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If you have sold or transferred all of your Existing Ordinary Shares prior to the date of this document, please send this document and the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law or regulation and therefore such documents should not be distributed, forwarded to or transmitted in or into the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-Entitlement Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent amount) in aggregate and the Firm Placing Shares and Subscription Shares shall only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. None of the Firm Placing, Subscription or the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

Corero Network Security plc

(Incorporated and registered in England and Wales with registered no. 2662978)

Firm Placing and Subscription of 36,363,637 new Ordinary Shares at 22 pence per share Open Offer of up to up to 4,601,040 new Ordinary Shares at 22 pence per share and Notice of General Meeting

You should read the whole of this document. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 11 to 18 (inclusive) of this document and which recommends you to vote in favour of the Special Resolution to be proposed at the General Meeting.

The Notice of General Meeting to be held at the offices of Redleaf Communications, First Floor, 4 London Wall Buildings, Blomfield Street, London, EC2M 5NT, at 10.00 a.m. on 9 May 2016, is set out at the end of this document. The accompanying Form of Proxy for use in connection with the General Meeting should be completed by Shareholders and returned as soon as possible but, in any event, so as to be received by the Registrars at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 10.00 a.m. on 5 May 2016 (or, in the case of an adjournment of the General Meeting, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

Cenkos Securities, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for the Company and no-one else in connection with the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Cenkos Securities or for affording advice in relation the contents of this document or any matters referred to herein. Nothing in this paragraph shall serve to exclude or limit any responsibilities which Cenkos Securities may have under FSMA or the regulatory regime established thereunder.

The latest time and date for acceptance and payment under the Open Offer is 11.00 a.m. on 6 May 2016. The procedure for application is set out in Part 3 of this document and for Qualifying Non-CREST Shareholders in the accompanying Application Form.

The existing ordinary shares of the Company are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected, subject to, *inter alia*, the passing of the Special Resolution at the General Meeting, that Admission of the New Ordinary Shares will become effective and that dealings will commence on 10 May 2016. The New Ordinary Shares will, when issued, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part V of FSMA) ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the UKLA.

Cenkos Securities, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the Firm Placing. Persons receiving this document should note that Cenkos Securities will not be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities or for advising any other person on the arrangements described in this document. No representation or warranty, expressed or implied, is made by Cenkos Securities as to any of the contents of this document and Cenkos Securities has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Cenkos Securities for the accuracy of any information or opinions contained in this document or for the omission of any information. Cenkos Securities, as nominated adviser and broker to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the New Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Ordinary Shares have not been, and will not be, registered under the Securities Act or qualified for sale under the laws of any state or other jurisdiction of the United States or under the applicable laws of any of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan.

THE NEW ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE TRANSACTION OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Corero Network Security plc at Regus House, Highbridge, Oxford Road, Uxbridge, UB8 1HR for a period of one month from the date of this document.

FORWARD LOOKING STATEMENTS

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

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DIRECTORS AND ADVISERS

Directors	Jens Montanana Ashley Stephenson Andrew Miller Richard Last Andrew Lloyd	<i>Non-executive Chairman</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Non-executive Director</i> <i>Non-executive Director</i>
Company Secretary	Duncan Swallow	
Registered Office	Regus House Highbridge Oxford Road Uxbridge UB8 1HR	
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS	
Lawyers to the Company	Dorsey and Whitney (Europe) LLP 199 Bishopsgate London EC2M 3UT	
Lawyers to the Nominated Adviser and Broker	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA	
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Receiving Agent	Capita Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	6.00 p.m. on 20 April 2016
Announcement of the Firm Placing, Subscription and Open Offer, publication and posting of this document, the Application Form and Form of Proxy	21 April 2016
Ex-entitlement Date	8.00 a.m. on 21 April 2016
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	22 April 2016
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 29 April 2016
Latest time and date for depositing Open Offer Entitlements in CREST	3.00 p.m. on 3 May 2016
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 4 May 2016
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	10.00 a.m. on 5 May 2016
Latest time and date for acceptance of the Open Offer and receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 6 May 2016
General Meeting	10.00 a.m. on 9 May 2016
Announcement of result of General Meeting and Open Offer	9 May 2016
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 10 May 2016
New Ordinary Shares credited to CREST members' accounts	10 May 2016
Despatch of definitive share certificates in certificated form	within 10 business days of Admission

If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Special Resolution to be proposed at the General Meeting.

All references in this document are to London time unless stated otherwise.

The ability to participate in the Open Offer is subject to certain restrictions relating to Qualifying Shareholders with registered addresses or located or resident in countries outside the United Kingdom, details of which are set out in paragraph 6 of Part 3 of this document. Subject to certain exceptions, Application Forms will not be dispatched to, and Open Offer Entitlements will not be credited to the stock account in CREST of, Shareholders with registered addresses in any of the Restricted Jurisdictions.

KEY STATISTICS

FIRM PLACING STATISTICS

Number of Existing Ordinary Shares	165,637,416
Number of Firm Placing Shares	up to 32,363,637
Offer Price	22p
Number of Ordinary Shares in issue immediately following the Firm Placing*	198,001,053
Percentage of the Enlarged Share Capital represented by the Firm Placing Shares***	15.7 per cent.
Gross Proceeds of the Firm Placing	up to approximately £7.1 million

SUBSCRIPTION STATISTICS

Number of Subscription Shares	up to 4,000,000
Offer Price	22p
Number of Ordinary Shares in issue immediately following the Firm Placing and Subscription**	202,001,053
Percentage of the Enlarged Share Capital represented by the Subscription Shares***	1.9%
Gross Proceeds of the Subscription	up to approximately £0.9 million

OPEN OFFER STATISTICS

Number of Offer Shares	up to 4,601,040
Offer Price	22p
Basis of Open Offer	1 Offer Share for every 36 Existing Ordinary Shares
Gross proceeds from the Open Offer***	up to approximately £1.0 million
Enlarged Share Capital following the Firm Placing, Subscription and Open Offer***	up to 206,602,093
Offer Shares as a percentage of the Enlarged Share Capital***	up to 2.2 per cent.
Market Capitalisation of the Company immediately following the Firm Placing, Subscription and Open Offer at the Offer Price***	£45.5 million

* on the assumption that the Firm Placing is fully subscribed

** on the assumption that the Firm Placing and the Subscription are fully subscribed

*** on the assumption that the Firm Placing, Subscription and Open Offer are each fully subscribed

DEFINITIONS

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

“Act”	Companies Act 2006 (as amended)
“Admission”	the admission of the New Ordinary Shares to trading on AIM in accordance with the AIM Rules for Companies
“AIM”	the AIM market operated by London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies and guidance notes as published by London Stock Exchange from time to time
“Application Form”	the non-CREST Application Form
“Board” or “Directors”	the directors of the Company as at the date of this document
“Capita Asset Services”	a trading name of Capita Registrars Limited
“Cenkos Securities”	Cenkos Securities plc
“Code”	the City Code on Takeovers and Mergers
“Company” or “Corero”	Corero Network Security plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual)
“CREST member account ID”	the identification code or number attached to a member account in CREST
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations)
“CREST participant ID”	shall have the meaning given in the CREST Manual issued by Euroclear
“CREST payment”	shall have the meaning given in the CREST Manual issued by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Enlarged Share Capital”	the entire issued share capital of the Company as it will be immediately following completion of the Firm Placing, Subscription and Open Offer on Admission, assuming the Firm Placing, Subscription and Open Offer are each fully subscribed
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited

“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, his entitlement (in addition to his Open Offer Entitlement) to apply for Offer Shares in accordance with the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full
“Excess Shares”	Offer Shares applied for by Qualifying Shareholders in accordance with the Excess Application Facility
“Ex-entitlement Date”	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 21 April 2016
“Existing Ordinary Shares”	the 165,637,416 Ordinary Shares in issue on the date of this document
“FCA”	the Financial Conduct Authority of the UK
“Firm Placees”	subscribers for Firm Placing Shares
“Firm Placing”	the placing by the Company of the Firm Placing Shares with certain institutional and other investors pursuant to the Firm Placing Agreement
“Firm Placing Agreement”	the agreement entered into between the Company and Cenkos Securities in respect of the Firm Placing dated 21 April 2016, as described in this document
“Firm Placing Shares”	up to 32,363,637 new Ordinary Shares the subject of the Firm Placing
“Form of Proxy” this document	the form of proxy for use in relation to the General Meeting enclosed with this document
“FSMA”	Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the General Meeting of the Company, convened for 10.00 a.m. on 9 May 2016 or at any adjournment thereof, notice of which is set out at the end of this document
“Group”	the Company and its subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs
“Independent Shareholders”	the Shareholders excluding those who are participating in the Subscription
“ITA 2007”	Income Taxes Act 2007
“London Stock Exchange”	London Stock Exchange plc
“Money Laundering Regulations”	the Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
“New Ordinary Shares”	the Firm Placing Shares, the Subscription Shares and the Offer Shares
“Notice of General Meeting”	the notice convening the General Meeting as set out at the end of this document
“Offer Price”	22 pence per New Ordinary Share

“Offer Shares”	up to 4,601,040 Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
“Open Offer”	the conditional invitation made to Qualifying Shareholders to apply to subscribe for the Offer Shares at the Offer Price on the terms and subject to the conditions set out in Part 3 of this document and, where relevant, in the Application Form
“Open Offer Entitlement”	the entitlement of Qualifying Shareholders to subscribe for Offer Shares allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of one pence each in the capital of the Company
“Overseas Shareholders”	a Shareholder with a registered address outside the United Kingdom or who is a citizen of, or incorporated, registered or otherwise resident in, a country outside the United Kingdom
“Prospectus Rules”	the Prospectus Rules made in accordance with the EU Prospectus Directive 2003/71/EC in relation to offers of securities to the public and the admission of securities to trading on a regulated market
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in a CREST account
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding, subject to certain exceptions, any Overseas Shareholder who is located or resident or who has a registered address in, or who is a citizen of, the United States of America or any other Restricted Jurisdiction)
“Record Date”	6.00 p.m. on 20 April 2016 in respect of the entitlements of Qualifying Shareholders under the Open Offer
“Registrars” and “Receiving Agent”	Capita Asset Services, a trading name of Capita Registrars Limited
“Regulatory Information Service”	has the meaning given in the AIM Rules for Companies
“Restricted Jurisdictions”	United States of America, Canada, Australia, Japan, the Republic of South Africa and the Republic of Ireland and any other jurisdiction where the extension or availability of the Firm Placing, Subscription and Open Offer would breach any applicable law
“Securities Act”	US Securities Act of 1933 (as amended)
“Shareholders”	the holders of Existing Ordinary Shares
“Special Resolution”	the special resolution to be proposed at the General Meeting as set out in the Notice of General Meeting
“Subscribers”	Jens Montanana, Andrew Miller and Julian Palmer
“Subscription”	the subscription of the Subscription Shares by the Subscribers at the Offer Price pursuant to the Subscription Agreements

“Subscription Agreements”	the conditional agreements, dated 20 April 2016, between the Company and each of the Subscribers relating to the Subscription, further details of which are set out in Section 6 of the Letter from the Chairman contained in this document
“Subscription Shares”	up to 4,000,000 new Ordinary Shares to be issued pursuant to the Subscription
“Transaction”	the Firm Placing, Subscription and Open Offer
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States”, “United States of America” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Uncertificated” or “Uncertificated form”	recorded on the relevant register or other record of the shares or other security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

PART 1

LETTER FROM THE CHAIRMAN

Corero Network Security plc

Incorporated in England and Wales with registered no. 2662978)

Directors:

Jens Montanana – *Non-Executive Chairman*
Ashley Stephenson – *Chief Executive Officer*
Andrew Miller – *Chief Financial Officer*
Richard Last – *Non-Executive Director*
Andrew Lloyd – *Non-Executive Director*

Registered office:

Regus House
Highbridge
Oxford Road
Uxbridge
Middlesex
UB8 1HR

For the attention of Shareholders and for information only option holders

21 April 2016

Dear Shareholder

**Firm Placing and Subscription of 36,363,637 new Ordinary Shares at 22 pence per share
Open Offer of up to 4,601,040 new Ordinary Shares at 22 pence per share
and
Notice of General Meeting**

1. Introduction

The Company has today announced a conditional Firm Placing and Subscription to raise approximately £8.0 million before expenses by the issue and allotment by the Company of 36,363,637 new Ordinary Shares at the Offer Price of 22 pence per Ordinary Share to certain institutional and other investors.

In addition, in order to provide Shareholders who have not taken part in the Firm Placing or Subscription with an opportunity to participate in the proposed issue of New Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe at the Offer Price for an aggregate of 4,601,040 Offer Shares, to raise up to approximately £1.0 million, on the basis of 1 new Ordinary Share for every 36 Existing Ordinary Shares, at 22 pence each, payable in full on acceptance.

The Transaction is conditional, *inter alia*, upon Shareholders approving the Special Resolution at the General Meeting that will grant to the Directors the authority to allot the New Ordinary Shares and the power to disapply statutory pre-emption rights in respect of the New Ordinary Shares. The Special Resolution is contained in the Notice of General Meeting at the end of this document. Admission is expected to occur no later than 8.00 a.m. on 10 May 2016 or such later time and/or date as Cenkos Securities and the Company may agree. The Transaction is not underwritten.

The Open Offer provides Qualifying Shareholders with an opportunity to participate in the proposed issue of the Offer Shares on a pre-emptive basis whilst providing the Company with additional capital to invest in the business of the Group.

The Offer Price is at a discount of 10.2 per cent. to the closing mid-market price of 24.5 pence per Existing Ordinary Share on 15 April 2016, a discount of 20.0 per cent. to the closing mid-market price of 27.5 pence per Existing Ordinary Share on 20 April 2016 (being the last practicable date before publication of this announcement), a discount of 11.7 per cent. to the Company's 20 day average closing share price and a discount of 7.5 per cent. to the Company's average closing share price in the period since 4 January 2016.

The purpose of this document is to explain the background to and reasons for the Transaction, the use of proceeds, the details of the Transaction and to explain why the Board recommend that you vote in favour of the Special Resolution.

2. Corero Network Security plc overview

Corero is positioned to be a leader in real-time, high-performance distributed denial-of-service (“DDoS”) defence solutions. Service providers, hosting providers and online enterprises rely on Corero’s award winning technology to eliminate the DDoS threat to their environment through automatic attack detection and mitigation, coupled with comprehensive network visibility, analytics and reporting. Corero’s next-generation technology provides a First Line of Defense® against DDoS attacks in the most complex environments while enabling a more cost effective economic model than previously available.

3. Background to and reasons for the Transaction

The Transaction is being undertaken to support the execution of the Company’s business plan which is focused on the target market for its SmartWall Threat Defense System (“SmartWall TDS”) product, namely service providers including telecommunication ISPs, data centre hosting providers, multiple service operators and mobile operators and on-line enterprises.

The Company’s SmartWall TDS products enable it to address the growing service provider market demand for DDoS protection solutions. The Board believes that the SmartWall TDS has several competitive differentiators to its peers and that Corero is well positioned to capitalise on the evolving DDoS defence market and the increasing requirement for real-time, automatic DDoS mitigation. This is a market the SmartWall TDS was designed to address.

The Directors, who hold approximately 40.8 per cent. of the Existing Ordinary Shares of the Company, support the Transaction.

4. Use of proceeds

The Company intends to raise £8.0 million before expenses via a conditional Firm Placing and Subscription. The Company also intends to raise up to a further £1.0 million before expenses under the Open Offer. The estimate of expenses for the Transaction are expected to be approximately £0.4 million.

The net proceeds of the Transaction will be deployed to support SmartWall TDS sales and marketing activities in the US and Europe, for further development of the SmartWall TDS product and for the general working capital requirements of the Group. The Directors believe that the net proceeds of the Transaction, together with anticipated revenues, will enable the Company to achieve EBITDA profitability in the fourth quarter of 2016 and positive cash flows from trading in 2017.

If the Special Resolution is not approved by the requisite number of Shareholders and/or the Firm Placing, Open Offer and Subscription does not proceed for any other reason, the Company will be required to secure alternative financing for the purposes set out above from alternative sources.

5. Current Trading and Prospects

As outlined in more detail in the annual audited results of the Company for the year ended 31 December 2015 which have been announced today (21 April 2016), the Directors maintain a positive outlook on the future for the Company. A copy of the annual audited results of the Company for the year ended 31 December 2015 is available on the Company’s website at www.corero.com.

In 2015 Corero sold DDoS protection to over 20 service providers, hosting providers and enterprises, providing real-time DDoS and cyber threat protection, with an average order value of \$200,000. Winning the level and calibre of customers through competitive tenders demonstrates that the SmartWall TDS is a market leading and differentiated solution. SmartWall TDS trials are being conducted by several leading service providers and hosting providers, and since the year end Corero has also secured its largest single hosting provider customer win to date.

The Directors believe that Corero enters 2016 with confidence on the back of important customer wins in 2015, and the first quarter of 2016, and several large opportunities on which the Company is currently engaged for which Corero believes the SmartWall TDS solution is well matched to the customer requirements.

6. The Firm Placing, Subscription and Open Offer

Details of the Firm Placing

The Company has conditionally raised approximately £7.1 million before expenses by the conditional Firm Placing of 32,363,637 Firm Placing Shares at the Offer Price to the Firm Placees.

The Firm Placing is conditional, *inter alia*, upon:

- (a) the passing of the Special Resolution at the General Meeting;
- (b) the Firm Placing Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission;
- (c) the Subscription Agreements becoming or being declared unconditional in all respects and not having been terminated in accordance with their terms prior to Admission; and
- (d) Admission becoming effective by no later than 8.00 a.m. on 10 May 2016 or such later time and/or date (being no later than 8.00 a.m. on 20 May 2016) as Cenkos Securities and the Company may agree.

If any of the conditions are not satisfied, the Firm Placing Shares will not be issued and all monies received from the Firm Placees will be returned to the Firm Placees (at the Firm Placees' risk and without interest) as soon as possible thereafter.

The Firm Placing Shares are not subject to clawback. The Firm Placing is not being underwritten.

The Firm Placing Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Firm Placing Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 10 May 2016 at which time it is also expected that the Firm Placing Shares will be enabled for settlement in CREST.

Details of the Subscription

The Company has conditionally raised £0.9 million before expenses by the conditional Subscription of 4,000,000 Subscription Shares at the Offer Price by the Subscribers.

Each Subscriber has entered into a separate Subscription Agreement with the Company pursuant to which each Subscriber has conditionally agreed to subscribe for a specific number of Subscription Shares set out in the Subscriber's Subscription Agreement. None of the Subscription Agreements are conditional on any of the other Subscription Agreements but each Subscription Agreement is subject to the same conditions.

The Subscription is conditional upon the passing of the Special Resolution at the General Meeting and Admission.

The Subscription Shares are not subject to clawback. The Subscription is not being underwritten.

The Subscription Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Subscription Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 10 May 2016 at which time it is also expected that the Subscription Shares will be enabled for settlement in CREST.

Details of the Open Offer

The Company is proposing to raise up to approximately £1.0 million before expenses through the Open Offer. A total of 4,601,040 new Ordinary Shares are available to Qualifying Shareholders pursuant to the Open Offer at the Offer Price, payable in full on acceptance. Any Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility. The balance of any Offer Shares not subscribed for under the Excess Application Facility will not be available to Firm Placees under the Firm Placing or to Subscribers under the Subscription.

Qualifying Shareholders may apply for Offer Shares under the Open Offer at the Offer Price on the following basis:

1 Offer Share for every 36 Existing Ordinary Shares

and so in proportion for any number of Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in Restricted Jurisdictions will not qualify to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 6 of Part 3 of this document.

Jens Montanana, a Qualifying Shareholder, has undertaken not to take up his entitlement under the Open Offer, but will instead be subscribing for Subscription Shares as part of the Subscription.

Valid applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements as shown on the Application Form. Applicants can apply for less or more than their entitlements under the Open Offer but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend in part on the extent to which other Qualifying Shareholders apply for less than or more than their own Open Offer Entitlements. The Company may satisfy valid applications for Excess Shares of applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements will be credited to CREST on 22 April 2016. The Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 6 May 2016. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of *bona fide* market claims. The Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST applications and payment in respect of the Open Offer is 11.00 a.m. on 6 May 2016. The Open Offer is not being made to certain Overseas Shareholders, as set out in paragraph 6 of Part 3 of this document.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore any Offer Shares which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of the Qualifying Shareholders who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment for Offer Shares, are contained in Part 3 of this document and on the accompanying Application Form.

The Open Offer is conditional on both the Firm Placing and Subscription becoming or being declared unconditional in all respects and not being terminated before Admission (as the case may be). If the Firm Placing and Subscription do not proceed, the Offer Shares will not be issued and all monies received by the Receiving Agents from applicants will be returned to such applicants (at the applicants' risk and without

interest) as soon as possible thereafter but within 14 days. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

The Offer Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Offer Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 10 May 2016 at which time it is also expected that the Offer Shares will be enabled for settlement in CREST.

Firm Placing Agreement

Pursuant to the Firm Placing Agreement, Cenkos Securities has agreed to use its reasonable endeavours as agent of the Company to procure subscribers for the Firm Placing Shares at the Offer Price.

The Firm Placing Agreement provides, *inter alia*, for payment by the Company to Cenkos Securities of commissions based on the number of Firm Placing Shares placed by Cenkos Securities multiplied by the Offer Price.

The Company will bear all other expenses of, and incidental to, the Firm Placing, Subscription and Open Offer, including the fees of the London Stock Exchange, printing costs, Registrars' and Receiving Agents' fees, all legal and accounting fees of the Company and all stamp duty and other taxes and duties payable.

The Firm Placing Agreement contains certain warranties and indemnities from the Company in favour of Cenkos Securities and is conditional, *inter alia*, upon:

- (a) the passing of the Special Resolution at the General Meeting without material amendment;
- (b) the Firm Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (c) the Subscription Agreements not having lapsed or been terminated and having been completed in accordance with their terms, subject only to Admission; and
- (d) Admission becoming effective not later than 8.00 a.m. on 10 May 2016 or such later time and/or date as the Company and Cenkos Securities may agree, being not later than 20 May 2016.

Cenkos Securities may terminate the Firm Placing Agreement if, *inter alia*, there has occurred, in the opinion of Cenkos Securities, acting in good faith, a material adverse change in the business of the Group or in the financial or trading position or prospects of the Group or on the occurrence of certain force majeure events.

Directors' participation in the Subscription

Under the terms of the Subscription Agreements, Jens Montanana and Andrew Miller, each a director of the Company, have conditionally agreed to subscribe for Subscription Shares as part of the Subscription. The interests of the Directors on 20 April 2016 (being the last practicable date prior to publication of this document) are, and immediately following Admission of the New Ordinary Shares will be, as follows:

<i>Director</i>	<i>No. of Ordinary Shares Held on 20 April 2016 (being the last practicable date prior to publication of this document)</i>	<i>Percentage of Existing Ordinary Shares held on 20 April 2016 (being the last practicable date prior to publication of this document)</i>	<i>Number of New Ordinary Shares subscribed for in the Subscription</i>	<i>Resulting number of Ordinary Shares held immediately following Admission*</i>	<i>Resulting holding as a percentage of the Enlarged Share Capital**</i>
Jens Montanana***	65,440,354	39.5%	3,863,636	69,303,990	33.5%
Andrew Miller	823,255	0.5%	68,182	891,437	0.4%

* assuming that the Firm Placing, Subscription and Open Offer are fully subscribed and no further Ordinary Shares are issued following the date of this document

** "Enlarged Issued Share Capital" means the Ordinary Shares of the Company as it will be immediately following the Admission (assuming the Firm Placing, Subscription and Open Offer are fully subscribed and assuming that no further Ordinary Shares are issued following the date of this document)

*** held in the name of Jens Montanana and entities in which Jens Montanana has a beneficial interest

Pursuant to the Code, there is no requirement to obtain Independent Shareholder approval in respect of the participation by Jens Montanana and Andrew Miller in the Subscription because, although Jens Montanana and Andrew Miller are acquiring Subscription Shares pursuant to the Subscription, the acquisition will result in each of their percentage shareholdings being lower than their current percentage shareholding in the Company (as set out in the table above).

Due to certain restrictions under the Code, if the Subscription and the Firm Placing become unconditional then, in the unlikely event that any other Subscriber and/or any other subscriber for Firm Placing Shares defaults under his or its Subscription Agreement or placing commitment and does not subscribe for some or all of the Subscription Shares and/or Firm Placing Shares specified therein, Jens Montanana and Andrew Miller shall, if applicable, reduce the number of Subscription Shares which each will subscribe for in the Subscription to such number as to ensure that, on Admission, Jens Montanana will only hold such number of Ordinary Shares as will represent 39.5 per cent. of the Company's issued share capital at that date and Andrew Miller will only hold such number of Ordinary Shares as will not exceed 0.5 of the Company's issued share capital at that date (and may hold a smaller percentage). Jens Montanana has also given an undertaking not to take up his entitlement under the Open Offer.

Transaction Considerations

As set out in the Recommendation section below, the Directors believe the Transaction to be in the best interests of the Company and its Shareholders as a whole. In making this statement, the Directors spent time, and took appropriate advice, in considering the Transaction and the method by which the Company would raise the net proceeds. The Directors concluded that a Firm Placing and Subscription accompanied by an Open Offer was the most appropriate structure to raise funding for the following reasons:

- the Firm Placing enables the Company to attract a number of new institutional investors to its shareholder register, which the Directors expect will improve liquidity going forward, and also to provide an element of funding certainty within the Transaction; and
- the Open Offer enables all Shareholders to participate in the Transaction at the same price per New Ordinary Share as institutional and new investors but without the time and costs associated with a full pre-emptive offer. A full pre-emptive offer, either via a rights issue or open offer, above approximately £3.9 million (€5 million) would have required the Company to produce a prospectus which would have had significant time and cost implications.

The Offer Price represents a discount of 20.0 per cent. to the closing mid-market price of the Existing Ordinary Shares on 20 April 2016, being the latest practicable date prior to the publication of this

document. The Directors can confirm the Offer Price, and therefore potential dilution for Shareholders, has been a consideration in setting the amount raised as part of the Transaction and the decision to undertake an Open Offer.

To the extent that Qualifying Shareholders do not take up their entitlement to the New Ordinary Shares then, following the issue of the New Ordinary Shares, their interest in the Company will be diluted by between 18.0 per cent. and 19.8 per cent.

7. Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part 3 of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including, without limitation, the United States of America), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements under the Open Offer.

8. Risk Factors and additional information

The attention of Shareholders is drawn to the risk factors set out in Part 2 and the information contained in Parts 3 and 4 of this document, which provide additional information on the Transaction.

9. General Meeting

The Directors do not currently have authority to allot all of the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting.

A notice convening the General Meeting, which is to be held at the offices of Redleaf Communications, First Floor, 4 London Wall Buildings, Blomfield Street, London, EC2M 5NT at 10.00 a.m. on 9 May 2016, is set out at the end of this document. At the General Meeting, the Special Resolution will be proposed to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £409,646.77, being equal to up to 40,964,677 New Ordinary Shares (i.e. the maximum number of New Ordinary Shares available under the Firm Placing, Subscription and Open Offer) and to authorise the Directors to issue and allot up to 40,964,677 New Ordinary Shares in connection with the Firm Placing, Subscription and Open Offer on a non-pre-emptive basis.

The authorities to be granted pursuant to the Special Resolution shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2016 or the date falling six months from the date of the passing of the Special Resolution (unless renewed, varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held on 17 June 2015.

11. Action to be taken

In respect of the General Meeting

Please check that you have received a Form of Proxy for use in relation to the General Meeting with this document.

Whether or not you intend to be present in person at the General Meeting, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon so as to be received, by post or, during normal business hours only, by hand to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event so as to arrive by not later than 10.00 a.m. on 5 May 2016 (or, in the

case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a business day)).

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, or any adjournment thereof, should you wish to do so.

In respect of the Open Offer

Qualifying Non-CREST Shareholders wishing to apply for Offer Shares or the Excess Shares must complete the enclosed Application Form in accordance with the instructions set out in paragraph 3.1 of Part 3 (Terms and Conditions of the Open Offer) of this document and on the accompanying Application Form and return it with the appropriate payment to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive no later than 11.00 a.m. on 6 May 2016.

If you do not wish to apply for any Offer Shares under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Form of Proxy.

If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 3.2 of Part 3 (Terms and Conditions of the Open Offer) of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 3.2 of Part 3 of this document by no later than 11.00 a.m. on 6 May 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

12. Recommendation

The Directors believe that the Transaction and the passing of the Special Resolution are in the best interests of the Company and Shareholders, taken as a whole. Accordingly the Directors unanimously recommend that Shareholders vote in favour of the Special Resolution, as they intend to do in respect of their own holdings of Ordinary Shares, totalling 67,618,276 Ordinary Shares, being approximately 40.8 per cent. of the Existing Shares.

The Transaction is conditional, *inter alia*, upon the passing of the Special Resolution at the General Meeting. Shareholders should be aware that if the Special Resolution is not approved at the General Meeting, the Firm Placing, Subscription and Open Offer will not proceed.

Yours faithfully

Jens Montanana

Chairman

21 April 2016

PART 2

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the New Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations might be materially adversely affected. In such case, the value of the Ordinary Shares might decline and investors might lose all or part of their investment.

GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making a decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

RISKS RELATING TO THE TRANSACTION

Dilution of ownership of Ordinary Shares

The proportionate ownership and voting interest in the Company of Shareholders who do not participate in the Firm Placing or the Subscription will be reduced pursuant to the Transaction. In addition and to the extent that Shareholders do not take up the offer of Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Shareholders who are located or resident in, who are citizens of, or who have a registered office in the United States or any other Restricted Jurisdiction will not be able to participate in the Open Offer.

Future Funding

If the Special Resolution is not approved by the requisite number of Shareholders or the Transaction does not proceed for any other reason, the Company will be required to secure alternative financing for the purposes set out in Part 1 from alternative sources. This alternative financing may be on less favourable terms than those proposed in the Transaction.

RISKS RELATING TO THE GROUP

Technology change and product development risk

The DDoS mitigation market is competitive and characterised by constant changes in technology, customer requirements and frequent new product introductions and improvements. Cyber security and DDoS attacks are constantly evolving as attackers develop new methods and tools to evade defences. As such, the Group's solutions will require on-going development and enhancement to meet the needs of customers in its target markets. The Group's ability to anticipate changes in technology and customer requirements and to develop and introduce new and enhanced solutions on a timely basis will be significant factors in the Group's ability to grow and to remain competitive. The ability of the Group to invest in such development is dependent on new business generation and future cash flows. There can be no assurance that the Group will have sufficient resources to make such investments, that these investments will bring the full advantages or any advantage as planned or that it will not encounter technical or other difficulties that could delay the introduction of new technologies or enhancements in the future. The Group's failure, for technological or other reasons, to develop in a timely manner, and market, products or services incorporating new technologies could have a material adverse effect on its revenues, results of operations and/or prospects.

Market competition

The network security market is competitive and the Group is an emerging leader in the DDoS mitigation market and will face significant competition, including from competitors who have greater capital resources than the Group. There is no assurance that the Group will be able to compete successfully in such a market place. The Directors are aware of this threat and intend to invest in the enhancement of both the Group's products and services and to raise market awareness of Corero and its DDoS mitigation solutions.

Intellectual property rights

Although the Directors believe that the Group's intellectual property rights do not infringe the intellectual property rights of others, third parties may assert claims that the Group has violated a patent or infringed a particular copyright, trade mark or other proprietary right or confidential information belonging to them. Any such intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and information.

Technology Partners

The Group's SmartWall TDS solution utilises a proprietary multi-core processing chip produced by Tiler Corporation (part of Mellanox Technologies Limited). Should the supply of these chips be interrupted this could have a material adverse effect on the Group's financial performance. In addition, the SmartWall TDS solution incorporates technology under licence from Splunk Inc. and Tail-f Systems (part of Cisco Systems Inc.). If these relationships were lost, this could have a material adverse effect on the Group's financial performance. The Group intends to maintain cooperation with these technology partners which the Directors believe would reduce the risk of loss of these relationships.

Risk of cyber-attack on customer affecting the Company brand

The Group's business is the development and sale of DDoS mitigation solutions. Whilst the Group does not provide any guarantee to customers, and the Board is not aware of any precedent in the cyber-security market for technology providers providing guarantees of protection from DDoS and cyber-attacks, to the extent the Group's solutions are not effective in protecting customers from DDoS attacks and other cyber-attacks, this may adversely impact the Group's reputation. The Group is aware of this threat and continuously monitors DDoS activity to help identify new vectors and the Group's support team assists customers in combating new threats. In addition, the Group's development team is focused on developing new software features to effectively protect customers from new threats.

Influence of significant shareholder

Jens Montanana, the Non-executive Chairman, owns approximately 39.51 per cent. of the Existing Ordinary Shares as at the date of this document and will own approximately 33.5 per cent. of the Enlarged

Issued Share capital immediately following Admission if the Firm Placing, Subscription and Open Offer are all fully subscribed and no further Ordinary Shares are issued following the date of this document. As a result, Mr Montanana will be able to exercise significant control over all matters requiring approval by Shareholders.

The Group has historically been loss making and its future capital needs are uncertain and may necessitate the need to raise additional funds in the future

The Group has historically been loss making and there can be no certainty when, or if, profitability or positive operating cash flow will be achieved. Further the Group cannot be certain of its future financing needs or that suitable financing will be available in the required amounts or on acceptable terms. The Group's future capital needs, and other business reasons at that time, may require the Company to issue additional equity or obtain a credit facility. If additional equity or equity-linked securities were to be issued this might result in the dilution of existing shareholders' holdings. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict the Group's operations or the Group's ability to pay dividends to Shareholders or, in the worst scenario, it may not be able to continue operations.

Reliance and focus of key personnel and management

The success of the Group will be dependent on the services of key management and operating personnel.

The Directors believe that the Group's future success will depend largely on its ability to retain and attract highly skilled and qualified personnel and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be retained or identified and employed. If the Group fails to retain or recruit the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

Further to the above, if the Directors and senior management become distracted from the day to day management of the business, for instance due to a takeover approach or the management of overseas expansion, the business could be materially and adversely affected.

Management of the Group's growth strategy

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. The ability of the Group to implement its strategy in rapidly evolving and competitive markets will require effective management planning and operational controls. The Directors anticipate that significant expansion will be required to respond to market opportunities. The Group's growth plans may place a significant strain on the Group's management, operational, financial and personnel resources. The Group's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational and financial performance, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operation.

Loss of IT systems

The Group is dependent on IT systems for the delivery of its business which will be vulnerable to damage or interruption from flood, fire, power loss, telecommunications failure, cyber-attacks and similar events. Failure of these systems could cause financial loss to the Group as well as damage to its brand and reputation.

Cost Base

The Group has a high fixed cost base relevant to its current revenue and, in the event of an unanticipated reduction in customer demand, the Group may not be able to reduce costs in the short term. This could have an adverse effect on the Group's operating results and cash flow.

RISKS RELATING TO THE NEW ORDINARY SHARES

Suitability

An investment in the New Ordinary Shares may not be suitable for all recipients of this document and is only appropriate for investors capable of evaluating the risks (including the risk of capital loss) and merits of such an investment and who have sufficient resources to sustain a total loss of their investment. An investment in the New Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets and should only constitute part of a diversified investment portfolio. Potential investors should consider carefully whether investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, potential investors in any doubt should consult with an investment adviser authorised under FSMA who specialises in advising on investments of this nature.

Trading market for the New Ordinary Shares

The Offer Price may not be indicative of the market price for the New Ordinary Shares following Admission. The share price of publicly traded companies, including those listed on AIM, can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares will be influenced by a large number of factors, which could include, but not be limited to, the performance of both the Group's and its competitors' businesses, variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up. Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of Shareholders to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise his investment in the Group than in a company whose shares are quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List.

Additional working capital and dilution

The Directors do not currently anticipate that the Group will require additional working capital to further its strategy as outlined in this document. Nevertheless, it is possible that the Group will need or choose to raise extra working capital in the future to finance the development of new products or enhancements, to develop fully the Group's business, to take advantage of acquisition opportunities or respond to new competitive pressures. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Offer Price or higher or lower than the Offer Price.

Dividends

The Board's intention is for the Company to reinvest any net cash generated from operations to finance the growth and expansion of its business and, accordingly, the Board does not intend for the Company to pay any dividends in the foreseeable future. Any declaration and payment of dividends in the future by the Company will be dependent upon the Company's results, financial position, cash requirements, future prospects, profits available for distribution and other factors regarded by the Company as relevant at the time. Consequently, the Company may never pay dividends.

Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of products, technology or services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company, reports relating to trends in the Group's markets, large purchases or sales of Ordinary

Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

PART 3

TERMS AND CONDITIONS OF THE OPEN OFFER

Introduction

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise up to approximately £9.0 million (approximately £8.6 million net of expenses) by way of the Firm Placing, Subscription and Open Offer, of which up to approximately £1.0 million will be raised from the offer of the Offer Shares at the Offer Price to Qualifying Shareholders under the Open Offer.

The purpose of this Part 3 is to set out the terms and conditions of the Open Offer. Up to 4,601,040 new Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Offer Shares in accordance with the terms of the Open Offer. The Open Offer is not being underwritten.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is expected to be 6.00 p.m. on 20 April 2016. Application Forms are expected to be posted to Qualifying Non-CREST Shareholders on or around 21 April 2016 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 22 April 2016.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. Further details in relation to the Excess Application Facility are set out in Part 4 “Questions and Answers about the Open Offer” in this document and, for Qualifying Non-CREST Shareholders, the Application Form.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 6 May 2016 with Admission and commencement of dealings in Offer Shares expected to take place at 8.00 a.m. on 10 May 2016.

This document and, for Qualifying Non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part 3 “Terms and Conditions of the Open Offer” which gives details of the procedure for application and payment for the Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility.

The Offer Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 4,601,040 Offer Shares *pro rata* (excepting fractional entitlements) to their current holdings at the Offer Price in accordance with the terms of the Open Offer.

Qualifying Shareholders are also being offered the opportunity to apply for additional Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlements as at the Record Date.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Offer Shares at the Offer Price *pro rata* to their holdings of Existing Ordinary Shares as at the Record Date, payable in full on application. The Offer Price represents a discount of 20.0 per cent. to the closing mid-market price of 27.5 pence per Existing Ordinary Share on 20 April 2016 (being the last practicable date before publication of this document).

Qualifying Shareholders have basic entitlements of:

1 Offer Share for every 36 Existing Ordinary Shares

registered in their name on the Record Date. Entitlements under the Open Offer will be rounded down to the nearest whole number of Offer Shares, with fractional entitlements being aggregated and made available under the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 6) and your Open Offer Entitlement (in Box 7).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 22 April 2016. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in Part 4 "Questions and Answers about the Open Offer" and, for Qualifying Non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part 3 "Terms and Conditions of the Open Offer" for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Please refer to paragraphs 3.1(f) and 3.2(k) of this Part 3 "Terms and Conditions of the Open Offer" for further details of the Excess Application Facility.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer and/or the Excess Application Facility will not be issued by the Company as the Open Offer is not being underwritten.

The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3.

The Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise *pari passu* in all respects with the Existing Ordinary Shares. The Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

2. Conditions and further terms of the Open Offer

The Open Offer is conditional on the Firm Placing and Subscription becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Firm Placing are:

- (a) the passing of the Special Resolution at the General Meeting;
- (b) the Firm Placing Agreement having become or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission;
- (c) the Subscription Agreements becoming or being declared unconditional in all respects and not having been terminated in accordance with their terms prior to Admission; and
- (d) admission of the Firm Placing Shares occurring not later than 8.00 a.m. on 10 May 2016 (or such later time and/or date as the Company and Cenkos Securities may agree being no later than 8.00 a.m. on 20 May 2016).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (in each case at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

No temporary documents of title will be issued in respect of Offer Shares held in uncertificated form. Definitive certificates in respect of Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Offer Shares in certificated form by 24 May 2016.

In respect of those Qualifying Shareholders who have validly elected to hold their Offer Shares in uncertificated form, the Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as practicable after 8am on 10 May 2016.

Applications will be made for the Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 10 May 2016, when dealings in the Offer Shares are expected to begin.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

3. Procedure for application and payment

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you are sent an Application Form in respect of your Open Offer Entitlement under the Open Offer or your Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to your CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Offer Shares in CREST.

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Offer Shares in uncertificated form to the extent that their entitlement to Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2(f) of this Part 3 "Terms and Conditions of the Open Offer".

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for the Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE message through CREST.

3.1 If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer

(a) *General*

Subject to paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 6. It also shows the Open Offer Entitlement allocated to them set out in Box 7. Entitlements to Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Offer Shares will be aggregated and made available under the Excess Application Facility. Box 8 shows how much Qualifying Non-CREST Shareholders would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 4 May 2016. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into any Restricted Jurisdiction, including, without limitation, the United States. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying Non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that applications for Excess Shares by Qualifying Shareholders will be met in full or in part or at all.

Completed Application Forms should be posted to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or returned by hand (during normal business hours only) so as to be received by the Receiving Agents by no later than 11.00 a.m. on 6 May 2016. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 6 May 2016. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 6 May 2016; or
- (ii) applications in respect of which remittances are received before 11 a.m. on 6 May 2016 from authorised persons (as defined in FSMA) specifying the Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.

(d) *Payments*

All payments must be in pounds sterling and made by cheque made payable to Capita Registrars Limited Re: Corero Network Security plc – Open Offer A/C and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agents to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share certificates (or credit to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, but within 14 days, following the lapse of the Open Offer.

If Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agents shall be authorised (in their absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agents, Cenkos Securities or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholders.

(e) *Incorrect Sums*

If an Application Form encloses a payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by the Receiving Agent in respect of Offer Shares will be held in a separate non-interest bearing account.

(f) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying Non-CREST Shareholder to apply for Excess Shares. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Box 3 of the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Qualifying Non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Offer Shares exceed 4,601,040 Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, but within 14 days, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory

- restrictions from applying for Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and Cenkos Securities that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
 - (iii) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
 - (iv) represents and warrants to the Company and Cenkos Securities that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
 - (v) represents and warrants to the Company and Cenkos Securities that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
 - (vi) requests that the Offer Shares to which he will become entitled shall be issued to him on the terms set out in this document and the Application Form;
 - (vii) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares which are the subject of his application to, or for the account or benefit of, a person who is in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor any person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
 - (viii) confirms that the Offer Shares have not been offered to the applicant by the Company, Cenkos Securities, any of their respective affiliates or any person acting on any of their behalves by means of any "directed selling efforts", as defined in Regulation S under the Securities Act, or "general solicitation" or "general advertising", within the meaning of Rule 502(c) under the Securities Act;
 - (ix) confirms that he is acquiring the Offer Shares from the Company in an "offshore transaction", as defined in Regulation S under the Securities Act;
 - (x) represents and warrants to the Company and Cenkos Securities that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
 - (xi) confirms that in making the application he is not relying and has not relied on the Company or Cenkos Securities or any person affiliated with the Company or Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open

between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

(h) *Proxy*

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. However, you are encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

A Qualifying Non-CREST Shareholder who is also a CREST member may elect to receive the Offer Shares to which he is entitled in uncertificated form in CREST. Please see paragraph 3.2(f) below for more information.

3.2 ***If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlement credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject to paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of Offer Shares for which he is entitled to apply under the Open Offer plus the number of Excess Shares for which he is entitled to apply under the Excess CREST Open Offer Entitlement. Entitlements to Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Offer Shares arising will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the relevant Open Offer Entitlement and Excess CREST Open Offer Entitlement have been allocated.

If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 22 April 2016, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you have any questions relating these procedures, please contact the Receiving Agent Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in

respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements and Excess CREST Open Offer Entitlements will generate appropriate market claim transactions and the relevant Open Offer Entitlements and Excess CREST Open Offer Entitlements will thereafter be transferred accordingly.

(c) *Unmatched Stock Event (“USE”) instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agents under the participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agents in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to the Receiving Agents);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BYV22V71;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agents in their capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of the Receiving Agents in their capacity as a CREST receiving agent. This is 28834CNS;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 6 May 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 6 May 2016. In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 6 May 2016 in order to be valid is 11.00 a.m. on that day. In the event that the Subscription, Firm Placing and Open Offer do not

become unconditional by 8.00 a.m. on 10 May 2016 (or such later time and date as the Company and Cenkos Securities determine being no later than 8.00 a.m. on 20 May 2016), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agents will refund the amounts paid by Qualifying CREST Shareholders by way of a CREST payment, without interest, as soon as practicable thereafter.

(e) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which application is being made (and hence being delivered to the Receiving Agents);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BYV22W88;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agents in their capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of the Receiving Agents in their capacity as a CREST receiving agent. This is 28834CNS;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 6 May 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 6 May 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contract name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 6 May 2016 in order to be valid is 11.00 a.m. on that day.

In the event that the Firm Placing and Open Offer do not become unconditional by 8.00 a.m. on 10 May 2016 (or such later time and date as the Company and Cenkos Securities determine being no later than 8.00 a.m. on 20 May 2016), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agents will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the Open Offer Entitlement and

entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 6 May 2016. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Receiving Agents.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agents, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 3 May 2016 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 29 April 2016 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 6 May 2016.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agents by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 2 of the Application Form, and a declaration to the Company and the Receiving Agents from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 6 May 2016 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 6 May 2016. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Proxy*

If a Qualifying CREST Shareholder does not wish to apply for the Offer Shares under the Open Offer, they should take no action. They are however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agents, reserves the right: (i) to reject the application in full and refund the payment to the CREST member in question (without interest); (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); and (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(k) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part 3 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlement nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements and the relevant Open Offer Entitlements be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlements claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlements credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Offer Shares by Qualifying Shareholders under the Open Offer exceed 4,601,040 Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his Excess CREST Open Offer Entitlement and from whom payment in full for the excess Offer Shares has been received, will receive a pounds sterling amount equal to the number of Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant’s sole risk by way of cheque or CREST payment, as appropriate. Fractions of Offer Shares will be aggregated and made available under the Excess Application Facility.

All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by contacting the Capita Assets Services shareholder helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

(l) *Effect of valid application*

A CREST member who makes or is treated as making a valid application for some or all of his *pro rata* entitlement to the Offer Shares in accordance with the above procedures thereby:

- (i) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agents' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and Cenkos Securities that all applications under the Open Offer and contracts resulting therefrom, and non-contractual obligations related thereto, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- (v) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements;
- (vi) represents and warrants to the Company and Cenkos Securities that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum of association and articles of association of the Company from time to time;
- (viii) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares which are the subject of his application to, or for the account or benefit of, a person who is in the United States or who is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of the United States of America or any other Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor any person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (ix) confirms that the Offer Shares have not been offered to the applicant by the Company, Cenkos Securities, any of their respective affiliates or any person acting on any of their behalves by means of any "directed selling efforts", as defined in Regulation S under the Securities Act, or "general solicitation" or "general advertising", within the meaning of Rule 502(c) under the Securities Act;
- (x) confirms that he is acquiring the Offer Shares from the Company in an "offshore transaction", as defined in Regulation S under the Securities Act;

- (xi) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
 - (xii) confirms that in making the application he is not relying and has not relied on Cenkos Securities or any person affiliated with the Company or Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.
- (m) *Company's discretion as to the rejection and validity of applications*
 The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3 "Terms and Conditions of the Open Offer";
 - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
 - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Receiving Agents receive a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agents have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
 - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agents in connection with CREST.
- (n) *Lapse of the Open Offer*
 In the event that the Open Offer does not become unconditional by 8.00 a.m. on 10 May 2016 or such later time and date as the Company and Cenkos Securities may agree (being no later than 8.00 a.m. on 20 May 2016), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agents will refund the amount paid by Qualifying CREST Shareholders by way of a CREST payments, without interest, within 14 days thereafter.

4. Money Laundering Regulations

4.1 Holders of Application Forms

To ensure compliance with the Money Laundering Regulations, the Receiving Agents may require, at their absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agents. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to the Receiving Agents to be

acting on behalf of some other person, accepts the Open Offer in respect of such number of Offer Shares as is referred to therein (for the purposes of this paragraph 4 the “relevant Offer Shares”) and shall thereby be deemed to agree to provide the Receiving Agents with such information and other evidence as they may require to satisfy the verification of identity requirements.

If the Receiving Agents determine that the verification of identity requirements apply to any acceptor or application, the relevant Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agents are entitled, in their absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agents nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agents have not received evidence satisfactory to them as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Receiving Agents and Cenkos Securities from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- (iv) if the aggregate subscription price for the Offer Shares is less than €15,000 (approximately £11,816).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to Capita Registrars Limited Re: Corero Network Security plc – Open Offer A/C in respect of an application by a Qualifying Shareholder and crossed “A/C Payee Only”. Third-party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agents. If the agent is not such an organisation, it should contact Capita Asset Services, Corporate Actions, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If an Application Form is in respect of Offer Shares with an aggregate subscription price of €15,000 or £11,816 or more and is lodged by hand by the acceptor in person, or if the Application Forms in respect of Offer Shares is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 6 May 2016, the Receiving Agents have not received evidence satisfactory to them as aforesaid, the Receiving Agents may, at their discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the payee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Offer Shares in respect of some or all of your Open Offer Entitlement and Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agents are obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agents before sending any USE instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agents such information as may be specified by the Receiving Agents as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agents as to identity, who may in their absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

5. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 9 May 2016. Applications will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Subject to the Subscription, Firm Placing and Open Offer becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Offer Shares, fully paid, will commence at 8.00 a.m. on 10 May 2016.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 6 May 2016 (the latest date for applications under the Open

Offer). If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 10 May 2016, the Receiving Agents will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Qualifying CREST Shareholders' entitlements to Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agents in connection with CREST.

No temporary documents of title will be issued and, transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 above and their respective Application Form.

6. Overseas Shareholders

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 General

The distribution of this document and the Application Form and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements or other formalities to enable them to apply for Offer Shares under the Open Offer.

No action has been or will be taken by the Company, Cenkos Securities or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application forms relating to the Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in any jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons who are located or resident in or who have registered addresses in the United States or any other Restricted Jurisdiction, or their agent or intermediary, except where the Company is satisfied, in its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any applicable registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Cenkos Securities nor any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer any Open Offer Entitlements or any Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Offer Shares in respect of the Open Offer unless the Company determines, in its sole and absolute discretion, that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements and/or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 "Terms and Conditions of the Open Offer" and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Restricted Jurisdiction, by a person who has a registered address in the United States or any other Restricted Jurisdiction, or on behalf of such a person by his or her agent or intermediary, or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in the United States or any other Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company reserves the right to permit any person to apply for Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Offer Shares should note that payment must be made in sterling denominated cheques or, where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the other Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Offer Shares is being made by virtue of this document or the Application Forms into the United States or any other Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in the Restricted Jurisdictions and in those other jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 **United States**

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Offer Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no Offer Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring Offer Shares and wishing to hold such Offer Shares in registered form must provide an address for registration of the Offer Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the Offer Shares, that they are not, and that at the time of acquiring the Offer Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of Offer Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located or resident in the United States and is not acquiring the Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Offer Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any Offer Shares to any person with an address in, or who is otherwise located or resident in, the United States in whose favour an Application Form or any Offer Shares may be transferred. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Offer Shares. In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the and Open Offer) may violate the registration requirements of the Securities Act.

6.3 **Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exceptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

6.4 **Other overseas territories**

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the other Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Offer Shares in respect of the Open Offer.

6.5 **Representations and warranties relating to Overseas Shareholders**

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Offer Shares comprised therein represents and warrants to the Company, Cenkos Securities and the Receiving Agents that, except where proof has been provided to the Company's satisfaction, in its sole and absolute discretion, that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Offer Shares from within the United States or any other Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located or resident within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Offer Shares into any of the above territories. The Company and/or the Receiving Agents may treat as invalid any acceptance or purported acceptance of the allotment of Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or another Restricted Jurisdiction, by a person who has a registered address in the United States or any other Restricted Jurisdiction, or on behalf of such a person by his or her agent or intermediary, or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or another Restricted Jurisdiction for delivery of the share certificates of Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 3 "Terms and Conditions of the Open Offer" represents and warrants to the Company and Cenkos Securities that, except where proof has been provided to the Company's satisfaction, in its sole and absolute discretion, that such person's acceptance will not

result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither he or she nor his or her client is within the United States or any other Restricted Jurisdiction; (ii) neither he or she nor his or her client is in any territory in which it is unlawful to make or accept an offer to acquire Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located or resident within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither he or she nor his or her client is acquiring any Offer Shares with a view the offer, sale, resale, transfer, delivery or distribute, directly or indirectly, any such Offer Shares into any of the above territories.

6.6 Waiver

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its sole and absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Times and Dates

The Company shall, in agreement with Cenkos Securities and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

8. Taxation

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

9. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

10. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Offer Shares, by way of their Open Offer Entitlements and the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 4

QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part 4 “Questions and Answers about the Open Offer” are intended to be in general terms only and, as such, you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” of this document and you should take professional advice as to whether you are eligible for, and/or whether you need to observe any formalities to enable you to take up, your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Receiving Agents Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

1. What is an open offer?

An open offer is a way for companies to raise money. Companies usually do this by giving their existing Shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 4,601,040 new Ordinary Shares at a price of 22 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located or resident in the United States, or another Restricted Jurisdiction, you will likely be entitled to buy Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Offer Share for every 36 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Offer Price of 22 pence per Offer Share represents a discount of 20.0 per cent. to the closing mid-market price quotation as derived from the Daily Official List of the London Stock Exchange of 27.5 pence per Existing Ordinary Share on 20 April 2016 (being the latest practicable date prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlements. Applications made under the Excess Application Facility may be allocated in such

manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any Firm Placing Shares which are the subject of the Firm Placing.

2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located or resident in the United States or any other Restricted Jurisdiction, then you will likely be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 21 April 2016 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Offer Shares I am entitled to take up?

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located or resident in the United States or any other Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any other Restricted Jurisdiction, you will not receive an Application Form.

If you would like to apply for any of or all of the Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque drawn in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 6 May 2016, after which time Application Forms will not be valid.

4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) If you do not want to take up your Open Offer Entitlement

If you do not want to take up the Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Offer Shares. You will also not receive any money when the Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Offer Shares to which you are entitled by 11.00 a.m. on 6 May 2016, the Company has made arrangements under which it has agreed to issue those Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Open Offer Entitlement then, following the issue of the Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest will be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility, the Subscription and the Firm Placing.

(b) ***If you want to take up some but not all of your Open Offer Entitlement***

If you want to take up some but not all of the Offer Shares to which you are entitled, you should write the number of Offer Shares you want to take up in Boxes 2 and 4 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write '25' in Boxes 2 and 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '25') by £0.22, which is the price in pounds of each Offer Share (giving you an amount of £5.50 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 6 May 2016, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to "Capita Registrars Limited Re: Corero Network Security plc – Open Offer A/C" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agents to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 24 May 2016.

(c) ***If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque for the amount (as indicated in Box 8 of your Application Form), by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 6 May 2016, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque made payable to Capita Registrars Limited Re: Corero Network Security plc – Open Offer A/C and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the

building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agents to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 24 May 2016.

(d) ***If you want to apply for more than your Open Offer Entitlement***

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. You should write the number of Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 7 of the Application Form) in Box 2 and write the number of Excess Shares for which you would like to apply in Box 3. You should then add the totals in Boxes 2 and 3 and insert the total number of Offer Shares for which you would like to apply in Box 4. For example, if you have an Open Offer Entitlement for 50 Offer Shares but you want to apply for 75 Offer Shares in total, then you should write '50' in Box 2, '25' in Box 3 and '75' in Box 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '75') by £0.22, which is the price in pounds sterling of each Offer Share (giving you an amount of £16.50 in this example). You should write this amount in Box 5. You should then return your Application Form by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 6 May 2016, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Offer Shares is expected to be despatched to you, at your own risk, by no later than 24 May 2016.

5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part 3 "Terms and Conditions of the Open Offer" of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Offer Shares which they are entitled to acquire under the their Open Offer Entitlement and (ii) how to apply for Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 20 April 2016 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 21 April 2016 but were not registered as the holders of those shares at 6.00 p.m. on 20 April 2016; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Receiving Agents Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

7. Can I trade my Open Offer Entitlement?

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Offer Shares are not being underwritten.

8. What if I change my mind?

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agents, you cannot withdraw your application or change the number of Offer Shares for which you have applied, except in the very limited circumstances which are set out in paragraph 3 of Part 3 of this document.

9. What if the number of Offer Shares to which I am entitled is not a whole number; am I entitled to fractions of Offer Shares?

If the number is not a whole number, you will not receive a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

10. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 20 April 2016, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Offer Shares under the Open Offer. However, notwithstanding the above, you should not contact the buyer if he is located or resident in, is a citizen of, or has a registered office in a Restricted Jurisdiction. If you sell any of your Existing Ordinary Shares on or after 20 April 2016, you may still take up and apply for the Offer Shares as set out on your Application Form.

11. I hold my Existing Ordinary Shares in certificated form. How do I pay?

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in pounds sterling and made by cheque made payable to Capita Registrars Limited Re: Corero Network Security plc – Open Offer A/C and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

12. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?

If you decide not to apply for any of the Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

13. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?

You should send your completed Application Form together with the monies in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by hand (during normal office hours only). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Offer Shares then you need take no further action.

14. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Offer Shares?

The Receiving Agents must receive the Application Form by no later than 11.00 a.m. on 6 May 2016, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

15. How do I transfer my entitlements into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?

It is expected that the Receiving Agents will post all new share certificates by 24 May 2016.

17. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. Will I be taxed if I take up my entitlements?

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

19. What should I do if I live or am located outside the United Kingdom?

Your ability to apply to acquire Offer Shares may be affected by the laws of the country in which you live or are located and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located or resident in the United States or any other Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 "Terms and Conditions of the Open Offer" of this document.

20. Further assistance

Should you require further assistance please call the Receiving Agents Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

CORERO NETWORK SECURITY PLC

(Incorporated and registered in England and Wales with registered no. 2662978)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting of Corero Network Security plc (the "Company") will be held at **the offices of Redleaf Communications, First Floor, 4 London Wall Buildings, Blomfield Street, London, EC2M 5NT** on 9 May 2016 at 10.00 a.m. to consider, and if thought fit pass, the following resolution as a special resolution.

SPECIAL RESOLUTION

1. **THAT**, in addition to all existing authorities under sections 551 and 570 of the Act granted to the Directors at the Company's Annual General Meeting on 17 June 2015:
 - a. in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company and/or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £409,646.77 (being equal to up to 40,964,677 Ordinary Shares), provided that this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2016 or the date falling six months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any security into shares in the Company to be granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired; and
 - b. in accordance with section 570 of the Act, the Directors be and are generally empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority conferred by sub-paragraph a. above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £409,646.77 (being equal to up to 40,964,677 Ordinary Shares) and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2016 or the date falling six months from the date of passing this resolution (unless previously revoked, varied or renewed) save that the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

Registered office:

Regus House
Highbridge
Oxford Road
Uxbridge
Middlesex
UB8 1HR

Dated 21 April 2016

Duncan Swallow
Company Secretary
Corero Network Security plc

Notes:

1. Pursuant to Regulation 41(3) of the Uncertificated Securities Regulations 2001/3755, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 5 May 2016 shall be entitled to attend and vote at the General Meeting. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. Appointing a proxy will not prevent a member from attending in person and voting at the General Meeting (although voting in person at the General Meeting will terminate the proxy appointment).
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
5. The notes to the proxy form explain how to direct your proxy how to vote on the resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- (a) completed and signed;
- (b) sent or delivered to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU; and
- (c) received by them no later than 10.00 a.m. on 5 May 2016.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. As at 5.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting, the Company's issued share capital comprised 165,637,416 ordinary shares of one pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting is 165,637,416.

