

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or otherwise from another appropriately authorised and independent financial adviser.

If you have sold or otherwise transferred all of your ordinary shares of 2 pence each (“**Ordinary Shares**”) in Ubisense Group plc (the “**Company**”) please send this document, together with the accompanying Form of Proxy, 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. However, these documents should not be forwarded or sent in, into or from the United States, Australia, Canada, New Zealand, the Republic of South Africa or Japan or any other state or jurisdiction in which release, publication or distribution would be unlawful, and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any applicable requirements. Any failure to comply with this restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and contact the stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document does not constitute an offer to buy, acquire or subscribe for, or the solicitation of an offer to buy, acquire or subscribe for, or an invitation to buy, acquire or subscribe for the Placing Shares. This document has not been examined or approved by the FCA or the London Stock Exchange or any other regulatory authority.

Ubisense Group plc



(Incorporated in England and Wales with company number 5589712)

Proposed Placing to raise £5.5 million

Notice of General Meeting

Nominated Adviser and Broker: Numis Securities Limited

Numis

This document does not constitute an offer of securities and accordingly is not a prospectus: neither does it constitute an admission document drawn up in accordance with the AIM Rules.

This document should be read in conjunction with the accompanying Form of Proxy and the definitions set out in this document. The whole of this document should be read. In particular, your attention is drawn to the letter from the Chairman of the Company at page 8 of this document which contains the unanimous recommendation of the Directors to Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting and the Risk Factors at page 13 of this document.

A General Meeting to consider the proposals described in this document will be held at 10:00 am on 3 November 2017 at the registered office of the Company at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL. The notice convening the General Meeting is set out at the end of this document and a Form of Proxy for use at the General Meeting is enclosed. The action to be taken in respect of the General Meeting is set out in the letter from the Chairman of the Company contained in this document. **Shareholders are requested to complete, sign and return the Form of Proxy whether or not they intend to be present at the General Meeting. To be valid, Forms of Proxy should be completed, signed and returned, in accordance with the instructions printed thereon, as soon as possible but, in any event, so as to be received by the Registrars (the address for whom can be found in the Form of Proxy) by not later than 10:00 am on 1 November 2017.** Completion and return of a Form of Proxy or the electronic appointment of a proxy will not preclude a Shareholder from attending and voting at the meeting should they so wish.

Application will be made for the Placing Shares to be admitted to trading on AIM. Subject to such admission becoming effective, it is expected that dealings in the Placing Shares will commence on AIM on 6 November 2017. The Placing Shares will rank equally in all respects with the Existing Ordinary Shares and all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after admission of the Placing Shares.

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is acting as nominated adviser and broker to the Company. Numis is not acting for any other person in connection with the matters referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis or for giving advice in relation to the matters referred to in this document. Numis is not making any representation or warranty, express or implied, as to the contents of this document, including the accuracy, verification or completeness of any information contained in this document or for any other statement made or purported to be made by the Company, or on the Company's behalf, or by them or on their behalf, and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or future. The responsibilities of Numis as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, Shareholder or any other person, in respect of his decision to acquire shares in the capital of the Company in reliance on any part of this document, or otherwise.

Numis has not approved the contents of, or any part of, this document and no liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document or for the omission of any information from this document, and Numis accordingly disclaims to the fullest extent permitted by law all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this document or any such statement.

In accordance with the AIM Rules, this document is available to Shareholders on the Company's website: www.ubisense.net

IMPORTANT NOTICE

NOTICE IN RELATION TO OVERSEAS PERSONS

The distribution of this document and the accompanying Form of Proxy in or into jurisdictions other than the UK may be restricted by law and therefore any person into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or any jurisdiction where to do so might constitute a violation of local securities laws or regulations. This document does not constitute an offer to buy or subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares or any Placing Shares in any jurisdiction in which such offer or solicitation is unlawful.

The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States. In addition, the Placing Shares do not qualify for distribution nor have they been registered under any of the relevant securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa.

The Placing Shares are being offered outside of the United States pursuant to Regulation S of the Securities Act and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Placing Shares in the United States. The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. In addition, offers, sales or transfers of the Placing Shares in or into the United States for a period of time following completion of the Placing by a person (whether or not participating in the Placing) may violate the registration requirement of the Securities Act.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains a number of forward-looking statements relating to the Ubisense Group, including with respect to the trading prospects of the Ubisense Group. The Company considers any statements that are not historical facts as “forward-looking statements”. They relate to events and trends that are subject to risks, uncertainties and assumptions that could cause the actual results and financial position of the Ubisense Group to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words “estimate”, “project”, “intend”, “aim”, “anticipate”, “believe”, “expect”, “should”, and similar expressions, as they relate to the Ubisense Group or management of it, are intended to identify such forward-looking statements. Shareholders are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. Neither the Company nor any member of the Ubisense Group nor Numis nor any of their respective officers, directors and employees undertakes any obligation to update publicly or revise any of the forward-looking statements whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the AIM Rules and other regulations.

CONTENTS

	<i>Page</i>
PLACING STATISTICS.....	4
EXPECTED TIMETABLE OF PRINCIPAL EVENTS.....	4
DIRECTORS, SECRETARY AND ADVISERS	5
DEFINITIONS.....	6
LETTER FROM THE CHAIRMAN.....	8
RISK FACTORS.....	13
NOTICE OF GENERAL MEETING.....	17

PLACING STATISTICS

Placing Price	32 pence
Number of Existing Ordinary Shares	55,890,654
Number of Placing Shares to be issued pursuant to the Placing	17,187,500
Number of Ordinary Shares in issue following the issue of the Placing Shares ¹	73,078,154
Number of Placing Shares as a percentage of the Enlarged Share Capital ¹	23.5%
Gross proceeds of the Placing receivable by the Company	£5.5 million
Estimated net proceeds of the Placing receivable by the Company ²	£5.15 million

Notes:

- (1) Assuming there is no exercise of any options.
- (2) Net proceeds are stated after deduction of estimated total expenses of approximately £0.35 million.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Posting of this Circular	18 October 2017
Latest time and date for receipt of Forms of Proxy	10:00 am on 1 November 2017
General Meeting	10:00 am on 3 November 2017
Expected date for Admission and commencement of dealings in the Placing Shares on AIM	8:00 am on 6 November 2017
Expected date for CREST accounts to be credited in respect of the Placing Shares to be held in uncertificated form	8:00 am on 6 November 2017
Expected date for the despatch of definitive certificates in respect of the Placing Shares to be held in certificated form	as soon as practicable after 6 November 2017

Notes:

- (1) All times referred to in this document are, unless otherwise stated, references to London time.
- (2) Each of the times and dates above are indicative only and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified by the Company to Shareholders by announcement through a Regulatory Information Service.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Peter George Harverson (<i>Chairman</i>) Riccardo (Richard) Ettore Petti (<i>Chief Executive Officer</i>) Timothy Gingell (<i>Chief Financial Officer</i>) Ian Edward Kershaw Robert Daniell Sansom Oliver Rupert Andrew Scott Paul Ronald Taylor
Company Secretary	Timothy Gingell
Registered Office, Principal Place of Business and Business Address of each of the Directors	St. Andrew's House 90 St. Andrew's Road Chesterton Cambridge Cambridgeshire CB4 1DL
Website	www.ubisense.net
Nominated Adviser and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Legal advisers to the Company	Mills & Reeve LLP 4th Floor Monument Place London EC3R 8AJ
Legal advisers to Numis	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

DEFINITIONS

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

“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange (as amended from time to time) governing admission to and the operation of AIM
“Business Day”	any day (excluding Saturdays and Sundays) on which banks are open in the City of London for the conduct of normal banking business
“Circular”	this circular to Shareholders dated 18 October 2017
“Companies Act” or the “Act”	the Companies Act 2006
“Company” or “Ubisense”	Ubisense Group plc of St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland is the operator (as defined in the Regulations)
“Directors” or “Board”	the directors of the Company whose names are set out on page 5 of this document
“Enlarged Share Capital”	the issued share capital of the Company following Admission, as enlarged by the Placing Shares
“Existing Ordinary Shares”	55,890,654 Ordinary Shares in issue at the date of this document
“FCA”	the Financial Conduct Authority
“Form of Proxy”	the form of proxy for use by shareholders at the General Meeting, enclosed with this document
“General Meeting” or “GM”	the general meeting of the Company to be held at the registered office of the Company at St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL at 10:00 am on 3 November 2017, notice of which is set out at the end of this document
“London Stock Exchange”	London Stock Exchange plc
“Notice”	the notice convening the General Meeting set out at the end of this document
“Numis”	Numis Securities Limited of 10 Paternoster Square, London EC4M 7LT
“Ordinary Shares”	the ordinary shares of 2 pence each in the capital of the Company
“Placee”	each placee of the Placing Shares
“Placing”	the proposed placing by Numis of the Placing Shares on behalf of the Company pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated 18 October 2017 between the Company and Numis relating to the Placing, further details of which are set out in this document

“Placing Price”	32 pence per Placing Share
“Placing Shares”	the 17,187,500 new Ordinary Shares to be issued by the Company at the Placing Price pursuant to the Placing Agreement
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
“Shareholders”	holders of Ordinary Shares
“Ubisense Group” or “Group”	the Company and its subsidiaries
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

LETTER FROM THE CHAIRMAN

Ubisense Group plc

(Incorporated in England and Wales with company number 5589712)

Directors:

Peter George Harverson
Riccardo (Richard) Ettore Petti
Timothy Gingell
Ian Edward Kershaw
Robert Daniell Sansom
Oliver Rupert Andrew Scott
Paul Ronald Taylor

Registered Office:

St. Andrew's House
90 St. Andrew's Road
Chesterton
Cambridge
Cambridgeshire
CB4 1DL

18 October 2017

Dear Shareholder

Proposed Placing to raise £5.5 million and Notice of General Meeting

1. INTRODUCTION

The Company announced on 18 October 2017 a proposed placing of 17,187,500 new Ordinary Shares at 32 pence per Placing Share to raise £5.5 million (approximately £5.15 million net of expenses) in order to support growth plans and strengthen its balance sheet.

Consequently, a General Meeting has been called to approve the issue of the Placing Shares.

Shareholders should note that the Placing is subject to certain conditions, as set out in paragraph 6 below, including Shareholder's approval of the Resolutions which are being proposed at the General Meeting. If the Resolutions are not passed by the requisite majority, the Placing will not proceed.

Accordingly, you will find set out at the end of this document a notice convening a general meeting of the Company to be held at the registered office of the Company at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL at 10:00 am on 3 November 2017.

The purpose of this letter is to provide further information on the Placing, including the intended use of the proceeds of the Placing, and to explain why the Board considers the Placing to be in the best interests of the Company and Shareholders as a whole.

2. CURRENT TRADING OVERVIEW

In its 2016 full year results, Ubisense set out a clear software-focused strategy designed to drive sales and improve margins across its two product lines: myWorld and RTLS SmartSpace.

Over the course of 2017, the Group has made significant progress implementing its strategy by:

- Focusing on developing scalable software offerings which leverage IIoT (industrial internet of things) technology to deliver strong customer Return on Investment "RoI".
- Targeting a more focused addressable market consisting of leading global manufacturers and utility companies in North America, Europe and Asia.
- Increased focus on selling products relating to the Group's own IP leading to improved gross margins.
- Strengthening its organisation within both divisions with new key appointments.

Following these changes, the Company reported a strong set of financial results for the six months ended 30 June 2017, delivering a revenue increase of 16 per cent. on the prior period, within which revenue generated by the Group's own products increased by 58 per cent.

In addition, the Company has recently announced three significant new contract wins, each worth over £1 million in revenue:

- a new myWorld contract with a telecoms customer in June
- a major strategic sale of its RTLS SmartSpace software platform with a North American aerospace and defence contractor in July
- an order for substantial expansion to one of the largest RTLS SmartSpace installations in Europe was received in September

as well as securing business in new markets such as Turkey and Thailand.

3. REASONS FOR THE PLACING

The Directors believe that the dynamics of the Group's two key market verticals are strong, positioning Ubisense to capitalise on significant projected increases in spending relating to two themes:

- Industry 4.0, under which \$0.9 trillion is forecast to be invested in smart production technology over the next five years
- global fibre-to-the-home ("FTTH") investments, which present significant operational challenges to telecommunications operators.

These strong dynamics are evident in the Group's recent contract wins.

As such, the Directors anticipate further wins in both its platforms to continue to deliver growth of revenues relating to its own products, with a continued increase in the pipeline of enterprise software transactions at higher margins.

As previously announced, the Company expects to see a run-off of historic contracted maintenance and development services related to third party Geospatial products over the next 12-18 months. Whilst this will provide a headwind to revenues, gross margins are expected to improve as its enterprise software sales continue to grow.

The Directors believe that in order to capitalise on its market success, and as the Company moves away from third party services revenue, the Company should invest in its sales and pre-sales capacity to drive growth in revenues and margin from its own products. In addition, it also intends to invest in both its software and hardware products to maintain market competitiveness.

4. IMPACT OF THE PLACING ON THE COMPANY'S BANK FACILITIES

Currently the Company's ability to invest is curtailed by an operating cash flow covenant in its existing bank facilities. As well as providing cash to invest in future growth, the net proceeds of the Placing will strengthen the Company's balance sheet.

This anticipated balance sheet strengthening has allowed the Company to negotiate with its lending bank, with which it has agreed in principle to secure an improved covenant conditional on completion of the Placing and certain re-phasing of the loan amortisation payments. The revised covenant and the net proceeds are expected to give the Company further flexibility to drive its growth strategy.

5. USE OF THE PROCEEDS FROM THE PLACING

The Company intends to raise gross proceeds of £5.5 million pursuant to the Placing, equivalent to approximately £5.15 million net of expenses, which is intended to be used as follows:

- (i) £1.5 million to invest in the Group's go-to-market capacity by recruiting significantly more quota carrying sales and pre-sales personnel, and to invest in targeted marketing capacity;
- (ii) £0.5 million to invest in product development to recruit additional software developers to accelerate product modularisation, documentation and to improve the channel readiness of its products;

- (iii) £0.5 million to re-engineer its RTLS hardware, re-designing it in order to target a unit cost reduction to maintain market competitiveness; and
- (iv) the balance being used to strengthen the Company's balance sheet.

6. DETAILS OF THE PLACING AND THE PLACING AGREEMENT

The Placing

The Placing Shares will represent approximately 23.5 per cent. of the Enlarged Share Capital following Admission assuming there is no exercise of any options.

It is expected that Placing Shares to be held in uncertificated form will be delivered in CREST on 6 November 2017 and that share certificates for Placing Shares to be held in certificated form will be despatched by first class post by as soon as practicable after 6 November 2017.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM and it is anticipated that trading in the Placing Shares will commence on AIM at 8:00 am on 6 November 2017.

The Placing Shares will, when issued and fully paid, rank in full for any dividend or other distribution declared, made or paid after Admission and otherwise equally in all respects with the Existing Ordinary Shares.

The Placing is conditional, amongst other things, upon:

- (i) the Resolutions to be proposed at the General Meeting being passed without amendment;
- (ii) the Placing Agreement becoming unconditional in all respects (save for Admission) and it not having been terminated; and
- (iii) admission of the Placing Shares to trading on AIM becoming effective by not later than 8:00 am on 6 November 2017 (or such later time and date as the Company and Numis may agree, not being later than 8:30 am on 27 November 2017).

Participation of the Directors and other related parties

Certain of the Directors and Kestrel Partners LLP (which has a representative on the Board) have, conditional on Admission, participated in the Placing by subscribing for an aggregate of 6,081,250 Placing Shares as set out below:

	Number of Placing Shares	Number of Ordinary Shares to be held on Admission	Percentage of Enlarged Share Capital
Robert Sansom	1,250,000	6,235,899	8.5%
Peter Harverson	78,125	223,286	0.3%
Paul Taylor	78,125	191,459	0.3%
Richard Petti	78,125	78,125	0.1%
Timothy Gingell	46,875	86,875	0.1%
Kestrel Partners LLP (Oliver Scott)	4,550,000	20,645,493	28.3%

Kestrel Partners LLP ("**Kestrel**") is a related party (as defined by the AIM Rules) of the Company by virtue of its status as a substantial shareholder in the Company and also due to Oliver Scott, a Non-Executive Director of the Company, being a partner of, and holding a beneficial interest in, Kestrel.

In addition Columbia Threadneedle Investments ("**Columbia Threadneedle**") has agreed to subscribe for 3,000,000 Placing Shares pursuant to the Placing. Columbia Threadneedle is a related party of the Company by virtue of its status as a substantial shareholder in the Company.

The subscriptions by Robert Sansom, Peter Harverson, Paul Taylor, Richard Petti, Timothy Gingell, Kestrel and Columbia Threadneedle are all related party transactions under the AIM Rules.

Taking into account the related party transactions noted above, the independent director, being Ian Kershaw, confirms that he considers, having consulted with the Company's nominated adviser, Numis, the terms of the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

The Placing Agreement

Pursuant to the terms of the Placing Agreement Numis, as agent for the Company, has agreed conditionally to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price.

The Placing Agreement contains warranties from the Company in favour of Numis in relation to, amongst other things, the accuracy of the information contained in the documents relating to the Placing and certain other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Numis in relation to certain liabilities that it may incur in respect of the Placing.

The obligations of Numis under the Placing Agreement in respect of the Placing are conditional upon, amongst other things, (i) Admission becoming effective on or before 8:00 am on 6 November 2017 (or such later date as the Company and Numis may agree, but not later than 8:30 am on 27 November 2017), (ii) there being prior to Admission no material breach of the warranties given to Numis, and (iii) Shareholders passing the Resolutions at the General Meeting.

Numis may terminate the Placing Agreement in specified circumstances (including for breach of warranty at any time prior to Admission, if such breach is reasonably considered by Numis to be material in the context of the Placing) and in the event of a force majeure event occurring at any time prior to Admission. If the conditions of the Placing Agreement which apply to the Placing as a whole are not fulfilled on or before the relevant date in the Placing Agreement, subscription monies will be returned to Placees without interest as soon as possible thereafter.

In consideration for the services to be provided to the Company by Numis in connection with Admission and the Placing, the Company has agreed to pay Numis certain fees and commissions and certain other costs and expenses incidental to Admission and/or the Placing.

7. GENERAL MEETING

The Notice convening the General Meeting of the Company, to be held at the registered office of the Company at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL at 10:00 am on 3 November 2017 is set out at the end of this document. The business to be considered at the General Meeting is set out in the Notice together with the explanatory notes to each resolution below.

At the annual general meeting of the Company held on 7 April 2017, Shareholders passed resolutions in order to, amongst other things, grant the Directors authority to allot equity securities up to a maximum nominal value of £55,880. This authority is insufficient to allow the placing of the Placing Shares to proceed without further shareholder approval. Accordingly, at the General Meeting, the following Resolutions will be proposed:

Resolution 1 – Authority to allot Ordinary Shares for the Placing

The Directors require the authority of Shareholders in order to allot the Placing Shares. Resolution 1 in the Notice provides such authority by granting the Directors authority to allot Ordinary Shares up to a maximum nominal amount of £343,750 (representing, as at 17 October 2017 (being the latest practicable date before the publication of this document), approximately 23.5 per cent. of the Existing Ordinary Shares) being 17,187,500 Ordinary Shares in number.

Resolution 1 is being proposed as an ordinary resolution and will therefore require more than 50 per cent. of the votes cast, whether in person or by proxy, to be in favour of the resolution. This authority, if granted, will be in addition to any existing authorities to allot Ordinary Shares granted to the Directors prior to the date of this document, and will enable the Directors to effect the Placing. This authority can only be used for the purpose of the Placing and will expire on the date of the next annual general meeting of the Company.

Resolution 2 – Disapplication of pre-emption rights for the Placing

Section 561 of the Companies Act requires that, on an allotment of "equity securities" for cash, such equity securities must first be offered to existing Shareholders in proportion to the number of Ordinary Shares they each hold at that time. This is known as a shareholder's pre-emption right. The Placing Shares are "equity securities" for these purposes. Accordingly, the Placing Shares cannot be allotted for

cash on a non pre-emptive basis unless Shareholders have first waived their pre-emption rights. Resolution 2, if passed, provides such a waiver. If Resolution 2 is passed, the Directors will be able to allot the Placing Shares, on a non pre-emptive basis, to the extent of the authority granted by Resolution 1. The authority to allot the Placing Shares for cash on a non pre-emptive basis in respect of the Placing can only be used for the purpose of the Placing and will, if granted, expire on the date of the next annual general meeting of the Company.

Resolution 2 is being proposed as a special resolution and will therefore require not less than 75 per cent. of the votes cast, whether in person or by proxy, to be in favour of the resolution.

If Resolutions 1 and 2 are passed by Shareholders at the General Meeting but the Placing does not complete, the Company undertakes not to use the authorities granted by Resolutions 1 and 2.

8. ACTION TO BE TAKEN

A Form of Proxy for use at the General Meeting is enclosed.

Whether or not you intend to attend the General Meeting, it is important that you complete and sign the enclosed Form of Proxy in accordance with the instructions printed thereon and return it to the Registrars at the address set out in the Form of Proxy as soon as possible and in any event so as to be received by no later than 10:00 am on 1 November 2017. Alternatively, a proxy may be appointed electronically by following the instructions in Note 5 to the Notice. Completion and return of the Form of Proxy or the electronic appointment of a proxy will not preclude you from attending and voting at the meeting, should you wish to do so.

9. ADDITIONAL INFORMATION

Your attention is drawn to the Risk Factors set out on pages 13 to 16 of this document.

10. IMPORTANCE OF THE SHAREHOLDER VOTE

As described in further detail above, the Directors believe that the Group has compelling investment opportunities to expand its go-to-market capabilities and develop its products. Its ability to invest in future growth is currently significantly curtailed by its bank covenants, which are based on maintaining a minimum level of operating cash flow and which follow a profile of continued tightening in future years. The Company has agreed in principle with its lending bank, conditional on completion of the Placing and certain re-phasing of the loan amortisation payments, to loosen the current and future covenant which, together with the net proceeds of the Placing, will allow the Company to invest as further described above.

The Directors believe that the Company has sufficient liquidity for its present requirements. However, if the Resolutions are not passed and the Placing does not proceed the Directors will pursue alternative sources of funding to support the Company's strategy. Whilst the Company has received indicative offers, including an advanced proposal cornerstoned by its major shareholder Kestrel, subject to bank and shareholder approval, there can be no guarantee that such additional sources of financing would be secured. If no additional funding were to be secured, the Directors believe the Group's growth prospects would be reduced and there would be an increased risk that it will breach its banking covenants.

11. RECOMMENDATION

The Directors believe that completion of the Placing and the approval of the Resolutions are in the best interests of the Company and Shareholders as a whole. **Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions at the General Meeting, as they intend to do in respect of their own beneficial and non-beneficial holdings of Ordinary Shares amounting to, in aggregate, 21,379,887 Ordinary Shares, representing approximately 38.3 per cent. of the Existing Ordinary Shares.**

Yours sincerely

Peter Harverson
Chairman

RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in Ordinary Shares.

The Directors believe the following risks to be among the most significant risks for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of his or her investment.

TECHNOLOGICAL AND MARKET RISKS

The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market or render the patents on which it relies redundant. For instance, the Group's enterprise location systems rely on ultra-wideband radio signals to operate. There is no guarantee that technological advances will not render systems based on ultra-wideband radio obsolete.

The Group faces competitive and strategic risks that are inherent in a rapidly growing emerging market. Its products are complex and may contain undetected defects when first introduced which could increase the Group's costs or reduce revenues. The Group's success will depend on market acceptance of the Group's products.

STAFF RECRUITMENT AND RETENTION

The contribution made by the Company's highly skilled and experienced staff is vital to the Group's success. Any inability to recruit and/or retain staff to fill key management roles would likely adversely impact the Group's future development and financial performance.

RELIANCE ON THIRD PARTIES, INCLUDING MANUFACTURERS

The Group relies on certain key third party equipment manufacturers in the completion of its products, and therefore does not always have complete control over the supply of the equipment and materials it requires to comply with its obligations under customer contracts. To the extent that the Group cannot acquire equipment or materials according to its plans and budgets, its ability to complete its work for its customers within the timetable laid down by the contract or at a profit may be impaired. If a manufacturer is unable to deliver the products for any reason, the Group may be required to purchase such equipment or materials from another source at a higher price. The resulting additional costs may be substantial and the Group may be in breach of its contracts with customers, which may result in a financial loss on a particular contract or a loss of business. In addition, any resulting failure to fulfil contracts with customers and other business partners may have an adverse effect on the Group's future profitability and reputation.

DEPENDENCE ON KEY CUSTOMERS

The Group has a concentrated customer base, many of which are substantially larger enterprises than the Group. As such, the purchasing power of the Group's customers is often significant, which may impact the ability of the Group to negotiate terms which are favourable to it in contracts. The Group is reliant on significant projects with its key customers to deliver its projected financial results. Changes to the timing and/or terms of significant projects, to the investment decisions of key customers or failure by the Group to retain key customers may have a significant adverse effect on the Group's business and financial results. The loss of a major customer would likely result in a decrease in Group revenues, margins and profitability.

CONTRACTS

Some of the Group's commercial contracts include terms where revenues and/or invoicing are related to customer acceptance. Other contracts contain terms whereby the timing of cash collections is contingent on the customer re-selling the Group's products to end users.

Any delay in a customer accepting the Group's products and/or performance under the relevant contract or in reselling the Group's products may lead to the Group not receiving the expected revenues under the relevant contract either within the timeframes expected by the Group or in full or at all, any of which may have an adverse effect in the Group's business and financial results.

Certain of the Group's legacy contracts related to services on third party products are anticipated to expire in the next 12 to 18 months and a material proportion are not expected to renew. Whilst the Directors expect to control the Group's cost base to mitigate the impact of this transition, it is possible that the cost implications will have a more significant impact on the Group's financial performance than the Directors currently anticipate.

IMPACT OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 introduces a number of new concepts and requirements and is applicable from 1 January 2018. The Company is continuing to assess the impact of the first year adoption of IFRS 15.

The Company anticipates that some elements of revenue recognition may be deferred as a result of the requirement to identify when the customer has control over the deliverables provided by the Group.

The Directors believe that the majority of sales orders will be unaffected by the application of IFRS 15; however, significant contracts which involve multiple performance obligations are being reviewed in detail. These obligations may include a combination of software, hardware, maintenance & support, and service revenues. Accordingly, the significance of the impact of IFRS 15 is dependent upon the timing of delivery for significant contracts close to a financial reporting period end.

Additionally, IFRS 15 states that costs incurred in acquiring and fulfilling a customer contract shall be deferred and recognised as an expense over a period that is consistent with the transfer to the customer of the goods or services. The Directors continue to assess the appropriateness of deferring costs against specific projects.

COMPETITION

Current and potential competitors may have substantially greater financial, technical and marketing resources than the Group and so may be better able to compete in the Group's target market.

GROWTH MANAGEMENT

Further expansion will be required in the future to capitalise on the anticipated increase in demand for the Group's products and to offset the anticipated decline in the Group's services revenue related to third party products. The Group's future success will depend, in part, on its ability to manage this anticipated expansion.

CREDIT

The main credit risk is attributable to trade receivables owed by customers. As the majority of the Group's customers are very large, blue chip utilities, telecoms and manufacturing companies, the risk of non-payment tends to be less of a traditional credit nature and more related to customer satisfaction.

Credit exposure by customer is reviewed regularly by the executive management team and the main Board with provision made for doubtful receivables when there are circumstances which, based on experience, are evidence of a likely reduction in the recoverability of the receivable.

INTERNATIONAL TRADE AND FOREIGN EXCHANGE

The Group is a multi-national Group with significant foreign and export operations, creating revenues and costs denominated in major currencies other than GBP. Volatility in exchange rates will mean that there may be positive or negative impact on the financial results of the Group. Additional risks exist

with changes to international trade (including the UK's referendum result regarding membership of the European Union), which may impact trade tariffs, currency volatility and customer investment plans.

FINANCIAL PROFILE

A majority of the Group's revenue is derived from a small number of large deals, the timing of which is not within the control of the Group. Such a profile makes forecasting difficult and changes against expectations have had and may continue to have a significant impact on the Group's results, particularly given the Group's significant level of operational gearing.

BANK COVENANTS

The Group is required to meet certain financial criteria agreed as covenants for its bank. The financial measures are regularly reviewed against covenant requirements to ensure the Group's obligations can be met. The Group has agreed in principle with its lending bank to amend its operating cash flow covenant as follows: 2017 – from nil to £2 million negative; 2018 – from £1 million positive to £2 million negative; 2019 – from £1 million positive to £1 million negative. If the operating performance of the Group is not sufficient to meet its current covenants, or provided its lending bank formalises the agreement in principle to amend its covenants, the Group would be reliant on the ongoing support of its lending bank.

INTELLECTUAL PROPERTY

The Group has a number of trade marks registered, and is pursuing further trade mark registrations, in the major territories in which it operates. The Group also has a patent portfolio comprising a number of patents filed in territories worldwide. Should a third party successfully demonstrate priority over any of these rights, it could inhibit the Group, or the Group's customers, from selling products in certain territories.

Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using its proprietary technology without authorisation. There may not be adequate protection for the intellectual property in every country in which the Group's products are made available and policing unauthorised use of proprietary information is difficult and expensive. Due to the Group's size and limited cash resources, it may not be able to detect and prevent infringement of its intellectual property.

The Group has received (and expects to continue to receive in its normal course of business) communications from third parties alleging breach and/or infringement of their intellectual property rights. The Group's policy is to diligently investigate all intellectual property rights allegations made against it by third parties. These third parties range from non-practising entities, whose sole focus is to generate income from licensing their intellectual property rights, to corporations with competing and/or adjacent trading activities, including a large, multinational corporation. No such communications have been received for over three years. The Directors, having taken expert advice, believe that the allegations of infringement made in such communications are unjustified. However, the timeframes under which third parties can allege breach of their intellectual property rights are potentially prolonged, and the Directors cannot exclude the possibility that third party assertions which the Directors believe to be unjustified require the Group to incur significant expenditure to defend against such assertions, or ultimately that such assertions may subsequently be upheld by the competent authorities resulting in a material negative impact on the Group.

In addition, some of the Group's patents are licensed from a third party. The terms of that licence are on relatively standard commercial terms and the licence is not due to expire until 2025. However, there can be no guarantee that such third party will adequately maintain such patents and therefore the protection and benefit afforded to the Company by such patents cannot be guaranteed.

The steps which the Group has taken to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have an adverse impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged

infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.

DIGITAL INFRASTRUCTURE AND CYBERSECURITY

Breaches of the Group's digital security or of the security related to the Group's products, through cyber attacks or otherwise, or failure of the Group's digital infrastructure, could seriously disrupt the Group's operations or those of its customers and result in the loss or misuse of data or sensitive information, legal or regulatory breaches and potentially legal liability. These could result in significant costs or have reputational consequences.

The Group continues to invest in assessing its product structure and strategy, enhancing its site resilience and defences, improving network monitoring and reviewing the incident response processes to mitigate the impact of a security breach.

The risks noted above do not necessarily comprise all those potentially faced by the Group and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the FSMA who specialises in investments of this nature before making any decision to invest.

NOTICE OF GENERAL MEETING

Ubisense Group plc

(Incorporated in England and Wales with company number 5589712)

NOTICE IS HEREBY GIVEN that a general meeting of Ubisense Group plc (the “**Company**”) will be held at the Company’s registered office at St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL on 3 November 2017 at 10:00 am for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

ORDINARY RESOLUTION

1. THAT conditional upon the Placing Agreement (as defined in the circular to shareholders of the Company dated 18 October 2017 (the “**Circular**”)) becoming unconditional in all respects (save only for any conditions dependent on the passing of Resolution 1, Resolution 2 and Admission (as defined in the Circular)) and not being terminated in accordance with its terms, and in addition to any other authority which may have been given to the directors pursuant to section 551 of the Companies Act 2006 (the “**Act**”) prior to the date of the passing of this resolution, the directors be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of the Company to allot shares in the Company up to an aggregate nominal value of £343,750 pursuant to or in connection with the allotment of up to 17,187,500 new ordinary shares of 2 pence each in the capital of the Company to such persons as may be entitled in connection with the Placing (as defined in the Circular), such authority shall expire on the date of the next annual general meeting of the Company (unless previously revoked or varied by the Company in a general meeting), save that the Company may make offers and enter into agreements during the relevant period which would, or might, require equity securities to be allotted after the authority ends and the Board may allot equity securities under any such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

2. THAT conditional upon the passing of Resolution 1 and the Placing Agreement becoming unconditional in all respects (save only for any conditions dependent on the passing of Resolution 1, Resolution 2 and Admission) and not being terminated in accordance with its terms, and in addition to any existing power given to the directors pursuant to section 571 of the Act prior to the date of the passing of this resolution, the directors be empowered pursuant to section 571 of the Act to allot the shares that are the subject of Resolution 1 for cash, pursuant to the authority of the directors under section 551 of the Act conferred by Resolution 1, as if section 561(1) of the Act did not apply to such allotment, such authority shall expire on the date of the next annual general meeting of the Company (unless previously revoked or varied by the Company in a general meeting), save that the Company may make offers and enter into agreements during the relevant period which would, or might, require equity securities to be allotted after the authority ends and the Board may allot equity securities under any such offer or agreement as if the authority conferred hereby had not expired.

BY ORDER OF THE BOARD

Timothy Gingell
Company Secretary

18 October 2017

Registered office:
St. Andrew’s House
90 St. Andrew’s Road
Chesterton
Cambridge
Cambridgeshire
CB4 1DL

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by the member.
2. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods:
 - 3.1 in hard copy form by post, by courier or by hand to the Company's Registrars at the address shown on the form of proxy; or
 - 3.2 in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the Company by 10:00 am on 1 November 2017. Please note that any electronic communication sent to us/our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.
4. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Computershare at Computershare, Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.
5. You can appoint a proxy electronically by going to www.investorcentre.co.uk/eproxy and following the online instructions. For an electronic proxy appointment to be valid, your appointment must be logged on the website using the details contained in your proxy form no later than 10:00 am on 1 November 2017.
6. CREST
 - 6.1 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which can be viewed at www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 - 6.2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
 - 6.3 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 - 6.4 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. Only those shareholders registered in the Register of Members of the Company as at 6:30pm on 1 November 2017 (or, if the meeting is adjourned, 6:30 pm on the date which is two business days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

