

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART II OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT UNDER SECTION 897 OF THE COMPANIES ACT 2006. The Scheme, if implemented, will result in the cancellation of the listing of KCOM Shares on the Official List and of admission to trading of KCOM Shares on the London Stock Exchange's main market for listed securities.

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all your KCOM Shares, please send this document (but not the accompanying Forms of Proxy) at once to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, this document should not be forwarded or transmitted in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction. If you sell or have sold or transferred part only of your holding of KCOM Shares, you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. The accompanying Forms of Proxy are personalised. If you have recently purchased or been transferred KCOM Shares, you should contact KCOM's registrars, Link Asset Services, by telephoning the helpline, details of which are set out on page 8 of this document, to obtain replacements of the Forms of Proxy.

The distribution of this document in whole or in part, directly or indirectly in, into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves of, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

RECOMMENDED CASH ACQUISITION

of

KCOM GROUP PUBLIC LIMITED COMPANY

registered in England and Wales with company registration 02150618

by

MEIF 6 FIBRE LIMITED

registered in England and Wales with company registration 12005063

***a wholly-owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp
(an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited)***

to be implemented by means of a

Scheme of Arrangement

under Part 26 of the Companies Act 2006

You should read carefully the whole of this document, any information incorporated by reference into this document from another source and the accompanying Forms of Proxy. Your attention is drawn to the letter from the KCOM Chairman in Part I of this document which contains the unanimous recommendation of the KCOM Directors that you vote in favour of the Scheme at the Court Meeting and the General Meeting Resolution to be proposed at the General Meeting. A letter from Rothschild & Co explaining the Scheme in greater detail appears in Part II of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act.

The Scheme will require approval of the KCOM Scheme Shareholders at the Court Meeting and the passing of the General Meeting Resolution at the General Meeting, both of which will be held

at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU on 11 July 2019. The Court Meeting will start at 11.00 a.m. and the General Meeting will start at 11.15 a.m. (or, if later, as soon as the Court Meeting has been concluded or adjourned). All times shown in this document are London times unless otherwise stated. Notices of the KCOM Meetings are set out in Appendix 6 and Appendix 7 to this document.

The action to be taken by KCOM Shareholders in respect of the KCOM Meetings is set out on pages 8 to 10 of this document. Please read this information carefully. It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of KCOM Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or transmit a proxy instruction (either electronically or through CREST) as soon as possible.

KCOM Shareholders will find enclosed with this document a **BLUE Form of Proxy** for use in connection with the Court Meeting and a **WHITE Form of Proxy** for use in connection with the General Meeting. Whether or not you intend to attend both or either of the KCOM Meetings in person, please complete and sign both of the Forms of Proxy and return them in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 11.00 a.m. on 9 July 2019 in respect of the Court Meeting and 11.15 a.m. on 9 July 2019 in respect of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting). The Forms of Proxy have a pre-paid address printed on them for your convenience for use in the UK only. If the BLUE Form of Proxy for use at the Court Meeting is not returned by the above time, it may be handed to the Chairman of the Court Meeting before the taking of the poll at that meeting. However, in the case of the General Meeting, unless the WHITE Form of Proxy is returned by the time noted above, it will be invalid. If you hold your KCOM Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out in Appendix 7 to this document). Proxies submitted via CREST (under CREST participant ID RA10) must be received by Link Asset Services not later than 11.00 a.m. on 9 July 2019 in respect of the Court Meeting and 11.15 a.m. on 9 July 2019 in respect of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting).

You may also submit your proxy electronically by logging on to the shareholder portal at www.kcom-shares.com, so as to be received by not later than 48 hours before the relevant meeting.

The completion and return of the Forms of Proxy or the appointment of a proxy or proxies electronically or the submission of a proxy via CREST will not prevent you from attending and voting in person at either of the KCOM Meetings, or any adjournment thereof, should you wish to do so.

If you have any questions relating to this document (or any information incorporated into this document by reference to another source), the KCOM Meetings or the completion and return of your Forms of Proxy, please contact KCOM's registrars, Link Asset Services, on 0800 029 4521. Charges for calls to Freephone numbers will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The shareholder helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. Please note the shareholder helpline cannot provide advice on the merits of the Scheme nor give any financial, investment, legal or tax advice.

Barclays Bank PLC, acting through its Investment Bank (**Barclays**), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for MEIF 6 Fibre and MEIF 6 (managed by MIRAEL) and no one else in connection with the matters described herein and will not be responsible to anyone other than MEIF 6 Fibre and MEIF 6 (managed by MIRAEL) for providing the protections afforded to clients of Barclays nor for providing advice in relation to the matters described herein or any other matter referred to herein.

N.M. Rothschild & Sons Limited (**Rothschild & Co**), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for KCOM and no one else in relation to the Acquisition and/or other matters set out in this document and will not be responsible to anyone other than KCOM

for providing the protections afforded to clients of Rothschild & Co or for providing advice in relation to the Acquisition, the contents of this document or any other matter or arrangement referred to herein.

Peel Hunt LLP (**Peel Hunt**), which is authorised and regulated in the United Kingdom by the FCA, is acting for KCOM and no-one else in connection with the Acquisition and/or other matters set out in this document and will not be responsible to anyone other than KCOM for the protections offered to its clients nor for providing advice in relation to the Acquisition or any matters referred to herein.

Investec Bank plc (**Investec**), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for KCOM and no one else in relation to the Acquisition and/or other matters set out in this document and will not be responsible to anyone other than KCOM for providing the protections afforded to the clients of Investec or for providing advice in relation to the Acquisition, the contents of this document or any other matter or arrangement referred to herein.

No person has been authorised to give any information or make any representations other than those contained in this document (or which are inconsistent with the statements contained in this document) and any such information or representations, if given or made, may not be relied upon as having been so authorised by or on behalf of MEIF 6 Fibre, KCOM, the MIRAEL Responsible Persons, the MEIF 6 Fibre Directors, the KCOM Directors or Rothschild & Co or by any other person involved in the Acquisition. Neither the delivery of this document nor holding the KCOM Meetings or the Court Hearing, or filing the Court Order shall, under any circumstances, create any implication that there has been no change in the affairs of the KCOM Group or MEIF 6 Fibre since the date of this document or that the information in, or incorporated into, this document is correct as at any time subsequent to its date.

The summary of the principal provisions of the Scheme contained in this document is qualified in its entirety by reference to the Scheme itself, the full text of which is set out in Part III of this document. Each KCOM Shareholder is advised to read and consider carefully the text of the Scheme itself.

KCOM Shareholders should not construe the contents of this document as legal, tax or financial advice and should consult with their own advisers as to the matters described in this document.

This document is dated 18 June 2019.

IMPORTANT NOTICES

OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in jurisdictions other than the United Kingdom and the ability of KCOM Shareholders who are not resident in the United Kingdom to participate in the Acquisition may be restricted by laws and/or regulations in those jurisdictions and therefore any persons who are not resident in the United Kingdom or who are subject to the laws of any jurisdiction other than the United Kingdom (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or who are subject to the laws of another jurisdiction to vote their KCOM Scheme Shares in respect of the Scheme at the Court Meeting or in respect of the General Meeting Resolution at the General Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting and/or the General Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by MEIF 6 Fibre or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, or from within, a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

This document has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England.

The Acquisition will be subject to the applicable requirements of English law, the Takeover Code, the Panel, the London Stock Exchange and the FCA.

Copies of this document and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction, and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Acquisition.

If the Acquisition is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Takeover Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

Further details in relation to Overseas Shareholders are contained in paragraph 14 of Part II of this document.

Additional Information for US Shareholders

KCOM Shareholders in the United States should note that the Acquisition relates to the securities of an English company and is proposed to be implemented pursuant to a scheme of arrangement provided under English company law. A transaction implemented by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition will be subject to UK procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules.

The financial information included in this document, or any other documentation relating to the Acquisition, has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If MEIF 6 Fibre exercises its right, in the circumstances provided for in this document, to implement the Acquisition by way of a Takeover Offer, such Takeover Offer will be made in compliance with applicable US tender offer regulations.

In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, MEIF 6 Fibre, certain affiliated companies and their respective nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, KCOM Shares, other than pursuant to the Acquisition, until the date on which the Takeover Offer and/or Scheme becomes Effective, lapses or is otherwise withdrawn. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Takeover Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

In accordance with the Takeover Code, normal United Kingdom market practice and Rule 14e-5(b) of the Exchange Act, Barclays and its affiliates will continue to act as exempt principal trader in KCOM securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

US holders of KCOM Shares should be aware that the receipt of cash pursuant to the Acquisition may have tax consequences in the United States. Holders of KCOM Shares are advised to consult their own tax advisors to determine the particular tax consequences to them of the Acquisition.

Neither the US Securities and Exchange Commission nor any securities commission of any state of the United States has approved the Acquisition, passed upon the fairness of the Acquisition or the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of KCOM Shares to enforce their rights and claims arising out of the US federal securities laws, since MEIF 6 Fibre and KCOM are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders of KCOM Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to MEIF 6 Fibre and KCOM. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to, statements relating to the following: (a) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of the operations of MEIF 6 Fibre or KCOM, and (c) the effects of government regulation on the business of MEIF 6 Fibre or KCOM. There are many factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among such factors are changes in the global political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future.

Except as expressly provided in this document, they have not been reviewed by the auditors of MEIF 6 Fibre or KCOM. By their nature, these forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this document may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this document are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. Neither MEIF 6 Fibre nor KCOM, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

None of MEIF 6 Fibre, KCOM or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. All subsequent oral or written forward-looking statements attributable to MEIF 6 Fibre or KCOM or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.

Neither MEIF 6 Fibre nor the KCOM Group, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

DISCLOSURE REQUIREMENTS OF THE TAKEOVER CODE

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the

Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

PUBLICATION ON A WEBSITE

A copy of this document (together with any document incorporated by reference) is and will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on MIRA's website at www.macquarie.co.uk/mgl/uk/meif/meif6-fibre-offer and on KCOM's website at www.kcomplc.com during the course of the Acquisition. For the avoidance of doubt, the contents of these websites and any websites accessible from hyperlinks on these websites are not incorporated into and do not form part of this document.

INFORMATION RELATING TO KCOM SHAREHOLDERS

Please be aware that addresses, electronic addresses and certain information provided by KCOM Shareholders, persons with information rights and other relevant persons for the receipt of communications from KCOM may be provided to MEIF 6 Fibre during the Offer Period as required under Section 4 of Appendix 4 to the Takeover Code.

REQUEST FOR HARD COPIES

KCOM Shareholders may, subject to applicable securities laws, request a hard copy of this document (and any information incorporated into it by reference to another source) by contacting Link Asset Services on 0800 029 4521 or by submitting a request in writing to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, with an address to which the hard copy may be sent. Charges for calls to Freephone numbers will vary by provider. Calls from outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition or give any financial, legal or tax advice. KCOM Shareholders may, subject to applicable securities laws, also request that all future documents, announcements and information to be sent in relation to the Acquisition should be in hard copy form.

NO PROFIT FORECASTS OR ESTIMATES

Nothing in this document is intended, or is to be construed, as a profit forecast or estimate or to be interpreted to mean that earnings for each KCOM Share, for the current or future financial years, will necessarily match or exceed the historical published earnings for each KCOM Share.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

GENERAL

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document does not constitute an offer or an invitation to purchase or subscribe for any securities or a solicitation of an offer to buy any securities pursuant to this document or otherwise in any jurisdiction in which such offer or solicitation is unlawful.

TIME

All times shown in this document are London times, unless otherwise stated.

ACTION TO BE TAKEN

This section should be read in conjunction with the rest of this document and, in particular, the Notices of the Court Meeting and the General Meeting set out in Appendix 6 and Appendix 7 to this document.

For the reasons set out in this document, the KCOM Directors unanimously recommend that you vote in favour of the Scheme at the Court Meeting and the General Meeting Resolution relating to the Acquisition to be proposed at the General Meeting, and the KCOM Directors recommend that you take the action described below.

Please check you have received the following with this document:

- a BLUE Form of Proxy for use in respect of the Court Meeting; and
- a WHITE Form of Proxy for use in respect of the General Meeting.

If you have not received all of these documents please contact Link Asset Services on the telephone number set out below.

Whether or not you plan to attend the KCOM Meetings, please:

- 1. COMPLETE AND RETURN THE BLUE FORM OF PROXY, TO BE RECEIVED BY NO LATER THAN 11.00 A.M. (LONDON TIME) ON 9 JULY 2019; AND**
- 2. COMPLETE AND RETURN THE WHITE FORM OF PROXY, TO BE RECEIVED BY NO LATER THAN 11.15 A.M. (LONDON TIME) ON 9 JULY 2019,**

(or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting).

KCOM Shareholders should note that forms of proxy or proxy instructions (made electronically or through CREST) completed in respect of the USS Offer are not valid and do not count in respect of the Acquisition. KCOM Shareholders who wish to appoint a proxy in respect of the Court Meeting and/or the General Meeting must complete and return the accompanying Forms of Proxy or appoint a proxy electronically or through CREST in accordance with the procedures set out in this document.

If you require assistance relating to the completion and return of the Forms of Proxy, please telephone Link Asset Services on 0800 029 4521.

Charges for calls to Freephone numbers will vary by provider. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the shareholder helpline from outside the UK will be charged at the applicable international rate. Calls may be recorded and randomly monitored for security and training purposes. Please note the shareholder helpline cannot provide advice on the merits of the Scheme nor give any financial, investment, legal or tax advice.

If the BLUE Form of Proxy for use at the Court Meeting is not received by Link Asset Services by 11.00 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day which is not a Business Day) prior to the time and date set for the adjourned meeting), it may be handed to the Chairman of the Court Meeting at the Court Meeting before the taking of the poll at that meeting. However, if the WHITE Form of Proxy for the General Meeting is not received by Link Asset Services by 11.15 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day which is not a Business Day) prior to the time and date set for the adjourned meeting), it will be invalid.

Holders of KCOM Shares are entitled to appoint a proxy in respect of some or all of their KCOM Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. Holders of KCOM Shares who wish to appoint more than one proxy in respect of their holding of KCOM Shares should contact Link Asset Services for additional Forms of Proxy.

You may (instead of completing a Form of Proxy) also appoint a proxy electronically by logging on to the shareholder portal at www.kcom-shares.com. Please note, you will require your investor code in order to register for the shareholder portal if you have not already registered. Your investor code can be found on your share certificate or through contacting the Company's registrars, Link Asset Services.

The completion and return of the Forms of Proxy (or the appointment of a proxy electronically, or by any other procedure described below) will not prevent you from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

The Scheme requires approval at a meeting of the KCOM Scheme Shareholders convened by order of the Court to be held at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU at 11.00 a.m. on 11 July 2019. Implementation of the Scheme also requires the passing of the General Meeting Resolution by the KCOM Shareholders at the General Meeting to approve certain matters relating to the Scheme. The General Meeting will be held at 11.15 a.m. on 11 July 2019 (or, if later, as soon as the Court Meeting has been concluded or adjourned).

To vote at the KCOM Meetings using a proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual, which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by KCOM's registrars, Link Asset Services (CREST participant ID RA10), not later than 11.00 a.m. on 9 July 2019 in the case of the Court Meeting and not later than 11.15 a.m. on 9 July 2019 in the case of the General Meeting (or, in the case of an adjourned meeting, by no later than 48 hours (excluding any part of a day that is not a Business Day) before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting system provider(s), are

referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

KCOM may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF KCOM SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY (EITHER ELECTRONICALLY OR THROUGH CREST) AS SOON AS POSSIBLE AND, IN ANY EVENT, BY NO LATER THAN 11.00 A.M. ON 9 JULY 2019, IN THE CASE OF THE COURT MEETING, AND BY NO LATER THAN 11.15 A.M. ON 9 JULY 2019, IN THE CASE OF THE GENERAL MEETING.

Unsettled trades

As at the close of trading on the last day of dealings in KCOM Shares prior to the Effective Date, there may be unsettled, open trades for the sale and purchase of KCOM Shares within CREST. The KCOM Shares that are the subject of such unsettled trades will be treated under the Scheme in the same way as any other KCOM Shares registered in the name of the relevant seller under that trade. Consequently, those KCOM Shares will be transferred under the Scheme and the relevant seller will receive the appropriate cash consideration in accordance with the terms of the Acquisition.

Shareholder helpline

If you have any questions relating to this document (or any information incorporated into this document by reference to another source), the KCOM Meetings or the completion and return of the Forms of Proxy, please contact KCOM's registrars, Link Asset Services, during business hours on 0800 029 4521 or by writing to shareholderenquiries@linkgroup.co.uk or Link Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU. Charges for calls to Freephone numbers will vary by provider. Calls from outside of the United Kingdom will be charged at the applicable international rate. Lines will be open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out expected dates for the implementation of the Scheme. All times shown in this document are London times.

| <u>Event</u> | <u>Time and/or date</u> |
|--|--|
| Publication of this document | 18 June 2019 |
| Latest time for receipt of Forms of Proxy for: | |
| Court Meeting (BLUE form) | 11.00 a.m. on 9 July 2019 ⁽¹⁾ |
| General Meeting (WHITE form) | 11.15 a.m. on 9 July 2019 ⁽¹⁾ |
| Voting Record Time for the Court Meeting and General Meeting | 10.00 p.m. on 9 July 2019 ⁽²⁾ |
| Court Meeting | 11.00 a.m. on 11 July 2019 |
| General Meeting | 11.15 a.m. on 11 July 2019 ⁽³⁾ |
| The following dates are indicative only and subject to change, please see note (4) below | |
| Court Hearing (to sanction the Scheme) | A date expected to be no later than 14 days after the satisfaction or, where applicable, waiver of the FCA Condition (which is expected to be in Q3 2019) (“D”) ⁽⁴⁾ |
| Last day of dealings in, and for registrations of transfers of, and disablement in CREST of, KCOM Shares | D + 1 Business Day ⁽⁴⁾ |
| Dealings in KCOM Shares suspended | 6.00 p.m. on D + 1 Business Day ⁽⁴⁾ |
| Scheme Record Time | 10.00 p.m. on D + 1 Business Day ⁽⁴⁾ |
| Effective Date | D + 2 Business Days ⁽⁴⁾ |
| Cancellation of listing of and admission to trading of KCOM Shares | By 8.00 a.m. on D + 3 Business Days ⁽⁴⁾ |
| Latest date for despatch of cheques and/or crediting of CREST accounts for cash consideration due under the Scheme | 14 days after the Effective Date |
| Long Stop Date | 31 October 2019 ⁽⁵⁾ |

Notes:

The Court Meeting and the General Meeting will both be held at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU.

Please see “Action to be Taken” on pages 8 to 10.

1. If the BLUE Form of Proxy for the Court Meeting is not received by Link Asset Services by 11.00 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting), it may be handed to the Chairman at the Court Meeting at any time before the taking of the poll and still be valid. However, the WHITE Form of Proxy for the General Meeting must be received by Link Asset Services by 11.15 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting) in order for it to be valid.
2. If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the adjourned meeting will be 10.00 p.m. on the day which is two days before the date fixed for the adjourned meeting (excluding any day which is not a Business Day).
3. The General Meeting will commence at 11.15 a.m. on 11 July 2019 or, if later, as soon thereafter as the Court Meeting has been concluded or adjourned.
4. These times and dates are indicative only and will depend, amongst other things, on the date on which: (i) the Conditions are either satisfied or (if capable of waiver) waived; (ii) the Court sanctions the Scheme (which may not be the same day on which the Court hears KCOM’s application); and (iii) the order sanctioning the Scheme is delivered to the Registrar of Companies. The Court Hearing to sanction the Scheme is expected to be held no later than 14 days after the satisfaction or waiver of the FCA Condition. KCOM will give adequate notice of the date and time of the Court Hearing, once known, by issuing an announcement through a Regulatory Information Service and by posting a notice on its website at www.kcomplc.com. Further changes to other times or dates indicated above shall be notified in the same way. All KCOM Shareholders have the right to attend the Court Hearing.
5. This is the latest date by which the Scheme may become effective unless KCOM and MEIF 6 Fibre, with the consent of the Panel and (if required) the approval of the Court, agree in writing a later date.

PART I – LETTER FROM THE CHAIRMAN OF KCOM



KCOM Group Public Limited Company
Registered in England and Wales under no. 02150618

Registered Office:
37 Carr Lane
Hull East
Yorkshire
HU1 3RE

KCOM Directors:

Patrick De Smedt (*Interim Non-Executive Chairman*)
Graham Sutherland (*Chief Executive*)
Anna Bielby (*Chief Financial Officer*)
Liz Barber (*Non-Executive Director*)
Peter Smith (*Non-Executive Director*)

18 June 2019

To KCOM Shareholders and, for information only, to persons with information rights and participants in the KCOM LTIP

Dear KCOM Shareholder,

RECOMMENDED CASH ACQUISITION OF KCOM BY MEIF 6 FIBRE LIMITED (A WHOLLY-OWNED INDIRECT SUBSIDIARY OF MACQUARIE EUROPEAN INFRASTRUCTURE FUND 6 SCSP) (an investment fund managed by MIRAEAL)

1. Introduction

On 3 June 2019, the Boards of KCOM and MEIF 6 Fibre announced that they had reached agreement on the terms of a recommended cash offer pursuant to which MEIF 6 Fibre would acquire the entire issued and to be issued ordinary share capital of KCOM (the **Acquisition**).

This letter sets out the background to the Acquisition and explains why the KCOM Directors, who have been so advised by Rothschild & Co as to the financial terms of the Acquisition, unanimously consider the terms of the Acquisition to be fair and reasonable and why they unanimously recommend that KCOM Shareholders should vote in favour of the Scheme at the Court Meeting and the General Meeting Resolution to be proposed at the General Meeting. Please also see the letter from Rothschild & Co set out in Part II of this document, which gives further details about the Acquisition and the additional information set out in Appendix 3 to this document.

2. The Acquisition

The Acquisition will, if approved, be effected by means of a scheme of arrangement between KCOM and the KCOM Scheme Shareholders under Part 26 of the Companies Act. In compliance with section 897 of the Companies Act, details of the Scheme are set out in the Explanatory Statement in Part II of this document.

(a) Consideration

Under the terms of the Acquisition, which is subject to the Conditions and the further terms set out in Appendix 1 to this document, KCOM Scheme Shareholders on the KCOM share register at the Scheme Record Time will be entitled to receive:

for each KCOM Scheme Share 108 pence in cash

The Acquisition Price values the entire issued and to be issued share capital of KCOM at approximately £562 million, which represents:

- (a) a premium of 49 per cent. to the Closing Price of 72.5 pence for each KCOM Share on 23 April 2019 (the last Business Day prior to commencement of the Offer Period);
- (b) an increase of 11 pence to the USS Offer of 97 pence per KCOM Share; and
- (c) a premium of 52 per cent. to the volume weighted average share price of 71.2 pence per KCOM Share in the 30 days prior to 23 April 2019 (being the last Business Day prior to commencement of the Offer Period).

If any dividend or other distribution or return of capital is authorised, declared, made or paid in respect of KCOM Shares on or after the Announcement Date and prior to the Effective Date, MEIF 6 Fibre reserves the right to reduce the Acquisition Price by an amount up to the amount of such dividend or other distribution or return of capital for each KCOM Share, in which case eligible KCOM Shareholders will be entitled to receive and retain such dividend or other distribution or return of capital.

(b) Scheme becoming Effective

To become Effective, the Scheme requires the approval of the KCOM Scheme Shareholders at the Court Meeting and the passing of the General Meeting Resolution by KCOM Shareholders at the General Meeting. The Scheme must be approved at the Court Meeting by a majority in number of KCOM Scheme Shareholders present and voting, either in person or by proxy, representing at least 75 per cent. in value of the KCOM Scheme Shares voted by those KCOM Scheme Shareholders. In addition, the General Meeting Resolution required to implement certain matters in connection with the Scheme must be passed by KCOM Shareholders representing at least 75 per cent. of votes cast at the General Meeting.

If the Scheme becomes Effective, it will be binding on all KCOM Scheme Shareholders, irrespective of whether or not they attended or voted (in favour or otherwise) at the Court Meeting or the General Meeting.

The Acquisition is subject to the Conditions and certain further terms set out, respectively, in Part A and Part B of Appendix 1 to this document, including the sanction of the Scheme by the Court and the receipt of a change of control approval from the FCA. Subject to this approval being obtained, the expected transaction timetable is set out on page 12 of this document.

It is expected that listing of the KCOM Shares on the London Stock Exchange's main market for listed securities will be suspended from 6.00 p.m. on the Business Day immediately prior to the Effective Date. No transfers of KCOM Shares will be registered after 10.00 p.m. on that date. Prior to the Scheme becoming Effective, KCOM will make an application for the cancellation of the listing of KCOM Shares on the Official List and for the cancellation of trading of the KCOM Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Effective Date.

Further details of the Scheme are set out in the Explanatory Statement in Part II of this document.

3. Background to and reasons for the Acquisition

MIRA is one of the world's leading alternative asset managers. For more than two decades, MIRA has partnered with investors, governments and communities to manage, develop and enhance assets relied on by more than 100 million people each day. As at 31 December 2018, MIRA managed over €110 billion in assets that are essential to the sustainable development of economies and communities, including: 200 portfolio businesses, approximately 400 properties and over 4 million hectares of farmland.

MIRA has been a leading owner and investor in critical telecommunications infrastructure since the early 2000s. Under MIRA's management, assets such as fibre and cable broadband networks, broadcast infrastructure, secure mobile networks, pay-TV and mobile towers have provided services to millions of consumers and business customers.

MIRA believes the acquisition of KCOM, via MEIF 6 Fibre, represents an attractive opportunity given KCOM's strong position in the market and the community in which it operates. MIRA intends to work with KCOM management team with the aims of expanding the HEY network, increasing consumer choice and maximising network utilisation.

The specific attractions of KCOM to MIRA include:

- (a) the HEY division's ownership of critical infrastructure and fibre roll-out initiative setting a stepping stone for local business growth and innovation. In the long term, MIRA aims to increase third party access to KCOM's network infrastructure to improve customer offerings, customer choice and retail competition;
- (b) the opportunity to use additional investment to meaningfully expand the fibre network beyond the current footprint of the HEY business. MIRA believes an expansion of KCOM's existing footprint will increase fibre accessibility, reduce digital exclusion and deliver the infrastructure needed for the economy to prosper in the region; and
- (c) infrastructure funds managed by MIRA have invested into the region since 2017, in particular in renewable energy via Race Bank Offshore Wind Farm off the coast of Grimsby and the Humber port sector via HES Humber Bulk Terminal. MIRA therefore believes the acquisition of KCOM will be complementary to its existing investments as these organisations all provide infrastructure and employment opportunities that contribute to the ever-growing Northern Powerhouse.

4. Background to and reasons for recommending the Acquisition

Following the announcement of the USS Offer on 24 April 2019, KCOM received an approach from MIRA regarding a possible higher cash offer by MEIF 6 Fibre. MEIF 6 Fibre has now made an offer of 108 pence per KCOM Share in cash.

The offer from MEIF 6 Fibre represents an increase of 11 pence to the USS Offer of 97 pence per KCOM Share. Following careful consideration, the KCOM Board concluded that the offer from MEIF 6 Fibre represented a superior offer for KCOM Shareholders as compared with the USS Offer and intends to recommend unanimously the Acquisition to KCOM Shareholders, as set out in paragraph 15 below.

5. Information on MEIF 6 Fibre and MIRA

MEIF 6 Fibre is a wholly-owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by MIRAEI).

MIRA is one of the world's leading alternative asset managers. For more than two decades, MIRA has partnered with investors, governments and communities to manage, develop and enhance assets relied on by more than 100 million people each day. As at 31 December 2018, MIRA managed over €110 billion in assets that are essential to the sustainable development of economies and communities, including: 200 portfolio businesses, approximately 400 properties and over 4 million hectares of farmland.

MIRA has been a leading owner and investor in critical telecommunications infrastructure since the early 2000s. Under MIRA's management, assets such as fibre and cable broadband networks, broadcast infrastructure, secure mobile networks, pay-TV, and mobile towers have provided services to millions of consumers and business customers.

Some of MIRA's notable investments in the telecommunications sector include Arqiva (part of the UK's "critical national infrastructure" and serving all of the UK's major broadcasters and mobile networks), TDC (Denmark's leading telecommunications company), and INEA (a Polish provider of fibre-to-the-home broadband and cable TV).

6. Intentions of MEIF 6 Fibre

The acquisition of KCOM represents an attractive opportunity for MIRA, via MEIF 6 Fibre, given KCOM's strong position in the market and community in which it operates. MIRA is excited to be partnering with KCOM, which has historically been at the forefront of the digital evolution, offering high quality and high speed products. MIRA is confident in the overall prospects of KCOM's businesses and

looks forward to working with the KCOM management team to grow the value of the business in the long-term.

As an important broadband provider in the region, MIRA believes KCOM is well positioned to be the stepping stone for the growth and innovation of local business and has demonstrated this by taking the lead with its fibre roll-out initiative. MEIF 6 Fibre intends for KCOM to continue its strong local commitment and further strengthen its reach and offerings.

Under MIRA's stewardship, it is intended that KCOM will continue to deliver the digital infrastructure needed for the economy to prosper in the region. MEIF 6 Fibre believes this will help fuel further growth in the local economy and minimise digital exclusion.

Prior to the Announcement, and consistent with market practice, MIRA has been granted access to certain KCOM information for the purposes of conducting a high level confirmatory due diligence exercise.

KCOM Review

MEIF 6 Fibre is aware of KCOM's ongoing strategic review (**KCOM Review**).

MEIF 6 Fibre has not yet had the opportunity to work with management in order to formulate detailed plans or intentions regarding the impact of the Acquisition and the KCOM Review on KCOM and its businesses and employees, including any potential headcount reductions.

Based on a preliminary assessment of the KCOM Review findings, MEIF 6 Fibre intends to increase the focus on KCOM's well-performing HEY business, with the possibility of expanding its existing footprint. MEIF 6 Fibre will consider the other recommendations of the KCOM Review following the Effective Date, which will be implemented to the extent MEIF 6 Fibre supports such recommendations.

MEIF 6 Fibre's own plans

MEIF 6 Fibre's own plans at this stage do not contemplate significant redundancies in the KCOM Group. However, as a result of the early stage of MEIF 6 Fibre's work and KCOM's ongoing strategic review, MEIF 6 Fibre has been unable to determine the precise impact on the KCOM Group's headcount going forwards.

Nevertheless, MEIF 6 Fibre believes that the skills of the employees within the KCOM Group will be key to delivering high quality services to customers, and MEIF 6 Fibre's vision for growth. MEIF 6 Fibre believes that the expansion of KCOM's existing footprint will increase fibre accessibility to the region and contribute to the ever-growing "Northern Powerhouse". Following completion of the Acquisition, MEIF 6 Fibre intends to:

- (a) work with KCOM's management team to review the strategy of the HEY business with the aim of maximising network utilisation and consumer choice. MEIF 6 Fibre is intending to work with KCOM to increase the number of households and businesses being served by its best in class network, by both increasing the number of customers buying KCOM's own retail offerings, and by increasing the amount of business with third party Internet Services Providers;
- (b) work with KCOM's management to establish opportunities to use additional investment to expand the fibre network beyond the current footprint of the HEY business, to drive growth and employment opportunities. Whilst no decisions have yet been taken on whether additional investment would be made, if such additional investment was made, it would be funded from KCOM's existing cash resources, new equity from MEIF 6 Fibre, and/or third party debt;
- (c) review initiatives to improve the performance of the National Network Services and Enterprise businesses to enhance customer experience, provide relevant and profitable services to customers, and improve platform efficiency to enhance margins;
- (d) undertake a review of the strategic options for the National Network Services and Enterprise businesses. The review will focus on operating performance, viability of its offerings and long-term strategic fit in relation to MEIF 6 Fibre's overall strategy. MEIF 6 Fibre will work closely with management to evaluate different possible outcomes. At this stage, MEIF 6 Fibre does not have sufficient insight to conclude on any outcomes, however it would expect potential options

to include disposal of these businesses to a third party, refocusing of product catalogues, and integration into other business lines, among others; and

- (e) work with KCOM's management to understand and implement any recommendations as to costs efficiencies, service improvements and organisational structure which result from the KCOM Review.

MEIF 6 Fibre has not yet begun to carry out the detailed evaluation referred to in the paragraph above or made any decisions in relation to specific actions that may be taken as a result of this evaluation, including in relation to any impact on organisational structure and headcount. Independently of the KCOM Review, MEIF 6 Fibre plans to carry out its own strategy review in close collaboration with KCOM management over three to six months following the Effective Date and expects to start implementation of any additional actions resulting from that review as soon as possible thereafter.

Once KCOM ceases to be a listed company, some central management, corporate and support functions, including PLC-related functions, may be reduced in scope, which is likely to require reduced headcount in these areas.

MEIF 6 Fibre intends to safeguard the existing employment rights of the management and employees of the KCOM Group in accordance with applicable law and does not envisage any material change to the balance of skills and functions of existing employees and management of the KCOM Group, or in their conditions of employment (other than the possible implementation of incentivisation arrangements for certain members of management as described below).

MEIF 6 Fibre confirms it is also fully supportive of KCOM's initiatives to help foster a diverse local employment pool by actively encouraging participation in STEM subjects. MEIF 6 Fibre intends for KCOM to continue its current local initiative during its stewardship as the benefits of a diversified workforce are also a high priority to MEIF 6 Fibre – both as an owner and employer.

The non-executive directors of KCOM have informed MEIF 6 Fibre that they intend to resign as KCOM Directors with effect from completion of the Acquisition.

MEIF 6 Fibre recognises the importance of the KCOM pension schemes to their members. MEIF 6 Fibre confirms that it has no intention of changing members' pension rights under the schemes and that the current level of employer contributions under the schemes' existing funding arrangements will continue. Prior to the Announcement, MEIF 6 Fibre engaged in an initial discussion with the chair of the trustees of KCOM's defined benefit pension schemes in relation to the upcoming triennial valuation process and the Acquisition. Following completion of the Acquisition, MEIF 6 Fibre intends to continue such discussions with the trustees of KCOM's defined benefit pension schemes in respect of the triennial valuation, the Acquisition and the funding position of the schemes. The KCOM defined benefit pension schemes are closed to new members and to future accrual.

MEIF 6 Fibre has not entered into, and has not had discussions on proposals to enter into, any form of incentivisation arrangements with members of KCOM's management team. Post completion of the Acquisition, MEIF 6 Fibre would intend to develop incentive arrangements for certain members of the KCOM management team.

MEIF 6 Fibre intends to maintain KCOM's corporate headquarters and headquarters' functions in Hull. MEIF 6 Fibre does not intend to change the locations of the places of business of the KCOM Group; however, the places of business of the National Network Services and Enterprise businesses may be impacted by MEIF 6 Fibre's and KCOM's strategic reviews and any potential disposal of these businesses, as referred to above. MEIF 6 Fibre has no intention of redeploying the fixed assets of KCOM. KCOM has no dedicated research and development function.

KCOM is currently listed on the Official List and, as set out in paragraph 10, it is intended that an application will be made to the London Stock Exchange to cancel trading in KCOM Shares and de-list KCOM from the Official List, in each case to take effect on or shortly after the Effective Date.

7. Response from the KCOM Directors

The KCOM Directors welcome MEIF 6 Fibre's statements regarding the safeguarding of existing employment rights of the management and employees of KCOM in accordance with applicable law, and that MEIF 6 Fibre does not envisage any material change to the balance of skills and functions of

existing employees and management of the KCOM Group, or in their conditions of employment (other than the possible implementation of incentivisation arrangements for certain members of management as described above).

The KCOM Directors note that MEIF 6 Fibre has no intention of changing members' pension rights under KCOM's pension schemes and that the current level of employer contributions under the pension schemes' existing funding arrangements will continue.

The KCOM Directors note that MEIF 6 Fibre intends to undertake a detailed strategic evaluation of KCOM and its businesses, which will include an assessment of the work carried out in connection with the KCOM Review. The KCOM Directors note that MEIF 6 Fibre's own plans at this stage do not contemplate significant redundancies in the KCOM Group, but acknowledge that given MEIF 6 Fibre's work on the matter has not concluded, the precise impact on headcount has not been determined.

The KCOM Directors acknowledge MEIF 6 Fibre's statements on the likely need to reduce headcount including in some central management, corporate and support functions, including PLC-related functions once KCOM ceases to be a listed company.

The KCOM Directors welcome MEIF 6 Fibre's statements in relation to extending KCOM's footprint and contributing to the ever-growing "Northern Powerhouse".

It is positively noted by the KCOM Directors that MEIF 6 Fibre has stated that it intends to maintain KCOM's corporate headquarters and headquarters' functions in Hull. This is positive as it recognises the strong local heritage KCOM has in the area. The KCOM Directors also note that the locations of the places of business of the National Network Services and Enterprise businesses may be impacted by the review of strategic options.

8. KCOM Share Schemes

Participants in the KCOM Share Schemes will be contacted separately regarding the effect of the Acquisition on their rights under the KCOM Share Schemes. Appropriate proposals in respect of their rights will be made to participants in the KCOM LTIP in accordance with the Takeover Code. Information relating to the effect of the Scheme on participants in the KCOM Share Schemes is set out in paragraph 6 of Part II of this document.

9. Current trading and prospects of KCOM

On 27 November 2018, the KCOM Group announced its half year results for the period ended 30 September 2018 which included the following outlook statement:

"The strong performance in Hull & East Yorkshire is expected to continue during the second half of the year, supported in part by the launch in early December of a new unlimited fibre broadband portfolio for consumer customers.

While we have started to take action to address some of the issues in our national segments, we anticipate that the trading performance in Enterprise and National Network Services will remain challenging during the second half of the year and that this will continue into next year. As a business, we are seeking to address these medium-term challenges by reducing cost and complexity at the same time as identifying those opportunities to deliver value from KCOM's assets. The Board believes that the Group has the potential to execute well on those opportunities."

The Group confirms trading and net debt were in line with management expectations for the financial year ended 31 March 2019.

10. De-listing of KCOM Shares and re-registration

The attention of KCOM Shareholders is drawn to paragraph 12 of the Explanatory Statement set out in Part II of this document in relation to MEIF 6 Fibre's intentions with regard to the de-listing of KCOM Shares and the re-registration of KCOM as a private company.

11. United Kingdom taxation

A summary of certain relevant UK taxation matters, which is intended as a general guide only, is set out in Appendix 2 to this document. If you are in any doubt as to your tax position, or if you are subject to

tax in a jurisdiction outside the UK, you should consult an appropriate independent professional adviser immediately.

12. Overseas Shareholders

Overseas Shareholders should refer to paragraph 14 of Part II of this document.

13. Action to be taken

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of KCOM Scheme Shareholder opinion. You are therefore strongly urged to sign and return your Forms of Proxy (if you hold KCOM Shares in certificated form – that is, not in CREST) or, if you hold KCOM Shares in uncertificated form, to vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual, as soon as possible. You may (instead of completing a Form of Proxy) also submit your proxy electronically by logging on to the shareholder portal at www.kcom-shares.com, so as to be received by not later than 48 hours before the relevant meeting. Your attention is drawn to pages 8 to 10 of this document, in the section entitled “Action to be taken”, which explains the actions you should take in relation to the Acquisition.

KCOM Shareholders should note that forms of proxy or proxy instructions (made electronically or through CREST) completed in respect of the USS Offer are not valid and do not count in respect of the Acquisition. KCOM Shareholders who wish to appoint a proxy in respect of the Court Meeting and/or the General Meeting must complete and return the accompanying Forms of Proxy included with this document or appoint a proxy electronically or through CREST in accordance with the procedures set out in this document.

If you have any questions relating to this document (or any information incorporated into this document by reference to another source), the KCOM Meetings or the completion and return of your Forms of Proxy, please contact KCOM's registrars, Link Asset Services, during business hours on 0800 029 4521. Charges for calls to Freephone numbers will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The shareholder helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. Please note the shareholder helpline cannot provide advice on the merits of the Scheme nor give any financial, investment, legal or tax advice.

14. Further Information

Your attention is drawn to the letter from Rothschild & Co set out in Part II of this document (being the Explanatory Statement pursuant to section 897 of the Companies Act). The terms of the Scheme are set out in full in Part III of this document. Your attention is also drawn to the further information contained in this document and, in particular, to the Conditions and further terms of the Scheme and the Acquisition in Appendix 1 to this document, the information on UK taxation in Appendix 2 to this document, the additional information set out in Appendix 3 to this document and the notices of the meetings set out in Appendix 6 and Appendix 7 to this document.

A copy of this document (together with any document incorporated by reference) is and will be available, free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on KCOM's website at www.kcomplc.com during the course of the Acquisition.

You are advised to read the whole of this document and the accompanying Forms of Proxy and not just rely on the summary information contained in this letter or the Explanatory Statement.

15. Recommendation

In light of the superior proposal put forward by MEIF 6 Fibre as compared to the USS Offer, the KCOM Directors, who have been so advised by Rothschild & Co as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing its advice to the KCOM Directors, Rothschild & Co has taken into account the commercial assessments of the KCOM Directors. Rothschild & Co is providing independent financial advice to the KCOM Directors for the purpose of Rule 3 of the Takeover Code.

Accordingly, the KCOM Directors recommend unanimously that KCOM Shareholders vote in favour of the Scheme at the Court Meeting and in favour of the General Meeting Resolution to be proposed at the General Meeting.

Each of Graham Sutherland, Anna Bielby and Peter Smith (being the KCOM Directors who are interested in KCOM Shares) will not vote in respect of the Acquisition as the terms of the USS Offer KCOM Director Irrevocable Undertakings prohibit them from doing so. Further details of the USS Offer KCOM Director Irrevocable Undertakings are set out in paragraph 7(a) of Appendix 3 to this document.

The KCOM Directors have withdrawn their recommendation of the USS Offer and on 5 June 2019 adjourned the USS Scheme Meetings.

Yours faithfully

Patrick De Smedt
Interim Chairman
KCOM Group Public Limited Company

PART II – EXPLANATORY STATEMENT

(in compliance with section 897 of the Companies Act)



18 June 2019

To KCOM Shareholders and, for information only, to persons with information rights and participants in the KCOM LTIP

Dear KCOM Shareholder,

RECOMMENDED CASH ACQUISITION OF KCOM BY MEIF 6 FIBRE LIMITED (A WHOLLY-OWNED INDIRECT SUBSIDIARY OF MACQUARIE EUROPEAN INFRASTRUCTURE FUND 6 SCSP) (an investment fund managed by MIRAEL)

1. Introduction

On 3 June 2019, the Boards of KCOM and MEIF 6 Fibre announced that they had reached agreement on the terms of a recommended cash offer pursuant to which MEIF 6 Fibre would acquire the entire issued and to be issued ordinary share capital of KCOM.

The Acquisition is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act. The Scheme requires, amongst other things, the approval of the KCOM Scheme Shareholders and the sanction of the Court.

Your attention is drawn to the letter from the interim Chairman of KCOM set out in Part I of this document, which forms part of this Explanatory Statement. That letter contains, among other things, the background to and reasons for the KCOM Directors' unanimous recommendation that all KCOM Shareholders vote in favour of the resolutions to approve and implement the Acquisition.

The KCOM Directors have been advised by Rothschild & Co as to the financial terms of the Acquisition. Rothschild & Co has been authorised by the KCOM Directors to write to you to explain the Scheme and the Acquisition and to provide you with other relevant information.

The terms of the Scheme are set out in full in Part III of this document.

Statements made or referred to in this Explanatory Statement relating to information concerning MEIF 6 Fibre, MIRAEL and MIRA, the financial effects of the Acquisition on MEIF 6 Fibre, MIRAEL and MIRA, their reasons for the Acquisition and their financing of the Acquisition reflect the views of MEIF 6 Fibre, MIRAEL and MIRA. Statements made or referred to in this letter regarding the background to and reasons for the recommendation of the KCOM Directors, information concerning the business of the KCOM Group, and/or intentions or expectations of or concerning the KCOM Group, reflect the views of the KCOM Directors or the MIRAEL Responsible Persons, as relevant.

Please note that the timings set out in this document are indicative only and are subject to change.

2. The Acquisition

The Acquisition will, if approved, be effected by way of a scheme of arrangement under Part 26 of the Companies Act. The Acquisition is subject to the Conditions and further terms set out in Appendix 1 to this document. Under the terms of the Scheme, all of the KCOM Shares will be transferred to MEIF 6 Fibre and, in exchange, KCOM Scheme Shareholders on KCOM's register of members at the Scheme Record Time will receive:

for each KCOM Scheme Share 108 pence in cash

The Acquisition Price values the entire issued and to be issued share capital of KCOM at approximately £562 million, which represents:

- (a) a premium of 49 per cent. to the Closing Price of 72.5 pence for each KCOM Share on 23 April 2019 (the last Business Day prior to commencement of the Offer Period);
- (b) an increase of 11 pence to the USS Offer of 97 pence per KCOM Share; and
- (c) a premium of 52 per cent. to the volume weighted average share price of 71.2 pence per KCOM Share in the 30 days prior to 23 April 2019 (being the last Business Day prior to commencement of the Offer Period).

If any dividend or other distribution or return of capital is authorised, declared, made or paid in respect of KCOM Shares on or after the Announcement Date and prior to the Effective Date, MEIF 6 Fibre reserves the right to reduce the Acquisition Price by an amount up to the amount of such dividend or other distribution or return of capital for each KCOM Share, in which case eligible KCOM Shareholders will be entitled to receive and retain such dividend or other distribution or return of capital.

3. Financing of the Acquisition

MEIF 6 Fibre is financing the Acquisition through equity to be invested indirectly by MEIF 6. In due course after the Acquisition has completed, MEIF 6 Fibre will consider putting in place an appropriate capital structure for the business, which is likely to include third party debt.

Barclays is satisfied that resources available to MEIF 6 Fibre are sufficient to satisfy in full the cash consideration payable to KCOM Shareholders under the terms of the Acquisition

Further details of the funding guarantee which MEIF 6 has provided to MEIF 6 Fibre are summarised in paragraph 6(c) of Appendix 3 to this document.

4. Information on KCOM

KCOM, a leading provider of IT and communications solutions to consumers and businesses across the UK, is one of the UK's longest-established communications companies, helping customers get connected since 1904. Throughout the decades, KCOM has stayed at the forefront of technology and communications. KCOM is focussed on three markets:

- (a) Hull and East Yorkshire: KCOM provides voice and internet-based services to 140,000 consumers and businesses in the region;
- (b) Enterprise: KCOM serves large enterprise and public sector organisations that need complex technology solutions to serve customers better and adapt to an ever-changing competitive and regulatory environment; and
- (c) National Network Services: KCOM serves UK-based multi-site organisations that rely on connectivity as part of their business operations.

Further information on KCOM is available at www.kcomplc.com.

5. The KCOM Directors and the effect of the Scheme on their interests

The KCOM Shares in which the KCOM Directors (or their family members, connected persons or related trusts) are interested will be subject to the Scheme. Information on the KCOM Shares in which the KCOM Directors are interested is provided in paragraph 3.2 of Appendix 3 to this document. Particulars of service contracts and letters of appointment of the KCOM Directors and the benefits payable in connection therewith are set out in paragraph 8 of Appendix 3 to this document.

Each of Graham Sutherland, Anna Bielby and Peter Smith (being the KCOM Directors who are interested in KCOM Shares) will not vote in respect of the Acquisition as the terms of the USS Offer KCOM Director Irrevocable Undertakings prohibit them from doing so. Further details of the USS Offer KCOM Director Irrevocable Undertakings are set out in paragraph 7(a) of Appendix 3 to this document.

Otherwise than as set out in this document, the effect of the Scheme on the interests of the KCOM Directors does not differ from its effect on the like interest of any other person.

6. KCOM Share Schemes

The Scheme will extend to any KCOM Shares which are unconditionally allotted, issued or transferred under the KCOM Share Schemes prior to the Scheme Record Time.

(a) KCOM LTIP

Participants in the KCOM LTIP will receive a letter explaining the effect of the Acquisition on their awards under the KCOM LTIP and appropriate proposals will be made to such participants in accordance with the Takeover Code. Set out below is a summary of the impact of the Acquisition and the proposals that will be made.

In accordance with the rules of the KCOM LTIP, subsisting awards, to the extent not already vested, will vest when the Scheme is sanctioned by the Court, subject to the satisfaction of the relevant performance conditions in accordance with the rules of the KCOM LTIP and the terms of the Co-operation Agreement. The vesting of awards under the KCOM LTIP will also be subject to a time pro rating reduction in accordance with the rules of the KCOM LTIP, unless the Remuneration Committee decides that such a reduction is inappropriate in respect of any particular award. Participants in the KCOM LTIP will be offered the opportunity to exercise their vested awards, acquire KCOM Shares and participate in the Acquisition on the same terms as other KCOM Shareholders.

(b) KCOM SIP

Participants in the KCOM SIP who are beneficially entitled to plan shares will participate in the Acquisition on the same terms as other KCOM Shareholders in respect of their plan shares.

7. Background to and reasons for recommending the Acquisition

The details of the background to and reasons for the KCOM Directors recommending the Acquisition are set out in full in the letter from the Interim Chairman of KCOM in Part I of this document.

8. Structure of the Acquisition

(a) Introduction

It is intended that the Acquisition will be implemented by a Court-approved scheme of arrangement between KCOM and the KCOM Scheme Shareholders under Part 26 of the Companies Act, the provisions of which are set out in full in Part III of this document. The purpose of the Scheme is for MEIF 6 Fibre to become the owner of the entire issued and to be issued share capital of KCOM.

Under the Scheme, the KCOM Scheme Shares will be transferred to MEIF 6 Fibre and, in consideration of the transfer to MEIF 6 Fibre of the KCOM Scheme Shares, the KCOM Scheme Shareholders will receive the Acquisition Price in cash for each KCOM Scheme Share held by them.

On the Effective Date, share certificates in respect of KCOM Scheme Shares will cease to be valid. In addition, entitlements within the CREST system to the KCOM Scheme Shares will be cancelled on or shortly before the Effective Date.

Any KCOM Scheme Shares issued on or before the Scheme Record Time will be subject to the terms of the Scheme. KCOM Scheme Shareholders whose names appear on the register of members of KCOM at the Scheme Record Time, that is 10.00 p.m. on the Business Day immediately following the Court Sanction Date, will receive the Acquisition Price in cash for each KCOM Scheme Share held by them.

To become Effective, the Scheme requires the approval of a majority in number of those KCOM Scheme Shareholders who are present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting (or any adjournment thereof) and who represent 75 per cent. or more in value of all KCOM Scheme Shares held by such KCOM Scheme Shareholders. The Scheme also requires the sanction of the Court and the passing of the General Meeting Resolution to be proposed at the General Meeting, as well as the satisfaction or (where applicable) waiver of the other Conditions set out in Appendix 1 to this document.

Upon the Scheme becoming Effective, it will be binding on all KCOM Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

(b) ***The KCOM Meetings***

Notices of the Court Meeting and the General Meeting are set out in Appendix 6 and Appendix 7 to this document. Entitlements to attend and vote at the KCOM Meetings and the number of votes which may be cast at them will be determined by reference to holdings of KCOM Scheme Shares as shown in the register of members of KCOM at the Voting Record Time.

The Court Meeting

You will find set out in Appendix 6 to this document Notice of the meeting of the KCOM Scheme Shareholders which has been convened with permission of the Court for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

The Court Meeting, which has been convened for 11.00 a.m. on 11 July 2019, is being held with the permission of the Court to enable the KCOM Scheme Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by way of poll and each KCOM Scheme Shareholder present in person or by proxy will be entitled to one vote for each KCOM Scheme Share held. The approval required at the Court Meeting is a majority in number of those KCOM Scheme Shareholders who are present and voting (and entitled to vote), either in person or by proxy, and who represent 75 per cent. or more in value of all KCOM Scheme Shares held by such KCOM Scheme Shareholders.

It is important that as many votes as possible are cast (whether in person or by proxy) at the Court Meeting so that the Court may be satisfied that there is a fair representation of KCOM Scheme Shareholder opinion.

You are therefore strongly urged to complete and return the BLUE Form of Proxy or appoint a proxy electronically or through CREST or electronically as soon as possible and, in any event, so as to be received by 11.00 a.m. on 9 July 2019 for the Court Meeting or, if such meeting is adjourned, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for such adjourned meeting. Doing so will not prevent you from attending, voting and speaking at the Court Meeting or any adjournment thereof if you so wish and are so entitled. A Form of Proxy for the Court Meeting not lodged at the relevant time may be handed to the Chairman of the Court Meeting before the taking of the poll.

The General Meeting

In addition to the Court Meeting, the General Meeting has been convened for 11.15 a.m. on 11 July 2019, or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the General Meeting Resolution (which requires votes in favour representing at least 75 per cent. of the votes cast either in person or by proxy) to:

- (i) authorise the KCOM Directors to take all actions as they may consider necessary or appropriate to give effect to the Scheme; and
- (ii) make certain amendments to the KCOM Articles (as described below).

Voting on the General Meeting Resolution will be on a poll whereby each KCOM Shareholder present in person or by proxy will be entitled to one vote for every KCOM Share held.

All KCOM Shareholders will be entitled to vote on the General Meeting Resolution.

Each KCOM Shareholder who is entered in KCOM's register of members at the Voting Record Time will be entitled to attend, vote and speak on all resolutions to be put to the Court Meeting and the General Meeting. If either Meeting is adjourned, only those KCOM Shareholders on the register of members at 10.00 p.m. on the day which is two days before the date fixed for the adjourned meeting (excluding any day which is not a Business Day) will be entitled to attend and vote. Each eligible KCOM Shareholder is entitled to appoint a proxy or proxies to attend and to vote instead of

him or her. A proxy need not be a shareholder of KCOM but must attend the Meetings. The completion and return of a Form of Proxy or the appointment of a proxy electronically shall not prevent a KCOM Shareholder from attending, voting and speaking in person at either Meeting or any adjournment therefor if such shareholder wishes and is entitled to do so.

It is proposed, as part of the General Meeting Resolution to be proposed at the General Meeting relating to the Scheme, that the KCOM Articles be amended to ensure that any KCOM Shares issued under the KCOM Share Schemes or otherwise after the Voting Record Time in respect of the Court Meeting and on or prior to the Scheme Record Time will be subject to the Scheme. It is also proposed that the KCOM Articles be amended so that any KCOM Shares issued to any person other than MEIF 6 Fibre (or its nominee(s)) on or after the Scheme Record Time will automatically be acquired by MEIF 6 Fibre in consideration for the payment by MEIF 6 Fibre to such person of such cash consideration as would have been payable under the Scheme had such KCOM Shares been KCOM Scheme Shares. This will avoid any person (other than MEIF 6 Fibre) being left with KCOM Shares after such shares have ceased trading on the main market of the London Stock Exchange.

The proposed amendments to the KCOM Articles are set out in full in the Notice of the General Meeting in Appendix 7 to this document.

You are strongly urged to complete and return the WHITE Form of Proxy or appoint a proxy electronically or through CREST or electronically as soon as possible and, in any event so as to be received by 11.15 a.m. on 9 July 2019 for the General Meeting or, if such meeting is adjourned, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for such adjourned meeting. Doing so will not prevent you from attending, voting and speaking at the General Meeting or any adjournment thereof if you so wish and are so entitled.

(c) ***Modifications to the Scheme***

The Scheme contains a provision for KCOM and MEIF 6 Fibre jointly to consent on behalf of all persons affected to any modification, addition or condition to the Scheme which the Court may impose, or, if required, approve. The Court would be unlikely to impose or approve any modification, addition or condition to the Scheme which might be material to the interests of KCOM Scheme Shareholders unless KCOM Scheme Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of KCOM Scheme Shareholders should be held.

In accordance with the Takeover Code, except with the consent of the Panel, modification or revision to the Scheme may only be made: (i) more than 14 days prior to the date of the KCOM Meetings (or any later date to which such meetings are adjourned); or (ii) at a later date, with the consent of the Panel.

A switch to a Takeover Offer is not a modification or revision for the purposes of this paragraph.

(d) ***Alternative means of implementing the Acquisition***

MEIF 6 Fibre reserves the right to elect, subject to the consent of the Panel and the terms of the Co-operation Agreement, to implement the Acquisition by way of a Takeover Offer. In such event, the Takeover Offer will be implemented on the same terms and conditions as those which would apply to the Scheme subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such other percentage (being more than 50 per cent.) as MEIF 6 Fibre may decide (subject to the Panel's consent)) (i) in nominal value of the shares to which such Takeover Offer relates; and (ii) of the voting rights attaching to those shares. If MEIF 6 Fibre does elect to implement the Acquisition by way of a Takeover Offer, and if sufficient acceptances of such Takeover Offer are received and/or sufficient KCOM Shares are otherwise acquired, it is the intention of MEIF 6 Fibre to apply the provisions of sections 979 to 982 (inclusive) of the Companies Act to acquire compulsorily any outstanding KCOM Shares to which such Takeover Offer relates.

(e) **Conditions to the Scheme and the Acquisition**

The Scheme is subject to the Conditions and further terms set out in Appendix 1 to this document and will only become Effective if, among other things, the following events occur on or before the Long Stop Date or such later date as may be agreed in writing by MEIF 6 Fibre and KCOM (with the Panel's consent and as the Court may approve (if such approval(s) are required)):

- (i) the approval of the Scheme at the Court Meeting by a majority in number of KCOM Scheme Shareholders present and voting (and entitled to vote), either in person or by proxy, representing at least 75 per cent. in value of the KCOM Scheme Shares held by those KCOM Scheme Shareholders;
- (ii) the General Meeting Resolution being duly passed by KCOM Shareholders representing 75 per cent. or more of votes cast, whether in person or by proxy, at the General Meeting;
- (iii) the approval of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to KCOM and MEIF 6 Fibre);
- (iv) the delivery of a copy of the Court Order to the Registrar of Companies; and
- (v) all other Conditions to the Scheme, as set out in Appendix 1 to this document, being satisfied or (where applicable) waived.

The Acquisition will lapse if:

- (i) the Court Meeting and the General Meeting are not held by the 22nd day after the expected date of such meetings as set out in this document (or such later date as may be agreed between MEIF 6 Fibre and KCOM);
- (ii) the Court Hearing to approve the Scheme is not held by the 22nd day after the expected date of such hearing as set out in this document (or such later date as may be agreed between MEIF 6 Fibre and KCOM); or
- (iii) the Scheme does not become Effective by the Long Stop Date,

provided however that the deadlines for the timing of the Court Meeting, the General Meeting and the Court Hearing to approve the Scheme as set out above may be waived by MEIF 6 Fibre, and the deadline for the Scheme to become Effective may be extended by agreement between KCOM and MEIF 6 Fibre (with the Panel's consent and, if required, the Court's approval).

(f) **Sanction of the Scheme by the Court**

Under the Companies Act, the Scheme will also require the sanction of the Court. The Court Hearing is expected to be no later than 14 days following the satisfaction, or where applicable, waiver of the FCA Condition (or such later date as may be agreed between KCOM and MEIF 6 Fibre). The Court may deliver its decision in relation to the Court's sanction on the day of the Court Hearing or at a later date. MEIF 6 Fibre has confirmed that it will be represented by Counsel at such hearing so as to consent to the Scheme and to undertake to the Court to be bound thereby. KCOM Scheme Shareholders are entitled to attend the Court Hearing, should they wish to do so, in person or through Counsel. KCOM will give adequate notice of the date and time of the Court Hearing, once known, by issuing an announcement through a Regulatory Information Service.

The Scheme will become Effective in accordance with its terms on delivery of a copy of the Court Order to the Registrar of Companies. This is presently expected to occur two Business Days following the Court Sanction Date.

If the Scheme becomes Effective, it will be binding on all KCOM Scheme Shareholders, irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the General Meeting Resolution proposed at the General Meeting. If the Scheme does not become Effective by the Long Stop Date (or such later date as may be agreed in writing by MEIF 6 Fibre and KCOM with the Panel's consent and as the Court may approve (if such approval is required)) the Scheme will not become Effective, and the Acquisition will not proceed.

9. Settlement

Subject to the Scheme becoming Effective, settlement of the cash consideration to which any holder of KCOM Scheme Shares is entitled thereunder will be effected in the manner set out below.

(a) ***Cash consideration where KCOM Scheme Shares are held in uncertificated form (that is, in CREST)***

Where, at the Scheme Record Time, a KCOM Scheme Shareholder holds KCOM Scheme Shares within CREST, settlement of cash consideration will be effected through CREST by the creation of an assured payment obligation in favour of the appropriate CREST account through which the relevant KCOM Scheme Shareholder holds such uncertificated shares in respect of the cash consideration due to him/her in accordance with the terms of the Scheme as soon as practicable and, in any event, no later than 14 days after the Effective Date.

MEIF 6 Fibre reserves the right to settle all or any part of the entitlements referred to above to all or any KCOM Scheme Shareholders who hold KCOM Scheme Shares in uncertificated form at the Scheme Record Time by cheque in the manner referred to in paragraph (b) below if, for reasons outside its reasonable control, it is not able to effect settlement in uncertificated form.

(b) ***Cash consideration where KCOM Scheme Shares are held in certificated form***

Where at the Scheme Record Time, a KCOM Scheme Shareholder holds KCOM Scheme Shares in certificated form, settlement of cash consideration due to such KCOM Scheme Shareholder pursuant to the Scheme will be effected by cheque to be sent as soon as practicable and, in any event, no later than 14 days after the Effective Date. All cheques will be in pounds sterling drawn on the branch of a UK clearing bank. Payments made by cheque will be payable to the KCOM Scheme Shareholder(s) concerned. Payments will not be sent via CHAPS or BACS. Cheques will be despatched by first class post or international standard post, if overseas (or by such other method as may be approved by the Panel) at the risk of the person entitled thereto. Cheques will be sent to KCOM Scheme Shareholders at the address appearing in KCOM's register of members at the Scheme Record Time or, in the case of the joint holders, to the holder whose name appears first in such register in respect of the joint holding concerned.

(c) ***General***

Save with the consent of the Panel, settlement of the consideration to which any KCOM Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms set out in this Part II without regard to any lien, right of set-off, counterclaim or analogous right to which MEIF 6 Fibre may otherwise be, or claim to be, entitled against any KCOM Shareholder.

10. Offer-related arrangements

MIRAEL and KCOM entered into a confidentiality agreement on 21 May 2019 (the **Confidentiality Agreement**) pursuant to which MIRAEL has undertaken to keep confidential information relating to KCOM and not to disclose it to third parties (other than permitted recipients) unless required by applicable law or regulation. These confidentiality obligations shall remain in force notwithstanding the completion or termination of discussions concerning the Acquisition between the parties, but will terminate on the date of completion of the Acquisition. Further details of the Confidentiality Agreement are set out in paragraph 5(a) of Appendix 3 to this document.

MEIF 6 Fibre and KCOM have entered into the Co-operation Agreement, which records the intention of MEIF 6 Fibre and KCOM to implement the Acquisition by way of the Scheme (the **Co-operation Agreement**). However, MEIF 6 Fibre may with the consent of the Panel implement the Acquisition by way of a Takeover Offer.

Pursuant to clause 3 of the Co-operation Agreement, MEIF 6 Fibre and KCOM have agreed to co-operate in relation to any clearance as may be required from the FCA in connection with the Acquisition. Further details of the Co-operation Agreement are set out in paragraph 5(b) of Appendix 3 to this document.

11. United Kingdom taxation

A summary of certain relevant UK taxation matters, which is intended as a general guide only, is set out in Appendix 2 to this document. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the UK, you should consult your independent professional adviser.

12. Suspension of trading, cancellation of listing and re-registration

It is expected that listing of the KCOM Shares on the London Stock Exchange's main market for listed securities will be suspended from 6.00 p.m. on the Business Day immediately prior to the Effective Date. No transfers of KCOM Shares will be registered after 10.00 p.m. on that date.

Once the Court has sanctioned the Scheme, but prior to the Scheme becoming Effective, KCOM will make an application to the FCA for the cancellation of the listing of KCOM Shares on the Official List and to the London Stock Exchange for the cancellation of trading of the KCOM Shares on the London Stock Exchange's main market for listed securities, in each case with effect from the Business Day immediately following the Effective Date.

The last day of dealings in, and for registration of transfers of, KCOM Shares will be the Business Day immediately prior to the Effective Date. The admission of KCOM Shares to the Official List and to trading on the premium segment of the London Stock Exchange's market for listed securities will then be suspended. On the Effective Date, share certificates in respect of KCOM Shares will cease to be valid and entitlements to KCOM Shares held within the CREST system will be cancelled.

Following the Effective Date, it is intended that KCOM will be re-registered as a private limited company.

13. Action to be taken

The Scheme is subject to the satisfaction or waiver (when applicable) of, amongst other things, the Conditions referred to in paragraph 8(e) above and set out in full in Appendix 1 to this document. In order to become Effective, the Scheme must be approved by a majority in number of those KCOM Scheme Shareholders who are present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting and who represent 75 per cent. or more in value of all KCOM Scheme Shares held by such KCOM Scheme Shareholders. Implementation of the Scheme will also require the passing of the General Meeting Resolution by KCOM Shareholders at the General Meeting.

The Court Meeting and the General Meeting will both be held at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU. The Court Meeting will be held at 11.00 a.m. on 11 July 2019 and the General Meeting will be held at 11.15 a.m. on 11 July 2019 (or, if later, as soon thereafter as the Court Meeting has been concluded or adjourned). Under the Companies Act, the Scheme is also subject to the sanction of the Court.

If the Scheme becomes Effective, it will be binding on all KCOM Scheme Shareholders, including those who did not vote or who voted against it at either or both of the KCOM Meetings.

(a) *KCOM Shareholders with shares held in uncertificated form (that is, in CREST)*

If you hold your KCOM Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the Notice of the General Meeting set out at the end of this document).

Proxies submitted via CREST (under CREST ID RA10) must be received by not later than 11.00 a.m. on 9 July 2019 in the case of the Court Meeting and 11.15 a.m. on 9 July 2019 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting).

(b) **KCOM Shareholders with shares held in certificated form (that is, not in CREST)**

You will find enclosed with this document:

- a BLUE Form of Proxy for use in respect of the Court Meeting; and
- a WHITE Form of Proxy for use in respect of the General Meeting.

Whether or not you plan to attend both or either of the KCOM Meetings, please complete and sign the enclosed Forms of Proxy and return them in accordance with the instructions printed thereon as soon as possible but, in any event, so as to be received by post or, during normal business hours, by hand to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom by not later than 11.00 a.m. on 9 July 2019 in the case of the Court Meeting and 11.15 a.m. on 9 July 2019 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting). The Forms of Proxy have a pre-paid address printed on them for use in the UK only. Forms of Proxy sent by fax only will not be valid.

If the BLUE Form of Proxy for use at the Court Meeting is not lodged by the above time, it may be handed to Link Asset Services, on behalf of the Chairman of the Court Meeting, or to the Chairman of the Court Meeting before the taking of the poll and it will still be valid. However, in the case of the General Meeting, unless the WHITE Form of Proxy is lodged so as to be received by 11.15 a.m. on 9 July 2019 it will be invalid. The WHITE Form of Proxy may NOT be handed to the Chairman of the General Meeting or Link Asset Services. The completion and return of the Forms of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

(c) **General**

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF KCOM SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY, OR APPOINT A PROXY THROUGH CREST OR ELECTRONICALLY, AS SOON AS POSSIBLE.

If you have any questions about the KCOM Meetings or the completion and return of the Forms of Proxy, please call Link Asset Services on 0800 029 4521 between 9.00 a.m. and 5.30 p.m., Monday to Friday (except UK public holidays). Charges for calls to Freephone numbers will vary by provider. Calls from outside the UK will be charged at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Please note the shareholder helpline cannot provide advice on the merits of the Scheme nor give any financial, investment, legal or tax advice.

KCOM Shareholders should note that forms of proxy or proxy instructions (made electronically or through CREST) completed in respect of the USS Offer are not valid and do not count in respect of the Acquisition. KCOM Shareholders who wish to appoint a proxy in respect of the Court Meeting and/or the General Meeting must complete and return the accompanying Forms of Proxy or appoint a proxy electronically or through CREST in accordance with the procedures set out in this document.

Notices convening the Court Meeting and the General Meeting are set out in Appendix 6 and Appendix 7 to this document.

14. Overseas Shareholders

The implications of the Scheme and the Acquisition in jurisdictions other than the United Kingdom and the ability of KCOM Shareholders who are not resident in the United Kingdom to participate in the Acquisition may be affected by laws and/or regulations in those jurisdictions and therefore any persons who are not resident in the United Kingdom or who are subject to the laws of any jurisdiction other than the United Kingdom (including Restricted Jurisdictions) should inform themselves about, and observe,

any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or who are subject to the laws of another jurisdiction to vote their KCOM Scheme Shares in respect of the Scheme at the Court Meeting or with respect to the General Meeting Resolution at the General Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting and/or the General Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

Unless otherwise determined by MEIF 6 Fibre or required by the Takeover Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Acquisition by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, or from within, a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

The Acquisition will be subject to the applicable requirements of English law, the Takeover Code, the Panel, the London Stock Exchange and the FCA.

Copies of the Announcement, this document, the Forms of Proxy and any other formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Acquisition.

If the Acquisition is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Takeover Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

15. Governing law

The Scheme will be governed by English law and is subject to the jurisdiction of the Court. The rules of the Takeover Code apply to the Acquisition.

16. Further information

The terms of the Scheme are set out in full in Part III of this document. Your attention is also drawn to the further information contained in this document, including to the Conditions to the implementation of the Scheme and the Acquisition in Appendix 1 to this document, the information on UK taxation in Appendix 2 to this document and the additional information set out in Appendix 3 to this document.

Yours very truly
for and on behalf of

Warner Mandel
Managing Director
N M Rothschild & Sons Limited

PART III – THE SCHEME OF ARRANGEMENT

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)**

CR-2019-003841

IN THE MATTER OF KCOM GROUP PUBLIC LIMITED COMPANY

and

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

BETWEEN

KCOM GROUP PUBLIC LIMITED COMPANY

and

THE KCOM SCHEME SHAREHOLDERS

(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

| | |
|---|--|
| Acquisition | the proposed acquisition by MEIF 6 Fibre of the entire issued and to be issued share capital of KCOM, other than any KCOM Shares held by MEIF 6 Fibre, by means of this Scheme |
| Acquisition Price | 108 pence for each KCOM Scheme Share |
| Announcement Date | 3 June 2019 |
| Business Day | a day, not being a public holiday, Saturday or Sunday, on which banks in London are open for normal business |
| certificated or in certificated form | a share or other security which is not in uncertificated form (that is, not in CREST) |
| Companies Act | the Companies Act 2006, as amended from time to time |
| Court | the High Court of Justice in England and Wales |
| Court Meeting | the meeting of KCOM Scheme Shareholders convened by order of the Court pursuant to section 896 of the Companies Act, for the purposes of considering, and if thought fit, approving the Scheme (with or without amendment) |
| Court Order | the order of the Court to sanction the Scheme under section 899 of the Companies Act |
| Court Sanction Date | the date on which the Court Order is made |
| CREST | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) (the Regulations) in respect of which Euroclear UK & Ireland Ltd is the Operator (as defined in the Regulations) in accordance with which securities may be held and transferred in uncertificated form |
| Effective | the Scheme having become effective in accordance with its terms upon the delivery of the Court Order to the Registrar of Companies |
| Effective Date | the date upon which the Scheme becomes Effective |
| Euroclear | Euroclear UK & Ireland Limited |
| Excluded Shares | any KCOM Shares: <ul style="list-style-type: none">(a) which are registered in the name of or beneficially owned by MEIF 6 Fibre or its nominee(s) or any subsidiary undertaking of MEIF 6 Fibre or its nominee(s); or(b) which are held in treasury (unless such KCOM Shares cease to be so held) |
| FCA | the Financial Conduct Authority or its successor from time to time |
| holder | a registered holder |
| KCOM | KCOM Group Public Limited Company, a public limited company incorporated in England and Wales with registered number 02150618 |

| | |
|---|--|
| KCOM Group | KCOM and its subsidiary undertakings from time to time |
| KCOM LTIP | the KCOM Group PLC Long-Term Incentive Plan |
| KCOM Scheme Shareholders | holders of KCOM Scheme Shares |
| KCOM Scheme Shares | <p>KCOM Shares:</p> <p>(a) in issue as at the date of this document;</p> <p>(b) if any, issued after the date of this document and prior to the Voting Record Time; and</p> <p>(c) if any, issued on or after the Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme,</p> <p>but in each case other than the Excluded Shares</p> |
| KCOM Shares | the ordinary shares of 10 pence each in the capital of KCOM from time to time |
| MEIF 6 Fibre | MEIF 6 Fibre Limited, a private limited company incorporated in England and Wales under registered number 12005063 with its registered office at Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD |
| MEIF 6 Fibre Group | MEIF 6 Fibre and its subsidiary undertakings and, where the context permits, each of them |
| Panel | the Panel on Takeovers and Mergers |
| Registrar of Companies | the Registrar of Companies in England and Wales |
| Scheme or Scheme of Arrangement | this scheme of arrangement in its present form under sections 895 to 899 of the Companies Act between KCOM and the holders of KCOM Scheme Shares with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by KCOM and MEIF 6 Fibre |
| Scheme Record Time | 10.00 p.m. on the Business Day immediately following the Court Sanction Date |
| Subsidiary, subsidiary undertaking and undertaking | have the meaning given to them in the Companies Act |
| Takeover Code | the City Code on Takeovers and Mergers issued from time to time by the Panel |
| uncertificated or in uncertificated form | recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST |
| Voting Record Time | 10.00 p.m. on 9 July 2019 (or, if the Court Meeting is adjourned, 10.00 p.m. on the date which is two days before the date fixed for the adjourned meeting, excluding any day which is not a Business Day) |
| (B) | The issued share capital of KCOM as at the close of business on 14 June 2019 (being the latest practicable date prior to the publication of this document) is 516,603,910 ordinary shares of 10 pence each, all of which are credited as fully paid. KCOM does not hold any KCOM Shares in treasury at the date of this Scheme. |

- (C) 3,417,601 KCOM Shares are expected to be issued prior to the Effective Date to satisfy the exercise of options granted pursuant to the KCOM LTIP which remain unexercised as at the date of this document.
- (D) As at the close of business on 14 June 2019 (being the latest practicable date prior to the publication of this document), no KCOM Shares were registered in the name of, or beneficially owned by any member of the MEIF 6 Fibre Group.
- (E) MEIF 6 Fibre has agreed to appear by Counsel at the hearing to sanction this Scheme and to consent thereto and to undertake to the Court to be bound thereby and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by it or on its behalf for the purpose of giving effect to this Scheme.

THE SCHEME

1. Transfer of KCOM Scheme Shares

- 1.1 On the Effective Date, MEIF 6 Fibre (and/or its nominee(s)) shall acquire all of the KCOM Scheme Shares, fully paid-up with full title guarantee, and free from all liens, equities, charges, options, encumbrances, rights of pre-emption and any other third party rights or interest of any nature and together with all rights attaching or accruing to them after the Announcement Date, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any), and any return of capital (whether by way of reduction of share capital or share premium account or otherwise), declared, made or paid by KCOM by reference to a record date on or after the Announcement Date.
- 1.2 For such purposes, the KCOM Scheme Shares shall be transferred to MEIF 6 Fibre (and/or its nominee(s)) and such transfer shall be effected by means of a form of transfer or other instrument of transfer and to give effect to such transfers any person may be appointed by KCOM as attorney and/or agent and/or otherwise and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the relevant holder of KCOM Scheme Shares to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST, of such KCOM Scheme Shares and every form, instrument or instruction of transfer so executed shall be effective as if it had been executed by the holder or holders of the KCOM Scheme Shares thereby transferred. KCOM shall register the transfer of the KCOM Scheme Shares forthwith upon having produced to it a proper and duly stamped instrument of transfer.
- 1.3 With effect from the Effective Date and pending the registration of MEIF 6 Fibre (and/or its nominee(s)) as the holder of the KCOM Scheme Shares pursuant to this Scheme each KCOM Scheme Shareholder irrevocably:
- 1.3.1 appoints MEIF 6 Fibre (and/or its nominee(s)) as its attorney, or failing that, agent to exercise on its behalf (to the exclusion of the relevant KCOM Scheme Shareholder) any voting rights attached to the KCOM Scheme Shares and any or all rights and privileges attaching to the KCOM Scheme Shares;
- 1.3.2 appoints MEIF 6 Fibre (or its nominee(s)) as its attorney, or failing that, agent to sign any consent to short notice of any general or separate class meeting of KCOM and on their behalf to execute a form of proxy in respect of its KCOM Scheme Shares appointing any person nominated by MEIF 6 Fibre to attend general and separate class meetings of KCOM;
- 1.3.3 authorises KCOM to send to MEIF 6 Fibre and/or its nominee(s) any notice, circular, warrant or other document or communication which may be sent to it as a member of KCOM; and
- 1.3.4 authorises KCOM to pay MEIF 6 Fibre any dividend or other distribution which is authorised, declared, paid or made by KCOM on or after the Effective Date and which will not be deducted from the Acquisition Price pursuant to clause 2.2,

such that from the Effective Date, no KCOM Scheme Shareholder shall be entitled to exercise any voting rights allocated to the KCOM Scheme Shares or any other rights or privileges attaching to the KCOM Scheme Shares.

2. Consideration for the transfer of KCOM Scheme Shares

- 2.1 In consideration for the transfer of the KCOM Scheme Shares to MEIF 6 Fibre, MEIF 6 Fibre shall (subject to the remaining provisions of this Scheme) pay or procure that there shall be paid to or for the account of each KCOM Scheme Shareholder whose name appears in the register of members of KCOM at the Scheme Record Time:

for each KCOM Scheme Share

108 pence in cash

- 2.2 If any dividend or other distribution or return of capital is authorised, declared, made or paid in respect of KCOM Shares on or after the Announcement Date and prior to the Effective Date, MEIF 6 Fibre reserves the right to reduce the Acquisition Price by an amount up to the amount of such dividend or other distribution or return of capital for each KCOM Share, in which case eligible KCOM Shareholders will be entitled to receive and retain such dividend or other distribution or return of capital.
- 2.3 The exercise by MEIF 6 Fibre of its right under Clause 2.2 shall be the subject of an announcement, and shall not constitute a revision or variation of the terms of this Scheme.

3. Settlement of consideration

- 3.1 As soon as practicable after the Effective Date, and in any event no more than 14 days thereafter, MEIF 6 Fibre shall:
- 3.1.1 in the case of cash consideration payable by MEIF 6 Fibre for KCOM Scheme Shares which at the Scheme Record Time are in certificated form, despatch or procure the despatch to the persons entitled thereto, in accordance with the provisions of clauses 3.2 and 3.3, cheques for the sums payable to them respectively in accordance with clause 2.1; and
- 3.1.2 in the case of cash consideration payable by MEIF 6 Fibre for KCOM Scheme Shares which at the Scheme Record Time are in uncertificated form, procure that Euroclear is instructed to create an assured payment obligation in respect of the sums payable in accordance with the CREST assured payment arrangements, provided that MEIF 6 Fibre reserves the right to make payment of the said consideration by cheque as aforesaid in sub-clause 3.1.1 if, for any reason, it wishes to do so.
- 3.2 All deliveries of notices and/or cheques required to be made under this Scheme shall be made by sending the same by first class post or international standard post, if overseas (or by such other method as may be approved by the Panel), in pre-paid envelopes addressed to the person entitled thereto, to the address appearing in the register of members of KCOM or, in the case of joint holders, to the address of the holder whose name stands first in such register in respect of the joint holding concerned at the Scheme Record Time, and none of KCOM, MEIF 6 Fibre or their respective agents or nominees shall be responsible for any loss or delay in the transmission or delivery of any notices and/or cheques sent in accordance with this clause, which shall be sent at the risk of the persons entitled thereto.
- 3.3 All cheques shall be in pounds sterling and drawn on a United Kingdom clearing bank, and shall be made payable to the KCOM Scheme Shareholder concerned or, in the case of joint holders, to the holder whose name stands first in the register of members of KCOM in respect of the joint holding concerned at the Scheme Record Time and the encashment of any such cheque shall be a complete discharge of MEIF 6 Fibre's obligations under this Scheme to pay the moneys represented thereby.
- 3.4 In respect of payments made through CREST, MEIF 6 Fibre shall ensure that an assured payment obligation is created in accordance with the CREST assured payment arrangements. The creation of such an assured payment obligation shall be a complete discharge of MEIF 6 Fibre's obligations under this Scheme to pay the moneys represented thereby.
- 3.5 In the case of KCOM Scheme Shares acquired by current or former employees or directors of KCOM or any member of the KCOM Group on the exercise of options under the KCOM LTIP after the Court Hearing, MEIF 6 Fibre shall procure the payment of the cash consideration payable for the KCOM Scheme Shares through the relevant employing companies' payroll (and subject to all relevant payroll deductions) in accordance with the terms of the letters sent to participants in the KCOM LTIP.
- 3.6 The provisions of this clause 3 shall be subject to any prohibition or condition imposed by law.

4. Share certificates, cancellations and mandates

With effect from, or as soon as possible after, the Effective Date:

- 4.1 all certificates representing KCOM Scheme Shares shall cease to have effect as documents of title to the KCOM Scheme Shares comprised therein and every KCOM Scheme Shareholder shall be bound at the request of KCOM to deliver up the same to KCOM (or any person appointed by KCOM to receive the same for cancellation) or destroy the same;
- 4.2 in respect of those holders of KCOM Scheme Shares holding their shares in uncertificated form, KCOM shall procure that Euroclear is instructed to cancel or transfer the entitlements to such KCOM Scheme Shares;
- 4.3 following the cancellation of the entitlements to KCOM Scheme Shares of holders of KCOM Scheme Shares in uncertificated form, KCOM shall be authorised to instruct Link Asset Services to rematerialise entitlements to such KCOM Scheme Shares;
- 4.4 subject to the completion of such transfers, forms, instruments or instructions as may be required in accordance with paragraph 1.2 and the payment of any UK stamp duty thereon, KCOM shall make appropriate entries in the register of members of KCOM to reflect the transfer of the KCOM Scheme Shares to MEIF 6 Fibre; and
- 4.5 all mandates to KCOM in force at the Scheme Record Time relating to KCOM Scheme Shares shall, as from the Effective Date, cease to be valid.

5. Operation of the Scheme

- 5.1 This Scheme shall become effective as soon as a copy of the Court Order shall have been delivered to the Registrar of Companies.
- 5.2 Unless the Scheme has become effective on or before 11.59 p.m. on 31 October 2019, or such later date, if any, as KCOM and MEIF 6 Fibre may (with the consent of the Panel) agree and the Court may allow, the Scheme shall never become effective.

6. Modification

KCOM and MEIF 6 Fibre may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition that the Court may approve or impose. The Takeover Code may require the Panel's consent to be obtained in connection with any such modification or addition.

7. Governing law

This Scheme is governed by English law and is subject to the jurisdiction of the English courts.

Dated: 18 June 2019

APPENDIX 1

CONDITIONS AND FURTHER TERMS OF THE SCHEME AND THE ACQUISITION

The Acquisition is subject to the Conditions and terms set out in this Appendix.

PART A

CONDITIONS TO THE SCHEME AND ACQUISITION

1. The Acquisition is conditional upon the Scheme becoming unconditional and Effective, subject to the Takeover Code, by no later than 11.59 pm on the Long Stop Date, or such later date (if any) as MEIF 6 Fibre and KCOM may, with the consent of the Panel, agree and (if required) the Court may approve.

Scheme approval

2. The Scheme is conditional upon:
 - (a) approval of the Scheme at the Court Meeting (or at any adjournment thereof, provided that the Court Meeting may not be adjourned beyond the 22nd day after the expected date of the Court Meeting as set out in this document (or such later date (if any) as MEIF 6 Fibre and KCOM may agree) by a majority in number of the KCOM Scheme Shareholders present and voting, either in person or by proxy, representing three-quarters or more in value of the KCOM Scheme Shares held by those KCOM Scheme Shareholders;
 - (b) all resolutions in connection with or required to approve and implement the Scheme as set out in the notice of the General Meeting (including, without limitation, the General Meeting Resolution) being duly passed by the requisite majority at the General Meeting (or at any adjournment thereof) provided that the General Meeting may not be adjourned beyond the 22nd day after the expected date of the General Meeting as set out in this document (or such later date (if any) as MEIF 6 Fibre and KCOM may agree); and
 - (c) the sanction of the Scheme by the Court without modification or with modification on terms acceptable to MEIF 6 Fibre and KCOM, provided that the Court Hearing may not be adjourned beyond the 22nd day after the expected date of the Court Hearing as first announced through a Regulatory Information Service (or such later date (if any) as MEIF 6 Fibre and KCOM may agree); and
 - (d) the delivery of an office copy of the Court Order to the Registrar of Companies.
3. In addition, MEIF 6 Fibre and KCOM have agreed that the Acquisition is conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless such conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

FCA approvals

- (a) In respect of each notice under section 178 of FSMA which MEIF 6 Fibre or any other person who has decided to acquire control pursuant to the Acquisition over any member of the KCOM Group which is a UK authorised person (as such term is defined in section 191G of FSMA) is under a duty to give in connection with the proposed implementation of the Acquisition:
 - (i) the FCA having given notice in writing pursuant to section 189(4)(a) of FSMA that it has determined unconditionally to approve each such acquisition pursuant to section 185 of FSMA;
 - (ii) in relation to such acquisition, the FCA having given notice in writing pursuant to section 189(7) of FSMA subject to condition(s) specified in the decision notice and such condition(s) being satisfactory to the section 178 notice-giver, acting reasonably; or

- (iii) the FCA being treated, under section 189(6) of FSMA, as having approved each such acquisition,

where for the purposes of this Condition 3(a), "control" shall be construed in accordance with the provisions of Part XII of FSMA (read, as appropriate, with the FSMA (Controllers) (Exemption) Order 2009).

Third Party clearances

- (b) no Third Party having given written notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken or otherwise having done anything or having enacted, made or proposed any statute, regulation, decision, order or change to published practice, or having taken any other steps (in each case, not having withdrawn the same) (in each case which would be material in the context of the Wider MEIF 6 Fibre Group or Wider KCOM Group, as the case may be, taken as a whole) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:
 - (i) make the Acquisition, its implementation or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, any member of the Wider KCOM Group by any member of the Wider MEIF 6 Fibre Group void, illegal and/or unenforceable under the laws of any jurisdiction, or otherwise directly or indirectly prevent, prohibit, or restrain, restrict, impede, materially challenge, delay or otherwise interfere with the implementation of, or impose additional material conditions or material obligations with respect thereto or otherwise challenge or interfere therewith;
 - (ii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider MEIF 6 Fibre Group directly or indirectly to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or loans or other securities convertible into shares or any other securities (or the equivalent) in KCOM (or any member of the Wider KCOM Group) or to exercise management control over, any member of the Wider KCOM Group to an extent which is material in the context of the Wider KCOM Group taken as a whole;
 - (iii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider KCOM Group of all or any part of their respective businesses, assets or property or impose any limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their respective assets or properties or any part thereof which, in any such case, is material in the context of the Wider KCOM Group taken as a whole;
 - (iv) other than pursuant to sections 974 to 991 of the Companies Act, require any member of the Wider MEIF 6 Fibre Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Wider KCOM Group owned by any third party (other than in the implementation of the Acquisition);
 - (v) result in any member of the Wider KCOM Group ceasing to be able to carry on business under any name under which it presently does so (in each case to an extent which is material in the context of the Wider KCOM Group taken as a whole);
 - (vi) impose any material limitation on, or result in any delay of, the ability of any member of the Wider MEIF 6 Fibre Group or any member of the Wider KCOM Group to integrate or co-ordinate all or any part of their respective businesses with all or any part of the business of any other member of the Wider MEIF 6 Fibre Group and/or the Wider KCOM Group in a manner which is material in the context of the Wider MEIF 6 Fibre Group and/or the Wider KCOM Group, in each case taken as a whole; or
 - (vii) otherwise adversely affect the business, assets, value, profits, prospects or operational performance of any member of the Wider KCOM Group to an extent which is material in the context of the Wider KCOM Group taken as a whole,

and all applicable waiting or other time periods (including any extensions thereof) during which a Third Party could take, institute, implement or threaten any such action, proceeding, suit,

investigation, enquiry or reference or take any other step under the laws of any jurisdiction in respect of the Acquisition or proposed acquisition of any KCOM Shares having expired, lapsed or been terminated;

- (c) other than as contemplated by Condition 3(a) above, all notifications, filings or applications which are necessary under applicable legislation or regulation of any relevant jurisdiction having been made in connection with the Acquisition and all necessary waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory and regulatory obligations in any jurisdiction having been complied with in respect of the Scheme and the Acquisition; and
- (d) all Authorisations which are necessary in any jurisdiction for or in respect of the Acquisition or the proposed acquisition of any shares or other securities in, or control of, KCOM by any member of the Wider MEIF 6 Fibre Group having been obtained in terms and in a form reasonably satisfactory to MEIF 6 Fibre from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Wider KCOM Group has entered into contractual arrangements and all such Authorisations which are necessary for any member of the Wider KCOM Group to carry on its business in any jurisdiction having been obtained in each case where the consequence of a failure to make such notification or filing or to wait for the expiry, lapse or termination of any such waiting or other time period or to comply with such obligation or obtain such Authorisation would be unlawful in any relevant jurisdiction or have a material adverse effect on the Wider KCOM Group, any member of the Wider MEIF 6 Fibre Group or the ability of MEIF 6 Fibre to implement the Scheme and all such Authorisations remaining in full force and effect at the time at which the Scheme becomes otherwise unconditional and there being no notice or intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations.

Confirmation of absence of adverse circumstances

- (e) Except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise, lease or other instrument to which any member of the Wider KCOM Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or be subject or any event or circumstance which, in each case as a consequence of the Acquisition or the proposed acquisition by any member of the Wider MEIF 6 Fibre Group of any shares or other securities in KCOM or because of a change in the control or management of any member of the Wider KCOM Group or otherwise, would or might reasonably be expected to result in (in each case to an extent which is, or would be, material in the context of the Wider KCOM Group as a whole, or in the context of the Scheme):
 - (i) any monies borrowed by, or any other indebtedness or liabilities (including, without limitation, guarantees, letters of credit and hedging contracts), whether actual or contingent, of, or any grant available to, any member of the Wider KCOM Group being or becoming repayable, or capable of being declared repayable immediately or prior to its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) any such arrangement, agreement, licence, permit, lease or instrument, or the rights, liabilities, obligations or interests of any member of the Wider KCOM Group thereunder being or becoming capable of being terminated or adversely modified or affected or any onerous obligation or liability arising or any adverse action being taken or arising thereunder;
 - (iii) any such member of the Wider KCOM Group ceasing to be able to carry on business under any name under which it presently does so;
 - (iv) any assets or interests of, or any asset the use of which is enjoyed by, any member of the Wider KCOM Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider KCOM Group or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available

to any member of the Wider KCOM Group otherwise than in the ordinary course of business;

- (v) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider KCOM Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen), becoming enforceable;
- (vi) business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider KCOM Group being materially prejudiced or adversely affected;
- (vii) the creation or acceleration of any material liability (actual or contingent) by any member of the Wider KCOM Group, other than trade creditors or other liabilities incurred in the ordinary course of business; or
- (viii) any liability of any member of the Wider KCOM Group to make any severance, termination, bonus or other payment to any of its directors or other officers,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider KCOM Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this Condition, in each case to an extent which is material in the context of the Wider KCOM Group taken as a whole.

No material transactions, claims or changes in the conduct of the business of the KCOM Group

- (f) Except as Disclosed, no member of the Wider KCOM Group having since 30 September 2018:
 - (i) save as between KCOM and wholly-owned subsidiaries of KCOM or for KCOM Shares issued pursuant to the exercise of options or vesting of awards granted in the ordinary course under, or any other issue of KCOM Shares in the ordinary course pursuant to, the KCOM Share Schemes, issued or agreed to be issued or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities;
 - (ii) other than to another member of the KCOM Group and the interim dividend of £0.01 for each KCOM Share paid on 1 February 2019, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution (whether payable in cash or otherwise);
 - (iii) save for transactions between KCOM and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business, merged or demerged with any body corporate or acquired or disposed of any body corporate, partnership or business or acquired or disposed of, or transferred, mortgaged or charged or created any security interest over, any assets or any right, title or interest in any asset (including shares and trade investments) or authorised, proposed or announced any intention to do so, in each case, other than in the ordinary course of business (in each case to an extent which is material in the context of the Wider KCOM Group taken as a whole);
 - (iv) made, authorised, proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider KCOM Group taken as a whole;
 - (v) issued, authorised or proposed or announced an intention to authorise or propose the issue of, or made any change in or to the terms of, any debentures or, save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability which in any case is material in the context of the Wider KCOM Group as a whole;

- (vi) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is outside the ordinary course of business or is of a long-term, unusual or onerous nature, or which involves or could reasonably be expected to involve an obligation of a nature or magnitude and which, in any such case, is material in the context of the Wider KCOM Group or in the context of the Acquisition, or which is or is reasonably likely to be restrictive on the business of any member of the Wider KCOM Group taken as a whole;
- (vii) disposed of intellectual property rights of any member of the Wider KCOM Group which is material in the context of the Wider KCOM Group taken as a whole or which is other than in the ordinary course of business;
- (viii) entered into, varied, authorised or proposed entry into or variation of, or announced its intention to enter into or vary the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, commitment, arrangement or any service agreement with any director or senior executive of the Wider KCOM Group;
- (ix) proposed, agreed to provide or modified to a material extent the terms of the KCOM Share Schemes or any share option scheme, incentive scheme, or other benefit relating to the employment or termination of employment, of any employee of the Wider KCOM Group;
- (x) procured the trustees of any Relevant Pension Plan, or any such trustees having taken any action since 30 September 2018, to:
 - (A) Make or agree to any material change to: (a) the terms of the trust deeds, rules, policy or other governing documents constituting any Relevant Pension Plan; (b) the basis on which benefits accrue, pensions which are payable or the persons entitled to accrue or be paid benefits, under any Relevant Pension Plan; (c) the basis on which the liabilities of any Relevant Pension Plan are funded or valued; or (d) the basis or rate of employer contribution to a Relevant Pension Plan, in each case other than as required by applicable law;
 - (B) carry out any act: (a) which would or could reasonably be expected to lead to the commencement of the winding-up of any Relevant Pension Plan; (b) which would or is reasonably likely to create a material debt owed by an employer to any Relevant Pension Plan; (c) which would or might accelerate any obligation on any employer to fund or pay additional contributions to any Relevant Pension Plan, in each case other than as required by applicable law;
- (xi) entered into, implemented or effected, or authorised, proposed or announced its intention to implement or effect, any joint venture, asset or profit sharing arrangement, partnership, composition, assignment, reconstruction, amalgamation, commitment, scheme or other transaction or arrangement other than the Scheme;
- (xii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect of the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital;
- (xiii) waived, compromised or settled any claim (whether actual or threatened) otherwise than in the ordinary course of business and which is material in the context of the Wider KCOM Group taken as a whole;
- (xiv) save as is envisaged by the Acquisition, made any material alteration to its articles of association or other constitutional documents;
- (xv) (other than in respect of a member of the Wider KCOM Group which is dormant and was solvent at the relevant time) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of any administrator, receiver, manager,

administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed (in each case to an extent which is material in the context of the Wider KCOM Group when taken as a whole);

- (xvi) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business (in each case to an extent which is material to the Wider KCOM Group when taken as a whole);
- (xvii) entered into any material contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition and which is material in the context of the Wider KCOM Group taken as a whole or in the context of the Acquisition;
- (xviii) terminated or varied the terms of any agreement or arrangement between any member of the Wider KCOM Group and any other person in a manner which would or would reasonably likely to be expected to have a material adverse effect on the financial position of the Wider KCOM Group taken as a whole; or
- (xix) other than with the consent of MEIF 6 Fibre, having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of KCOM Shareholders at the General Meeting in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code.

No material adverse change

- (g) Except as Disclosed, since 30 September 2018:
 - (i) there having been no adverse change or deterioration in the business, assets, value, financial or trading position, profits, prospects or operational performance of any member of the Wider KCOM Group which, in any such case, is material in the context of the Wider KCOM Group taken a whole or in the context of the Acquisition and no circumstances have arisen which would or might reasonably be expected to result in any such adverse change;
 - (ii) no material litigation, arbitration proceedings, prosecution or other material legal proceedings including, without limitation, with regard to intellectual property rights used by the Wider KCOM Group to which any member of the Wider KCOM Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry, review, investigation or enforcement proceedings by, or complaint or reference to, any Third Party against or in respect of any member of the Wider KCOM Group having been threatened, announced or instituted by or against, or remaining outstanding in respect of, any member of the Wider KCOM Group in each case which is material in the context of the Wider KCOM Group taken as a whole;
 - (iii) no contingent or other liability having arisen, increased or become apparent which would reasonably be likely adversely to affect the business, assets, financial or trading position, profits, prospects or operational performance of any member of the Wider KCOM Group to an extent which is material to the Wider KCOM Group taken as a whole or in the context of the Acquisition; and
 - (iv) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider KCOM Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and reasonably likely to have an adverse effect on the Wider KCOM Group taken as a whole or in the context of the Acquisition.

No discovery of certain matters

- (h) Except as Disclosed, since 30 September 2018 MEIF 6 Fibre not having discovered:
- (i) that any financial, business or other information concerning the Wider KCOM Group publicly announced or disclosed to any member of the Wider MEIF 6 Fibre Group at any time by or on behalf of any member of the Wider KCOM Group or to any of their advisers is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not materially misleading; or
 - (ii) that any member of the Wider KCOM Group is subject to any material liability, contingent or otherwise, other than in the ordinary course of business; or
 - (iii) that there is any information which affects the import of any information publicly announced prior to the date of the Announcement by or on behalf of any member of the Wider KCOM Group and which is material in the context of the Wider KCOM Group taken as a whole.

Intellectual Property

- (i) Save as Disclosed, no circumstance having arisen or ceasing to exist, or no event having occurred, in each case, in relation to any intellectual property owned or used by any member of the Wider KCOM Group which would have a material adverse effect on the Wider KCOM Group taken as a whole.

Anti-corruption and sanctions

- (j) Save as Disclosed, MEIF 6 Fibre not having discovered that:
- (i) any past or present member, director, officer or employee of the Wider KCOM Group or any person that performs or has performed services for or on behalf of any such company is or has at any time engaged in any activity, practice or conduct (or omitted to take any action) in connection with the performance of such services which would constitute an offence under the UK Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977, Part 3 of the Criminal Finances Act 2017 (each as amended) or any other applicable anti-corruption or anti-tax-evasion legislation; or
 - (ii) any past or present member, director, officer or employee of the Wider KCOM Group or any person who has performed services for and on behalf of any such company has engaged in any activity or business with, or made any investments in, or made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US or EU persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or EU laws or regulations, including the economic sanctions administered by HM Treasury & Customs, the United Nations or the EU (or any of their respective member states) or the United States Office of Foreign Assets Control; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the EU or any of its member states, in each case to an extent which is material in the context of the Wider KCOM Group taken as a whole; or
 - (iii) any member of the KCOM Group has been engaged in any transaction which would cause MEIF 6 Fibre to be in breach of any applicable law or regulation upon its acquisition of KCOM, including the economic sanctions of the United States Office of Foreign Assets Control, or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the EU or any of its member states.

No criminal property

- (k) Save as Disclosed, MEIF 6 Fibre not having discovered that any material asset of any member of the Wider KCOM Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition).

PART B

WAIVER AND INVOCATION OF THE CONDITIONS

1. The Scheme will not become Effective unless the Conditions have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by MEIF 6 Fibre to be or remain to be satisfied by no later than the Long Stop Date.
2. MEIF 6 Fibre reserves the right in its sole discretion (subject to the requirements of the Takeover Code and the Panel) to waive:
 - (a) those parts of all or any of the Conditions set out in paragraph 2 of Part A of this Appendix 1 relating to the deadlines for the Court Meeting, General Meeting and/or the Court Hearing. If any such deadline is not met, MEIF 6 Fibre shall make an announcement by 8.00 a.m. on the Business Day following such deadline confirming whether it has invoked the relevant Condition, waived the relevant deadlines or agreed with KCOM to extend the relevant deadline; or
 - (b) in whole or in part, all or any of Conditions 3(a) to (k) of Part A of this Appendix 1 above.
3. MEIF 6 Fibre shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions in Part A above by a date earlier than the latest date specified above for the fulfilment of that condition, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any Condition may not be capable of fulfilment.
4. Under Rule 13.5(a) of the Takeover Code, MEIF 6 Fibre may not invoke a Condition to the Acquisition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to MEIF 6 Fibre in the context of the Acquisition. Conditions 2(a), 2(b), 2(c) and 2(d) of Part A and if applicable, any acceptance condition if the Acquisition is implemented by means of a Takeover Offer, are not subject to this provision of the Takeover Code.

PART C

IMPLEMENTATION BY WAY OF TAKEOVER OFFER

MEIF 6 Fibre reserves the right to elect, subject to the consent of the Panel and the terms of the Co-operation Agreement, to implement the Acquisition by way of a Takeover Offer. In such event, such Takeover Offer will be implemented on substantially the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent (or such other percentage (being more than 50 per cent) as MEIF 6 Fibre may decide (subject to the Panel's consent)) (i) in nominal value of the shares to which such Takeover Offer relates; and (ii) of the voting rights attaching to those shares.

PART D

CERTAIN FURTHER TERMS OF THE ACQUISITION

1. The availability of the Acquisition to persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the UK should inform themselves about, and observe, any applicable requirements. Further information in relation to Overseas Shareholders is contained in paragraph 14 of Part II of this document.
2. If MEIF 6 Fibre is required by the Panel to make an offer for KCOM Shares under the provisions of Rule 9 of the Takeover Code, MEIF 6 Fibre may make such alterations to any of the above Conditions as are necessary to comply with the provisions of that Rule.
3. The KCOM Shares will be acquired by MEIF 6 Fibre fully paid and free from all liens, charges, equities, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching to them as at the date

of the Announcement or subsequently attaching or accruing to them including, without limitation, voting rights and the right to receive and retain, in full, all dividends and other distributions (if any), declared, made or paid, or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made on or after the date of the Announcement and before the Effective Date.

4. If any dividend or other distribution or return of capital is authorised, declared, made or paid in respect of the KCOM Shares on or after the date of the Announcement and prior to the Effective Date, MEIF 6 Fibre reserves the right to reduce the Acquisition Price by an amount up to the amount of such dividend or other distribution or return of capital for each KCOM Share. If MEIF 6 Fibre exercises this right or makes such reduction in respect of a dividend or other distribution that has not been paid, KCOM Shareholders will be entitled to receive and retain that dividend or other distribution or return of capital.
5. The Acquisition will lapse and the Scheme will not become Effective if the European Commission either initiates proceedings under Article 6(1)(c) of the EU Merger Regulation in respect of the Acquisition, or makes a referral to the competent UK authority (being the CMA) under either Article 4(4) or Article 9(1) of the EU Merger Regulation and there is then a CMA Phase 2 Reference in respect of the Acquisition, before 11.59 p.m. on the date immediately preceding the date of the Court Meeting.
6. The Scheme will be governed by the laws of England and Wales and be subject to the jurisdiction of the Court and to the Conditions and further terms set out in this Appendix 1. The Acquisition will comply with the applicable requirements of the FCA, the London Stock Exchange and the Court, as well as with the Takeover Code.
7. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

APPENDIX 2

UNITED KINGDOM TAXATION

The following paragraphs, which are intended as a general guide only, are based on current UK tax legislation and what is understood to be HM Revenue & Customs' current practice (both of which are subject to change, possibly with retrospective effect), and summarise certain limited aspects of the UK tax treatment of the Scheme becoming effective. They are not intended to be a complete analysis of all the potential UK tax consequences of acquiring, holding or disposing of KCOM Shares. They relate only to the position of KCOM Scheme Shareholders who are the absolute beneficial owners of their KCOM Shares and who hold their KCOM Shares as an investment (other than under a self-invested personal pension or an individual savings account or as employment-related securities for UK tax purposes) and (except insofar as express reference is made to the treatment of non-UK residents) who are resident or, in the case of individuals, resident and domiciled solely in the UK for tax purposes. They do not apply to certain categories of KCOM Scheme Shareholder such as brokers, dealers, intermediaries, those subject to specific tax regimes or those benefitting from specific reliefs or exemptions. The tax treatment of the Scheme may be different for KCOM Shareholders who acquire or acquired their KCOM Shares through the KCOM Share Schemes. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately.

(a) Tax on chargeable gains as a result of the Scheme

The receipt by a KCOM Scheme Shareholder of cash under the Scheme will be treated as consideration for a disposal of his/her KCOM Scheme Shares which may, depending on the KCOM Scheme Shareholder's particular circumstances (including the availability of exemptions, reliefs or allowable losses), give rise to a liability to UK tax on chargeable gains.

Subject to any available relief or exemptions, gains arising on the disposal of KCOM Scheme Shares by an individual KCOM Scheme Shareholder pursuant to the Scheme will be subject to capital gains tax at a rate of 10 per cent. or 20 per cent., depending on that individual's personal circumstances (including his/her other taxable income and whether that individual realises any other chargeable gains in the relevant tax year). The capital gains tax annual exempt amount (£12,000 for the 2019/20 tax year) may be available to an individual KCOM Scheme Shareholder to offset a chargeable gain arising on his/her disposal of KCOM Scheme Shares pursuant to the Scheme.

Subject to any available relief or exemptions, gains arising on the disposal of KCOM Scheme Shares by a KCOM Scheme Shareholder within the charge to corporation tax will be subject to corporation tax, at a rate of 19 per cent. for the financial year starting 1 April 2019. Indexation allowance may be available to such KCOM Scheme Shareholders to reduce the amount of a chargeable gain, but not to create or increase an allowable loss for the purposes of corporation tax on chargeable gains. Indexation allowance has effectively been frozen so that it is only calculated up to December 2017, irrespective of when the relevant disposal actually takes place.

(b) Other direct tax matters

Special tax provisions may apply to KCOM Shareholders who have acquired or who acquire their KCOM Shares under a KCOM Share Scheme, including provisions imposing a charge to income tax.

(c) Stamp Duty and stamp duty reserve tax (SDRT)

No UK stamp duty or SDRT should be payable by KCOM Scheme Shareholders on the transfer of their KCOM Shares under the Scheme.

APPENDIX 3

ADDITIONAL INFORMATION

1. Responsibility statements

- 1.1 The KCOM Directors, whose names are set out in paragraph 2.1 of this Appendix 3, accept responsibility for all the information contained in this document (including any expressions of opinion), other than information for which responsibility is taken pursuant to paragraph 1.2 of this Appendix 3. To the best of the knowledge and belief of the KCOM Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The MIRAEL Responsible Persons, whose names are set out in paragraph 2.2 of this Appendix 3, and the MEIF 6 Fibre Directors, whose names are set out in paragraph 2.3 of this Appendix 3, each accept responsibility for all the information contained in this document (including any expressions of opinion) relating to MIRAEL, MIRA, MEIF 6 Fibre and themselves and their respective immediate families and the related trusts of and persons connected with them, and persons deemed to be acting in concert with MEIF 6 Fibre. To the best of the knowledge and belief of the MEIF 6 Fibre Directors and the MIRAEL Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and concert parties

- 2.1 The KCOM Directors are as follows:

| <i>Name</i> | <i>Position</i> |
|-------------------|--------------------------------|
| Patrick De Smedt | Interim Non-Executive Chairman |
| Graham Sutherland | Chief Executive |
| Anna Bielby | Chief Financial Officer |
| Elizabeth Barber | Non-Executive Director |
| Peter Smith | Non-Executive Director |

The registered office of KCOM, whose registered number is 02150618, and the business address of each of the directors of KCOM, is 37 Carr Lane, Hull, East Yorkshire, HU1 3RE.

- 2.2 The MIRAEL Responsible Persons are as follows:

| <i>Name</i> | <i>Position</i> |
|------------------|---|
| Mark Braithwaite | Member of the MIRAEL investment committee |
| Leigh Harrison | Member of the MIRAEL investment committee |
| Arthur Rakowski | Member of the MIRAEL investment committee |
| John Roberts | Member of the MIRAEL investment committee |
| Martin Stanley | Member of the MIRAEL investment committee |

The business address of the MIRAEL Responsible Persons is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD.

- 2.3 The MEIF 6 Fibre Directors are as follows:

| <i>Name</i> | <i>Position</i> |
|----------------|-----------------|
| Martin Bradley | Director |
| Philip Hogan | Director |
| Nathan Luckey | Director |

The registered office of MEIF 6 Fibre, whose registered number is 12005063, is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD.

- 2.4 In addition to the MEIF 6 Fibre Directors (together with their close relatives and related trusts) and members of the Wider MEIF 6 Fibre Group, the persons who, for the purposes of the Takeover Code, are acting in concert with MEIF 6 Fibre in respect of the Acquisition are:

| <i>Name</i> | <i>Type</i> | <i>Registered Office</i> | <i>Relationship with MEIF 6 Fibre</i> |
|-------------------|--|------------------------------------|--|
| Barclays Bank PLC | Public limited company incorporated in England & Wales | 1 Churchill Place, London, E14 5HP | Financial adviser to MEIF 6 Fibre in connection with the Acquisition |

- 2.5 In addition to the KCOM Directors (together with their close relatives and related trusts) and members of the KCOM Group, the persons who, for the purposes of the Takeover Code, are acting in concert with KCOM in respect of the Acquisition are:

| <i>Name</i> | <i>Type</i> | <i>Registered Office</i> | <i>Relationship with KCOM</i> |
|-----------------|---|--|--|
| Rothschild & Co | Private limited company, incorporated in England and Wales | New Court, St Swithin's Lane, London, EC4N 8AL | Financial adviser in connection with the Acquisition for the purposes of Rule 3 of the Takeover Code |
| Investec | Public limited company, incorporated in England and Wales | 30 Gresham Street, London, EC2V 7QP | Joint financial adviser and joint corporate broker in connection with the Acquisition |
| Peel Hunt | Limited liability partnership incorporated in England & Wales | Moor House, 120 London Wall, London, EC2Y 5ET | Joint financial adviser and joint corporate broker in connection with the Acquisition |

3. Disclosure of interests and dealings in shares

Definitions

- 3.1 For the purposes of this paragraph 3

- (a) “**acting in concert**” has the meaning attributed to it in the Takeover Code;
- (b) “**arrangement**” includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (c) “**connected adviser**” has the meaning attributed to it in the Takeover Code;
- (d) “**connected person**” has the meaning attributed to it in sections 252 to 255 of the Companies Act;
- (e) “**control**” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control;
- (f) “**dealing**” or “**dealt**” includes the following:
 - (i) the offer or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;

- (ii) the taking, granting, offer, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (iii) subscribing or agreeing to subscribe for relevant securities;
 - (iv) the exercise of conversion of any relevant securities carrying conversion or subscription rights;
 - (v) the offer of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he/she has a short position;
- (g) “**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- (h) “**disclosure date**” means 14 June 2019, being the latest practicable date prior to the publication of this document;
- (i) “**disclosure period**” means the period commencing on 24 April 2018, being the date 12 months prior to the commencement of the Offer Period, and ending on the disclosure date;
- (j) “**exempt principal trader**” or “**exempt fund manager**” has the meaning attributed to it in the Takeover Code;
- (k) “**financial collateral arrangement**” means a security financial collateral arrangement which provides a right for the collateral taken to use and dispose of KCOM securities as if it were the owner of those securities;
- (l) being “**interested**” in relevant securities includes where a person:
- (i) owns relevant securities;
 - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (iv) is party to any derivative whose value is determined by reference to its price and which results, or may result, in such person having a long position in it;
- (m) “**relevant KCOM securities**” means shares in KCOM (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
- (n) “**relevant MEIF 6 Fibre securities**” means equity interests in MEIF 6 Fibre or any entity owned or controlled by MEIF 6 Fibre (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
- (o) “**relevant securities**” means relevant KCOM securities or relevant MEIF 6 Fibre securities; and

- (p) “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

3.2 As at the close of business on the disclosure date:

Interests in relevant KCOM securities

- (a) the interests of the KCOM Directors and their respective close relatives, related trusts and connected persons, in relevant KCOM securities (excluding options which are disclosed in paragraph (b) below) were as follows:

| <i>Name</i> | <i>Number of KCOM Shares</i> |
|-------------------|------------------------------|
| Patrick De Smedt | – |
| Graham Sutherland | 250,000 |
| Anna Bielby* | 17,281 |
| Elizabeth Barber | – |
| Peter Smith | 50,000 |

***Note** Yorkshire Building Society is the registered holder of the 17,281 KCOM Shares in which Anna Bielby is beneficially interested

- (b) the following options over KCOM Shares had been granted to the KCOM Directors and their respective close relatives, related trusts and connected persons under the KCOM LTIP and remained outstanding

| <i>Director</i> | <i>Maximum Number of KCOM Shares</i> | <i>Exercise Price per KCOM Share</i> | <i>Date of Grant</i> | <i>Vesting Date</i> |
|-------------------|--------------------------------------|--------------------------------------|----------------------|---------------------|
| Anna Bielby | 404,494 | Nil | 15 February 2019 | 15 February 2022 |
| | 75,078 | Nil | 11 July 2018 | 11 July 2021 |
| | 29,050 | Nil | 7 July 2017 | 7 July 2020 |
| Graham Sutherland | 872,340 | Nil | 30 November 2018 | 30 November 2021 |

Dealings in relevant KCOM Shares

- 3.3 The following dealings in relevant KCOM Shares by the KCOM Directors have taken place during the period between the start of the Offer Period and the disclosure date:

| <i>Name</i> | <i>Date</i> | <i>Nature of Transaction</i> | <i>Maximum Number of KCOM Shares</i> | <i>Exercise Price per KCOM Share</i> |
|-------------|-------------|---|--------------------------------------|--------------------------------------|
| Anna Bielby | 13 May 2019 | Purchased as part of the KCOM SIP | 153 | 98 pence |
| Anna Bielby | 13 May 2019 | Matching shares allocated as part of the KCOM SIP | 112 | Nil |

- 3.4 The following dealings in relevant KCOM Shares by persons acting in concert with MEIF 6 Fibre have taken place during the disclosure period:

| <i>Name of party</i> | <i>Trade date</i> | <i>Nature of dealing:</i> | | <i>of KCOM Shares</i> | <i>Reference Price</i> |
|--------------------------------------|-------------------|--------------------------------------|--------------------------------------|-----------------------|------------------------|
| | | <i>Contracts for Settlement date</i> | <i>Number differences derivative</i> | | |
| Man Investments Creation Fund | 09/05/2018 | 11/05/2018 | Short | 3,704 | 1.0083 |
| Man Investments Creation Fund | 10/05/2018 | 14/05/2018 | Short | 3,678 | 1.0285 |
| Man Investments Creation Fund | 30/05/2018 | 01/06/2018 | Short | 1,051 | 0.9743 |
| Macquarie European Alpha Master Fund | 30/05/2018 | 01/06/2018 | Short | 3,391 | 0.9722 |

| <i>Name of party</i> | <i>Trade date</i> | <i>Nature of dealing:</i> | | <i>of KCOM Shares</i> | <i>Reference Price</i> |
|--------------------------------------|-------------------|--------------------------------------|--------------------------------------|-----------------------|------------------------|
| | | <i>Contracts for Settlement date</i> | <i>Number differences derivative</i> | | |
| Man Investments Creation Fund | 31/05/2018 | 04/06/2018 | Short | 887 | 0.9342 |
| Macquarie European Alpha Master Fund | 31/05/2018 | 04/06/2018 | Short | 3,041 | 0.9423 |
| Man Investments Creation Fund | 01/06/2018 | 05/06/2018 | Short | 2,607 | 0.9599 |
| Macquarie European Alpha Master Fund | 01/06/2018 | 05/06/2018 | Short | 2,792 | 0.9597 |
| Man Investments Creation Fund | 04/06/2018 | 06/06/2018 | Short | 2,220 | 0.9703 |
| Macquarie European Alpha Master Fund | 04/06/2018 | 06/06/2018 | Short | 7,305 | 0.9737 |
| Man Investments Creation Fund | 27/06/2018 | 29/06/2018 | Short | 2,058 | 0.9741 |
| Macquarie European Alpha Master Fund | 27/06/2018 | 29/06/2018 | Short | 6,772 | 0.9773 |
| Man Investments Creation Fund | 20/07/2018 | 24/07/2018 | Short | 6,275 | 0.9515 |
| Man Investments Creation Fund | 23/07/2018 | 25/07/2018 | Short | 6,510 | 0.9563 |
| Man Investments Creation Fund | 17/09/2018 | 19/09/2018 | Short | 967 | 0.9831 |
| Man Investments Creation Fund | 18/09/2018 | 20/09/2018 | Short | 967 | 0.9724 |
| Man Investments Creation Fund | 19/09/2018 | 21/09/2018 | Short | 1,011 | 0.971 |
| Man Investments Creation Fund | 20/09/2018 | 24/09/2018 | Short | 1,011 | 0.9739 |
| Man Investments Creation Fund | 21/09/2018 | 25/09/2018 | Short | 1,011 | 0.9752 |
| Man Investments Creation Fund | 24/09/2018 | 26/09/2018 | Short | 1,011 | 0.9755 |
| Man Investments Creation Fund | 25/09/2018 | 27/09/2018 | Short | 1,011 | 0.9598 |
| Man Investments Creation Fund | 26/09/2018 | 28/09/2018 | Short | 1,011 | 0.9577 |
| Man Investments Creation Fund | 27/09/2018 | 01/10/2018 | Short | 1,011 | 0.9548 |
| Man Investments Creation Fund | 28/09/2018 | 02/10/2018 | Short | 1,011 | 0.9404 |
| Man Investments Creation Fund | 01/10/2018 | 03/10/2018 | Short | 1,011 | 0.9405 |
| Man Investments Creation Fund | 02/10/2018 | 04/10/2018 | Short | 1,011 | 0.9555 |
| Man Investments Creation Fund | 03/10/2018 | 05/10/2018 | Short | 1,012 | 0.9518 |
| Man Investments Creation Fund | 04/10/2018 | 09/10/2018 | Short | 1,011 | 0.9249 |
| Man Investments Creation Fund | 05/10/2018 | 09/10/2018 | Short | 1,012 | 0.9159 |
| Man Investments Creation Fund | 08/10/2018 | 10/10/2018 | Short | 1,011 | 0.9075 |
| Man Investments Creation Fund | 09/10/2018 | 11/10/2018 | Short | 899 | 0.9115 |
| Man Investments Creation Fund | 10/10/2018 | 12/10/2018 | Short | 899 | 0.9075 |
| Man Investments Creation Fund | 11/10/2018 | 15/10/2018 | Short | 2,098 | 0.9406 |
| Man Investments Creation Fund | 12/10/2018 | 16/10/2018 | Short | 1,399 | 0.9359 |
| Man Investments Creation Fund | 15/10/2018 | 17/10/2018 | Short | 1,399 | 0.9264 |
| Man Investments Creation Fund | 16/10/2018 | 18/10/2018 | Short | 699 | 0.9369 |
| Man Investments Creation Fund | 17/10/2018 | 19/10/2018 | Short | 699 | 0.9223 |
| Macquarie European Alpha Master Fund | 17/10/2018 | 19/10/2018 | Short | 14,953 | 0.9246 |
| Macquarie European Alpha Master Fund | 24/10/2018 | 26/10/2018 | Short | 9,783 | 0.9296 |
| Macquarie European Alpha Master Fund | 31/10/2018 | 02/11/2018 | Short | 7,845 | 0.9209 |
| Macquarie European Alpha Master Fund | 06/11/2018 | 08/11/2018 | Short | 3,740 | 0.9427 |
| Macquarie European Alpha Master Fund | 07/11/2018 | 09/11/2018 | Short | 12,639 | 0.941 |
| Macquarie European Alpha Master Fund | 08/11/2018 | 13/11/2018 | Short | 13,529 | 0.9471 |
| Macquarie European Alpha Master Fund | 21/11/2018 | 23/11/2018 | Short | 11,320 | 0.5968 |
| Macquarie European Alpha Master Fund | 22/11/2018 | 26/11/2018 | Short | 18,855 | 0.5969 |
| Macquarie European Alpha Master Fund | 28/11/2018 | 30/11/2018 | Short | 14,713 | 0.5983 |
| Macquarie European Alpha Master Fund | 06/02/2019 | 08/02/2019 | Short | 7,128 | 0.6829 |
| Macquarie European Alpha Master Fund | 13/02/2019 | 15/02/2019 | Short | 600 | 0.7031 |
| Macquarie European Alpha Master Fund | 25/02/2019 | 27/02/2019 | Short | 772 | 0.7007 |
| Macquarie European Alpha Master Fund | 26/02/2019 | 28/02/2019 | Short | 854 | 0.6959 |
| Macquarie European Alpha Master Fund | 27/02/2019 | 01/03/2019 | Short | 840 | 0.6985 |
| Macquarie European Alpha Master Fund | 04/03/2019 | 06/03/2019 | Short | 351 | 0.6932 |
| Macquarie European Alpha Master Fund | 05/03/2019 | 07/03/2019 | Short | 307 | 0.6912 |
| Macquarie European Alpha Master Fund | 06/03/2019 | 08/03/2019 | Short | 306 | 0.6957 |
| Macquarie European Alpha Master Fund | 07/03/2019 | 11/03/2019 | Short | 307 | 0.6937 |
| Macquarie European Alpha Master Fund | 08/03/2019 | 12/03/2019 | Short | 308 | 0.6912 |
| Macquarie European Alpha Master Fund | 11/03/2019 | 13/03/2019 | Short | 307 | 0.6902 |
| Macquarie European Alpha Master Fund | 12/03/2019 | 14/03/2019 | Short | 304 | 0.6892 |
| Macquarie European Alpha Master Fund | 13/03/2019 | 15/03/2019 | Short | 307 | 0.6872 |
| Macquarie European Alpha Master Fund | 14/03/2019 | 18/03/2019 | Short | 260 | 0.7052 |
| Macquarie European Alpha Master Fund | 15/03/2019 | 19/03/2019 | Short | 314 | 0.6882 |
| Macquarie European Alpha Master Fund | 18/03/2019 | 20/03/2019 | Short | 313 | 0.7072 |
| Macquarie European Alpha Master Fund | 19/03/2019 | 21/03/2019 | Short | 312 | 0.7252 |
| Macquarie European Alpha Master Fund | 20/03/2019 | 22/03/2019 | Short | 313 | 0.7052 |
| Macquarie European Alpha Master Fund | 21/03/2019 | 25/03/2019 | Short | 314 | 0.6994 |
| Macquarie European Alpha Master Fund | 22/03/2019 | 26/03/2019 | Short | 311 | 0.7092 |
| Macquarie European Alpha Master Fund | 25/03/2019 | 27/03/2019 | Short | 315 | 0.7052 |
| Macquarie European Alpha Master Fund | 26/03/2019 | 28/03/2019 | Short | 313 | 0.7035 |

General

3.5 As at the close of business on the disclosure date, save as disclosed in this paragraph 3:

- (a) MEIF 6 Fibre had no interest in or right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had it dealt in any relevant KCOM securities during the disclosure period;
- (b) none of the MEIF 6 Fibre Directors or any of their respective close relatives, connected persons or related trusts, had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had any such person dealt in any relevant KCOM securities during the disclosure period;
- (c) no person acting in concert with MEIF 6 Fibre had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had any such person dealt in any relevant KCOM securities during the disclosure period;
- (d) no person with whom MEIF 6 Fibre or any person acting in concert with MEIF 6 Fibre has an arrangement had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had any such person dealt in any relevant KCOM securities during the disclosure period;
- (e) none of MEIF 6 Fibre, the directors of MEIF 6 Fibre (or their respective close relatives, connected persons or related trusts), any person acting in concert with MEIF 6 Fibre, or any person with whom MEIF 6 Fibre or any person acting in concert with MEIF 6 Fibre has an arrangement, has any interest in the relevant KCOM securities;
- (f) none of the KCOM Directors or any of their respective close relatives, connected persons or related trusts had an interest in or a right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had any such person dealt in any relevant KCOM securities during the period between the start of the Offer Period and the disclosure date;
- (g) no person acting in concert with KCOM had any interest in, or right to subscribe for, or had any short position in relation to, any relevant KCOM securities, nor had any such person dealt in any relevant KCOM securities during the period between the start of the Offer Period and the disclosure date;
- (h) no person with whom KCOM or any person acting in concert with KCOM has an arrangement had any interest in or right to subscribe for or had any short position in relation to any relevant KCOM securities, nor had such person dealt in any relevant KCOM securities during the period between the start of the Offer Period and the disclosure date;
- (i) neither KCOM nor any of the KCOM Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant MEIF 6 Fibre securities, nor had any such person dealt in any relevant MEIF 6 Fibre securities during the period between the start of the Offer Period and the disclosure date;
- (j) KCOM had not redeemed or purchased any relevant KCOM securities during the disclosure period;
- (k) neither KCOM nor any person acting in concert with KCOM had borrowed or lent any relevant KCOM securities (including any financial collateral arrangements), save for any borrowed shares which have either been on-lent or sold;
- (l) neither MEIF 6 Fibre nor any person acting in concert with MEIF 6 Fibre had borrowed or lent any relevant KCOM securities (including any financial collateral arrangements), save for any borrowed shares which have either been on-lent or sold;
- (m) there were no arrangements which existed between KCOM or any person acting in concert with KCOM and any other person in relation to any relevant securities; and

- (n) there were no arrangements which existed between MEIF 6 Fibre or any person acting in concert with MEIF 6 Fibre and any other person in relation to any relevant securities.

4. Market quotations

The following table shows the closing middle-market quotations of KCOM Shares, as derived from the Daily Official List on the following dates, unless otherwise indicated:

- (i) the first Business Day of each of the six months immediately before the date of this document;
- (ii) 23 April 2019, being the last Business Day before the commencement of the Offer Period; and
- (iii) 14 June 2019, being the latest practicable date prior to the publication of this document.

| <i>Date</i> | <i>Price per KCOM Share</i> |
|-----------------|-----------------------------|
| 14 June 2019 | 109.8 pence |
| 3 June 2019 | 110.0 pence |
| 1 May 2019 | 97.7 pence |
| 23 April 2019 | 72.5 pence |
| 1 April 2019 | 71.3 pence |
| 1 March 2019 | 71.9 pence |
| 1 February 2019 | 69.0 pence |
| 2 January 2019 | 71.6 pence |

5. KCOM Group material contracts

Save as set out in this paragraph 5, no contracts have been entered into by members of the KCOM Group, other than contracts entered into in the ordinary course of business, which are or may be material, during the period beginning on 24 April 2017 (being two years before the date of commencement of the Offer Period) and ending on the Last Practicable Date.

(a) *Confidentiality Agreement*

MIRAEL and KCOM entered into the Confidentiality Agreement pursuant to which MIRAEL has undertaken to keep confidential information relating to KCOM and not to disclose it to third parties (other than permitted recipients) unless required by applicable law or regulation. These confidentiality obligations shall remain in force notwithstanding the completion or termination of discussions concerning the Acquisition between the parties, but will terminate on the date of completion of the Acquisition.

The Confidentiality Agreement also contains undertakings from MIRAEL to KCOM and from KCOM to MIRAEL that, for a period of 12 months from the date of the Confidentiality Agreement, neither party will solicit, employ or offer to employ officers, managers or senior employees of the other party.

(b) *Co-operation Agreement*

MEIF 6 Fibre and KCOM entered into the Co-operation Agreement, which records the intention of MEIF 6 Fibre and KCOM to implement the Acquisition by way of the Scheme (the Co-operation Agreement). However, MEIF 6 Fibre may with the consent of the Panel implement the Acquisition by way of a Takeover Offer.

Pursuant to Clause 3 of the Co-operation Agreement, MEIF 6 Fibre and KCOM have agreed to co-operate in relation to any clearance as may be required from the FCA in connection with the Acquisition.

The Co-operation Agreement will terminate (a) if agreed in writing between MEIF 6 Fibre and KCOM; (b) if any condition to the Acquisition in Part A of Appendix 1 of this document is or becomes incapable of satisfaction by the Long Stop Date (and MEIF 6 Fibre serves notice of termination); (c) if a third party announces a firm intention to make an offer or revised offer which is recommended by the KCOM Directors (and MEIF 6 Fibre serves notice of termination); (d) if the KCOM Directors do not recommend, or withdraw, adversely qualify or adversely modify the

recommendation of the Acquisition (and MEIF 6 Fibre serves notice of termination); or (e) unless the parties otherwise agree, if the Effective Date has not occurred by the Long Stop Date and in certain other circumstances specified in the Co-operation Agreement.

6. MEIF 6 Fibre material contracts

Save as set out in this paragraph 6, no contracts have been entered into by MEIF 6 Fibre or its subsidiaries, other than contracts entered into in the ordinary course of business, which are or may be material, during the period beginning on 24 April 2017 (being two years before the date of commencement of the Offer Period) and ending on the Last Practicable Date.

(a) *Confidentiality Agreement*

See paragraph 5(a) above for details of the Confidential Agreement between MIRAEI and KCOM.

(b) *Co-operation Agreement*

See paragraph 5(b) above for details of the Co-operation Agreement between MEIF 6 Fibre and KCOM.

(c) *Funding Letter*

On 3 June 2019, MEIF 6 and MEIF 6 Fibre entered into the Funding Letter which sets out the basis on which MEIF 6 will guarantee to provide MEIF 6 Fibre with up to £565,811,167 (**Funding Amount**) in cash, in immediately payable funds, for the purpose of financing the consideration payable for the KCOM Scheme Shares. The maximum liability of MEIF 6 under the letter is limited to the Funding Amount.

7. USS Offer Irrevocable Undertaking

(a) *KCOM Director Irrevocable Undertakings in respect of the USS Offer*

Each of Graham Sutherland, Anna Bielby and Peter Smith (being the KCOM Directors who are interested in KCOM Shares) provided Humber Bidco with irrevocable undertakings to vote (or procure a vote) in favour of the resolutions to be proposed at the USS Scheme Meetings, in respect of their own interests in 317,281 KCOM Shares representing, in aggregate, approximately 0.06 per cent. of KCOM's issued ordinary share capital on the Last Practicable Date (**USS Offer KCOM Director Irrevocable Undertakings**).

As at the Last Practicable Date, the obligations of Graham Sutherland, Anna Bielby and Peter Smith in respect of the USS Offer KCOM Director Irrevocable Undertakings remain binding. Accordingly, Graham Sutherland, Anna Bielby and Peter Smith will not vote in respect of the Acquisition at the KCOM Meetings unless the USS Offer KCOM Director Irrevocable Undertakings lapse and cease to have effect.

The USS Offer KCOM Director Irrevocable Undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (i) Humber Bidco announces, with the consent of the Panel, that it does not intend to proceed with the USS Offer;
- (ii) the USS Offer is withdrawn, lapses or otherwise terminates in accordance with its terms; or
- (iii) the scheme of arrangement in respect of the USS Offer does not become effective on its terms before 31 August 2019.

(b) *KCOM Shareholder irrevocable undertaking in respect of the USS Offer*

Teleios Capital Partners LLC provided Humber Bidco with an irrevocable undertaking to vote in favour of the resolutions to be proposed at the USS Scheme Meetings, in respect of 83,127,586 KCOM Shares representing, in aggregate, approximately 16.09 per cent. of KCOM's issued ordinary share capital on the Last Practicable Date.

As at the Last Practicable Date, the obligations of Teleios Capital Partners LLC in respect of its irrevocable undertaking remains binding but shall lapse and cease to have effect on and from the earlier of the following occurrences:

- (i) Humber Bidco announces, with the consent of the Panel, that it does not intend to proceed with the USS Offer;
- (ii) a period of 21 days from the Announcement Date has elapsed without Humber Bidco having revised the terms of the USS Offer so that the value of the consideration for each KCOM Share is equal to or exceeds the value of the Acquisition Price;
- (iii) the USS Offer is withdrawn, lapses or otherwise terminates in accordance with its terms; or
- (iv) the scheme of arrangement in respect of the USS Offer does not become effective on its terms before 31 August 2019.

8. Service contracts and letters of appointment of the KCOM Directors

Graham Sutherland

Graham Sutherland's service agreement as Executive Director and Chief Executive Officer is dated 9 October 2018. Mr Sutherland's employment with the KCOM Group commenced on 15 October 2018. Mr Sutherland's service agreement is terminable by either party on twelve months' written notice.

Mr Sutherland is entitled to a salary of £410,000 per annum, a car allowance of £16,000 per annum, a mobile phone for business use (or reimbursement for any business calls made on his personal mobile phone) and reimbursement of reasonable expenses.

Anna Bielby

Anna Bielby's service agreement as Executive Director and Chief Financial Officer is dated 10 January 2019. Ms Bielby's employment with the KCOM Group commenced on 1 July 2014 and she was appointed Chief Financial Officer on 7 January 2019. Ms Bielby's service agreement is terminable by either party on six months' written notice.

Ms Bielby is entitled to a salary of £240,000 per annum, a car allowance £1,166.67 per month, a mobile phone for business use (or reimbursement for any business calls made on her personal mobile phone) and reimbursement of reasonable expenses.

Executive director benefits

Each executive director is entitled to participate in the group stakeholder plan whereby KCOM will contribute 20 per cent. of his/her salary. Alternatively, each executive director may elect to take some or all of the 20 per cent. of his/her salary as a cash payment.

Each executive director is entitled to participate in the KCOM annual bonus plan up to 100 per cent. of his/her salary.

Each executive director is also entitled to private medical insurance and sickness benefit, death in service and income protection schemes.

The Chairman and the other KCOM Non-Executive Directors

Patrick De Smedt

Patrick De Smedt has a letter of appointment, to act as a non-executive director, entered into on 12 January 2016. His appointment as interim Chairman of KCOM commenced on 1 January 2019. He is entitled to an annual fee of £132,000 (which covers all duties including his service on the Audit, Nomination and Remuneration Committees (except committee chairmanships)), plus reasonable and properly-documented expenses.

Elizabeth Barber

Elizabeth Barber has a letter of appointment, to act as a non-executive director, entered into on 30 March 2015. She is entitled to an annual fee of £53,000 (which covers all duties including her service on Audit, Nomination and Remuneration Committees (except committee chairmanships)) and an additional fee of £6,000 for taking on the chairmanship of the Audit Committee, plus reasonable and properly-documented expenses.

Peter Smith

Peter Smith has a letter of appointment, to act as a non-executive director, entered into on 26 December 2014. He is entitled to an annual fee of £53,000 (which covers all duties including his service on the Audit, Nomination and Remuneration Committees (except committee chairmanships)) and an additional fee of £6,000 for taking on the chairmanship of the Remuneration Committee, plus reasonable and properly-documented expenses.

Each non-executive director's appointment is terminable by either party giving three months' written notice.

Save as disclosed above:

- (a) there are no service contracts in force between any director or proposed director of KCOM;
- (b) none of the service contracts described above were entered into during the six months preceding the date of this document, nor have any amendments been made to any such service contract during that period; and
- (c) there are no service contracts of any director or proposed director of KCOM or of any of its subsidiaries which do not expire or cannot be terminated by KCOM or its relevant subsidiary within the next 12 months without payment of compensation (other than statutory compensation) or in respect of which there are provisions for pre-determining compensation on termination of an amount which equals or exceeds 12 months' salary and benefits in kind.

9. No set-off of consideration

Settlement of the consideration to which each KCOM Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which MEIF 6 Fibre may otherwise be, or claim to be entitled, against such shareholder.

10. Bases of calculations and sources of information

- 10.1 As at close of business on the Last Practicable Date, KCOM had 516,603,910 KCOM Shares in issue.
- 10.2 The value placed by the Acquisition on the existing issued and to be issued ordinary share capital of KCOM has been calculated on the basis of:
 - (a) 516,603,910 KCOM Shares in issue on the Last Practicable Date; and
 - (b) up to 3,417,601 KCOM Shares which may be issued on or after the Announcement Date of the exercise of options or vesting of awards under the KCOM LTIP (having taken into account the exercise by KCOM's Remuneration Committee of applicable discretions).
- 10.3 Unless otherwise stated, all prices quoted for KCOM Shares are Closing Prices.
- 10.4 Volume-weighted average prices have been derived from Bloomberg and have been rounded to the nearest one decimal place.

11. Acquisition-related fees and expenses

- 11.1 The aggregate fees and expenses which are expected to be incurred by MEIF 6 Fibre in connection with the Acquisition are estimated to amount to £8,400,000⁽¹⁾ plus applicable VAT. This aggregate number consists of the following categories:

- (a) financial and corporate broking advice: £5,500,000 plus applicable VAT;
- (b) legal advice: £1,650,000 plus applicable VAT. These services are provided by reference to hourly rates and the estimated amount included here reflects the time incurred up to the latest practicable date prior to the publication of this document and an estimate of further time required;
- (c) accounting advice: £460,000 plus applicable VAT;
- (d) public relations advice: £60,000 plus applicable VAT;
- (e) other professional services: £585,000 plus applicable VAT; and
- (f) other costs and expenses: £150,000 plus applicable VAT.

Notes:

- (1) MEIF 6 Fibre has not incurred any fees or expenses in relation to financing arrangements.

11.2 The aggregate fees and expenses which are expected to be incurred by KCOM in connection with the Acquisition are estimated to amount to £9,224,000⁽¹⁾ plus applicable VAT. This aggregate number consists of the following categories:

- (a) financial and corporate broking advice: £7,850,000⁽²⁾ plus applicable VAT;
- (b) legal advice: £510,000⁽²⁾ plus applicable VAT. These services are provided by reference to hourly rates and the estimated amount included here reflects the time incurred up to the latest practicable date prior to the publication of this document and an estimate of further time required;
- (c) public relations advice: £150,000⁽²⁾ plus applicable VAT;
- (d) other professional services: £450,000⁽³⁾ plus applicable VAT; and
- (e) other costs and expenses: £264,000⁽⁴⁾ plus applicable VAT.

Notes:

- (1) KCOM has not received any accounting advice in respect of the Acquisition and therefore has not incurred any fees in this regard.
- (2) These fees are the cumulative total fees in respect of the USS Offer and the Acquisition for which fees cannot be segregated.
- (3) These fees exclude amounts exclusively incurred in respect of the USS Offer.
- (4) These costs and expenses include a mixture of costs which have been exclusively incurred in respect of the Acquisition and those which are cumulative of costs incurred in respect of the USS Offer and the Acquisition which cannot be segregated.

12. Financial and ratings information

- 12.1 As MEIF 6 Fibre was incorporated on 20 May 2019 for the purposes of making the Acquisition, no financial information is available or has been published in respect of MEIF 6 Fibre. MEIF 6 Fibre has not traded since its date of incorporation, has paid no dividends and MEIF 6 Fibre has not entered into any obligations, other than in connection with the Acquisition.
- 12.2 No ratings agency has publicly accorded MEIF 6 Fibre with any current credit rating or outlook.
- 12.3 No ratings agency has publicly accorded KCOM with any current credit rating or outlook.
- 12.4 MEIF 6 Fibre has no material assets or liabilities other than those described in this document in connection with the Acquisition. With effect from the Effective Date, the earnings, assets and liabilities of MEIF 6 Fibre will therefore comprise the consolidated earnings, assets and liabilities of the KCOM Group on the Effective Date.

13. Other information

- 13.1 Save as disclosed in this document, MEIF 6 Fibre is not a party to any agreement or arrangement which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Scheme or Acquisition.

- 13.2 Save as disclosed in this document, there has been no significant change in the financial or trading position of the KCOM Group since 30 September 2018, being the date to which KCOM's last published unaudited interim accounts were prepared.
- 13.3 Barclays has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- 13.4 Rothschild & Co has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- 13.5 Peel Hunt has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- 13.6 Investec has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- 13.7 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between MEIF 6 Fibre or any person acting in concert with MEIF 6 Fibre for the purposes of the Acquisition and any of the KCOM Directors or recent directors, shareholders or recent shareholders of KCOM, or any person interested or recently interested in shares of KCOM, having any connection with, or dependence upon, the Acquisition.
- 13.8 Save as disclosed in this document, there is no agreement, arrangement or understanding whereby the beneficial ownership of any of the KCOM Shares to be acquired by MEIF 6 Fibre pursuant to the Acquisition will be transferred to any other person, save that MEIF 6 Fibre reserves the right to transfer any such KCOM Shares to any member of the Wider MEIF 6 Fibre Group.
- 13.9 Save as disclosed in this document, no proposal exists in connection with the Acquisition that any payment or other benefit shall be made or given by MEIF 6 Fibre to any KCOM Director as compensation for loss of office or as consideration for, or in connection with, his/her retirement from office.
- 13.10 The financial information on KCOM contained in this document does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act. Statutory accounts of KCOM for each of the years ended 31 March 2017 and 31 March 2018 respectively have been delivered to the Registrar of Companies for England and Wales and are available on KCOM's website www.kcomplc.com. The auditors of KCOM have made reports on each of these statutory accounts which were unqualified as defined by section 495 of the Companies Act and which did not contain any statements made under section 498(2) or (3) of the Companies Act.

14. Documents available for inspection

Until and including the Effective Date (or the date on which the Scheme lapses or is withdrawn if earlier) copies of the following documents will be available on MIRA's website at www.macquarie.co.uk/mgl/uk/meif/meif6-fibre-offer and KCOM's website at www.kcomplc.com:

- 14.1 the articles of association of MEIF 6 Fibre;
- 14.2 the KCOM Articles;
- 14.3 the Funding Letter;
- 14.4 a draft of the KCOM Articles as proposed to be amended by the General Meeting Resolution;
- 14.5 the consent letters referred to in paragraphs 13.3 to 13.6 of this Appendix 3;
- 14.6 the Confidentiality Agreement;
- 14.7 the Co-operation Agreement; and
- 14.8 this document and the Forms of Proxy.

15. Incorporation by reference

- 15.1 Parts of other documents are incorporated by reference in, and form part of, this document.
- 15.2 Appendix 4 to this document sets out the documents which are incorporated into this document.

15.3 A person who has received this document may request a copy of such documents incorporated by reference. A copy of any such documents or information incorporated by reference will not be sent to such persons unless requested from Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or by telephone on 0800 029 4521. If requested, copies will be provided, free of charge, within two Business Days of receipt of the request.

18 June 2019

APPENDIX 4

INFORMATION INCORPORATED BY REFERENCE

The following sets out the financial information in respect of KCOM as required by Rule 24.3 of the Takeover Code. The documents referred to below (or parts thereof) are incorporated by reference into this document and are available on KCOM's website in respect of the KCOM financial information.

The information is available in "read-only" format and can be printed from the website detailed above.

Please see paragraph 15.3 of Appendix 3 to this document for details of obtaining hard copies of documents incorporated by reference into this document.

No incorporation of website information

Save as expressly referred to herein, neither the content of MEIF 6 Fibre or KCOM's websites, nor the content of any website accessible from hyperlinks on MEIF 6 Fibre or KCOM's website, is incorporated into, or forms part of, this document.

Information incorporated by reference

Page number in reference

The unaudited interim accounts of KCOM for the six months ended 30 September 2018 contained in the announcement dated 27 November 2018 available from KCOM's website www.kcomplc.com

Pages 10 to 39

The audited accounts of KCOM for the financial year ended 31 March 2018 contained in KCOM's annual report for the financial year ended 31 March 2018 available from KCOM's website www.kcomplc.com

Pages 76 to 123

The audited accounts of KCOM for the financial year ended 31 March 2017 contained in KCOM's annual report for the financial year ended 31 March 2017 available from KCOM's website www.kcomplc.com

Pages 74 to 115

KCOM ratings and outlooks

There are no current public ratings or outlooks accorded to KCOM by any rating agencies.

APPENDIX 5

DEFINITIONS

The following definitions apply throughout this document (with the exception of Part III of this document) unless the context requires otherwise:

| | |
|---|--|
| Acquisition | the proposed acquisition by MEIF 6 Fibre of the entire issued and to be issued share capital of KCOM, other than any KCOM Shares held by MEIF 6 Fibre by means of the Scheme, on the terms and subject to the Conditions set out in this document (or by means of a Takeover Offer under certain circumstances described in this document) and, where the context admits, any subsequent revision, variation, extension or renewal thereof |
| Acquisition Price | 108 pence for each KCOM Share |
| Announcement | the announcement released on the Announcement Date by KCOM and MEIF 6 Fibre in accordance with Rule 2.7 of the Takeover Code |
| Announcement Date | 3 June 2019 |
| associated undertaking | shall be construed in accordance with paragraph 19 of Schedule 6 to The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) but for this purpose ignoring paragraph 19(1)(b) of Schedule 6 to those regulations |
| Annual Report | the annual report and financial statements of KCOM for the year ended 31 March 2018 |
| Authorisations | authorisations, orders, grants, recognitions, confirmations, consents, licences, clearances, certificates, permissions or approvals |
| Barclays | Barclays Bank PLC, acting through its Investment Bank |
| Board | as the context requires, the KCOM Directors or the MEIF 6 Fibre Directors |
| Business Day | a day, not being a public holiday, Saturday or Sunday, on which banks in London are open for normal business |
| certificated or in certificated form | a share or other security which is not in uncertificated form (that is, not in CREST) |
| Closing Price | the closing price of a KCOM Share as derived from the Daily Official List on any particular date |
| CMA | the Competition and Markets Authority of the UK |
| CMA Phase 2 Reference | a reference of the Acquisition to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 |
| Companies Act | the Companies Act 2006, as amended from time to time |
| Conditions | the conditions to the Acquisition (including the Scheme) which are set out in Part A of Appendix 1 to this document |

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| Confidentiality Agreement | the confidentiality agreement dated 21 May 2019 between MIRAEL and KCOM, as described in paragraph 10 of Part II of this document |
| connected persons | has the meaning given to it in sections 252 to 255 of the Companies Act |
| Court | the High Court of Justice in England and Wales |
| Court Hearing | the hearing of the Court to sanction the Scheme |
| Court Meeting | the meeting of KCOM Scheme Shareholders convened by order of the Court pursuant to section 896 of the Companies Act, notice of which is set out in Appendix 6 to this document, for the purposes of considering, and if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention thereof |
| Court Order | the order of the Court sanctioning the Scheme under section 899 of the Companies Act |
| Court Sanction Date | the date on which the Court Order is made |
| Co-operation Agreement | the agreement dated 3 June 2019 between MEIF 6 Fibre and KCOM, as described in paragraph 10 of Part II of this document |
| CREST | the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) (the Regulations) in respect of which Euroclear UK & Ireland Ltd is the Operator (as defined in the Regulations) in accordance with which securities may be held and transferred in uncertificated form |
| CREST Manual | the CREST Manual published by Euroclear as amended from time to time |
| CREST member | a person who is, in relation to CREST, a system member (as defined in the Regulations) |
| CREST participant | a person who is, in relation to CREST, a system participant (as defined in the Regulations) |
| CREST sponsor | a person who is, in relation to CREST, a sponsoring system-participant (as defined in the Regulations) |
| CREST sponsored member | a CREST member admitted to CREST as a sponsored member |
| Daily Official List | the daily official list of the London Stock Exchange |
| Dealing Disclosure | an announcement pursuant to Rule 8 of the Takeover Code containing details of dealings in relevant securities of a party to an offer |
| Disclosed | the information which has been fairly disclosed: <ul style="list-style-type: none"> (a) by or on behalf of KCOM to MEIF 6 Fibre or MIRA or the professional advisers of MEIF 6 Fibre or MEIF 6 (in their capacity as such in relation to the Acquisition) prior to the date of the Announcement; (b) in the Annual Report; (c) in the Announcement; (d) in any other public announcement made by KCOM prior to the Announcement Date; or |

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| | (e) by or on behalf of KCOM (or its advisers) in writing during the course of the due diligence exercise carried out by MEIF 6 Fibre or its professional advisers or on a call in connection with the Acquisition |
| Effective | in the context of the Acquisition: (a) if the Acquisition is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms, upon the delivery of an office copy of the Court Order to the Registrar of Companies; or (b) if the Acquisition is implemented by way of the Takeover Offer, the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code |
| Effective Date | the date on which the Acquisition becomes Effective |
| Euroclear | Euroclear UK & Ireland Limited |
| Excluded Shares | any KCOM Shares: <ul style="list-style-type: none"> (a) which are registered in the name of or beneficially owned by MEIF 6 Fibre or its nominee(s) or any subsidiary undertaking of MEIF 6 Fibre or its nominee(s); or (b) which are held in treasury (unless such KCOM Shares cease to be so held) |
| Explanatory Statement | the explanatory statement prepared in compliance with section 897 of the Companies Act and contained in Part II of this document |
| FCA | the Financial Conduct Authority or its successor from time to time, the authority for listing in the UK when it is exercising its powers under Part 6 of the Financial Services and Markets Act 2000 as amended |
| FCA Condition | the Condition set out in paragraph 3(a) of the Conditions, regarding the FCA providing its consent to the Acquisition in respect of a notice under section 178 of FSMA made by MEIF 6 Fibre or any other person who has decided to acquire control pursuant to the Acquisition over any member of the KCOM Group which is a UK authorised person (as such term is defined in section 191G of FSMA) |
| Form(s) of Proxy | the form of proxy in connection with each of the Court Meeting and the General Meeting, which shall accompany this document |
| FSMA | the Financial Services and Markets Act 2000 (as amended from time to time) |
| Funding Letter | a letter dated 3 June 2019 between MEIF 6 and MEIF 6 Fibre relating to the funding of the Acquisition |
| General Meeting | the general meeting of KCOM Shareholders (including any adjournment, postponement or reconvention thereof) to be convened for the purpose of considering and, if thought fit, approving the General Meeting Resolution in relation to the Acquisition, notice of which is set out in Appendix 7 to this document |
| General Meeting Resolution | the resolution to be proposed by KCOM at the General Meeting in connection with, among other things, the approval of the Scheme and the alteration of KCOM's articles of association and |

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| | such other matters as may be necessary to implement the Scheme and the de-listing of the KCOM Shares |
| HEY | the Hull & East Yorkshire division of the KCOM Group |
| Holder | a registered holder |
| Humber Bidco | Humber Bidco Limited, a private limited company incorporated in England and Wales under registered number 11940887, a wholly-owned indirect subsidiary of Universities Superannuation Scheme Limited (acting in its capacity as sole corporate trustee of Universities Superannuation Scheme) |
| Investec | Investec Bank PLC |
| KCOM or Company | KCOM Group Public Limited Company, a public limited company incorporated in England and Wales with registered number 02150618 |
| KCOM Articles | the articles of association of KCOM from time to time |
| KCOM Directors | the directors of KCOM as at the date of this document or, where the context so requires, the directors of KCOM from time to time |
| KCOM Group | KCOM and its subsidiary undertakings from time to time |
| KCOM LTIP | the KCOM Group PLC Long-Term Incentive Plan |
| KCOM Meetings | the Court Meeting and the General Meeting |
| KCOM Review | the in-depth review of KCOM's businesses and strategy announced by KCOM in the interim statement of results for the six months ended 30 September 2018 released on 27 November 2018 |
| KCOM Scheme Shares | <p>KCOM Shares:</p> <ul style="list-style-type: none"> (a) in issue as at the date of this document; (b) if any, issued after the date of this document and prior to the Voting Record Time; and (c) if any, issued on or after the Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme, <p>but in each case other than the Excluded Shares</p> |
| KCOM Scheme Shareholders | holders of KCOM Scheme Shares |
| KCOM Share(s) | the ordinary shares of 10 pence each in the capital of KCOM |
| KCOM Share Schemes | the KCOM LTIP and the KCOM SIP |
| KCOM Shareholders | holders of KCOM Shares |
| KCOM SIP | the KCOM Group PLC Share Incentive Plan and the Kingston Communications All Employee Share Plan |
| Last Practicable Date | 14 June 2019 |
| Link Asset Services | a trading name for Link Market Services Limited |
| London Stock Exchange | London Stock Exchange plc or its successor |

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| Long Stop Date | 31 October 2019 or such later date (if any) as MEIF 6 Fibre and KCOM may agree, with the consent of the Panel, and the Court may allow |
| MEIF 6 | Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by MIRAEL), together with its affiliates as the context may require |
| MEIF 6 Fibre | MEIF 6 Fibre Limited, a private limited company incorporated in England and Wales under registered number 12005063 with its registered office at Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD |
| MEIF 6 Fibre Directors | the directors of MEIF 6 Fibre as at the date of this document or, where the context so requires, the directors of MEIF 6 Fibre from time to time |
| MEIF 6 Fibre Group | MEIF 6 Fibre and its subsidiary undertakings and, where the context permits, each of them |
| MIRA | Macquarie Infrastructure and Real Assets |
| MIRAEL | Macquarie Infrastructure and Real Assets (Europe) Limited, a company incorporated in England and Wales with registered number 03976881 |
| MIRAEL Responsible Persons | the persons listed in paragraph 2.2 of Appendix 3 of this document |
| Offer Period | the offer period (as defined by the Takeover Code) relating to KCOM, which commenced on 24 April 2019 |
| Official List | the Official List maintained by the FCA |
| Opening Position Disclosure | an announcement pursuant to Rule 8 of the Takeover Code containing details on interests or short positions in, or rights to subscribe for, any relevant securities of a party to an offer |
| Overseas Shareholders | KCOM Shareholders (or nominees of, or custodians or trustees of, KCOM Shareholders) who are not resident in, ordinarily resident in, or citizens of, the United Kingdom |
| Panel | the Panel on Takeovers and Mergers |
| participant ID | the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant |
| Peel Hunt | Peel Hunt LLP |
| PRA | the Prudential Regulation Authority or its successor from time to time |
| Registrar of Companies | the Registrar of Companies in England and Wales |
| Regulations | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended) |
| Regulatory Information Service or RIS | any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements |
| Relevant Pension Plan | any pension scheme or other retirement or death benefit arrangement established for the directors, former directors, employees or former employees of any entity in the Wider KCOM Group or their dependants |

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| relevant securities | shall be construed in accordance with the Takeover Code |
| Remuneration Committee | the remuneration committee of the Board of KCOM |
| Restricted Jurisdiction | any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to KCOM Shareholders in that jurisdiction |
| Rothschild & Co | N M Rothschild & Sons Limited |
| Scheme | the proposed scheme of arrangement under Part 26 of the Companies Act between KCOM and KCOM Scheme Shareholders in order to implement the Acquisition, upon the terms and subject to the conditions set out in this document (with or subject to any modification, revision, variation, addition or condition which MEIF 6 Fibre and KCOM may agree and the Court may impose or, if required, approve) |
| Scheme Record Time | 6.00 p.m. on the Business Day immediately following the Court Sanction Date |
| Significant Interest | in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (a) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking; or (b) the relevant partnership interest |
| Subsidiary, subsidiary undertaking and undertaking | have the meaning given to them in the Companies Act |
| Takeover Code | the City Code on Takeovers and Mergers issued from time to time by the Panel |
| Takeover Offer | if (subject to the consent of the Panel and the terms of the Co-operation Agreement) MEIF 6 Fibre elects to effect the Acquisition by way of a takeover offer (as defined in Chapter 3 of Part 28 of the Companies Act), the offer to be made by or on behalf of MEIF 6 Fibre to acquire the entire issued and to be issued ordinary share capital of KCOM (excluding the Excluded Shares) on the terms and subject to the conditions to be set out in the related offer document and, where the context permits, any subsequent revision, variation, extension or renewal of such takeover offer |
| Third Party | any and each relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any other similar body or person whatsoever in any jurisdiction |
| UK or United Kingdom | the United Kingdom of Great Britain and Northern Ireland |
| USS Court Meeting | the meeting of KCOM Scheme Shareholders convened by order of the Court pursuant to section 896 of the 2006 Act in relation to the USS Offer scheduled adjourned on 5 June 2019 |
| USS General Meeting | the meeting of KCOM Shareholders in relation to the USS Offer adjourned on 5 June 2019 |
| USS Offer | the cash offer of 97 pence per KCOM Share made for the entire issued and to be issued ordinary share capital of KCOM by Humber Bidco Limited, a wholly-owned indirect subsidiary of |

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| | Universities Superannuation Scheme Limited (acting in its capacity as sole corporate trustee of Universities Superannuation Scheme) announced on 24 April 2019 |
| USS Offer KCOM Director Irrevocable Undertakings | the undertakings provided to Humber Bidco by each of Graham Sutherland, Anna Bielby and Peter Smith in respect of their interests in KCOM Shares, further details of which are set out in paragraph 7(a) of Appendix 3 to this document |
| USS Scheme Meetings | the USS Court Meeting and USS General Meeting |
| uncertificated or in uncertificated form | recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST |
| US or United States | the United States of America, its territories and possessions, any state of the United States and the District of Columbia |
| US Exchange Act | the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder |
| US Shareholder | a KCOM Shareholder resident or located in the United States |
| Voting Record Time | 10.00 p.m. (or, if the Court Meeting is adjourned, 10.00 p.m. on the date which is two days before the date fixed for the adjourned meeting (excluding any day which is not a Business Day)) |
| Wider KCOM Group | KCOM Group and associated undertakings and any other body corporate, partnership, joint venture or person in which KCOM and all such undertakings (aggregating their interests) have a Significant Interest |
| Wider MEIF 6 Fibre Group | MEIF 6 Fibre, its parent undertakings subsidiary undertakings and associated undertakings and any other body corporate, partnership, joint venture or person in which MEIF 6 Fibre and all such undertakings (aggregating their interests) have a Significant Interest |

All references to time in this document are to London time.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

All references in this document to any statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validly therefrom.

APPENDIX 6

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMPANIES COURT (ChD)
INSOLVENCY AND COMPANIES COURT JUDGE BURTON

CR-2019-003841

IN THE MATTER OF KCOM GROUP PUBLIC LIMITED COMPANY
(THE COMPANY)

– and –

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 17 June 2019 made in the above matters, the Court has given permission for a meeting (the **Court Meeting**) to be convened of the holders of KCOM Scheme Shares (as defined in the Scheme of Arrangement referred to below), for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 (the **Scheme of Arrangement**) proposed to be made between the Company and the holders of the KCOM Scheme Shares and that such Court Meeting will be held at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU on 11 July 2019 at 11.00 a.m. at which place and time all holders of the KCOM Scheme Shares are requested to attend. Voting will be by way of a poll.

A copy of the said Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms part.

KCOM Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their place. A BLUE Form of Proxy for use at the Court Meeting is enclosed with this Notice of Court Meeting. Completion and return of a Form of Proxy will not prevent KCOM Scheme Shareholders from attending and voting at the Court Meeting or any adjournment thereof in person.

As a member of the Company you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote on your behalf at the Court Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares. A proxy need not be a member of the Company but they must attend the Court Meeting to represent you. If you require additional proxy forms, please contact the Company's registrar, Link Asset Services on 0800 029 4521.

In the case of joint holders, any one such joint holder may tender a vote, whether in person or by proxy, at the Court Meeting, however, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.

It is requested that forms appointing proxies be lodged by post or, during normal business hours only, by hand with the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 11.00 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting), but if forms are not so lodged they may be handed to the Chairman at the meeting before the taking of the poll.

KCOM Scheme Shareholders entitled to attend and vote at the Court Meeting who hold their shares through CREST may appoint a proxy using the CREST proxy voting service. Proxies submitted using the CREST proxy voting service must be transmitted so as to be received by Link Asset Services (under CREST participant ID RA10) not later than 11.00 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the

time and date set for the adjourned meeting). The time of receipt will be taken to be the time from which Link Asset Services are able to retrieve the message by enquiry to CREST.

KCOM Scheme Shareholders can also register the appointment of a proxy for the Court Meeting electronically by accessing the shareholder portal at www.kcom-shares.com. Please note, you will require your investor code in order to register for the shareholder portal if you have not already registered. Your investor code is detailed on your share certificate or available from the Company's registrars, Link Asset Services. Full details of the proxy voting procedure are given on the website and shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy through it. Electronic proxy appointments must be received by not later than 11.00 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting).

Entitlement to attend and vote at the Court Meeting, or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company at 10.00 p.m. on 9 July 2019 (or, if the meeting is adjourned, 10.00 p.m. on the date which is two days before the date fixed for the adjourned meeting, excluding any day which is not a Business Day). Changes to the register of members of the Company after such time will be disregarded.

Completion and return of a Form of Proxy, or the appointment of a proxy electronically via the shareholder portal or through CREST, will not prevent a KCOM Scheme Shareholder from attending, speaking and voting in person at the Court Meeting, or any adjournment thereof, if such KCOM Shareholder wishes and is entitled to do so.

By the said Order, the Court has appointed Patrick De Smedt or, failing him, Graham Sutherland or failing them any other director of the Company to act as Chairman of the Court Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 18 June 2019

ADDLESHAW GODDARD LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Solicitors for the Company

1. The statement of rights of KCOM Scheme Shareholders (as defined in the Scheme of Arrangement referred to above) in relation to the appointment of proxies described in this Notice of Court Meeting does not apply to nominated persons (as defined in Note 2 below). Such rights can only be exercised by KCOM Scheme Shareholders.
2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **nominated person**) may, under an agreement between him/her and the member by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for the Court Meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
3. Terms used but not otherwise defined in this Notice of Court Meeting shall have the meaning given to them in Appendix 5 to the scheme document dated 18 June 2019 of which this Notice of Court Meeting forms part.

APPENDIX 7

NOTICE OF GENERAL MEETING

KCOM GROUP PUBLIC LIMITED COMPANY

(THE COMPANY)

(Registered in England and Wales No. 02150618)

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of the Company will be held at the Kingston Suite, KCOM Stadium, Hull, HU3 6HU on 11 July 2019, at 11.15 a.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this Notice forms part) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

for the purpose of giving effect to the scheme of arrangement dated 18 June 2019 between the Company and the holders of the KCOM Scheme Shares (each as defined in the said scheme of arrangement), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman thereof, in its original form or subject to such modification, addition or condition agreed in writing by the Company and MEIF 6 Fibre Limited (**MEIF 6 Fibre**) and approved or imposed by the Court (the **Scheme**):

- (1) the Scheme be approved in its original form or subject to such modification, addition or condition agreed in writing between the Company and MEIF 6 Fibre (and approved or imposed by the Court) and the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
- (2) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new Article 163:

“Scheme of Arrangement

- (A) In this Article 163, the “Scheme” means the scheme of arrangement dated 18 June 2019, between the Company and the holders of the KCOM Scheme Shares (each as defined in the Scheme) under sections 895 to 899 of the Companies Act in its original form or with or subject to any modification, addition or condition agreed in writing between the Company and MEIF 6 Fibre Limited and approved or imposed by the Court and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.
- (B) Notwithstanding any other provision of these Articles, if the Company issues any ordinary shares (other than to MEIF 6 Fibre Limited or its nominee(s)) on or after the adoption of this Article and on or before the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme and the holders of such shares shall be bound by the Scheme accordingly.
- (C) Subject to the Scheme becoming effective, if any ordinary shares are issued to any person (a **New Member**) (other than under the Scheme or to MEIF 6 Fibre Limited or its nominee(s)) on or after the Scheme Record Time (the **Transfer Shares**), they will be immediately transferred to MEIF 6 Fibre Limited (the **Purchaser**) (or as it may direct) in consideration for and conditional on the payment to the New Member of such cash consideration as would have been payable under the Scheme had such Transfer Shares been KCOM Scheme Shares.

- (D) On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation) effected after the Effective Date, the value of the cash payment per share to be paid under paragraph (C) of this Article shall be adjusted by the Directors in such manner as the auditors of the Company may determine to be appropriate to reflect such reorganisation or alteration. References in this Article to ordinary shares shall, following such adjustment, be construed accordingly.
- (E) To give effect to any transfer required by paragraph (C) above, the Company may appoint any person as agent for the New Member to transfer the Transfer Shares to the Purchaser and/or its nominee(s) and do all such other things and execute and deliver all such documents as may in the opinion of the agent be necessary or desirable to vest the Transfer Shares in the Purchaser or its nominee(s) and pending such vesting to exercise all such rights attaching to the Transfer Shares as the Purchaser may direct. If an agent is so appointed, the New Member shall not thereafter (except to the extent that the agent fails to act in accordance with the directions of the Purchaser) be entitled to exercise any rights attaching to the Transfer Shares unless so agreed by the Purchaser. The agent shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder) in favour of the Purchaser and the Company may give a good receipt for the purchase price of the Transfer Shares and may register the Purchaser as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Transfer Shares. The Purchaser shall send a cheque drawn on a UK clearing bank in favour of the New Member (or any subsequent holder) for the purchase price of such Transfer Shares within five Business Days of the time on which the Transfer Shares are issued to the New Member.”

By order of the Board of KCOM Group Public Limited Company

Sally Jones
Company Secretary

18 June 2019

37 Carr Lane, Hull, East Yorkshire, HU1 3RE

Notes:

1. A shareholder of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. A WHITE Form of Proxy is enclosed with this notice. Instructions for use are shown on the form. Lodging a WHITE Form of Proxy will not prevent the member from attending and voting in person.
3. To be valid, the WHITE Form of Proxy, together with any power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be received at the offices of the Company's registrars, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not later than 11.15 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting). Completion and return of a form of proxy will not prevent a member from attending and voting at the General Meeting, or any adjournment thereof, in person if he/she wishes to do so.
4. As an alternative to completing the WHITE Form of Proxy, you can appoint a proxy for the General Meeting electronically by accessing the shareholder portal at www.kcom-shares.com. Please note, you will require your investor code in order to register for the shareholder portal if you have not already registered. Your investor code is detailed on your share certificate or available from the Company's registrars, Link Asset Services. Full details of the proxy voting procedure are given on the website and shareholders are advised to read the terms and conditions relating to the use of this facility before appointing a proxy through it. Any electronic communication sent by a shareholder that is found to contain a computer virus will not be accepted. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged in any way. If you want to appoint more than one proxy electronically then please contact please contact the Company's registrars, Link Asset Services, on 0800 029 4521. Charges for calls to Freephone numbers will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The shareholder helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and monitored for security and training purposes. Please note the shareholder helpline cannot provide advice on the merits of the Scheme nor give any financial, investment, legal or tax advice. Electronic proxy appointments must be received not later than 11.15 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting).

5. Entitlement to attend and vote at the General Meeting, or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company at 10.00 p.m. on 9 July 2019 (or, if the meeting is adjourned, 10.00 p.m. on the date which is two days before the date fixed for the adjourned meeting, excluding any day which is not a Business Day). Changes to the register of members of the Company after such time will be disregarded.
6. If you submit your proxy electronically through CREST, to be valid the appropriate CREST message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Asset Services (under CREST participant ID RA10), by no later than 11.15 a.m. on 9 July 2019 (or, in the case of an adjourned meeting, not less than 48 hours (excluding any part of a day that is not a Business Day) prior to the time and date set for the adjourned meeting). The time of receipt will be taken to be the time from which Link Asset Services is able to retrieve the message by enquiry to CREST.
7. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages and the normal system timings and limitations apply to the input CREST Proxy Instructions.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
10. The General Meeting Resolution will be put to a vote on a poll. On a poll, each shareholder has one vote for every KCOM Share held.
11. The "Vote Withheld" option is provided to enable you to abstain on the General Meeting Resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the preparation of votes "For" and "Against" the specified resolution.
12. Copies of the Company's existing articles of association and copies of the new articles of association as amended pursuant to paragraph 2 of the General Meeting Resolution are available for inspection at the offices of Addleshaw Goddard LLP at Milton Gate, 60 Chiswell Street, London EC1Y 4AG and at the Company's registered office, until opening of business on the day on which the meeting is held and will also be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting.
13. Any shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered questions relating to the business to be dealt with at the General Meeting put by a shareholder attending the meeting. However, shareholders should note that no answer need be given in the following circumstances:
 - (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
 - (b) if the answer has already been given on a website in the form of an answer to a question; or
 - (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question answered.
14. As at 14 June 2019 (being the last practicable date prior to the publication of this Notice): (i) the Company's share capital consisted of 516,603,910 KCOM Shares, all carrying one vote each; and (ii) the total voting rights in the Company were 516,603,910.
15. Terms used but not otherwise defined in this Notice of General Meeting shall have the meaning given to them in Appendix 5 to the scheme document dated 18 June 2019 of which this Notice of General Meeting forms part.

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