Appen Limited

Acquisition of Leapforce and Capital Raising

29 November 2017

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This investor presentation (**Presentation**) is dated 29 November 2017 and has been prepared by Appen Limited ACN 138 878 298 (**Appen**) in connection with the proposed acquisition by Appen of Leapforce, Inc. and RaterLabs, Inc. (**Acquisition**) and the associated capital raising by Appen (**Offer**) to partially fund the consideration to be paid for the Acquisition.

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- Further, neither the Lead Manager nor any of its related bodies corporate, affiliates, officers, directors, employees, agents or advisers accepts any fiduciary obligations to or relationship with you, any investor or potential investor in connection with the Offer or otherwise.
- You acknowledge and agree that:
- determination of eligibility of investors for the purposes of the Offer is determined by reference to a number of matters, including legal requirements and the discretion of Appen and the Lead Manager; and
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By accepting, accessing or reviewing this Presentation you acknowledge and agree to the terms set out in the section of this Presentation titled 'Important notice and disclaimer'.

1. Transaction Overview

Overview

Acquisition of Leapforce, Inc. & RaterLabs, Inc.[1]	• Appen Limited (**Appen**) to acquire 100% of the shares of Leapforce, Inc. and RaterLabs, Inc. (together **Leapforce**) for US$80.0 million[2] (the **Acquisition**) • Leapforce provides relevance data for search and social media with forecast FY2017 revenue of US$58.0 million and forecast FY2017 EBITDA of US$13.6 million[3] • Implied transaction multiple of 5.9x FY2017 forecast EBITDA (pre-synergies)[2,3] • Leapforce adds significant scale to Appen's Content Relevance division with strong organic growth opportunities
Overview of Leapforce	• Leapforce was founded in 2008, headquartered in Pleasanton, California, and specialises in search relevance through a highly automated and proprietary end-to-end technology platform • Leapforce provides services similar, and complementary, to Appen's Content Relevance division and shares a number of customers • Leapforce uses an at-home crowd from a database of over 800,000 across 35 international locations
Strategic rationale	• Provides scale and scope to Appen to enable greater participation in the dynamic and high growth artificial intelligence market • Establishes Appen as the world's leading provider of search relevance services • Adds contracts with leading global technology providers which will improve customer revenue distribution • Combines Leapforce's highly automated technology platform with a larger business to facilitate automation, scalability and efficiency improvements across Appen that will deliver greater quality, responsiveness and value to customers • Expands Appen's on-demand global crowd to provide scale, workers and revenue opportunities • Adds an experienced management team with strong search relevance and systems expertise • Attractive financial metrics

1. RaterLabs, Inc. performs similar services to Leapforce utilising employees rather than independent contractors
2. Excludes purchase price adjustments (including working capital)
3. Financial information for Leapforce is based on unaudited management accounts

Transaction summary

Funding	• The acquisition of Leapforce and associated transaction costs will be funded through a combination of new equity and debt - a fully underwritten placement of 4.3 million shares to raise A$25.0 million (**Placement**) - a fully underwritten share purchase plan to existing eligible shareholders capped at A$5.0 million (**SPP**) - the issue of approximately 3.7 million Appen shares to Leapforce shareholders - A$60.7 million draw down on approximately A$72.6 million[4] new debt facilities ○ US$40.0 million (approximately A$52.6 million[4]) senior debt facility ○ A$20.0 million working capital facility - existing cash reserves of A$5.0 million
Expected financial impact	• Underlying EPS accretion of at least 35% expected (pre-synergies and associated transaction costs and share based payments) • Pro forma net debt / pro forma forecast FY2017 EBITDA[5] of approximately 1.1x at completion - debt levels are expected to reduce due to high cash generation and synergies • Appen intends to maintain its dividend payout ratio between 30% and 50% of NPAT subject to debt repayment and future investment opportunities[6]
Trading update	• Appen re-affirms its previously stated FY2017 EBITDA guidance of the upper end of 40% to 50% above the prior year's result[7], excluding any contribution from Leapforce for the remainder of FY2017

4. Assumes an exchange rate of AU $1.00 = US $0.76
5. Based on the midpoint of Appen's stated FY2017 EBITDA guidance range of 40% to 50% above the prior year's result (assumes an exchange rate of AU $1.00 = US $0.79)
6. The payment of a dividend by Appen is at the discretion of the Directors of Appen and will be a function of many factors, including general business conditions, the operating results and financial condition of Appen, future funding requirements, compliance with debt facilities, capital management initiatives, acquisition opportunities and other factors
7. Assumes an exchange rate of AU $1.00 = US $0.79

2. Overview of Leapforce

Overview of Leapforce

Business overview

- Leapforce was founded in 2008 and is privately owned
- Headquartered in Pleasanton, California with 21 full time employees
- Specialises in search relevance through a highly automated and proprietary end-to-end technology platform
- Established contracts with leading technology companies
- Experienced management team with continuing leadership from founder Daren Jackson
- Leapforce leverages an at-home crowd of contractors from a database of over 800,000 across 35 international locations and 28 languages

Expertise

- **Search Evaluation**: Helps data scientists improve search relevance via a global crowd of raters using a scalable task management platform providing large volumes of high quality data
- **Ads Analysis**: Improves the relevance of ad inventory and drives customer engagement with targeted, meaningful placements
- **Local and Maps**: Evaluates the relevance of maps and geo data using in-country experts with unmatched local knowledge
- **Mobile Rating**: Native on-device evaluation available on all major device platforms
- **Custom Crowd**: Custom crowdsourced evaluation programs to organise, analyse and augment client data

Historical financial performance of Leapforce

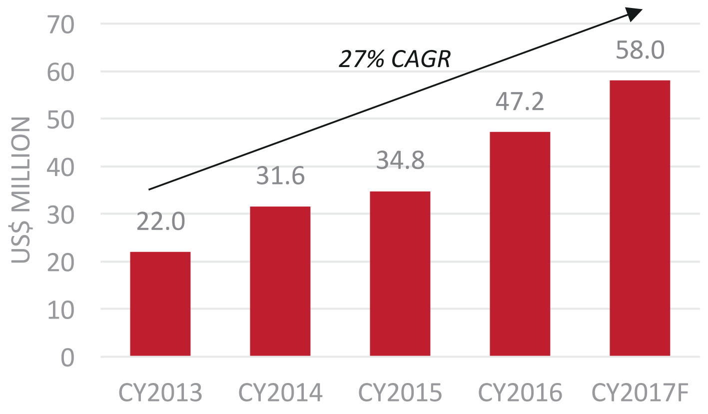
Revenue

- Revenue growth of 164% from CY2013 to CY2017 is primarily driven by expansion of work with prime customer and new customer wins

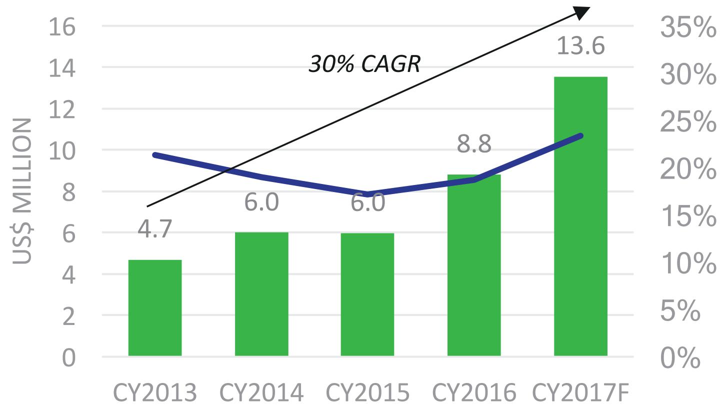
EBITDA

- EBITDA growth of 188% from CY2013 to CY2017 is primarily driven by revenue growth, reduced costs and scale efficiencies
- Margin improvement in CY2017 through cost management and scale efficiencies

Revenue



EBITDA (LHS) and EBITDA margin (RHS)



Strategic rationale

1 Establishes Appen as the world's leading provider of relevance services

- ✓ Enhanced market share from complementary customers
- ✓ Increased scale will provide opportunities for continued growth

2 Adds contracts with leading technology providers

- ✓ Further diversifies customer and revenue base
- ✓ Track record of growing and repeat revenue

3 Highly automated technology platform

- ✓ Proprietary technology platform that is highly scalable
- ✓ Ability to be implemented across Appen to improve efficiency and reduce costs

appen™ + Leapforce

4 Significant expansion of Appen's on-demand crowd

- ✓ Appen's 400,000 on-demand global crowd of contractors will benefit from the addition of Leapforce's 800,000-strong at-home crowd[8]
- ✓ Provides scale and worker supply for revenue opportunities

5 Adds additional management depth and expertise

- ✓ Daren Jackson, the current owner of Leapforce, will continue to lead the Leapforce business
- ✓ Enhanced management capabilities with strong search relevance and systems expertise to support integration and growth

6 Financially compelling

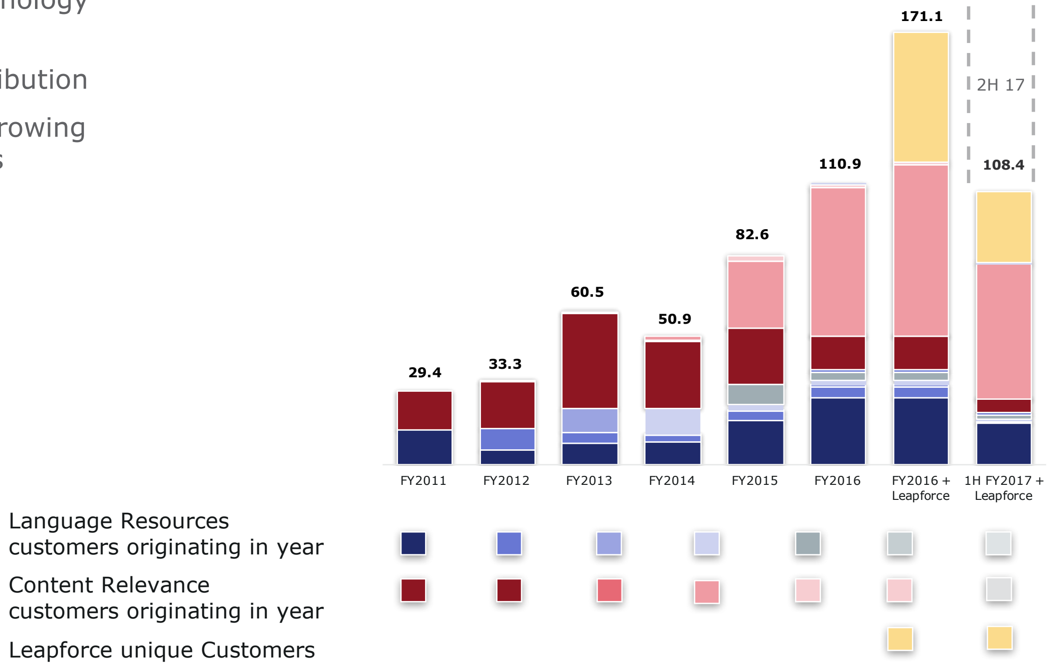
- ✓ Acquisition expected to deliver at least 35% underlying EPS accretion on a FY2017 pro forma basis (pre-synergies, transaction costs and share based payments)
- ✓ Potential to extract synergies to drive growth and improve group margins

8. Some overlap between Appen and Leapforce crowd is assumed

Customer revenue distribution

- The acquisition of Leapforce adds substantial contracts with leading global technology providers
- Improves customer revenue distribution
- Leapforce maintains long-term, growing relationships with their customers

Appen + Leapforce Customer Cohort
Pro Forma Revenue (A$m)



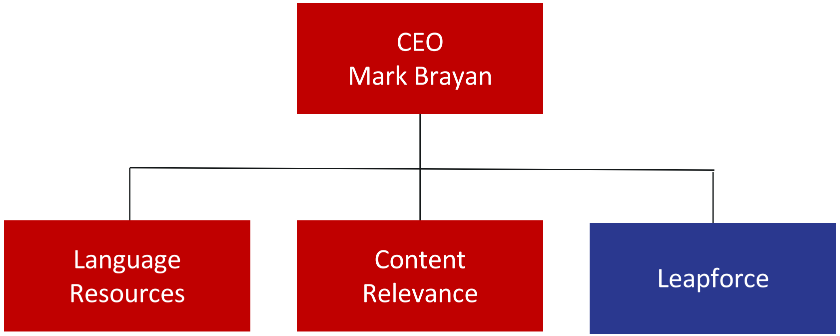
Expected financial impact

Accretion	• Expected underlying EPS accretion of at least 35% on a FY2017 pro forma basis - Before expensing of transaction costs and share based payments - Before amortisation of identifiable acquired intangibles and related tax impact - No revenue and/or cost synergies have been assumed
Capital structure	• Appen will maintain a conservative capital structure with an increase in borrowings of A$60.7 million[9] from new debt facilities - Pro forma net debt of A$46.9 million[9] • Expected pro forma net debt / pro forma FY2017 EBITDA[10] of approximately 1.1x at completion • Debt levels expected to reduce from high cash generation and synergies
Dividend policy	• Appen intends to maintain its dividend payout ratio between 30% and 50% of NPAT subject to debt repayment and future investment opportunities[11]

9. Assumes an exchange rate of AU $1.00 = US $0.76
10. Based on the midpoint of Appen's stated FY2017 EBITDA guidance range of 40% to 50% above the prior year's result (assumes an AUD:USD exchange rate of $0.79)
11. The payment of a dividend by Appen is at the discretion of the Directors of Appen and will be a function of many factors, including general business conditions, the operating results and financial condition of Appen, future funding requirements, compliance with debt facilities, capital management initiatives, acquisition opportunities and other factors

Expanded management structure

- Leapforce to operate initially as-is, to maintain customer relationships, ongoing operations and revenue
- Leapforce CEO, Daren Jackson, to continue to lead Leapforce and report to Appen CEO Mark Brayan
- Daren Jackson brings enhanced management capabilities with strong search relevance and systems expertise to support integration and growth
- Platform and process integration at a measured pace through 2018 to minimise customer disruption



3. Transaction funding, pro forma financials and terms

Acquisition funding and terms

Acquisition terms

Purchase price	• Appen has entered into a binding stock purchase agreement (**SPA**) to acquire Leapforce for US$80.0 million • Purchase price subject to adjustment mechanism relating to working capital at completion
Funding	• Fully underwritten Placement to raise A$25.0 million • Balance funded through a combination of Appen shares issued to vendors, new A$72.6[12] million debt facilities and existing cash reserves • Appen shares issued to Vendors subject to escrow arrangements and deferred issue over next 3 years • A share purchase plan to existing eligible shareholders to raise up to A$5.0 million
Timing and closing conditions	• The Acquisition is subject to customary conditions precedent and is expected to complete on or around 7 December 2017

Sources and uses of funding[13]

Sources of funds	A$ million
Existing cash reserves	5.0
Draw down on new debt facilities	60.7
Placement	25.0
Shares to vendors	21.1
Share purchase plan	5.0
Total	**116.8**

Uses of funds	A$ million
Purchase consideration for Leapforce	105.3
Associated transaction costs	6.5
Working capital	5.0
Total	**116.8**

12. The new debt facilities will comprise a US$40.0 million senior debt facility and a A$20.0 million working capital facility
13. Assumes an exchange rate of AU $1.00 = US $0.76

H1FY2017 pro forma financial information

A$ millions *(unless otherwise stated)*	H1 FY2017 Pro Forma Historical Consolidated Profit and Loss						
	Appen[14]	Leapforce[15]	Total consolidated 30 June 2017	Pro forma adjustments[16]	Pro forma statutory combined group	Underlying adjustments[17]	Pro forma underlying combined group
Revenue	74.1	34.3	108.4	-	108.4	-	108.4
EBITDA	**12.8**	**6.6**	**19.4**	**(5.3)**	**14.1**	**5.3**	**19.4**
EBITDA margin	17.2%	19.3%	17.9%	-	13.0%	-	17.9%
D&A	(1.1)	-	(1.1)	(0.2)	(1.3)	-	(1.3)
Finance charges	-	-	(0.0)	(1.2)	(1.2)	-	(1.2)
Income tax expense	(3.5)	(0.1)	(3.6)	(0.2)	(3.8)	(2.0)	(5.8)
NPAT	**8.1**	**6.5**	**14.7**	**(6.9)**	**7.8**	**3.3**	**11.1**

14. The financial information for Appen has been prepared based on the financial statements for Appen (reviewed by KPMG) for the half year ended 30 June 2017
15. The financial information for Leapforce has been prepared based on the unaudited management accounts for Leapforce for the half year ended 30 June 2017, translated into Australian dollars at the average rate for the period
16. The pro forma adjustments represent the impact of the acquisition of Leapforce, the Offer and the new banking facilities and comprise:
    - transaction costs of approximately $4.1m expected to be expensed and related tax impact;
    - non-cash share based remuneration expense of approximately $1.2m arising from the issue of contingent shares and related tax impact;
    - finance costs (interest of approximately $1.2m and amortised borrowing costs of approximately $0.2m) and related tax impact, in accordance with the terms of the new debt facilities; and
    - income tax adjustment due to change in tax status for Leapforce from an S Corp (trust structure) to a C Corp (corporate structure) of approximately $2.6m
17. The underlying adjustments relate to the one-off impact of the transaction costs and the half-year impact of the non-cash share based remuneration expense and related tax impact

H1FY2017 pro forma financial information

A$ millions	Appen[18]	Leapforce[19]	Total consolidated 30 June 2017	Impact of Offer and new debt facilities[20]	Impact of the Acquisition[21]	Pro forma combined group 30 June 2017 [22]
	H1 FY2017 Pro Forma Consolidated Statement of Financial Position					
Cash	20.0	6.2	26.2	89.2	(101.6)	13.8
Receivables	23.2	9.7	32.9	-	-	32.9
Other current assets	1.0	0.5	1.5	-	(0.5)	1.0
Non-current assets	15.6	0.1	15.7	-	107.2	122.9
Total assets	**59.8**	**16.5**	**76.3**	**89.2**	**5.1**	**170.6**
Current liabilities	18.3	3.4	21.7	(0.5)	2.1	23.3
Non-current liabilities	2.4	-	2.4	59.9	-	62.3
Total liabilities	**20.7**	**3.4**	**24.1**	**59.4**	**2.1**	**85.6**
Net assets	**39.1**	**13.1**	**52.2**	**29.8**	**3.0**	**85.0**
Total equity	**39.1**	**13.1**	**52.2**	**29.8**	**3.0**	**85.0**

18. The financial information for Appen has been prepared based on the financial statements for Appen (reviewed by KPMG) for the half year ended 30 June 2017
19. The financial information for Leapforce has been prepared based on the unaudited management accounts for Leapforce for the half year ended 30 June 2017, translated into Australian dollars at 30 June 2017
20. Reflects Offer and debt drawdown of new debt facilities (net of transaction costs in relation to the debt facilities of A$1.3m which are capitalised and amortised over the life of the facility)
21. Reflects cash and equity consideration as part of the Leapforce acquisition (including purchase price adjustments), transaction costs of approximately $5.0m and pro forma income/deferred tax and finance costs. Non-current assets represent goodwill associated with the excess of the purchase price over the net assets acquired
22. The above pro forma consolidated statement of financial position excludes:
- any post completion purchase price accounting adjustments including amortisation of identifiable intangible assets, as the company is yet to complete a formal purchase price allocation;
- the impact of deferred taxes arising from likely tax deductions on amortisation of goodwill for tax purposes in the USA; and
- the impact of A$5.3 million in deferred consideration in the form of share based payments which are conditional on continued employment in respect of Daren Jackson and Caine Lai. These will be recognised as share based payments with $nil impact on Net assets.

4. Offer summary

Sources of funding

Placement and SPP	• A fully underwritten equity raising comprising a placement and share purchase plan (the **Offer**): – a placement of 4.3 million shares to raise A$25.0 million (**Placement**) – a share purchase plan to existing eligible shareholders to raise up to A$5.0 million (**SPP**)
Shares to vendors	• Issue of approximately A$21.1 million of Appen shares to the vendors of Leapforce (**Vendor Shares**) – the issue price of the Vendor Shares of A$5.66 per share is based on the 30 day VWAP prior to the signing of the binding SPA • Vendor Shares are subject to voluntary escrow for up to three years from their issue date – 75% of the Vendor Shares are subject to voluntary escrow arrangements and will be held in a third party escrow account ○ 40% released on the first anniversary of closing of the Acquisition; ○ 40% on the second anniversary of the closing of the Acquisition; and ○ 20% on the third anniversary of the closing of the Acquisition – 25% of the Vendor Shares are contingent and have performance conditions and will be issued once the conditions have been met ○ 60% of these contingent shares will be issued on the third anniversary of the closing of the Acquisition provided Mr Jackson remains employed by Appen or one of its affiliates at such time ○ 40% of these contingent shares will be issued evenly on the first anniversary, second anniversary and third anniversary of closing of the Acquisition subject to the CTO of Leapforce still serving as a full-time employee of Appen or as one of its officers at such time
Debt	• Draw down of A$60.7 million from additional new debt facilities of A$72.6 million[23]

23. Assumes an exchange rate of AU $1.00 = US $0.76

Offer details

Offer structure and size	• Fully underwritten Placement and SPP to raise gross proceeds of A$30.0 million • Approximately 5.2 million fully paid ordinary shares to be issued (**New Shares**)
Offer Price	• The Offer Price is as follows: - Placement will be conducted at A$5.80 per share ○ 0.5% discount to the last traded price of A$5.83 on 28 November 2017 - SPP will be conducted at the lower of (i) A$5.80, being the same price as the placement; and (ii) a 2% discount to the VWAP of Appen shares as traded on ASX over the 5 trading days up to, and including, the closing date of the SPP
Institutional investors	• A$25.0 million Placement to institutional and sophisticated investors - represents 4.4% of the current shares on issue
Retail investors	• Existing eligible shareholders will have the ability to participate via the SPP - Eligible shareholders registered at 7:00pm (Sydney time) on 28 November 2017 will be entitled to subscribe for up to A$15,000 of Appen shares to raise up to a maximum of A$5.0 million (subject to scale back)
Ranking	• New Shares issued under the Placement and SPP will rank equally with existing fully paid ordinary shares from their time of issue
Underwriter	• Placement and SPP are fully underwritten by Bell Potter Securities Limited

Offer timetable

Event	Date[24]
Trading halt and announcement of the Acquisition, Placement and SPP	29 November 2017
Placement bookbuild	29 to 30 November 2017
Trading halt lifted and Appen shares recommence trading on ASX	1 December 2017
Record Date for determining eligible participation to subscribe for New Shares via the SPP	7:00pm (Sydney time) 28 November 2017
SPP Offer Booklet despatched to eligible shareholders	4 December 2017
SPP opens	4 December 2017
Settlement of Placement	6 December 2017
Allotment of New Shares under the Placement	7 December 2017
SPP closes	5:00pm (Sydney time) 15 December 2017
Allotment of New Shares issued under the SPP	21 December 2017
Despatch of holding statements in respect of New Shares issued under the SPP	27 December 2017

24. all dates and times are indicative and subject to change without notice

Appendix A

Key risks

Key risks

Concentration of Customers	Appen's existing customer base consists of, amongst others, a number of large global multi-national technology companies. The projects awarded by these companies, or the ongoing services which Appen may provide to these companies, can generate large amounts of revenue from that one client. This revenue model leads to a high concentration of revenues with one or more customers. The same is true for existing customers of Leapforce. Leapforce generates 99% of its revenue from two customers, in the approximate proportion of 71% revenue from one customer and 28% revenue from the other customer. Leapforce has significant relationship and knowhow with regards to its largest customer and is heavily integrated with the customer platform to enhance quality and reporting requirements. Such customer concentration is not unusual in the industry in which Appen and Leapforce operate. The financial performance of Appen (incorporating Leapforce and other subsidiaries of Appen) (**Appen Group**) is susceptible to the loss of one or more of these customers if that were to occur. This risk is mitigated somewhat due to Appen having good relationships, reputation and track record of quality performance and delivery with its existing customers and both of Leapforce's major customers. Further, the combination of Appen and Leapforce's customers actually reduces the overall customer concentration of the Appen Group.
Revenue Model and customer contracts	A substantial part of Appen's existing revenue is generated from individual case by case projects rather than long-term contracts. Appen cannot be assured that a customer will re-engage Appen on future projects or services once the project is completed or that the customer will not unilaterally reduce the scope of, or terminate, existing projects on short-term notice (generally 30 days, but sometimes less). Leapforce's existing customer base has similar contractual arrangements in place with a number of significant contracts terminable on short notice. The absence of guaranteed long-term revenue makes it difficult to predict the future revenues of Appen and investors should consider this factor in the context of considering any investment. The Appen Group's revenue model is, and will be, predominantly driven by project demands of customers and can be unpredictable throughout any financial year due to the timing of projects, length of sales cycles and the product-release cycles of the Appen Group's clients. Revenues may be impacted from quarter to quarter, and year to year depending on the customer demand factors or on the completion rate of projects.
Appen and Leapforce management personnel	The existing CEO and CTO of Leapforce will join the Appen management team and will continue to manage the Leapforce business going forward. Leapforce is heavily dependent on the CEO who has the key relationship with its major customer and is key to the operations and service delivery of the Leapforce business. This risk will be mitigated by transitioning the key relationship to Appen management within the first 12 months following the closing of the Acquisition. The CEO's tenure has been extended via the terms of the Acquisition and the CEO has a vested interest to ensure the ongoing performance of the Leapforce business post-closing, in that approximately 20% of the purchase price for Leapforce is provided by way of the issue of Appen shares vesting equally over the 3 year period following the closing of the Acquisition. 15% of those shares are at risk and are subject to the continued employment of the CEO by Appen or one of its affiliates or subject to "good leaving" conditions. In addition, the Leapforce platform has been developed and is maintained by the Leapforce CTO. This risk will be mitigated by Appen developing expertise of the platform within the first 12 months following the closing of the Acquisition. The CTO's tenure has been extended via the terms of the Acquisition and he has a vested interest to ensure the ongoing performance of the Leapforce business post-closing, in that approximately 20% of the purchase price for Leapforce is provided by way of Appen shares vesting equally over the 3 year period following the closing of the Acquisition. Approximately 10% of those shares are at risk and are subject to the continued employment of the CTO by Appen or one of its affiliates or subject to good leaving conditions. In addition to the Leapforce management, Appen depends on the talent and experience of its existing management personnel. The loss of any key personnel (including the Leapforce management team), or a significant number of personnel generally, may have an adverse effect on Appen. It may be difficult to replace those personnel, or to do so in a timely manner, or at comparable expense. There can be no assurance that Appen will be able to retain its key personnel. The loss of key senior executives could cause material disruption to Appen's activities in the short to medium term. The Board reviews the employment conditions of Appen's employees on an ongoing basis with a view to ensuring Appen remains competitive in terms of remuneration and other incentives. The Board also reviews employee incentive plans from time to time with a view to further aligning management and employees' interests with those of Appen and its shareholders.

Key risks (cont.)

Recruitment and Crowdsourcing	The Appen Group's operating model requires an ability to mobilise a large number of independent contractors on a project by project basis to fulfil customer needs and project requirements. If Appen fails to find independent contractors of a suitable quality, and/or suitable number, and/or jurisdictions restrict flexible independent contractor relationships, this may lead to project delays or lower revenues being generated in relation to the project. These difficulties may be more prevalent during times when national economies are strong or getting stronger due to the reduced number of persons looking for work. Some of the Appen Group's search relevance and data analytics services are crowdsourced to, and often performed by, independent contractors. This is also the case for the Leapforce business. The independent contractors performing these services are retained pursuant to written agreements with a member of the Appen Group that commonly specify the individual's status as an independent contractor, confirm the individuals are not employees of the employing company, and require the individuals to indemnify the employing company in the event the individual incorrectly represented their status to the employing company. Notwithstanding the foregoing express contractual language, from time to time in the United States individuals retained by a member of the Appen Group as independent contractors may file claims for unemployment with the applicable state unemployment agencies claiming employee status with a member of the Appen Group and seeking unemployment benefits. Leapforce, being a US-based business, enhances this risk. Unemployment benefits are, from time to time, awarded by the US state unemployment agencies, which may result in nominal charges or increases to the employer's unemployment tax accounts with the various states in which these individuals perform services and in which the member of the Appen Group does not have existing employees. The Appen Group is also subject to the usual risks posed to businesses that employ crowdsourcing, including claims relating to employee classification, claims to benefits, wage and hour claims and other employment claims.
Due diligence in relation to Leapforce	Appen undertook a due diligence process in respect of Leapforce, which relied mostly on the review of financial and other information provided by the vendors of Leapforce. While Appen considers the due diligence process undertaken to be appropriate, Appen has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, Appen has prepared (and made assumptions in the preparation of) the financial information relating to Leapforce and Appen following the closing of the Acquisition in this Presentation in reliance on limited financial information and other information provided by the vendors of Leapforce. The financial information provided by Leapforce is unaudited. If any of the data or information provided to and relied upon by Appen in its due diligence process and its preparation of this Presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Appen Group may be materially different to the financial position and performance expected by Appen and reflected in this Presentation. While Appen considers the due diligence process undertaken to be appropriate, Appen cannot provide assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the Acquisition have been identified. Therefore, there is a risk that unforeseen issues and risks may arise, which may have a material impact on the Appen business. This could adversely affect the operations, financial performance or financial position of Appen. Further, the information reviewed by Appen in its due diligence process includes forward looking information. While Appen has been able to review some of the foundations for the forward looking information relating to Leapforce, forward looking information is inherently unreliable and based on assumptions that may change in the future. To the extent that the actual results achieved by Leapforce are different than those indicated by Appen's analysis, there is a risk that the profitability and future earnings of the operations of Appen may be materially different from the profitability and earnings expected as reflected in this Presentation. Appen has sought to mitigate the risks associated with the information provided during due diligence by seeking certain warranties, representations and indemnities from the vendors of Leapforce under the terms of the stock purchase agreement for the Acquisition (**SPA**).

Key risks (cont.)

Debt funding risk	Appen has entered into a syndicated facilities agreement (**Facility Agreement**) to provide funding for the Acquisition and associated acquisition costs. If certain conditions precedent are not satisfied or certain events occur, the financiers may be entitled not to fund under the terms of the Facility Agreement, which would have an adverse impact on Appen's sources of funding for the Acquisition. If the conditions precedent to funding are not satisfied and Appen's financiers do not fund under the Facility Agreement and Appen is unable to source alternate funding, it may be unable to complete the Acquisition and could be required to pay damages. If this was to occur, the Offer may not proceed. If the proposed Acquisition occurs, there will be an increase in Appen's debt levels. The use of debt financing to partially fund the Acquisition means that Appen will be more exposed to risks associated with gearing. For example, Appen will be more exposed to any movements in interest rates.
Underwriting risk	Appen has entered into an underwriting agreement (**Underwriting Agreement**) with Bell Potter Securities Limited (**Underwriter**) with respect to the Offer. If certain conditions precedent are not satisfied or certain events occur, the Underwriter may be entitled to terminate the Underwriting Agreement, which may have an adverse impact on Appen's sources of funding for the Acquisition. If the Underwriting Agreement is terminated, and Appen has insufficient funding to close the Acquisition and is unable to source alternate funding, it may be unable to close the Acquisition and it could be required to pay damages.
Acquisition completion risk	While the SPA does not contain any material conditions precedent to closing and the closing of the Acquisition is scheduled to occur shortly after settlement of the Placement, there is a risk that the Acquisition does not proceed on the current terms and expected timing due to unforeseen circumstances, and that this could materially and adversely affect Appen.
The Acquisition and other investments by Appen may not be successful	As evidenced by the Acquisition, as part of its growth strategy, Appen may acquire businesses from time to time. While Appen will take every effort to ensure that any acquisition is successfully integrated and benefits realised, there can be no assurance that Appen will be successful in realising the anticipated benefits and synergies of any businesses that it acquires. The ability to realise these benefits will depend in part on whether Appen can efficiently integrate acquired businesses with its existing operations. The challenges of integrating and operating acquired businesses may be greater if Appen acquires businesses that provide services outside Appen's current geographic offering, particularly if it is unable to retain the acquired company's management. In addition, there is a risk that Appen will overestimate the value of acquired businesses and therefore overpay. These factors may adversely impact Appen's financial performance. The Acquisition involves the integration of Leapforce, which has previously operated independently from Appen. As a result, there is a risk that the integration of Leapforce may be more complex than currently anticipated, encounter unexpected challenges or issues and take longer than expected, divert management attention or not deliver the expected benefits. This may affect Appen's operating and financial performance. Further, the integration of Leapforce accounting functions may lead to revisions, which may impact on Appen's reported financial results. As Appen's business expands, the complexity of its business will increase. If Appen is unable to adapt to address different market dynamics, its operational and financial performance may be adversely affected.

Key risks (cont.)

Acquisition liability risk	The Acquisition may trigger change of control clauses in some of the contracts to which Leapforce (and its subsidiaries) are a party. Where triggered, the change of control clauses will, in most cases, require Appen to seek the counterparty's consent in relation to the Acquisition. There is a risk that a counterparty may not provide their consent, which may trigger a termination right in favour of that counterparty. If any of the contracts are terminated by a counterparty or renegotiated on less favourable terms, it may have an adverse impact on Appen's financial performance and prospects. There can be no assurance that Appen would be able to renegotiate such contracts on commercially reasonable terms, if at all.
Historical liabilities	Since it is acquiring the shares in Leapforce, Appen will also indirectly assume any liabilities that Leapforce has from its past operations, including any liabilities which were not identified during Appen's due diligence or which are greater than expected, for which insurance may not be adequate or available, and for which Appen may not have recourse under the SPA following the closing of the Acquisition. Such liabilities may adversely affect the financial performance or financial position of Appen.
Competition	If the actions of competitors or potential competitors of the Appen Group become more effective, Appen may be unable to compete successfully. For example, competitors of the Appen Group might adopt more aggressive strategies to capture market share. Such occurrences may negatively affect Appen's future profitability, planned growth and market share. The sectors in which the members of the Appen Group operate are subject to vigorous competition, based on factors including price, service, innovation and the ability to provide the customer with the appropriate services in a timely manner. A member of the Appen Group's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, or a failure by a member of the Appen Group to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any changes in a member of the Appen Group's competitive position or the competitive landscape may result in a decline in sales revenue and margins, which may have a material adverse effect on its future financial performance and position.
Impact of changing technology on the Appen Group's competitive position	The Appen Group's businesses are significantly influenced by changing technology, evolving industry standards and the emergence of new technologies. These changes can impact the ways in which the Appen Group's customers communicate with their customers and the ways in which the Appen Group offers its services. In order to remain competitive and relevant, members of the Appen Group need to enhance and expand their offering to meet their customers' needs. If those members of the Appen Group are unable to do so, it may impact on its competitive position.
Technology Failure	The Appen Group relies on a variety of IT systems in order to manage and deliver services and communicate with its customers. Any failure of an IT system could cause disruption to a member of the Appen Group's ability to offer services and lead to a loss of customers or revenue, reputational damage and a weakening of Appen's competitive position and financial performance.
Development and Commercialisation of Intellectual Property	The Appen Group relies on its ability to develop and commercialise its language data and services. A failure to develop and commercialise its intellectual property successfully would lead to a loss of opportunities and may adversely impact on the operating results and financial position of Appen.

Key risks (cont.)

Intellectual Property Rights	The Appen Group's success depends, in part, on its ability to maintain trade secret protection and operate without infringing the rights of third parties. If the Company's intellectual property rights have not been protected, have not been protected adequately or cannot be protected, competitors may use a member of the Appen Group's intellectual property to take market share from the Appen Group.
Infringement of Third Party Intellectual Property Rights	No member of the Appen Group believes that it is currently infringing any third party's intellectual property rights. To date, no third party has asserted to a member of the Appen Group that this is the case. However, in the future a member of the Appen Group may be subjected to infringement claims or litigation arising out of patents and pending applications for patents involving competitors, or additional proceedings initiated by third parties, the United States Patent and Trademark Office or other intellectual property regulators to re-examine the patentability of licensed or owned patents. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If a member of the Appen Group infringes the rights of third parties, the company could be prevented from selling its products and be forced to defend litigation and pay damages. Further, there is always a risk of third parties claiming involvement in, or membership of, technological advances contained in a member of the Appen Group's products and, if any disputes arise, they could adversely affect the financial or operational position of Appen.
Trade Secrets	In addition to its licensing activities, Appen also relies on protecting the Appen Group's trade secrets. The protective measures a member of the Appen Group employs may not always be sufficient to protect its trade secrets. If a member of the Appen Group's trade secrets become public, this could erode its competitive advantage. Appen also cannot be certain that others will not independently develop similar technologies on their own, or gain access to trade secrets, or have disclosed to them such technology, or that a member of the Appen Group will otherwise be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret. This could allow competitors to commercialise products and services competitive with a member of the Appen Group's products and services. Although Appen implements reasonable endeavours to protect the Appen Group's intellectual property, these measures may not always be sufficient.
Brand and Reputation Risk	The reputation and brand of Appen and its businesses and individual products are important in attracting customers. Given the nature of the Appen Group's customer base, each member of the Appen group must act with the greatest integrity otherwise it will risk losing customers. Any reputation damage or negative publicity around Appen or its businesses or products could adversely impact on the Appen Group's customer relationships, general business and ultimately its financial performance. The actions of the Appen Group's employees, including breaches of any regulations to which a member of the Appen Group is subject, or any negligence in the provision of data, may damage the Appen Group's brand.
Protection of confidential customer information	Through the ordinary course of business, members of the Appen Group collect a range of personal and financial data from customers. It is possible that the measures taken by a member of the Appen Group to protect customer data will not be sufficient to detect or prevent unauthorised access to, or a disclosure of, confidential information. Any successful cyber-attack or other breach of security could result in the loss of information integrity, or breaches of a member of the Appen Group's obligations under applicable laws or customer agreements, each of which could adversely impact Appen's reputation, retention of customers, ability to attract new customers and financial performance.

Key risks (cont.)

Acts of terrorism or sabotage	The Appen Group currently operates in certain jurisdictions in the world that may from time to time be the subject of heightened terrorism or sabotage threat. Appen believes that the Appen Group's operations are not immune from being the target of terrorism or sabotage. Any such attack could have a detrimental effect on the Appen Group's businesses from an employee, reputational and financial point of view.
Foreign exchange risk	Appen's financial reports are prepared in Australian dollars. However, a substantial proportion of the Appen Group's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in, US dollars. This will be increased following the Acquisition. Any adverse movements of the US dollar against the Australian dollar as well as other adverse exchange rate fluctuations or volatility, particularly during the period between when an invoice is issued and when payment is made, could have an adverse effect on Appen's future financial performance and position. To mitigate this risk, Appen's policy is to hedge at least 80% of its US denominated revenues generated by its Speech and Data Collection division. Movements in foreign exchange rates could also impact the cost competitiveness of both the Appen Group and its competitors. Any adverse movement in foreign exchange rates against Appen but to the benefit of its competitors could affect its ability to obtain business which could adversely impact the future financial performance of Appen. Movements in the exchange rate may also effect the decision of potential clients to enter certain markets.
Litigation and disputes	A member of the Appen Group may be involved from time to time in disputes or claims and litigation with current or former customers, employees or independent contractors. These disputes may lead to legal and other proceedings, and may cause the member of the Appen Group to suffer additional costs. If future litigation, or threatened litigation, against a member of the Appen Group were to result in damages being awarded against that member, it could have an adverse impact on the financial performance, position and future prospects of Appen (and, therefore, its share price or liquidity of its shares). On behalf of the members of the Appen Group, Appen maintains professional indemnity and public liability insurance in respect of a range of events within coverage ranges determined in accordance with the Board's review and decision. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. As far as Appen is aware, there are no current material claims or material litigation in which a member of the Appen Group is involved.
Sell-down by existing shareholders	There is a risk that existing substantial shareholders (including directors) may seek to sell-down their shareholding in Appen. A significant sale of shares, or a perception that a sell-down may occur, could adversely affect the price of Appen shares.
Risk of dividends not being paid	The payment of dividends is announced at the time of release of Appen's half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of Appen's businesses. While Appen has a stated dividend policy, circumstances may arise where Appen is required to reduce or cease paying dividends for a period of time.

Key risks (cont.)

Activity levels in key industry sectors may change	The Appen Group's customer base is spread across numerous industry sectors including automobile, information technology, and government. Any adverse developments which impact these industry sectors have the potential to in turn impact the demand for the Appen Group's services, which could adversely impact the future financial performance of Appen.
Macro-economic risks	The Appen Group's business is exposed to changes in general global economic conditions. For example, adverse macroeconomic conditions such as economic recessions, downturns or extended periods of uncertainty or volatility, which may influence spending by the Appen Group's clients to defer or cancel expenditure or lead to downward pricing pressure, may affect Appen's future financial performance and operating performance, the price of Appen shares and Appen's ability to pay dividends.
Taxation	Changes to the rate of taxes imposed on a member of the Appen Group (including overseas jurisdictions in which a member of the Appen Group operates now or in the future), or tax legislation generally, may affect Appen and its shareholders. In addition, an interpretation of Australian taxation laws by the Australian Taxation Office that differs from Appen's interpretation may lead to an increase in Appen's (or a member of the Appen Group's) taxation liabilities and a reduction in shareholder returns.
Australian Accounting Standards may change	Australian Accounting Standards are set by the AASB and are outside the control of either Appen or its Directors and management. The AASB has introduced new Australian Accounting Standards which may affect future measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in Appen's consolidated financial statements.
General investment risks	The price at which Appen shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause Appen shares to trade at prices below the price at which the New Shares are being offered under the Offer. There is no assurance that the price of the shares will increase, even if Appen's earnings increase. Some of the factors which may affect the price of Appen shares include: • fluctuations in the domestic and international market for listed stocks; • general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation; • inclusion in or removal from market indices; • the nature of the markets in which members of the Appen Group operate; and • general operational and business risks. Other factors which may negatively affect investor sentiment and influence Appen and Appen shares specifically or the stock market more generally, include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.
Other risks	The above risks should not be taken as a complete list of the risks associated with an investment in Appen or Appen shares. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Appen shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Appen in respect of Appen shares.

Appendix B

Foreign selling restrictions

Foreign selling restrictions

HONG KONG
Notice to prospective investors in Hong Kong

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

This document has not been registered by the Registrar of Companies in Hong Kong pursuant to the *Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of the Laws of Hong Kong* (**CWMO**).

Accordingly: (i) the New Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" as defined in the *Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong* (**SFO**) and any rules made under the SFO, or in other circumstances which do not result in the document being a "prospectus" as defined in section 2(1) of the CWMO or which do not constitute an offer to the public within the meaning of the CWMO or an invitation to the public within the meaning of the SFO; and (ii) this document must not be issued, circulated or distributed in Hong Kong other than (1) to "professional investors" as defined in the SFO and any rules made under the SFO, (2) to persons and in circumstances which do not result in this document being a "prospectus" as defined in section 2(1) of the CWMO or which do not constitute an offer to the public within the meaning of the CWMO or an invitation to the public within the meaning of the SFO or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFO and CWMO.

NEW ZEALAND
This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the **FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

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

Foreign selling restrictions (cont.)

SINGAPORE
This document and any other materials relating to the offer or sale of the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore, and statutory liability under the *Securities and Futures Act, Chapter 289 of Singapore* (the **SFA**) in relation to the content of prospectuses would not apply. Accordingly, this document or any part thereof and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed in any manner whatsoever, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are: (i) an existing holder of the Company's shares pursuant to section 273(1)(cd) of the SFA; (ii) an "institutional investor" (as defined in section 4A of the SFA) pursuant to section 274 of the SFA; or (iii) a "relevant person" (as defined in section 275(2) of the SFA) pursuant to section 275(1) or 275(1A) of the SFA. You agree to be bound by the disclaimers, limitations and restrictions described herein. In the event that you are not an investor falling within any of the categories set out above, please return this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares immediately. This document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be relied upon by any other person other than persons to whom the New Shares are offered or sold, or for any other purpose. You may not reissue, distribute, forward or circulate this document or any part thereof in any manner whatsoever to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to consider carefully whether the investment is suitable for them and seek independent professional advice to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Accordingly, the Company has not offered or sold the New Shares or caused the New Shares to be made the subject of an invitation for subscription or purchase, nor shall it offer or sell the New Shares or cause the New Shares to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor shall it circulate or distribute this document or any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, applicable provisions of the SFA.

Foreign selling restrictions (cont.)

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

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any other document or otherwise, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in compliance with section 21(1) of the FSMA or in circumstances in which a relevant exemption applies.

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

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES
This Presentation does not constitute an invitation or offer of securities for subscription, purchase or sale in the United States of America or any other jurisdiction in which such an offer would be illegal. The securities referred to in this Presentation have not been, and will not be, registered under the U.S. Securities Act of 1933 as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States of America and may not be offered or sold, directly or indirectly in the United States of America or to any person acting for the account or benefit of a person in the United States of America unless the securities have been registered under the Securities Act (which Appen has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

Thank you

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