qualification,

**(Eligible Retail Shareholder).**

The Company has determined, pursuant to section 9A(3) of the Corporations Act and Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in countries outside of Australia or New Zealand in connection with the Retail Entitlement Offer. This is due to the legal and regulatory requirements in countries outside of Australia or New Zealand and the potential costs to the Company of complying with these requirements, compared with the relatively small number of shareholders in those countries, the relatively small number of existing Appen ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled to subscribe for.

**Retail Offer Booklet**

This letter is not an offer document but is a notice of some key terms and conditions of the Retail Entitlement Offer.

Full details of the Retail Entitlement Offer are set out in the Retail Offer Booklet. Eligible Retail Shareholders can access a copy of the Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of their entitlements under the Retail Entitlement Offer, at the following link: <https://events.miraqle.com/apx-offer>.

**Actions which may be taken by Eligible Retail Shareholders**

If you are an Eligible Retail Shareholder, you may take any one of the following actions:

- take up all of your entitlement;
- take up part of your entitlement and allow the balance to lapse; or
- do nothing, in which case your entitlement will lapse and you will receive no value for those lapsed entitlements.

Your entitlements under the Retail Entitlement Offer may have value and it is important you determine whether to take up (in whole or in part) or do nothing in respect of your entitlement. There are a number of matters that you should consider in relation to taking up your entitlement. You should ensure that you understand the tax consequences of any action that you take, and you should consider seeking advice from your professional adviser.

The Retail Entitlement Offer is non-renounceable and therefore the entitlements that you would have been entitled to, or the underlying shares that you may have subscribed for, will not be offered for sale and no amount will be payable to you.

**Taking up an entitlement**

If you wish to take up all, or part of, your entitlements under the Retail Entitlement Offer, please pay your application monies by following the instructions set out on the personalised Entitlement and

Acceptance Form. Application Monies must be received before 5:00pm (Sydney time) on Tuesday, 6 June 2023. Nominees and custodians must not take up entitlements under the Retail Entitlement Offer on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States Failure to comply with these restrictions may result in violations of applicable securities laws.

### Further information

For further information regarding the Entitlement Offer, please contact the Company on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) between 8.30am to 5.30pm (Sydney time) Monday to Friday during the offer period. Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

On behalf of the Directors, I thank you for your ongoing support of the Company.

Yours sincerely,

Richard Freudenstein  
Chair

### Important information

This letter is issued by Appen. This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any entitlements or securities in Appen in any jurisdiction. This letter does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of entitlements or Appen securities.

### NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This letter may not be released or distributed in the United States. This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any person in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction. Neither the entitlements nor the New Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements under the Retail Entitlement Offer may not be taken up or exercised by, and the New Shares in the Retail Entitlement Offer may not be offered or sold, directly or indirectly, to any person in the United States or any person acting for the account or benefit of a person in the United States (to the extent such persons are acting for the account or benefit of any person in the United States), except in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States. The entitlements and New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of any person in the United States, in each case, in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.



**NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES**

23 May 2023

**NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES**

Dear Shareholder,

**APPEN LIMITED**

**ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER – NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS**

On Tuesday, 16 May 2023, Appen Limited (**Appen**) announced that it was conducting a capital raising by way of a pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to subscribe for 1 new fully paid ordinary shares (**New Share**) for every 6 existing fully paid ordinary shares in Appen (**Shares**) held at 7.00pm (Sydney time) on Thursday, 18 May 2023 (**Record Date**) at a price of A\$1.85 (**Offer Price**) for each New Share to raise approximately A\$38 million (**Entitlement Offer**).

Appen also announced a placement of New Shares to institutional investors at the Offer Price to raise approximately A\$21 million (**Placement**, and together with the Entitlement Offer, the **Offer**), which occurred concurrently with the institutional component of the Entitlement Offer. The Offer is expected to raise a combined amount of approximately A\$60 million. The net proceeds from the Offer will be used to provide balance sheet flexibility and general working capital requirements to support Appen's return to profitability, and one-off costs associated with the cost reduction program and transaction costs.

#### **PURPOSE OF THIS LETTER**

This is a letter to inform you about the Retail Entitlement Offer (defined below) and to explain why you will not be able to subscribe for New Shares under the Retail Entitlement Offer. This letter is not an offer to issue entitlements or New Shares to you, nor an invitation for you to apply for entitlements or New Shares. **You are not required to do anything in response to this letter but there may be implications for you as a result of the Offer that you should be aware of.**

#### **DETAILS OF THE ENTITLEMENT OFFER**

The Entitlement Offer is being made by Appen without a prospectus or other disclosure document in accordance with section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) as modified by *ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84* and *ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73*.

The Entitlement Offer comprises an institutional entitlement offer (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (defined below) to invest in New Shares at the same Offer Price as the institutional investors who participated in the Institutional Entitlement Offer (**Retail Entitlement Offer**).

The Institutional Entitlement Offer and the Placement have already closed and the results were announced to the Australian Securities Exchange (**ASX**) on Wednesday, 17 May 2023. Appen has today lodged a retail offer booklet with ASX, which sets out further details in respect of the Retail Entitlement Offer (**Retail Offer Booklet**).

#### **ELIGIBILITY CRITERIA**

Appen has determined, pursuant to section 9A(3)(a) of the Corporations Act and Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to Appen's shareholders in certain countries in connection with the Retail Entitlement Offer. This decision was made after taking into account the legal and regulatory requirements in certain countries, the relatively small number of Appen shareholders in certain countries, the number and value of New Shares those Appen shareholders would otherwise be entitled to and the cost of complying with the applicable laws and the requirements of any regulatory authority in jurisdictions outside Australia and New Zealand.

Accordingly, in compliance with section 9A(3)(b) of the Corporations Act and ASX Listing Rule 7.7.1(b), Appen wishes to inform you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer.

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders of Appen who:

- a) are registered as a holder of existing Shares on the Record Date, being 7.00pm (Sydney time) Thursday, 18 May 2023;
- b) have a registered address in Australia or New Zealand on the Record Date as noted on Appen's share register or are persons that Appen has determined in its discretion are Eligible Retail Shareholders;
- c) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent that such shareholders hold Shares for the account or benefit of such person in the United States);
- d) did not receive an invitation to participate in, or were otherwise ineligible to participate in, the Institutional Entitlement Offer and were not treated as "Ineligible Institutional Shareholders" under the Institutional Entitlement Offer (other than as a nominee, trustee or custodian, in each case in respect of other underlying holdings) as determined by Appen in its absolute discretion; and
- e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without a prospectus or other disclosure document or any lodgement, filing, registration or qualification,

provided (for the avoidance of doubt) that if a shareholder of Appen (including a nominee, trustee or custodian) is acting for the account or benefit of a person in the United States, it may not participate in the Retail Entitlement Offer on behalf of such a person.

Shareholders who are not Eligible Retail Shareholders or eligible or ineligible institutional shareholders are ineligible retail shareholders and are consequently unable to participate in the Retail Entitlement Offer. Appen, in its absolute discretion, may extend the Entitlement Offer to any shareholder of Appen if it is satisfied that the Entitlement Offer may be made to that shareholder in compliance with all applicable laws.

#### **NON-RENOUNCEABLE OFFER**

As with the Institutional Entitlement Offer, the Retail Entitlement Offer is non-renounceable. This means that a number of New Shares equal to the number that you would otherwise be entitled to subscribe for under the Retail Entitlement Offer will be subscribed for by the underwriter (being Barrenjoey Markets Pty Ltd (the **Underwriter**)) and/or the sub-underwriters at the Offer Price. As a result, no amount will be payable by you and you will not otherwise receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were an Eligible Retail Shareholder. Your proportionate interest in Appen will also be diluted as a result of the Offer.

Further details in respect of the Entitlement Offer (including details of eligibility) can be found on the announcements platform of ASX ([www.asx.com.au](http://www.asx.com.au)).

#### **FURTHER INFORMATION**

If you have any questions in relation to any of the above matters, please contact Appen Offer Information Line on 1800 500 095 (within Australia) or +61 1800 500 095 (outside Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday during the offer period for the Retail Entitlement Offer. For other questions, you should consult your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of Appen, we thank you for your continued support.

Yours sincerely,

**Carl Middlehurst**

**Company Secretary**

#### **IMPORTANT NOTICE AND DISCLAIMER**

##### **DETERMINATION OF ELIGIBILITY**

Determination of eligibility of investors for the purposes of the institutional or retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Appen and the Underwriter. Each of Appen, the Underwriter and each of their respective affiliates and related bodies corporate and each of their respective directors, officers, partners, employees, contractors, consultants, advisers and agents expressly disclaim any duty or liability (including, without limitation, any liability

arising from fault, negligence or negligent misstatement) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

#### **GENERAL**

This letter is not a prospectus or offering document under Australian or New Zealand law or any other law.

This letter is for information purposes only and does not constitute or form part of an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any entitlements or New Shares in Appen.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this document is general information only and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other independent professional adviser.

#### **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This letter may not be released or distributed in the United States or in any other jurisdiction in which such an offer would be illegal. This letter does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements under the Retail Entitlement Offer may not be taken up or exercised by, and the New Shares in the Retail Entitlement Offer may not be offered or sold, directly or indirectly, to persons in the United States or any person that is acting for the account or benefit of a person in the United States, except in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any applicable securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of a person in the United States, in each case in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

#### **IMPORTANT NOTICE TO NOMINEES**

Because of legal restrictions, you must not send copies of this letter nor any material relating to the Offer to any of your clients (or any other person) in the United States or any other person acting for the account or benefit of persons in the United States or to any person in any other jurisdiction outside of Australia and New Zealand. Failure to comply with these restrictions may result in violations of applicable securities laws.