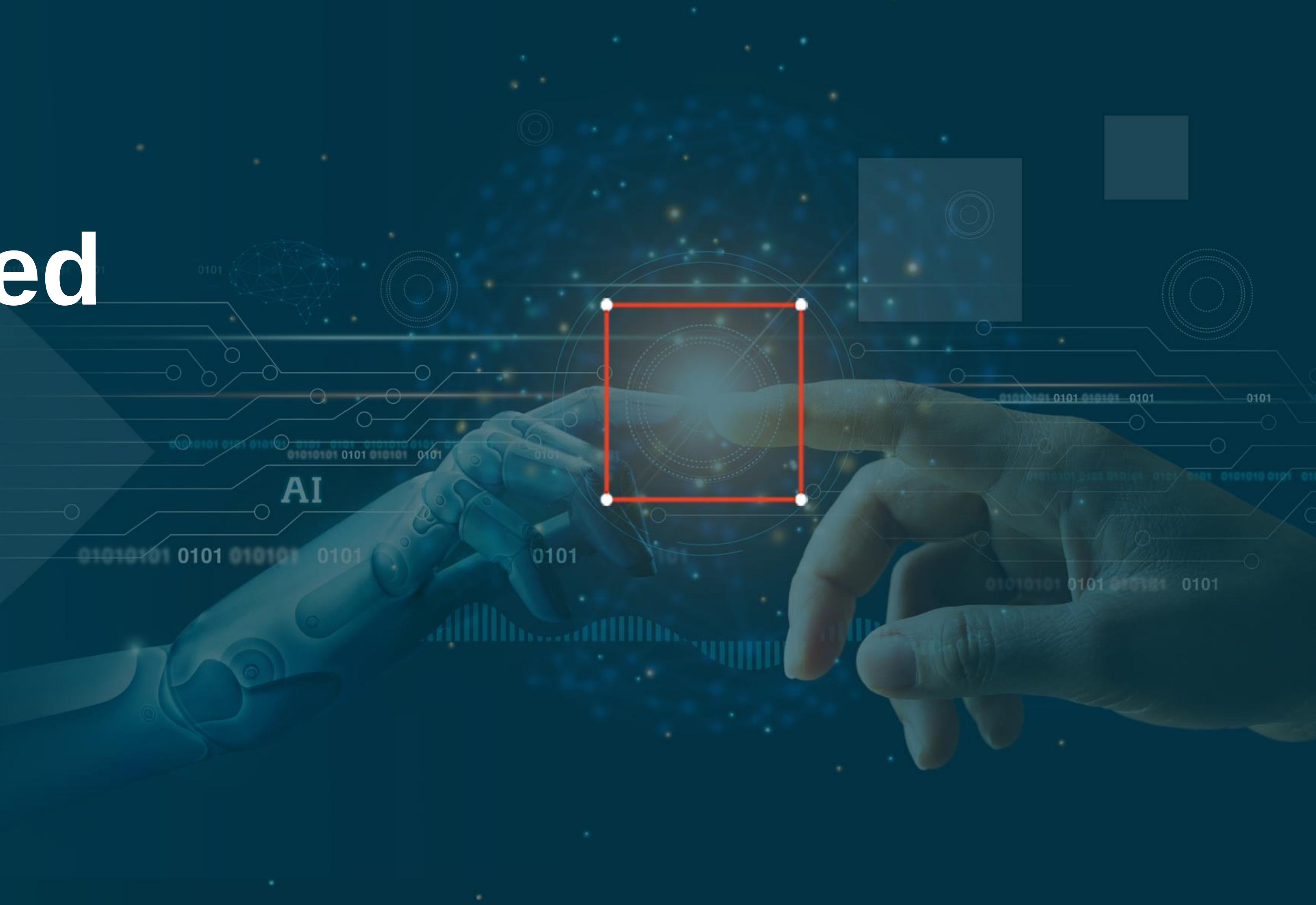
21
November
2023

Appen Limited

Equity raising presentation



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Important notice and disclaimers (1 of 4)

Important Notice and Disclaimers

This investor presentation (**Presentation**) is dated 21 November 2023 and has been prepared by Appen Limited (ACN 138 878 298) (**Appen**).

- This Presentation has been prepared in relation to:
  - a pro rata accelerated non-renounceable entitlement offer of new fully paid ordinary shares in Appen (**New Shares**), to be made to:
    - eligible institutional and sophisticated shareholders of Appen (**Institutional Entitlement Offer**); and
    - eligible retail shareholders of Appen (**Retail Entitlement Offer**),

    (together, the **Entitlement Offer**) under section 708AA of the Corporations Act 2001(Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (the **Corporations Act**); and
  - an institutional placement of New Shares made to certain institutional and sophisticated investors (**Placement**, and together with the Entitlement Offer, the **Equity Raising**).

SUMMARY INFORMATION

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

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

No member of Appen Group gives any representations or warranties in relation to the statements or information in this Presentation.

NO FINANCIAL PRODUCT ADVICE

This Presentation is for information purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or the law of any other jurisdiction. This Presentation is not financial product advice or investment advice nor a recommendation to acquire New Shares and has been prepared without taking into account the objectives, financial situation and particular needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. An investment in securities is subject to known and unknown risks, some of which are beyond the control of Appen Group. Prospective investors should have regard to the "Key risks" section of this Presentation when making their investment decision. Cooling off rights do not apply to an investment in New Shares.

FINANCIAL INFORMATION

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

Important notice and disclaimers (2 of 4)

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

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

ROUNDING

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

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

Investors are strongly cautioned not to place undue reliance on forward-looking statements, including in respect of Appen Group’s future financial performance and outlook, particularly in light of the current economic climate, market volatility, the ongoing hostility between Russia and Ukraine and the ongoing hostility in Israel and the Gaza territory. Results may also be affected by a number of variables and changes in underlying assumptions that could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, industry competition, legislative, fiscal or regulatory developments, changes in accounting standards, economic and financial market conditions in various countries and regions, political risks, product delay or advancements, approvals and cost estimates. Neither the Appen Group, nor the underwriter, nor any other person, gives any representation, warranty or assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur.

Important notice and disclaimers (3 of 4)

Each recipient of this Presentation should make its own enquiries and investigations regarding all information included in this Presentation including the assumptions, uncertainties and contingencies which may affect the Appen Group's future operations and the values and the impact that future outcomes may have on the Appen Group.

Each of the Appen Group, the underwriter and each of their respective affiliates and related bodies corporate, and each of their respective directors, officers, partners, employees and agents (**Extended Parties**) is under no obligation to update or revise any forward looking statement to reflect any change in the Appen Group's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by Australian law.

PAST PERFORMANCE

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

NOT AN OFFER

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

DETERMINATION OF ELIGIBILITY

Investors acknowledge and agree that determination of eligibility of investors for the purposes of the Institutional Entitlement Offer or the Retail Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Appen and/or the underwriter. The underwriter may rely on information provided by or on behalf of institutional investors in connection with managing, conducting and underwriting the Entitlement Offer without having independently verified that information and the underwriter does not assume responsibility for the fairness, currency, accuracy, reliability or completeness of that information.

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This Presentation may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States. The distribution of this Presentation elsewhere outside Australia may be restricted by law. Persons who come into possession of this Presentation should observe any such restrictions as any non-compliance could contravene applicable securities laws. Please refer to “International selling restrictions" in this Presentation for more information.

RETAIL ENTITLEMENT OFFER

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

Important notice and disclaimers (4 of 4)

APPEN GROUP AND THE UNDERWRITER

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

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

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

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

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Presentation. Any information or representation not contained in this Presentation may not be relied on as having been authorised by the Appen Group in connection with the Offer. The underwriter and its Extended Parties take no responsibility for any information in this Presentation or any action taken by you on the basis of such information. The underwriter and its Extended Parties make no recommendation as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties to you concerning this Offer or any such information, and you represent, warrant and agree that you have not relied on any statements made by the underwriter or any of its Extended Parties in relation to the New Shares or the Offer generally and you further expressly disclaim that you are in a fiduciary relationship with any of them.

The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe such restrictions. In particular, this Presentation may not be distributed in the United States. Any failure to comply with such restrictions may constitute a violation of applicable securities law. Please refer the "International selling restrictions" section of this Presentation for more information.

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

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

Summary

1	**FY23 trading update**	▪ Revenue conditions have deteriorated further than what was expected at the time of the previous equity raising announced on 16 May 2023 ▪ The challenging external operating and macroeconomic conditions that were noted at the 1H FY23 results have persisted into 2H FY23 ▪ We are beginning to see opportunities emerge from our generative AI strategy
2	**Additional cost reduction initiatives**	▪ Appen remains committed to return to profitability. We are implementing an additional $14 million of cost reduction, bringing total run-rate cost reduction initiatives that have been or will be implemented over 2023 to $60 million ▪ We have implemented 100% of the previously announced $46m of annualised cost savings and this is beginning to improve our underlying EBITDA[1] performance, with improvement seen in October 2023 ▪ Appen expects to exit FY23 with an annualised run-rate cash operating cost base of approximately $99.0 million[2]
3	**Focus on return to profitability**	▪ The additional cost out initiatives that we have recently implemented and those announced are expected to enable Appen to return to underlying EBITDA[1] and underlying cash EBITDA[3] profitability at or around the end of FY23 on an annualised, run-rate basis assuming an expected revenue improvement in November and December[4]
4	**Strategic considerations**	▪ Appen has significant potential despite the highly challenging external operating environment it currently faces ▪ Continuously assessing opportunities to realise this value for shareholders
5	**Equity raising**	▪ Fully underwritten A$30 million equity raising (“Equity Raising”) to support return to profitability in the current revenue environment (page 14) ▪ Proceeds will provide balance sheet flexibility and general working capital to support Appen’s return to profitability, and fund transaction costs

Note: 1. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses; 2. Based on annualisation of expected cost base in December 2023. Excludes impairment losses, crowd labelling services, share based payments, depreciation and amortisation, transaction, finance and restructure costs and the impact of foreign exchange losses. Includes STI at the current assumed level for FY23; 3. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses; 4. Based on full year gross profit expectations for 2023 less the annualised run-rate cash cost base of approximately $99.0 million on a cash basis and/or $94.7 million on a P&L basis.

Trading update – year to date performance

Unaudited FY23 financial update for the ten months ending 31 October 2023[1]:

	October YTD	*Vs pcp*
Revenue	**$223.0m**	*down 29.3% on pcp*
Gross Profit[2]	**$80.4m**	*down 32.8% on pcp*
Underlying EBITDA[3] (excluding FX)	**($23.8m)**	*$9.9m in pcp*
Underlying cash EBITDA[4] (excluding FX)	**($32.8m)**	*($4.8m) in pcp*

Appen's cash balance was $20.5m as at 31 October 2023[5]

Continued challenging external operating and macroeconomic conditions in Global Services

- Customers continue to value our work, however ongoing reduction in customer spend due to broader technology market slowdown
- Despite these challenging conditions we are continuing to win new projects in Global Services
- Generative AI data services is now approximately 1/3 of revenue from one of our Global customers

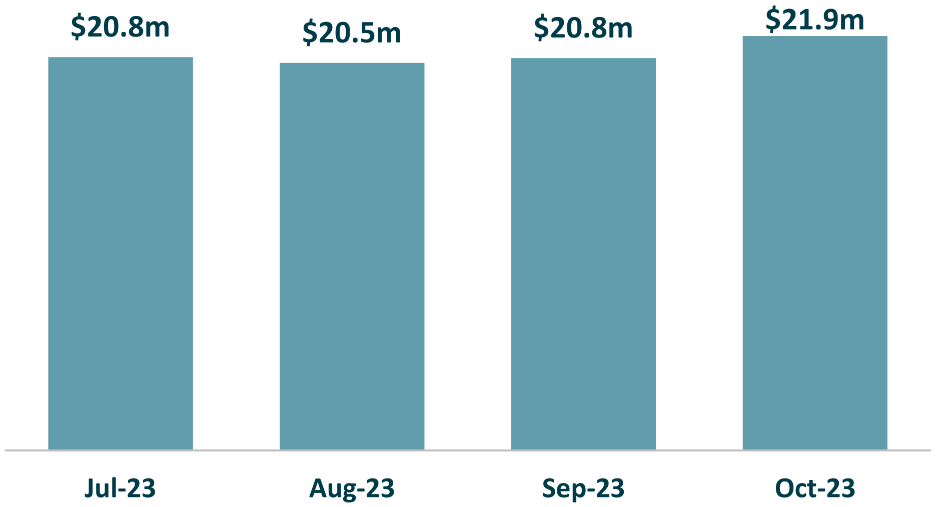
Promising activity in New Markets

- China Group recovering from COVID impacted conditions, with October the highest revenue month for FY23
- Expanded contracted revenue with LLM model builder by 5x in 2H 2023 to over $1 million

Note: 1. All amounts stated are in US$ and all prior period comparisons are to the 10 months ended 31 October 2022 unless otherwise stated. The financial figures as at 31 October 2023 are based on unaudited management accounts; 2. Gross profit refers to revenue less crowd expenses; 3 Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses; 4. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses; 5. Based on unaudited management accounts.

Trading update – monthly unaudited financial update[1]

Revenue

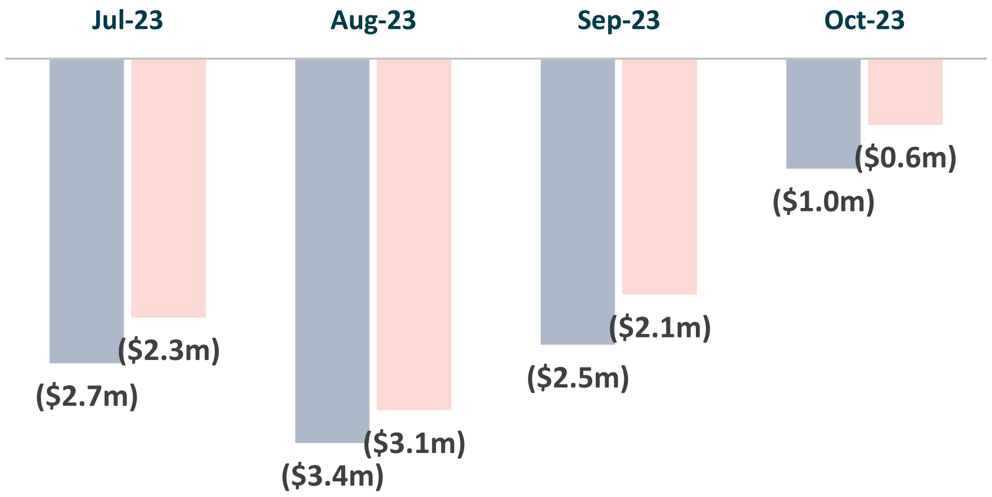


% change on PCP

(34.3%)	(37.8%)	(36.2%)	(37.6%)
(16.9%)	(21.7%)	(13.9%)	(13.2%)

Variance to PCP   Variance to PCP (ex largest customer)

Underlying EBITDA and underlying cash EBITDA (excluding FX)[2]



PCP result

($4.0m)	($2.3m)	($0.6m)	$1.3m
($3.0m)	($0.5m)	$1.2m	$2.6m

Underlying cash EBITDA   Underlying EBITDA

Note: 1. All amounts stated are in US$ and monthly prior period comparisons are to the corresponding month in 2022. The figures for each month are based on unaudited management accounts;
2. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.

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Continuing to see opportunities in generative AI

LLM model builder

Conversational AI evaluation to improve performance of globally used LLM

US tech firm

A large and longstanding project is now mostly focused on generative AI model training

Asian tech firm

Assembled team of software engineers to support software coding LLM responses

Executing on our turnaround

Focus area	Progress on 1H23 turnaround initiatives	Progress on 2H23 turnaround initiatives
Operational rigor	• Established business management systems • Cost reallocation to growth vectors	• Execute cost saving initiatives • Target operating model deployed • Streamlined crowd onboarding process
Product velocity	• Launch products that capture new market growth • Incorporate Generative AI labelling automation • Drive internal productivity improvements	• LLM benchmarking product launched • Model monitoring solution launched • Synthetic LLM datasets launched
World class go-to-market	• Build consultative sales and go-to-market capabilities • Elevate our brand with greater marketing awareness	• New sales leaders and structure in place • Sales ops function established • New CMO in place to amplify brand value
Ecosystem partnership	• Expand our partner ecosystem to reach more clients • Focus on key industry verticals	• Expanding set of ecosystem partners • Joint go-to-market approach in place
#AIforGood	• Deliver trustworthy AI for our clients • Responsibility by design • Establish and chair AI for Good Committee • One Appen	• Focus on conversion to renewable energy • Active recruitment of impact Sourced Crowd

• Completed
• In progress

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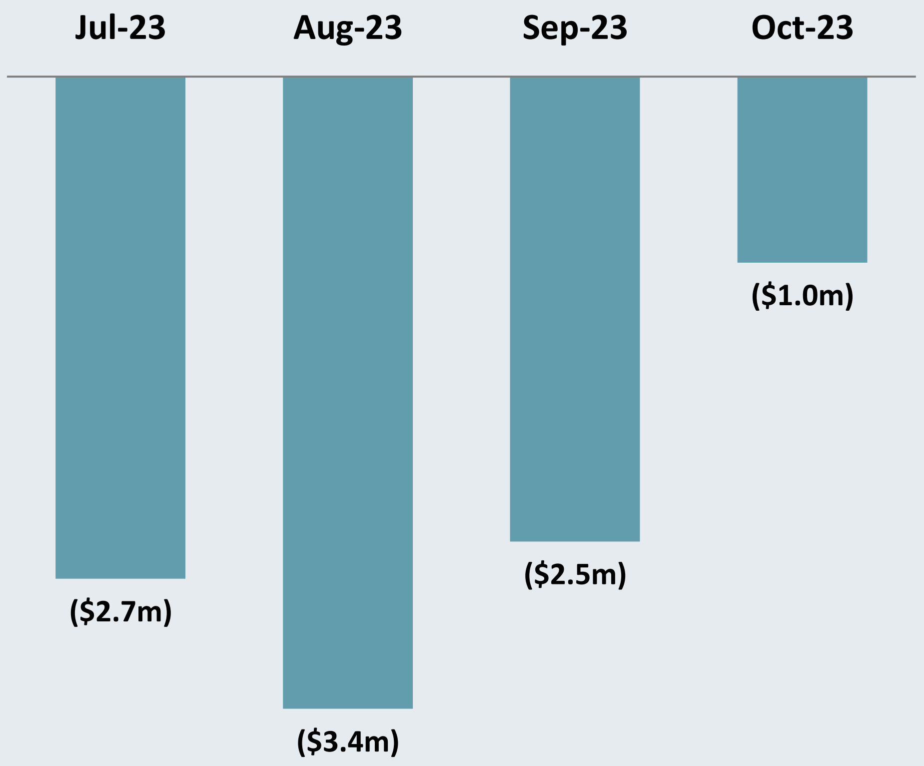
Further action to reduce cost base

Continuing to manage costs in line with the revenue opportunity and market conditions

- Appen has completed 100% of the initiatives announced on 10 May 2023
- Identified additional $14 million of cost out, the majority of which will be achieved by the end of November 2023
- This brings total run-rate cost reduction initiatives that have been or will be implemented over 2023 to $60 million, with the first full year benefit of these cost savings expected to be realised in FY24
- Appen expects to exit FY23 with an annualised run-rate cash operating cost base of ~$99.0 million[1] (includes capitalised software development costs of ~$7.9 million and excludes non-cash share-based payment expenses of ~$3.6 million[2])

➢ **We are taking action on the items that are within our control and we have taken steps to remove more cost than previously announced**

Cost reduction is resulting in an improved underlying cash EBITDA[3] (excl. FX) position



Note: 1. Based on annualisation of expected cost base in December 2023. Excludes impairment losses, crowd labelling services, share based payments, depreciation and amortisation, transaction, finance and restructure costs and the impact of foreign exchange losses. Includes STI at the current assumed level for FY23; 2. It is anticipated non-cash share-based payment expense will be higher in FY24 than FY23, these non-cash payments are at the discretion of the Board; 3. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.

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2023 outlook

- Notwithstanding the weaker revenue environment, Appen remains focused on returning to underlying EBITDA and underlying cash EBITDA profitability on an annualised, run-rate basis[1,2]
- The additional cost out initiatives recently implemented and those announced are expected to be enable Appen to return to underlying EBITDA and underlying cash EBITDA profitability at or around the end of FY23 on an annualised, run-rate basis[2], assuming an expected revenue improvement in November and December
- As previously stated in the 3 October 2023 ASX announcement, Appen expected the Quadrant earn-out liability to be no greater than $5 million. Appen has agreed with the vendors of Quadrant to issue ordinary shares (~$3.75m) and warrants (~$1.25m) to meet this liability on or around 1 January 2024 (subject to any extension agreed between the parties). Mike Davie, Appen's Chief Product Officer and Quadrant's founder and SVP, will in part receive ordinary shares (as for the other vendors). Separately, for greater alignment of interests, Mike Davie will in part also be issued warrants and the warrants will vest and are exercisable from 1 January 2025 (or earlier in certain circumstances)

Note: 1. Underlying results are a non-IFRS measure used by management to assess the performance of the business and are calculated from statutory measures. Non-IFRS measures are not subject to audit. Underlying EBITDA excludes restructure costs, transaction costs, inventory losses and acquisition-related and one-time share-based payments expenses. Underlying cash EBITDA is underlying EBITDA less capitalised software development expenses plus non acquisition-related share-based payment expenses.; 2. Based on full year gross profit expectations for 2023 less the annualised run-rate cash cost base of approximately $99.0 million on a cash basis and/or $94.7 million on a P&L basis.

Strategic considerations

- Appen has significant potential despite the highly challenging external operating environment it currently faces
- Appen's Board is continuously assessing opportunities to realise this value for shareholders, including responding to third party interest in its businesses. This could include partnering, strategic investment, or sale propositions for part or all of its business
- While to date no proposals have emerged which the Board has determined to take forward, and there is no guarantee that such a proposal or proposals will emerge in the future, the Board will be prepared to engage with potential counterparties should a transaction be proposed which, if implemented, the Board considers would be in the best interests of shareholders

Equity raising details

Offer structure and size	• Fully underwritten ~A$30 million Equity Raising comprised of:
	  • A 1 for 3.65 pro rata accelerated non-renounceable entitlement offer (“**Entitlement Offer**”) to existing eligible shareholders to raise ~A$23.6 million
	  • An institutional placement (“**Placement**”) to raise ~A$6.4 million
	• 54.5 million fully paid ordinary shares (“**New Shares**”) to be issued, representing ~34.8% of the existing shares on issue

Offer price	• A$0.55 per new share (“**Equity Raising Price**”), represents:
	  • a 35.1% discount to the theoretical ex-rights price of A$0.85 (“**TERP**”)[1]
	  • a 42.1% discount to Appen’s last closing price of A$0.95 on Monday, 20 November 2023

Institutional Entitlement Offer and Placement	• The institutional component of the Entitlement Offer and Placement will be conducted on Tuesday, 21 November and Wednesday, 22 November 2023 • Entitlements not taken up and those of ineligible shareholders will be placed into an institutional shortfall bookbuild and sold at the Equity Raising Price
Retail Entitlement Offer	• The Retail Entitlement Offer is expected to open on Wednesday, 29 November 2023 and close on Friday, 8 December 2023 • Retail shareholders residing in Australia and New Zealand on the Record Date may participate in the Retail Entitlement Offer
Ranking	• The New Shares will rank equally with existing fully paid ordinary shares on issue
Settlement	• Settlement of New Shares issued under the Institutional Entitlement and Placement is expected to be on Friday, 1 December 2023 • Settlement of New Shares issued under the Retail Entitlement Offer is expected to be on Thursday, 14 December 2023
Underwriting	• The Equity raising is fully underwritten by Barrenjoey Markets Pty Limited
Participation	• All directors residing in Australia who are existing shareholders on the Record Date have committed to take up their pro-rata entitlement under the Entitlement Offer

Note: 1. TERP is the theoretical ex-rights price including the Placement shares. TERP is calculated by reference to Appen’s closing price of A$0.95 on 20 November 2023, being the last trading day prior to the announcement of the Equity Raising. TERP is a theoretical calculation only and the actual price at which Appen’s shares trade immediately after the ex-date of the Equity Raising will depend on many factors and may not be equal to TERP.

Equity raising timetable

Events	Dates
Announcement of the Equity Raising	Tuesday, 21 November
Placement and Institutional Entitlement Offer bookbuild	Tuesday, 21 November – Wednesday, 22 November
Announcement of results of the Placement and Institutional Entitlement Offer	Thursday, 23 November
Appen shares recommence trading	Thursday, 23 November
Entitlement Offer Record Date (7.00pm Sydney time)	Friday, 24 November
Retail Entitlement Offer opens (Retail Offer Booklet made available to eligible retail shareholders)	Wednesday, 29 November
Settlement of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 1 December
Allotment and trading of New Shares issued under the Placement and Institutional Entitlement Offer	Monday, 4 December
Retail Entitlement Offer closes (5.00pm Sydney time)	Friday, 8 December
Settlement of New Shares issued under the Retail Entitlement Offer	Thursday, 14 December
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 15 December
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Monday, 18 December

Key risks

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

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

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

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

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

Business risks

Strategic direction of the business	The AI market is dynamic, with changes in client needs and end-user expectations. The strategic direction of the Appen Group's business can rapidly change. Demand for services, technological developments within market segments, geoeconomic confrontations (including global conflicts) and regulatory developments can all impact Appen Group's business model. Changes to these factors may result in downturns or extended periods of uncertainty or volatility which may influence spending by Appen Group clients and affect the Appen's Group's financial and operating performance, Appen's share price and Appen's ability to pay dividends.
Concentration of customers	Appen and its subsidiaries' existing customer base consists of, amongst others, a number of large global multi-national technology companies. Currently five large global technology companies are the major buyers of AI training data and relevance work. The projects awarded by these companies, or the ongoing services which Appen may provide to these companies, can generate large amounts of revenue from that one client. This revenue model leads to a high concentration of revenues with one or more customers. Such customer concentration is not unusual in the industry in which Appen operates, though changes in the demands of these customers and the broader technology market, increases the risk that the Appen Group may lose one or more of these customers if it is unable to successfully predict and satisfy its customers' evolving needs.
Revenue model and customer contracts	A substantial part of the Appen Group's existing revenue is generated from individual case by case projects rather than long-term contracts. Appen cannot be assured that a customer will reengage the Appen Group on future projects or services once the project is completed or that the customer will not unilaterally reduce the scope of, or terminate, existing projects on short-term notice (generally 30 days, but sometimes less). The absence of guaranteed long-term revenue makes it difficult to predict the future revenues of the Appen Group and investors should consider this factor in the context of considering any investment. The Appen Group's revenue model is, and will be, predominantly driven by project demands of customers and can be unpredictable throughout any financial year due to the timing of projects, length of sales cycles and the product-release cycles of the Appen Group's clients. Revenues may be impacted from quarter to quarter, and year to year, depending on the customer demand factors or on the completion rate of projects. If a customer, particularly a key customer, reduces its expenditure on either projects or services, it may adversely impact the revenue, earnings and cash flow of the Appen Group.

Key risks (cont.)

Business risks

Future funding	The funds raised under the Offer, together with Appen's existing cash reserves, and future operating cashflow are currently expected to be sufficient to fully meet Appen's business operations. However, no assurance can be given by Appen that its short term funding requirements will not change owing to events that unexpectedly and adversely impact Appen's business. For example, if any of the risks identified in this 'Key Risks' section were to occur and materially and adversely impact Appen's business, then Appen may require additional funding in the short-medium term. Further, Appen's continued ability to operate its business and effectively implement its business plan over the medium and long term will depend in part on its ability to generate free cash flow, to raise funds for operations and growth activities and to service, repay and refinance debts as they fall due. To the extent that Appen does require funding for its future capital needs, the availability and terms of such funding are uncertain and may be less favourable to Appen than anticipated, which may negatively impact Appen's future profitability and financial flexibility. Funding terms may also place restrictions on the manner in which Appen conducts its business and impose limitations on Appen's ability to execute its business plan and growth strategies.
Cost reduction program	Appen is undertaking a significant cost reduction program over FY23. Appen's earnings and cash flow may be adversely impacted if the cost reduction program took longer or was more costly to implement than expected, did not achieve the planned quantum of cost savings or if the associated reduction in roles impacted Appen's ability to generate revenue. Increased involuntary separations can impact employee engagement and also may result in increased claims and even litigation.
Appen management personnel	Appen depends on the talent and experience of its existing management personnel. Recent cost reduction exercises have also increased the risk associated with key management personnel as role consolidation has resulted in an increased reliance on key individuals across the business. However, despite incentives offered to key personnel, there can be no assurance that Appen will be able to retain all of its key personnel, and there has been key management turnover at Appen in recent years. The loss of any key management or other personnel with specialist skills, or a significant number of personnel generally, may have an adverse impact on the Appen Group. It may be difficult to replace those personnel, or to do so in a timely manner, or at comparable expense. The loss of key management personnel could cause material disruption to the Appen Group's activities in the short to medium term.
Technology Market	Technology in the relevant market is changing rapidly and certain changes may impact the demand for Appen's services, change the market opportunity or business models of Appen customers and/or result in the disintermediation of Appen or its customers. Large language models, generalised artificial intelligence, quantum computing, VR/AR, blockchain / cryptocurrency and other developments may prove highly disruptive. Increased pressure to regulate artificial intelligence may also pose a risk to Appen and its customers. AI systems can have bias, hallucinate or otherwise produce harmful results. Implementing systems that are trustworthy and embrace AI for Good principles is not well defined currently and the failure to do so may impact societal trust and limit the deployment of new technologies. Technology shifts may diminish the need to humans to train and refine artificial intelligence. The Appen Group's customer base is spread across numerous industry sectors including automobile, information technology, and government. Further, demand for services in the AI market can rapidly change depending on technological developments within market segments. Any adverse developments which impact these industry sectors have the potential to in turn impact the demand for the Appen Group's services, which could adversely impact the future financial performance of the Appen Group.
Recruitment and crowdsourcing	The Appen Group's operating model requires an ability to mobilise a large number of independent contractors on a project-by-project basis to fulfil customer needs and project requirements. If the Appen Group fails to find independent contractors of a suitable quality, and/or suitable number, and/or jurisdictions restrict flexible independent contractor relationships, this may lead to project delays or lower revenues being generated in relation to the project. These difficulties may be more prevalent during times when national economies are strong or getting stronger due to the reduced number of persons looking for work. Most of the Appen Group's search relevance and data analytics services are crowdsourced to, and often performed by, independent contractors. The independent contractors performing these services are retained pursuant to written agreements with a member of the Appen Group that commonly specify the individual's status as an independent contractor, confirm the individuals are not employees of the employing company, and require the individuals to indemnify the employing company in the event the individual incorrectly represented their status to the employing company. Notwithstanding the foregoing express contractual language, from time to time, individuals retained by a member of the Appen Group as independent contractors may file claims for unemployment with the applicable state unemployment agencies claiming employee status with a member of the Appen Group and seeking unemployment benefits. Unemployment benefits are, from time to time, awarded by state unemployment agencies, which may result in nominal charges or increases to the employer's unemployment tax accounts with the various states in which these individuals perform services and in which the member of the Appen Group does not have existing employees. The Appen Group is also subject to the usual risks posed to businesses that employ crowdsourcing, including claims relating to employee classification, claims to benefits, wage and hour claims and other employment claims.

appen

Key risks (cont.)

Business risks

Competition risk	If the actions of competitors or potential competitors of the Appen Group become more effective, Appen may be unable to compete successfully. For example, competitors of the Appen Group might adopt more aggressive strategies to capture market share, or alternatively, customers may choose to do some data automation tasks in house, change the profile of their projects or use their scale to seek better terms on pricing. Such occurrences may negatively affect the Appen Group's future profitability, planned growth and market share. The sectors in which the members of the Appen Group operate are subject to vigorous competition, based on factors including price, service, innovation and the ability to provide the customer with the appropriate services in a timely manner. In some parts of Appen's business there is also competition from niche or low-cost providers. A member of the Appen Group's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, or a failure by a member of the Appen Group to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any changes in a member of the Appen Group's competitive position or the competitive landscape may result in a decline in sales revenue and margins, which may have a material adverse effect on its future financial performance and position.
Technology failure	The Appen Group relies on a variety of IT systems in order to manage and deliver services and communicate with its customers. Any failure of an IT system could cause disruption to a member of the Appen Group's ability to offer services and lead to a loss of customers or revenue, reputational damage and a weakening of the Appen Group's competitive position and financial performance. Due to the increase in cyber attacks, this risk has increased.
Development and commercialisation of intellectual property	The Appen Group relies on its ability to develop and commercialise its products and services and keep pace with advances in the fast-growing AI market. A failure to develop and commercialise its intellectual property successfully would lead to a loss of opportunities and may adversely impact on the operating results and financial position of the Appen Group. The investment required to develop and commercialise intellectual property is expensive and may involve an extended timeframe to achieve returns. There are no assurances that the Appen Group will be able to achieve the necessary development and commercialisation of its intellectual property or have the financial resources available to underpin that development. The allocation of resources to development and commericalisation of intellectual property that ultimately fail to be commercially viable could impact the Appen Group's financial performance and reputation.
Intellectual property rights	The Appen Group's success depends, in part, on its ability to maintain trade secret protection and operate without infringing the rights of third parties. The protective measures a member of the Appen Group employs may not always be sufficient to protect its trade secrets. If the Company's intellectual property rights have not been protected, have not been protected adequately or cannot be protected, competitors may use a member of the Appen Group's intellectual property to take market share from the Appen Group. This could allow competitors to commercialise products and services competitive with a member of the Appen Group's products and services. Although Appen implements reasonable endeavours to protect the Appen Group's intellectual property, these measures may not always be sufficient. The Appen Group relies on various methods, including copyright and trademark laws, confidentiality and non-disclosure agreements to protect its intellectual property. It is possible that these efforts may be inadequate, and a third party may use or appropriate Appen's intellectual property, damaging the business and leading to increased expenses and/or lost revenues.
Infringement of third-party intellectual property rights	No member of the Appen Group believes that it is currently infringing any third party's intellectual property rights. To date, no third party has asserted to a member of the Appen Group that this is the case. However, in the future a member of the Appen Group may be subjected to infringement claims or litigation arising out of patents and pending applications for patents involving competitors, or additional proceedings initiated by third parties, the United States Patent and Trademark Office or other intellectual property regulators to re-examine the patentability of licensed or owned patents. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If a member of the Appen Group infringes the rights of third parties, a member of the Appen Group could be prevented from selling its products and be forced to defend litigation and pay damages. Further, there is always a risk of third parties claiming involvement in, or membership of, technological advances contained in a member of the Appen Group's products and, if any disputes arise, they could adversely affect the financial or operational position of the Appen Group. Training data used by large language models and generative AI has been the subject of scrutiny as has the ownership of the output produced by such models.
Brand and reputation risk	The reputation and brand of the Appen Group and its businesses and individual products are important in attracting customers. Given the nature of the Appen Group's customer base, each member of the Appen group must act with the greatest integrity otherwise it will risk losing customers. Any reputation damage or negative publicity around the Appen Group or its businesses or products could adversely impact on the Appen Group's customer relationships, general business and ultimately its financial performance. The actions of the Appen Group's employees, including breaches of any regulations to which a member of the Appen Group is subject, or any negligence in the provision of data, may damage the Appen Group's brand. Appen has a commitment to providing fair pay for crowd workers and a failure to meet those commitments may result in financial liability and damage Appen's brand.
Government and industry regulation	There is risk that governments and regulators may seek to legislate or create regulations which reduce the utilisation or penetration of technologies that the Appen Group helps service in society. Public perception of machine learning, large language models and artificial intelligence may change and reduce the use, or the willingness of use, of such technologies by corporations and the general public. Compliance and ethical expectations in relation to artificial intelligence from stakeholders and broader community are increasing. These interventions could limit the scope of services offered by Appen Group or may result in additional licensing or approval requirements. In some cases, the Appen Group could be required to expend significant capital or other resources in order to comply with any such new requirements, modify existing products, or may not be able to meet such new requirements at all. Any combination of the foregoing may adversely affect the financial or operational position of the Appen Group. Regulatory pressures both on the Appen Group customers and on the group itself continue to evolve. Larger platform companies are facing increased scrutiny from an antitrust (competition law) perspective. There are risks associated with modern slavery which could impact Appen and/or its customers.

Key risks (cont.)

Business risks

Protection of confidential customer information	Through the ordinary course of business, members of the Appen Group collect a range of data from customers and crowd workers. Appen Group is subject to, and must comply with a range of strict data protection and privacy laws in jurisdictions where it operates. The Group has in place various compliance systems and procedures to meet its obligations under these laws and safeguard personal customer data. It is possible that the measures taken by a member of the Appen Group to protect customer data will not be sufficient to detect or prevent unauthorised access to, or a disclosure of, confidential information. Any successful cyber-attack or other breach of security could result in the loss of information integrity, or breaches of a member of the Appen Group's obligations under applicable laws or customer agreements, each of which could adversely impact the Appen Group's reputation, retention of customers, ability to attract new customers and financial performance. If privacy laws and/ or data protection laws were contravened, Appen Group could be exposed to liability, penalties, regulatory enforcement action, or litigation from adversely affected customers.
Breach of privacy laws	Privacy laws around the world continue to develop and impose greater burdens on businesses when dealing with personally identifiable information. The laws are designed to give greater protections to data owners, improve transparency and require businesses develop better privacy processes and security practices. Failure to do so can result in pecuniary penalties, negative publicity, damage to brand and a requirement to improve processes and controls. Appen manages sensitive customer and crowd worker information, increasing its exposure and susceptibility to cyber attacks. Cyber threats could lead to a loss of data or service interruption impacting customers and Appen's reputation.
Acts of terrorism or sabotage	The Appen Group currently operates in certain jurisdictions in the world that may from time to time be the subject of heightened terrorism or sabotage threat. Appen believes that the Appen Group's operations are not immune from being the target of terrorism or sabotage. Any such attack could have a detrimental effect on the Appen Group's businesses from an employee, reputational and financial point of view.
Geopolitical risks	Geopolitical tensions may impact global trade and have wide-ranging impacts to the global economy and markets. The world is currently experiencing a number of conflicts, including the war between Russia and the Ukraine and the conflict in Israel and the Gaza territory, and the duration and path of those conflicts remains uncertain, and could continue to fuel, or exacerbate global tensions, energy and other commodity shortages, supply chain disruptions, inflationary pressures, weakening sentiment and growth prospects, market volatility, cyberattacks, and the proliferation of sanctions and trade measures. Tensions remain elevated between China and the U.S. over a number of issues, including trade, technology, human rights. Tensions continue between China and Taiwan. Other geopolitical tensions could also add to economic and market uncertainties. Global trade may be impacted.
Foreign exchange risk	The Appen Group's financial reports are prepared in United States dollars and a substantial proportion of the Appen Group's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in, US dollars. However, the Appen Group is exposed to foreign exchange risk as some transactions are denominated in foreign currencies (including Australian dollars). Movements in foreign exchange rates could also impact the cost competitiveness of both the Appen Group and its competitors. Any adverse movement in foreign exchange rates against the Appen Group but to the benefit of its competitors could affect its ability to obtain business which could adversely impact the future financial performance of the Appen Group. Movements in the exchange rate may also affect the decision of potential clients to enter certain markets.
Litigation and disputes	A member of the Appen Group may be involved from time to time in disputes or claims and litigation with current or former customers, employees or independent contractors, including in relation to workplace relation matters. These disputes may lead to legal and other proceedings and/or settlements, and may cause the member of the Appen Group to suffer additional costs. If future litigation, or threatened litigation, against a member of the Appen Group were to result in damages being awarded against that member, it could have an adverse impact on the financial performance, position and future prospects of Appen (and, therefore, its share price or liquidity of its shares). On behalf of the members of the Appen Group, Appen maintains professional indemnity and public liability insurance in respect of a range of events within coverage ranges determined in accordance with the Board's review and decision. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. As far as Appen is aware, there are no current material claims or material litigation in which a member of the Appen Group is involved.
Sell-down by existing shareholders	There is a risk that existing substantial shareholders may seek to sell-down their shareholding in Appen. A significant sale of shares, or a perception that a selldown may occur, could adversely affect the price of Appen shares.
Risk of dividends not being paid	The payment of dividends is announced at the time of release of the Appen Group's half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of the Appen Group's businesses and requires compliance with Credit Facility terms and conditions. Historically, Appen Group had a stated dividend policy. The current financial performance of the company resulted in Appen Group not paying a dividend in 2022. Circumstances may continue where Appen is required to reduce or cease paying dividends for a period of time. Appen's focus to invest for growth may also impact its ability to pay future dividends.
Investments by Appen may not be successful	A member of the Appen Group may acquire businesses from time to time. While Appen will take every effort to ensure that any acquisition is successfully integrated and benefits realised, there can be no assurance that Appen will be successful in realising the anticipated benefits and synergies of any businesses that it acquires. The ability to realise these benefits will depend in part on whether Appen can efficiently integrate acquired businesses with its existing operations. The challenges of integrating and operating acquired businesses may be greater if the Appen Group acquires businesses that provide services outside the Appen Group's current geographic offering, particularly if it is unable to retain the acquired company's management. In addition, there is a risk that Appen will overestimate the value of acquired businesses and therefore overpay. These factors may adversely impact the Appen Group's financial performance. As the Appen Group's business expands, the complexity of its business will increase. If Appen is unable to adapt to address different market dynamics, the Appen Group's operational and financial performance may be adversely affected.

Key risks (cont.)

Business risks

Climate risks	Climate-related risks may impact Appen and/or its customers. There are risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change. Transition risks arise when transitioning to a lower-carbon economy and may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. Physical risks may arise from climate change and can be acute or chronic, both may be a risk to Appen and/or its customers. Acute physical risks are those that are event-driven, including increased severity of extreme weather events, such as cyclones or floods. Chronic physical risks are longer term changes to climate patterns that may cause natural disasters or other weather related impacts
Modern slavery risk	The nature of business operations, locations and highly technical nature of the business lends itself to a relatively low risk of modern slavery across the supply chain. However, due to the highly distributed nature of the independent contractors there remains a risk of unidentified instances of forced labour across this network. Appen contracts with each of these contractors directly and not through agencies or other organisations in order to reduce this risk.
Taxation	Changes to the rate of taxes imposed on a member of the Appen Group (including overseas jurisdictions in which a member of the Appen Group operates now or in the future), or tax legislation generally, may affect the Appen Group and its shareholders. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs from Appen's interpretation may lead to an increase in Appen's (or a member of the Appen Group's) taxation liabilities and a reduction in shareholder returns.
Accounting standards may change	Australian Accounting Standards are set by the AASB and are outside the control of either Appen or its Directors and management. There is a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Appen Group's consolidated financial statements.
Other risks	The above risks should not be taken as a complete list of the risks associated with an investment in the Appen Group or Appen shares. The risks outlined above, and other risks not specifically referred to may in the future materially adversely affect the value of Appen shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Appen in respect of Appen shares.

Key risks (cont.)

Offer risks

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

Summary of Underwriting Agreement

Appen entered into an underwriting agreement with the underwriter in respect of the Offer on 21 November 2023 (**Underwriting Agreement**). The Underwriter's obligations under the Underwriting Agreement, including to underwrite the Placement and the Entitlement Offer of approximately A$30 million and to manage the Offer, are conditional on certain matters, including the timely delivery of certain due diligence materials or the delivery of certain certificates or other documents. If certain conditions are not satisfied, or certain events occur, the Underwriter may terminate its obligations under the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include the following:

- a statement contained in the offer materials and public materials does not comply with the Corporations Act (including if a statement in any of the offer materials or public materials is or becomes misleading or deceptive or is likely to mislead or deceive, including by omission), or a matter required to be included under the Corporations Act or the ASX Listing Rules is omitted from those materials;
- a cleansing notice is or becomes defective or Appen gives or is required to give a corrective statement under the Corporations Act and, in each case, that defective cleansing notice or corrective statement is adverse from the point of view of an investor;
- the existing debt facilities or any other debt facility or other financial accommodation is or is reasonably likely to be breached, terminated (or become terminable, void or voidable), rescinded or altered or amended without the prior written consent of the Underwriter (such consent not to be unreasonably withheld) or a condition precedent to which it is subject becomes unlikely or impossible to be satisfied or any event occurs which gives a lender or financier under the existing debt facilities or any other debt facility or other financial accommodation the right to accelerate or require repayment of the debt or financing thereunder;
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Offer materials, or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act* 2001 (Cth) in relation to the Offer or the Offer materials and any such application, investigation or hearing, order or determination either becomes public or is not withdrawn within 2 business days after it is made or commenced (or prior to each settlement date, as the case may be);
- ASIC or any other governmental agency commences an investigation or hearing or announces or notifies of its intention to do so, or makes an order or determination which prevents or is likely to prevent Appen from proceeding with the Offer in accordance with Offer timetable;
- any material Appen Group member becomes insolvent, or there is an act or omission which is likely to result in a material Appen Group member becoming insolvent;
- Appen ceases to be admitted to the official list of ASX or the shares cease trading or are suspended from official quotation or cease to be quoted on ASX (other than where requested by Appen to facilitate the Offer);
- ASX makes any official statement to any person, or indicates to Appen or the Underwriter that it will not grant permission for the official quotation of Offer shares, or if permission for the official quotation of Offer shares is granted before the date of allotment and issue of those Offer shares, the approval is subsequently withdrawn, qualified (other than by way of customary conditions) or withheld;
- Appen withdraws the Offer or any of the Offer materials;
- Appen is or will be prevented from conducting or completing the Offer by or in accordance with the ASX Listing Rules, ASIC, ASX, any applicable laws or an order of a court of competent jurisdiction or other governmental agency;
- The S&P/ASX 200 Index falls to or below a level that is 87.5% or less of the level of the index as at the close of trading on the day before the date of the Underwriting Agreement at any time on or before the institutional settlement date;
- any of the following occur:
    - a director of Appen or any member of senior management is charged with an indictable offence;
    - any governmental agency commences any public action against a Appen Group member or any of its respective directors or Appen senior management, in each case in their capacity as such, or announces that it intends to take action; or
    - subject to specified exceptions, any director of Appen or any member of senior management is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- Appen does not provide a certificate as and when required by the Underwriting Agreement;
- the trading halt for the Offer ends early without the prior written consent of the Underwriter; or
- any event specified in the Offer timetable is delayed:
    - in respect of events up to and including the institutional allotment date, for more than 1 business day; or
    - in respect of events up to and including the retail allotment date, for more than 2 business days,

  without the prior written consent of the Underwriter.

Summary of Underwriting Agreement (cont.)

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

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

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

For details of the fees payable to the Underwriter, see the Appendix 3B released to ASX on 21 November 2023.

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

International selling restrictions

International Offer Restrictions

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

Hong Kong

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

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

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

New Zealand

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

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

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

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

International selling restrictions (cont.)

Singapore

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

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

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

United Kingdom

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

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

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