

***THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. This letter relates to an Acquisition which, if implemented, will result in the cancellation of the listing of Imagination Shares on the Official List and of admission to trading of Imagination Shares on the Main Market of the London Stock Exchange. If you are in any doubt about the Acquisition or the contents of this letter or what action you should take, you are recommended to seek your own personal financial, tax and legal advice immediately from your stockbroker, bank manager, solicitor, accountant or other 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 in the relevant jurisdiction.***



CBFI Investment Limited  
Lower Ground Floor  
One George Yard  
London  
EC3V 9DF

9 October 2017

To: Participants in the Imagination Technologies Group plc Long Term Incentive Plan ("LTIP")

Dear Participant

**Recommended acquisition of Imagination Technologies Group plc ("Imagination") by CBFI Investment Limited ("CBFI"), a wholly-owned subsidiary of funds managed by Canyon Bridge Capital Partners, LLC ("Canyon Bridge")**

As you will be aware, Imagination and CBFI announced on 22 September 2017 that they had agreed the terms of a recommended acquisition of Imagination by CBFI pursuant to which CBFI will acquire the entire issued and to be issued share capital of Imagination (the "**Acquisition**").

We are writing to explain the impact of the Acquisition on the unvested options that you hold under the LTIP ("**Options**") and the choices open to you.

### **The Acquisition**

The Acquisition is to be effected by way of a scheme of arrangement under Part 26 of the Companies Act ("**Scheme**") which requires the approval of relevant Imagination Shareholders and the sanction of the Court. Under the Acquisition, relevant Imagination Shareholders will be entitled to receive:

**For each Imagination ordinary share**

**182 pence in cash**

subject to the terms and conditions set out in the Scheme document dated 9 October 2017 (the "**Scheme Document**"), a copy of which is available at: <https://www.imgtec.com/sales-process/>. A copy of this letter is also available on the Imagination website detailed above.

In addition, if you accept the Proposal (set out below) and a "Settlement Return" relating to the dispute with Apple is announced and paid in accordance with the terms and conditions described or referred to in the Scheme Document, you will receive this in the same way as other Imagination Shareholders. For the avoidance of doubt, there is no guarantee that a Settlement Return will be announced and paid.

Certain words are given special meanings in the Scheme Document and they have the same meanings in this letter unless we indicate otherwise.

### **Impact of the Acquisition**

Options granted under the LTIP which would not otherwise have vested or been exercisable before the Acquisition will vest and be exercisable to the extent decided by the Imagination Board (being the board of directors of Imagination Technologies Group plc) in accordance with the LTIP rules. You will be notified of the number of Imagination Shares in respect of which your Options will be exercisable.

CBFI's proposal is that you agree now to exercise the Options and take part in the Scheme for any Imagination Shares you receive when Options are exercised when the Scheme is sanctioned by the Court ("**Proposal**").

Further information on the Proposal and how to accept it is set out in Schedule 1 to this letter.

You will be notified if the Scheme is sanctioned by the Court and your Options will not be affected if the Scheme is not sanctioned by the Court for any reason.

This letter only deals with the impact of the Acquisition. Your Options may lapse or vest for other reasons in their ordinary course or if you cease employment with Imagination in accordance with the LTIP rules. Please contact [shareschemes@imgtec.com](mailto:shareschemes@imgtec.com) if you think this may affect you.

### **Recommendation**

**The Imagination Directors, who have been advised by Rothschild as to the financial terms of the Proposal, consider the Proposal and its terms set out in this letter to be fair and reasonable. The Imagination Directors recommend that you accept the Proposal. In providing advice to the Imagination Directors, Rothschild has taken into account the commercial assessments of the Imagination Directors.**

### **Next steps**

Please read Schedule 1 carefully and follow the instructions. **Remember that if you take no action, your Options may lapse and become worthless.**

### **Questions**

If you have any questions relating to the Acquisition or the Proposal, please contact [shareschemes@imgtec.com](mailto:shareschemes@imgtec.com). Note that neither CBFI nor Imagination can give any advice on the merits of the Acquisition or the Proposal or the actions you can take in respect of your Options, or give any financial or tax advice.

Yours faithfully,



For and on behalf of  
**Imagination Technologies Group plc**



For and on behalf of  
**CBFI Investment Limited**

## NOTES:

*The release, publication or distribution of this letter 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 letter comes should inform themselves about, and observe, any such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by law, Imagination and CBFi disclaim any responsibility and liability for the violation of such restrictions by such persons.*

*This letter does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful.*

*Rothschild, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Imagination and for no one else in connection with the Acquisition and the Proposal and will not be responsible to anyone other than Imagination for providing the protections afforded to its clients or for providing advice in relation to the Acquisition and the Proposal or any other matters referred to in this letter. Rothschild has given and has not withdrawn its written consent to the issue of this letter and the inclusion in it of the references to its name in the form and context in which they are included.*

*The Imagination Directors, whose names are set out in paragraph 2(a) of Part 6 of the Scheme Document, accept responsibility for the information contained in this letter and the Form of Instruction other than information for which responsibility is taken by the CBFi Directors for the CBFi Information. To the best of the knowledge and belief of the Imagination Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The CBFi Directors, whose names are set out in paragraph 2(b) of Part 6 of the Scheme Document, accept responsibility for the information contained in this letter relating to CBFi (the "CBFi Information"). To the best of the knowledge and belief of the CBFi Directors (who have taken all reasonable care to ensure that such is the case), the CBFi Information is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The schedules to this letter and the Form of Instruction are an integral part of the Proposal set out in this letter.*

*Accidental omission to dispatch this letter to, or any failure to receive the same by, any person shall not invalidate any of the proposals set out in this letter.*

*Receipt of documents will not be acknowledged. All documents sent by or to a participant in the LTIP will be sent at the individual's own risk. If a participant has received this letter and the Form of Instruction in electronic form, he/she may request that copies of those documents be sent to him/her in hard copy form and that all future documents sent to him/her be in hard copy form. Requests should be submitted to [shareschemes@imgtec.com](mailto:shareschemes@imgtec.com).*

*This letter has been prepared in accordance with English law, the Takeover Code and the Listing Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England. The statements contained in this letter are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this letter, you should consult your own legal adviser, financial adviser or tax adviser for legal, business, financial or tax advice.*

## Schedule 1

### The Proposal

This schedule sets out further information on the impact of the Acquisition on your Options.

#### 1. **What is happening?**

If the Scheme is sanctioned by the Court, your Options will vest and become exercisable and, as a result, you will be entitled to receive your Imagination Shares early. The number of Imagination Shares you receive will depend on the extent to which the performance conditions attached to your Options have been judged to have been met and whether time pro-rating is applied, as determined by the Imagination Board (being the board of directors of Imagination Technologies Group plc) in accordance with the LTIP rules and the Imagination remuneration policy.

You will be notified of the number of Imagination Shares you will receive if the Scheme is sanctioned.

You can accept the Proposal in respect of all the Imagination Shares you receive on exercise or take one of the other courses of action open to you (as described below).

**NOTE: you will only have six months from the date the Scheme is sanctioned to exercise your Options. After this six month period, your Options will lapse if they have not then been exercised and you will receive nothing for your Options.**

#### 2. **What is CBFI's Proposal?**

CBFI proposes that you agree now to exercise your Options and take part in the Scheme. If you do this, you will be agreeing to exercise your Options if the Scheme is sanctioned by the Court and take part in the Scheme on the same basis as other relevant Imagination Shareholders for the Imagination Shares that you receive on exercise. Your exercise and acceptance will not be effective unless the Scheme is sanctioned by the Court and you will be notified if the Scheme is sanctioned.

#### 3. **How and when will I be paid?**

Subject to the terms and conditions set out in the Scheme Document, you will receive 182 pence for each Imagination Share that you receive on exercise of your Options if you accept the Proposal. You will be paid your consideration through your local payroll in the next monthly payroll after the receipt by Imagination of the consideration from CBFI. If the Scheme is sanctioned by the Court, further information on when you can expect to receive your cash payment will be confirmed at that time.

The amount of cash that you receive will be paid after deduction of any applicable withholdings for tax and national insurance contributions.

#### 4. **How do I accept the Proposal?**

You can accept the Proposal by completing and submitting the Form of Instruction (in the form set out in Schedule 3), as soon as possible and in any event by no later than 12pm London time on 1 November 2017.

If you need any assistance completing the Form of Instruction, please contact [shareschemes@imgtec.com](mailto:shareschemes@imgtec.com).

#### 5. **Will I have to pay tax?**

Yes - see Schedule 2.

#### 6. **What are my other choices?**

You can choose not to accept the Proposal. You can instead choose to:

##### **A. Do nothing**

If you do nothing, your Options will lapse and cease to be exercisable (i.e. you will lose your Options) six months after the Scheme is sanctioned by the Court. You will then receive no value from your Options and will not be eligible to receive any Settlement Return.

**B. Exercise your Option after the Scheme is sanctioned by the Court**

If you wish you can exercise your Option at any point in the six month period following the date the Scheme is sanctioned by the Court in the usual way. If you do this you will receive the same consideration for the Imagination Shares you receive on exercise of your Option as you would have received under the Scheme but you will not be eligible to receive an amount equal to any Settlement Return announced and paid in relation to the dispute with Apple.

## **Schedule 2**

### **Tax summary**

**This summary has been provided by Imagination and is based on current legislation and practice at the date of this letter, which is subject to change in the future. It assumes that you are domiciled and resident in the United Kingdom for tax purposes at all relevant times. The information contained in this summary is intended as a guide only and is not a full description of all the circumstances in which tax may arise.**

**If you are in any doubt about your tax position, please consult an appropriate professional adviser.**

#### *On exercise*

Income tax and National Insurance Contributions (NICs) will be due on the market value of the Imagination Shares you receive when you exercise your Options.

If you exercise and accept the Proposal, your employer will withhold the income tax and NICs due on exercise from the consideration you receive under the Scheme from the sale of the Imagination Shares received when you exercise your Options and pay this directly to the tax authorities.

#### *On disposal*

Capital gains tax is payable on the consideration you receive from the sale of the Imagination Shares you receive when you exercise your Options less any amounts previously subject to income tax. If you accept the Proposal, you will sell your Imagination Shares immediately after you exercise your Options. You are unlikely to have any capital gains tax to pay as the market value of your Imagination Shares on exercise of your Options is expected to be equal to the consideration you receive by accepting the Proposal.

Your employer will not withhold any capital gains tax due and it is your responsibility to pay and report this to the tax authorities.

### Schedule 3

#### Form of Instruction

This Form of Instruction is important and requires your immediate attention. It should be read with the letter dated 9 October 2017 from Imagination Technologies Group plc and CBFI Investment Limited ("**Letter**") and the Scheme Document. Definitions used in the Letter and the Scheme Document apply in this Form of Instruction.

#### ACCEPTANCE OF PROPOSAL

To accept the Proposal, place a tick in the box in the table below. If the Scheme is not sanctioned by the Court, this Form of Instruction will not be effective.

If you tick the box, you agree to the exercise to the fullest extent permissible all of your Options and to take part in the Scheme for the Imagination Shares that you receive when the Scheme is sanctioned by the Court. Your Imagination Shares will then be acquired by CBFI under the Scheme for 182 pence per Imagination Share.

Grant date	Performance condition applies?	Maximum number of Imagination Shares which may be acquired	Option exercise price per Imagination Share (p)	Accept the proposal (Tick to accept the proposal)
	Yes		nil	
	Yes		nil	

If you complete and submit your Form of Instruction before 12pm (London time) on 1 November 2017, the exercise of your Options will occur when the Scheme is sanctioned by the Court and your Imagination Shares will take part in the Scheme on the same basis as other Imagination Shareholders.

#### DECLARATION

By ticking the box above:

- I accept that, upon the Scheme being sanctioned by the Court, my Options will be exercised to the fullest extent permissible and the Imagination Shares I acquire on exercise under the LTIP will be acquired by CBFI on the terms set out in the Scheme Document;
- I authorise Imagination and/or any Imagination Group company, where applicable, to withhold and to pay over such amounts to the appropriate authorities to account for any income tax and/or national insurance contributions arising on the exercise of my Options including deducting such amounts from the consideration due to me under the Scheme.

I confirm that the choice I have made on this Form of Instruction is subject to the terms and conditions set out in the Letter and to the Terms and Conditions set out below.

Signed as a deed by:

In the presence of:

.....  
Signature

.....  
Signature of witness

.....  
Name

.....  
Name of witness

.....  
Date

.....  
.....  
.....  
Address of witness

## TERMS AND CONDITIONS

1. By completing and submitting this Form of Instruction, you irrevocably:
  - confirm that you have had an opportunity to review the Scheme Document dated 9 October 2017 and the Letter and that you have read, understood and agree to these Terms and Conditions;
  - confirm that you are or will be entitled to exercise the Options granted to you under the LTIP and understand that if your Options have lapsed or have already been exercised in whole or in part, completion of this Form of Instruction will be of no effect in respect of those Options;
  - direct any person holding the Imagination Shares on your behalf to do any acts or things which such person considers necessary or desirable to ensure that your Imagination Shares can take part in the Scheme;
  - confirm that the decision you have made in this Form of Instruction cannot be withdrawn or altered;
  - appoint CBFI or Imagination or any director of CBFI or Imagination or any person nominated by them, as your attorney to make any arrangements or do all acts or things and execute any documents as they consider necessary or desirable, in their absolute and unfettered discretion, to give effect to the choice and acceptance you have made above and you hereby undertake to execute further documents that may be required in connection with such choice and acceptance. You also agree to confirm and ratify any such action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to this Form of Instruction;
  - authorise CBFI to pay the consideration due to you under the Scheme to Imagination and/or your employing company and for Imagination and/or your employing company to pay the consideration to you through payroll after Imagination and/or your employing company have made any necessary deductions for income tax and national insurance contributions;
  - acknowledge that any Imagination Shares you acquire on the exercise of any Options after the Scheme Record Time will be acquired automatically by CBFI for cash consideration of 182 pence per Imagination Share in accordance with the amended articles of association of Imagination but that you will not be eligible to receive any Settlement Amount;
  - agree that CBFI and Imagination will determine all questions as to form and validity, including the timing of receipt, of any Forms of Instruction in their absolute discretion and may, if they both so determine, accept a Form of Instruction which is received after the specified time or which is not valid or complete in all respects. Neither CBFI or Imagination nor any other person will be under any duty to give notice of any defect or irregularity in any Form of Instruction or incur any liability for failure to give any such notification; and
  - confirm that all powers of attorney and authorities under the terms of this Form of Instruction are given by way of security for the performance of your obligations and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
2. The completion of this Form of Instruction may, if Imagination and CBFI determine it appropriate, be as effective as if it were duly completed and submitted by 12pm (London Time) on 1 November 2017, notwithstanding that it is not completed strictly in accordance with this Form of Instruction, and these Terms and Conditions, or by the date specified.
3. By completing and submitting this Form of Instruction, you acknowledge and accept that:
  - neither Imagination nor CBFI will be responsible for any consequential or other loss whatsoever or however arising in the event of the Form of Instruction being incorrectly completed or where it has been unable to obtain clarification of your instructions; and
  - all correspondence, consideration and any other item in connection with the LTIP or your Imagination Shares will be sent to you at your own risk.
4. Any instructions on the Form of Instruction are conditional upon the Scheme being sanctioned by the Court.



5. The Terms and Conditions and the Form of Instruction are subject to English law and the jurisdiction of the courts in England and Wales.