

29 June 2016

**PROPOSED EQUITY FUNDRAISING AND LOAN CAPITALISATION  
PROPOSED SHARE CAPITAL REORGANISATION  
PROPOSED WAIVER UNDER RULE 9 OF THE CITY CODE  
BRIDGING LOAN**

Fitbug Holdings Plc, the AIM quoted technology developer and digital wellness pioneer, is pleased to announce a proposed equity fundraising to raise approximately £2.61 million before expenses. The Fundraising comprises a placing of 340,800,000 Placing Shares at 0.25p per share with institutional and other investors and an open offer of up to 703,626,325 Open Offer Shares at 0.25p per share. The Placing and Open Offer are being underwritten by NW1. In order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for the Open Offer Shares, to raise up to approximately £1.76 million (before expenses) through the Open Offer, on the basis of 5 New Ordinary Shares for every 2 Existing Ordinary Shares held on the Record Date, at 0.25p each.

Shareholders subscribing for their full entitlement under the Open Offer may also request additional New Ordinary Shares through an excess application facility.

Each of the Placing and the Open Offer are conditional, *inter alia*, on the approval by Shareholders at a General Meeting proposed to be held on 22 July 2016 of the proposed Subdivision and the grant of additional authorities to allot securities.

At the same time, it is proposed that £8.4 million of the Company's existing indebtedness to Kifin Limited and NW1 Investments Limited will be capitalised into 336,000,000 New Ordinary Shares at 2.5p per share.

These activities will substantially reduce the Company's debt, provide it with additional working capital, stabilise its balance sheet and position the Company to further deliver on its turnaround strategy of enhancing and monitoring employee wellness using its innovative app-based technology.

The Fundraising is being underwritten by NW1, which is a member of the Concert Party described below. In addition, NW1 and Kifin (also a member of the Concert Party) have agreed to enter into the Loan Capitalisation. Accordingly, the Board is also seeking the approval of the Independent Shareholders of the Rule 9 Waiver, which the Panel has agreed with the Company to grant, subject to the passing of the Whitewash Resolution by the Independent Shareholders at the General Meeting. Subject to the Whitewash Resolution being passed, the Rule 9 Waiver is a waiver of any obligation on the part of the Concert Party to make a general offer to Shareholders under Rule 9 of the City Code which otherwise might arise upon the Concert Party's underwriting commitments and the Loan Capitalisation. Further details of the Rule 9 Waiver are set out in below.

Shareholders should be aware that, in the absence of the Resolutions being passed, the Company will have exhausted its cash resources and be unable to take advantage of the business opportunities currently available to it. Failure to pass the Resolutions will result in the Company needing to seek alternative financing arrangements which the Directors believe will be difficult to find in the current economic environment. Failure to secure alternative financing may result in the Company being unable to meet its obligations as they fall due and may therefore lead to liquidation.

### **Background to and reasons for the Fundraising**

The Company announced its results for the financial year ended 31 December 2015 on 13 June 2016. The Company delivered a poor financial performance during 2015. To address that unsustainable situation, Anna Gudmundson was appointed as Chief Executive in August 2015, following which the Group's strategy and management have been reappraised resulting in a turnaround strategy for the Company being implemented.

The Group has experienced an encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector in excess of £400,000, a significant increase over like for like sales in Q1 of 2015, and a further significant order was received from a South African customer in April 2016. In addition, the Directors believe that the Company has a significant pipeline of potential B2B business, which the Directors believe to be worth in excess of £1.1 million over expected contract lifetimes.

The Company has identified a low cost entry point to market, via relationships with strategic partners. Those parties with whom the Group has engaged to date are confident that the Group's integrated, technology led proposition will be well received. Testament to this was the deepening of the Company's alliance with strategic partner Punter Southall Health & Protection Consulting Limited following the successful roll out of Fitbug's Digital Wellness solution to four of its clients, as announced in March 2016.

The Directors believe the building blocks of a successful business are now in place, and evidence of the effectiveness of the changes implemented following Anna Gudmundson's appointment as Chief Executive are starting to show in increasing revenues and traction with key customers. As at the end of April 2016, the Company had approximately 100,000 users of its digital products and is confident in the continued growth in this number given the Company's current pipeline of opportunities. The Company is now in a position to look resolutely forward.

The Fundraising will provide the Company with further working capital and the Loan Capitalisation will substantially reduce the Company's debt, improving its balance sheet and positioning the Group in an improved financial position to deliver on its turnaround strategy to enhance and monitor employee wellness using its innovative app-based technology.

### **Details of the Fundraising**

The Company has conditionally raised a total of £852,000 through the Placing by the issue of 340,800,000 New Ordinary Shares at the Issue Price to institutional and other investors.

Under the terms of the Placing Agreement, Hybridan has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure places for the Placing Shares. The Company has agreed to pay Hybridan commissions of 6 per cent. of all amounts introduced by them. The Placing Agreement contains certain warranties and indemnities given by the Company, and is conditional on, inter alia, the passing of the Resolutions, on the Placing Agreement not having been terminated, and on Admission

occurring by no later than 8.00 a.m. on 25 July 2016 or such later date as Hybridan and the Company may decide.

The Company is also raising a total of £1,759,066 through the Open Offer by the issue of up to 703,626,325 New Ordinary Shares at the Issue Price. The Fundraising has been underwritten by NW1.

In order to provide the Company with short term working capital, NW1 agreed on 13 June 2016 to provide a bridging loan to the Company of £121,000. NW1 has agreed today to make a further bridging loan to the Company of £280,000. The aggregate amount of both bridging loans (being £401,000) will be repaid by the issue of 160,400,000 New Ordinary Shares credited as fully paid at the Issue Price, either as part of the shares which may be issued to NW1 pursuant to its underwriting commitments or (if the Placing completes and the Open Offer is fully subscribed) as a separate issue of New Ordinary Shares. In the event that the Resolutions are not passed, the bridging loan will accrue interest at an annual rate of 2.5 per cent. above the base rate of the Bank of England from time to time and will be repayable on 31 July 2017.

It is expected that Admission will become effective and that dealings in the Placing Shares and Open Offer Shares will commence on 25 July 2016.

### **Details of the Open Offer**

In order to provide Shareholders with an opportunity to participate in the Fundraising, the Company is providing all Qualifying Shareholders with the opportunity to subscribe, at the Issue Price, for an aggregate of up to 703,626,325 Open Offer Shares, raising gross proceeds of £1,759,066. The Open Offer has been fully underwritten by NW1.

Qualifying Shareholders may subscribe for Open Offer Shares in proportion to their holding of Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The Open Offer is conditional, amongst other things, on the following:

- (i) the passing of the Resolutions at the General Meeting; and
- (ii) Admission becoming effective by no later than 8.00 a.m. on 25 July 2016 (or such later date and or time as the Company and Hybridan may agree, being no later than 29 July 2016).

#### *Basic entitlement*

On, and subject to the terms and conditions of, the Open Offer, the Company invites Qualifying Shareholders to apply for their basic entitlement of Open Offer Shares at the Issue Price. Each Qualifying Shareholder's basic entitlement has been calculated on the following basis:

5 Open Offer Shares for every 2 Existing Ordinary Shares held at the Record Date

Basic entitlements will be rounded down to the nearest whole number of Open Offer Shares.

#### *Excess entitlement*

Qualifying Shareholders are also invited to apply for additional Open Offer Shares (up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer) as an Excess Entitlement. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their basic entitlement will be apportioned between those Qualifying Shareholders who have applied for an Excess

Entitlement at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified in his or her application.

The Open Offer Shares and/or the Placing Shares, as the case may be, will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made paid after the date of Admission of them.

### Underwriting commitments

Pursuant to the terms of the Underwriting Agreement, NW1 has agreed to underwrite the entire Fundraising so as to ensure the full proceeds of the Fundraising will be received by the Company. If the Placing Agreement becomes unconditional and the Placing is completed, NW1 will subscribe (a) for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for, up to such number of New Ordinary Shares as shall take the Concert Party's holding to, in aggregate, 49.9 per cent. of the Enlarged Share Capital, and (b) as to the balance of the underwriting obligations, for new secured loan notes, which shall be repayable on 31 July 2019 and shall carry interest at 4 per cent. per year over the Bank of England base rate, payable quarterly.

If the Placing Agreement does not become unconditional, NW1 may elect at its sole discretion either to satisfy its underwriting obligations by subscribing for such number of Placing Shares and Open Offer Shares so as the Concert Party's holding will be in aggregate, 49.9 per cent., with the balance in loan notes, as described above, or by subscribing for the Placing Shares and for such number of Open Offer Shares as are not taken up under the Open Offer or otherwise subscribed for. In the latter circumstances, the number of New Ordinary Shares that may be subscribed for under the Underwriting Agreement will not be limited to 49.9% as set out above. The Concert Party's holding could therefore exceed 50 per cent, and the Company would no longer be eligible for EIS or VCT relief.

Any loan notes issued to NW1 will carry rights, exercisable at NW1's sole discretion, to subscribe for New Ordinary Shares at the Issue Price for a period of five years from the date of issue. These subscription rights shall be capable of being exercisable in cash immediately and for an aggregate subscription price equal in value to the number of loan notes that may be issued to NW1, and will be exercisable, *inter alia*, only to the extent that such exercise does not result in the Concert Party's holding, or the holding of any other holder of subscription rights and any person with whom such holder of subscription rights is acting in concert (as such term is defined in the City Code), in aggregate, being over 49.9 per cent. of the then issued share capital. The subscription rights will be transferable.

### Loan Capitalisation

The Company's indebtedness to Kifin and NW1 under their respective loan agreements currently amounts to £9,239,000 in total (excluding the bridging loans of £401,000, details of which are set out above). Under the Loan Capitalisation Agreements, Kifin has conditionally agreed to capitalise £1 million, representing the whole of its loans, and NW1 has conditionally agreed to capitalise £7.4 million of its loans, in each case into New Ordinary Shares at 2.5p per share. Subject to the conditions to the Fundraising being satisfied and the Fundraising being completed, pursuant to the terms of the Loan Capitalisation, Kifin will be issued 40,000,000 New Ordinary Shares representing approximately 2.41 per cent. of the Company's Enlarged Share Capital and NW1 will be issued 296,000,000 New Ordinary Shares representing approximately 17.81 per cent. of the Company's Enlarged Share Capital.

The Loan Capitalisation Agreements are each conditional, *inter alia*, on the passing of the Resolutions at the General Meeting and on the completion of the Fundraising. Following the Loan Capitalisation, the Company will owe £839,000 to NW1. £339,000 of the outstanding loan will be repayable on 31 July 2020 and will carry interest at 2.5 per cent. per year over the Bank of England base rate. £500,000 of the outstanding loan will be carried forward in the form of new secured loan notes, which shall be repayable on 31 July 2018 and shall carry interest at 4 per cent. per year over the Bank of England base rate,

payable quarterly. The loan notes will carry rights to subscribe in cash for £500,000 of New Ordinary Shares at the Issue Price for a period of five years from the date of issue, on the same terms as the subscription rights proposed to be issued under the Underwriting Agreement described above.

### City Code on Takeovers and Mergers

The Company is subject to the requirements of Rule 9 of the City Code, which requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the City Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with any persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of such a company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him.

An offer under Rule 9 of the City Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the City Code further provides, inter alia, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual holding to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent., but less than 50 per cent., an acquisition which increases his shareholding in that company.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the City Code. "Control" means an interest, or interests, in shares carrying, in aggregate, 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control. The members of the Concert Party are deemed to be acting in concert for the purposes of the City Code.

### *Concert Party*

The Concert Party comprises NW1, Kifin, Prime Interaction, Allan Fisher, David Turner and members of their immediate families. Allan Fisher and David Turner are both founders and were (until 28 June 2016) directors of the Company. They have other business dealings and experience in health clubs with Mr Fisher being one of the founders of Holmes Place International ("HPI") and Mr Turner being a co-founder of LA Fitness. Mr Fisher continues to be a director shareholder in HPI and Mr Turner is also a director of HPI, representing the interest of the independent shareholders.

NW1 is an investment vehicle with the adult children of Mr Turner and Mr Fisher being the two shareholders of that vehicle. In addition to its equity investment in the Company, in recent years NW1 has provided investment into the Company by way of loan notes to the sum of £8,239,000.

Kifin is a Kirsh Group subsidiary. In 2007, HPI had the opportunity to acquire other elements of the old Holmes Place Europe business and Kirsh Group provided the funding for that acquisition and became a 30 per cent. shareholder in HPI. The Kirsh Group subsequently made a further investment into HPI

taking its stake to 49.9 per cent.

Over recent years, Kifin has provided investment into the Company by way of loan notes to the sum of £1,000,000.

Prime Interaction is an investment holding company whose directors are Barry Stiefel (who is also the manager of the Kirsh family office) and Robin Fisher. Mr Fisher has, in addition, a distant family connection with Mr Kirsh.

The aggregate interests of all the members of the Concert Party currently comprises 82,474,999 Ordinary Shares representing approximately 29.30 per cent. of the Existing Ordinary Shares. In addition, members of the Concert Party hold convertible loan notes which can be converted into 53,333,334 Ordinary Shares in the Company.

Following completion of the Proposals, the aggregate interests of all the members of the Concert Party will be between 778,874,999 New Ordinary Shares and 1,662,901,324 New Ordinary Shares (respectively between 38.5 per cent. and 89.3 per cent. of the Enlarged Share Capital), depending on the quantum of funding to be provided by NW1 under the Underwriting Agreement.

#### *Rule 9 Waiver and Whitewash Resolution*

Following completion of the Proposals, assuming the full £2.61 million of the Fundraising is provided by NW1 under the Underwriting Agreement and NW1 subscribes in full for the Placing Shares and all of the Open Offer Shares, and also exercises its rights to subscribe £500,000 for New Ordinary Shares at the Issue Price in accordance with the terms of the subscription rights granted under the loan notes issued to NW1, NW1's percentage shareholding would increase to a maximum of 1,554,426,325 New Ordinary Shares representing, in aggregate, 83.5 per cent. of the Company's then enlarged share capital. Although the individual shareholdings of other members of the Concert Party (including Kifin) will be diluted, as a whole the Concert Party's aggregate interest in Ordinary Shares would be increased to a maximum of 1,662,901,324 New Ordinary Shares representing, in aggregate, 89.3 per cent. of the then enlarged share capital. The Concert Party's aggregate interest in Ordinary Shares would be increased to more than 30 per cent. of the then enlarged share capital, and as such prompt a mandatory offer under Rule 9 of the City Code.

Under Note 1 of the Notes on the Dispensations from Rule 9 of the City Code, the Panel may waive the requirement for a general offer to be made in accordance with Rule 9 of the City Code if, inter alia, the shareholders of the company who are independent of the person who would otherwise be required to make an offer, and any person acting in concert with him, pass an ordinary resolution on a poll at a general meeting or by way of a written resolution approving such a waiver.

Accordingly, the Company proposes that the Independent Shareholders waive the obligation on NW1, Kifin and the Concert Party to make a mandatory offer under Rule 9 of the City Code, which would otherwise arise as a result of NW1's underwriting commitments and (with Kifin) participation in the Loan Capitalisation.

The Panel has agreed, subject to the passing of the Whitewash Resolution by Independent Shareholders on a poll at the General Meeting, to waive the requirement under Rule 9 of the City Code for the Concert Party, collectively and/or individually, to make a mandatory offer for the Ordinary Shares not already owned by it or persons connected with it as would otherwise arise on NW1's underwriting commitments and (with Kifin) in the Loan Capitalisation.

#### *Potential voting rights of the Concert Party*

If the Resolutions are passed at the General Meeting and Admission is effective, the Company's issued

share capital would increase to 1,661,876,855 New Ordinary Shares (assuming no additional shares need to be issued pursuant to the bridging loans).

In the event that the Placing Agreement does not become unconditional and that there is no participation in the Open Offer by Qualifying Shareholders and that all the Placing Shares and the Open Offer Shares are acquired by NW1 and NW1 also exercises its rights to subscribe £500,000 for New Ordinary Shares under the subscription rights attached to its loan notes, the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 1,662,901,324 New Ordinary Shares, constituting approximately 89.3 per cent. of the then voting rights in the Company.

In the event that the Placing Agreement becomes unconditional and the Placing completes and the Open Offer Shares are fully subscribed by Qualifying Shareholders, and assuming the Concert Party do not subscribe for shares under the Open Offer, but convert into equity the bridging loans and subscribe £500,000 for New Ordinary Shares under the subscription rights attached to its loan notes, the Concert Party's maximum interest in Ordinary Shares would be, in aggregate, 778,874,999 New Ordinary Shares, constituting approximately 38.5 per cent. of the then voting rights in the Company.

In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 30 per cent. or more of the voting rights in the Company and the Concert Party do not hold shares carrying more than 50 per cent. of the voting rights in the Company, no member of the Concert Party could acquire an interest in any further shares carrying voting rights in the Company without being subject to the provisions of Rule 9 of the City Code.

In the event that the Ordinary Shares which the Concert Party would then be interested in together carry 50 per cent. or more of the voting rights in the Company, it would be free (subject as set out in Note 4 to Rule 9.1 of the City Code) to increase its aggregate holding of Ordinary Shares without any obligation to make a general offer for the Company under the provisions of Rule 9 of the City Code. Individual members of the Concert Party (other than NW1 which will hold more than 50 per cent.) will not however be able to increase their individual percentage shareholding through or between a Rule 9 threshold without Panel consent.

#### *Intentions of the Concert Party*

The Concert Party has confirmed that it is not proposing, following any increase in shareholding as a result of NW1's participation in the Open Offer and (with Kifin) in the Loan Capitalisation to seek any change in the general nature of the Company's business, and has confirmed that each individual member of the Concert Party does not currently intend to take any action to alter the management of the Company, the continued employment of its employees (including any material change in conditions of employment), employer contributions into the Company's pension schemes, the location of the Company's places of business, and the deployment of the Company's fixed assets.

The members of the Concert Party do not intend to make an offer for the Company, and have no intention to cause the Company to cease to maintain any of the trading facilities in respect of the Ordinary Shares.

#### Net assets and use of proceeds

The Directors are of the opinion that, taking into account the net proceeds of the Fundraising and the effect of the Loan Capitalisation, the working capital available to the Company will be sufficient for its requirements for at least 12 months from the date of this document.

The proceeds of the Placing will be used as follows:

Marketing and sales	£0.7 million
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Product development and client setup	£1.0 million
Stock purchases and deliveries of new Fitbug tracker	£0.3 million
General working capital	£0.6 million
Strategy, current trading and prospects	

Shareholders should refer to the chairman and chief executive's statement contained in the audited results of the Company for the year ended 31 December 2015.

The second half of the year has seen a reappraisal which has resulted in a turnaround strategy, the results of which to date have been positive. The Company has identified a significant target market for its wellness technology: corporate wellness, where it is seeing a significant demand from organisations seeking to use technology to effectively engage their employees in all aspects of wellness. Having a healthier, happier, fitter workforce not only benefits the individual employees but can lead to increased productivity and reduced absenteeism. The Company provides both personalised programmes and corporate engagement activities which, together with Fitbug's "employee challenges", the Directors believe increase user engagement and lead to ongoing lifestyle changes. By combining trackers and software, the Company makes employee uptake and engagement measurable for the corporate client.

At the end of September 2015, a new version of Kiqplan was launched and, during the fourth quarter of 2015, Kiqplan was integrated into the Group's Corporate Wellness offering, the feature roadmap streamlined and focused on Corporate Wellness and six subsequent updates were released. The Directors believe that this augurs well for Fitbug's vision to reposition the Company from the market's current perception of a supplier of cost effective wearables, into a software as a service provider in the health and wellness technology space.

The Group has experienced an encouraging start to trading in 2016 with Q1 sales in the Corporate Wellness sector in excess of £400,000, a significant increase over like for like sales in Q1 of 2015, and a further significant order was received from a South African customer in April 2016. In addition the Directors believe that the Company has a significant pipeline of potential B2B business which the Directors believe to be worth in excess of £1.1 million over expected contract lifetimes.

The Directors intend to continue to follow the Company's turnaround strategy, moving away from retail channels in order to leverage the Group's established B2B network and identifying further savings and efficiencies in order to reduce the Company's cost base by over 30 per cent. in the current financial year.

#### Subdivision

The Companies Act 2006 prohibits the Company from issuing shares at a price below their nominal value. As the Issue Price of 0.25p is below the current nominal value of 1p per share, it is proposed that each of the Existing Ordinary Shares of 1p be sub-divided into one Ordinary Share of 0.1p and one Deferred Share of 0.9p, such Deferred Shares having the rights and being subject to the restrictions attached to them as proposed in Resolution 3 set out in the Notice of General Meeting.

The Deferred Shares will not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company, or to receive any dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the Deferred Shares shall be entitled to receive an amount equal to the nominal amount paid up thereon, but only after the holders of Ordinary Shares have received £100,000 per Ordinary Share. The holders of Deferred Shares are not entitled to any further right of participation in the assets of the Company. The Company shall have the right to purchase the Deferred Shares in issue at any time for no consideration. As such, the Deferred Shares effectively have no value. Share certificates will not be issued in respect of the Deferred Shares, and they will not be



admitted to trading on AIM.

#### *Admission, share certificates and CREST entitlements*

The effective date of the Subdivision will be on 25 July 2016. Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will come effective and that dealings in the New Ordinary Shares will commence on 25 July 2016.

No application will be made for the Deferred Shares created by the Subdivision to be admitted to trading on AIM, and no share certificates will be issued in respect of the Deferred Shares.

Share certificates for Existing Ordinary Shares held in certificated form will remain valid. CREST stock accounts for Existing Ordinary Shares held in uncertificated form are expected to be redesignated as for the New Ordinary Shares on 25 July 2016.

#### Related Party Transaction

Kifin currently hold 10.66 per cent. of the Company's issued share capital. Therefore, for the purposes of the AIM Rules, the Loan Capitalisation between the Company and Kifin, as described above, is considered to be a related party transaction. The Directors consider, having consulted with Cantor Fitzgerald, that the terms of this transaction are fair and reasonable insofar as the Shareholders are concerned.

#### Adoption of new share option schemes and grant of options

On completion of the Fundraising the Company is proposing to adopt both an EMI share option scheme, and an unapproved share option scheme. Options may be granted under both schemes over a maximum aggregate number of Ordinary Shares equivalent to 15 per cent. of the issued share capital from time to time. It is proposed that, conditional upon the Resolutions being passed at the General Meeting, options over approximately 12 per cent. of the Enlarged Share Capital will be granted to Directors and other employees of the Group at the Issue Price, at 0.35p and at 0.5p, subject to a minimum vesting period of three years.

#### General Meeting

A General Meeting of the Company will be held at Suite 5, First Floor, 5 Rochester Mews, London NW1 9JB at 3.05 p.m. on 21 July 2016 at which the following resolutions will be proposed:

- (a) Resolution 1: an ordinary resolution to seek the approval of Independent Shareholders to a waiver of the obligation on NW1, Kifin and the Concert Party which would otherwise arise under Rule 9 of the City Code as a result of NW1's participation in the Open Offer and (with Kifin) in the Loan Capitalisation;
- (b) Resolution 2: an ordinary resolution to approve the Subdivision;
- (c) Resolution 3: a special resolution to approve an amendment of the articles of association of the Company to include the rights attaching to the Deferred Shares;
- (d) Resolution 4: an ordinary resolution to give the Directors general authority to allot securities under section 551 of the Companies Act 2006;
- (e) Resolution 5: a special resolution to give the Directors authority to allot securities for cash under section 570 of the Companies Act 2006.

Only the Independent Shareholders will be entitled to vote on Resolution 1, which will be conducted on a poll at the General Meeting. The Company proposes to allot the following New Ordinary Shares:

- 340,800,000 New Ordinary Shares for the purposes of the Placing;
- 703,626,325 New Ordinary Shares for the purposes of the Open Offer; and
- 336,000,000 New Ordinary Shares for the purposes of the Loan Capitalisation

and to grant to NW1 rights to subscribe for up to 903,626,400 New Ordinary Shares under the provisions of the Underwriting Agreement and Loan Capitalisation Agreement as described above, and to grant options to subscribe for up to 199,425,000 New Ordinary Shares under the new share option schemes described above.

Each of Resolutions 2 to 5 is conditional on the Whitewash Resolution set out in Resolution 1 being passed by Independent Shareholders.

The Directors propose to seek authorities to allot securities for cash in the aggregate amount of £3,183,335 (equivalent to 3,183,335,000 New Ordinary Shares) for the purposes of the Fundraising, the Loan Capitalisation and the grant of rights to subscribe and share options, and to provide additional residual authority to allot shares both generally and for cash, including the allotment of shares otherwise than to Shareholders on a pre-emptive basis. These residual authorities will be limited to a nominal amount of £650,000, equivalent to 650,000,000 New Ordinary Shares (representing approximately 39.1 per cent. of the Enlarged Share Capital), and will expire at the conclusion of the annual general meeting to be held in 2017. Should the Placing be completed and Qualifying Shareholders subscribe in full for the Open Offer Shares, the Company would use these residual authorities to issue a further 160,400,000 Ordinary Shares to NW1 as repayment of the bridging loans provided by NW1, details of which are set out above.

#### Recommendation

The Directors, who have been so advised by the Company's financial adviser, Cantor Fitzgerald, consider the terms of the Proposals (including the Whitewash Resolution) to be fair and reasonable and in the best interest of Independent Shareholders and of the Company as a whole. In providing advice to the Directors, Cantor Fitzgerald has taken into account the Directors' commercial assessments. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution (Resolution 1) at the General Meeting.

The Directors consider that the Fundraising is in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of Resolutions 2 to 5 at the General Meeting.

Voting on the Whitewash Resolution will be by means of a poll at the General Meeting of Independent Shareholders. Members of the Concert Party will not vote on the Whitewash Resolution at the General Meeting.

**\*\*ENDS\*\***

For further information visit [www.fitbugholdings.com](http://www.fitbugholdings.com) or contact:

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### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2016
Record Date for entitlement under the Open Offer	27 June
Announcement of the Proposals	29 June
Posting of circular, audited accounts for the year ended 31 December 2015 and forms of proxy	29 June
Open Offer Application Forms posted to Qualifying non-CREST Shareholders	29 June
Ex-entitlement Date of the Open Offer	8.00 a.m. on 29 June
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as possible after 8.00 a.m. on 30 June
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 15 July
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 18 July
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 18 July
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 20 July
Latest time and date for receipt of form of proxy for the Annual General Meeting	3.00 p.m. on 20 July
Latest time and date for receipt of form of proxy for the General Meeting	3.05 p.m. on 20 July
Annual General Meeting	3.00 p.m. on 22 July
General Meeting	3.05 p.m. on 22 July
Record date for the Subdivision	5.00 p.m. on 22 July
Final date of dealings in the Existing Ordinary Shares	22 July
Admission effective and dealings in the New Ordinary Shares, Placing Shares, Open Offer Shares and Loan Capitalisation Shares expected to commence	8.00 a.m. on 25 July
New Ordinary Shares in uncertificated form expected to be credited to accounts in CREST	As soon as possible after 8.00 a.m. on 25 July
Despatch of definitive share certificates for New Ordinary Shares in certificated form	By 5 August

If any of the details contained in the timetable above should change, the revised times and dates will be notified shareholders by means the regulatory information service announcement.  
All references to times and dates are to times and dates in London, United Kingdom.

### DEFINITIONS

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

"AIM"	the market of that name operated by London Stock Exchange plc
"AIM Rules"	the AIM Rules for companies published by the London Stock Exchange in January 2016

"Admission"	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
"Board" or "Directors"	the board of directors of the Company
"Cantor Fitzgerald"	Cantor Fitzgerald Europe
"City Code"	the City Code on Takeovers and Mergers
"CREST"	the electronic settlement system for UK and Irish securities operated by Euroclear UK & Ireland Limited
"Enlarged Share Capital"	the issued ordinary share capital of the Company immediately following Admission, comprising the New Ordinary Shares, the Loan Capitalisation Shares, Open Offer Shares and the Placing Shares
"Excess Entitlement(s)"	Open Offer Shares in excess of the basic entitlement, but not in excess of the total number of Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer
"Existing Ordinary Shares"	the 281,450,530 Ordinary Shares of 1p each in the capital of the Company in issue as at the date of this document
"Fundraising"	the Placing and the Open Offer
"General Meeting"	the general meeting of the Company to be held on 21 July 2016, notice of which is set out at the end of this document
"Group"	the Company and its subsidiaries
"Hybridan"	Hybridan LLP, the broker to the Company
"Independent Shareholders"	the Shareholders, other than the members of the Concert Party
"Issue Price"	0.25p per Placing Share and Open Offer Share, as the case may be
"Kifin"	Kifin Limited
"Loan Capitalisation"	the allotment and issue of the Loan Capitalisation Shares to Kifin and NW1, credited as fully paid at 2.5p per share, in satisfaction of £8.4 million owed by the Company to Kifin and NW1
"Loan Capitalisation Agreements"	the conditional agreements dated 29 June 2016 between the Company and each of Kifin and NW1 relating to the Loan Capitalisation
"Loan Capitalisation Shares"	the 336,000,000 New Ordinary Shares to be allotted and issued credited as fully paid up at 2.5p per share to Kifin and NW1 pursuant to the Loan Capitalisation
"New Ordinary Shares"	the new ordinary shares of 0.1p each in the capital of the Company arising from the Subdivision
"NW1"	NW1 Investments Limited
"Open Offer"	the conditional invitation to Qualifying Shareholders to apply for the Open Offer Shares at the Issue Price on the terms and conditions outlined in this document
"Open Offer Shares"	up to 703,626,325 New Ordinary Shares to be issued pursuant to the Open Offer
"Ordinary Shares"	ordinary shares in the capital of the Company
"Overseas Shareholders"	Shareholders with registered addresses, or who are citizens or residents of, or incorporating, countries outside of the UK
"Panel"	the Panel on Takeovers and Mergers
"Placing"	the conditional placing of the Placing Shares at the Issue Price
"Placing Agreement"	the conditional agreement dated 29 June 2016 between the Company (1) and Hybridan (2) relating to the Placing
"Placing Shares"	the 340,800,000 New Ordinary Shares which have been conditionally placed pursuant to the Placing

"Proposals"	the proposed Placing, Open Offer, Loan Capitalisation and Subdivision
"Qualifying Shareholders"	subject to any restrictions imposed on Overseas Shareholders, holders of Existing Ordinary Shares whose names appear on the register of members of the Company on the Record Date as holders of Existing Ordinary Shares and who are eligible to be offered Open Offer Shares in the Open Offer
"Record Date"	the record date for the Open Offer, being 24 June 2016
"Resolutions"	the ordinary and special resolutions which are set out in the notice of General Meeting
"Rule 9 Waiver"	the conditional waiver by the Panel of any obligation which would otherwise be imposed on the Concert Party, either individually or collectively, under Rule 9 of the City Code, as a result of the Concert Party's participation in the Loan Capitalisation and underwriting of the Fundraising
"Shareholders"	the holders of Existing Ordinary Shares or (following the Subdivision) New Ordinary Shares from time to time
"Subdivision"	the subdivision of the Company's issued ordinary share capital, on the basis that each Existing Ordinary Share of 1p shall be subdivided into 1 Ordinary Share of 0.1p and 1 Deferred Share of 0.9p
"UK"	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies
"Underwriting Agreement"	the conditional agreement dated 29 June 2016 between NW1 and the Company relating to the underwriting of the Fundraising
"Whitewash Resolution"	the ordinary resolution (to be taken on a poll) of the Independent Shareholders concerning the waiver of obligations under Rule 9 of the City Code to be proposed to the General Meeting in connection with the Concert Party's underwriting of the Fundraising, and set out as resolution 1 in the notice of General Meeting