

AFTERPAY TOUCH GROUP LIMITED

23 April 2019

Response to media reports regarding US ESOP

Afterpay Touch Group Limited (APT, Afterpay or the Company) wishes to comment on media reports about the Company's recent ASX announcement on 15 April 2019 in relation to the US employee share option plan (ESOP).

The media reports question the disclosure of details in relation to the Company's US ESOP and US subsidiary capital structure.

Nothing in relation to the US ESOP or the Company's US subsidiary capital structure has changed in terms of its design, construction or intended use.

The nature of the US ESOP and its potential impact on the share capital structure of the Company has been disclosed previously in all material respects and most recently in the Company's 2019 Half Year Report.

In consultation with ASX, the Company's 15th April 2019 ASX announcement provided an update to shareholders on the US ESOP. It has always been known, and remains the case, that securities issued under the plan will be capped to 10% of the issued capital of the Company's US subsidiary. That is the material point from an APT shareholder perspective. There is no obligation on any listed ASX company to disclose the number of issued securities held in subsidiary companies. Regardless, the Company reiterates that there are 10,028,314 US Options currently on issue, and this represents approximately 90% of the 11,111,111 options that are set aside for the US ESOP. The Company also confirms that Afterpay US Inc.'s current issued share capital is 100,615,740 shares (which includes 615,740 exercised shares under the Plan). Accordingly, the Company's equity interest in Afterpay US Inc. is approximately 99.4%.

We would like to reiterate that the US ESOP has been an essential part of APT's strategy to attract world-class talent to our US operation in a competitive US and global labour market for talent, and we are extremely pleased with the way the team has come together and strongly developed the US business since launch. Afterpay has been successful in attracting senior personnel from leading global technology organisations such as Google, Airbnb and Uber with world-class experience in areas such as sales, risk and data, and design and development by sharing in the upside value of the company.

Option plans with similar features to the US ESOP plan are a common remuneration structure used by US-based technology companies and we would not have been able to attract and retain the talent we have in the US in the absence of a competitive plan.

We continue to be pleased with the progress in the US and believe we have been able to achieve rapid growth in part because of our success in attracting talent.

Further Background:

Further to the Company's 15 April 2019 ASX announcement, the following information regarding its US ESOP plan and the share structure of the Company's US subsidiary is below:

- Details in relation to the Matrix Convertible Note and the US ESOP were set out in APT's 2018 Notice of Annual General Meeting. The issue and potential conversion of the Matrix Convertible Notes and the issues of securities under the US ESOP were approved by shareholders at the 2018 AGM.
- Further disclosure about the Matrix Convertible Notes and the US ESOP arrangements were subsequently disclosed in the Company's financial statements (Note 11, Page 25, Half Year Report: <https://www.afterpaytouch.com/images/Appendix-4D-Half-Yearly-Report.pdf>)
- There are a total of 615,740 exercised shares on issue in Afterpay US Inc., which are fully vested under the US ESOP plan.
- Afterpay US Inc. was established as a 100% owned subsidiary of APT.
- In specified circumstances, exercised and vested common stock in Afterpay US Inc. may be exchanged for APT shares. Details about the exchange mechanism are set out in APT's 2018 Notice of AGM and Note 13 in the Notes to the Financial Statements in the 2018 Full Year Report.
- The number of APT shares which could be issued on exchange of the exercised shares is currently unascertainable.
- As previously disclosed, the number of APT shares that may be issued on exchange will be based on the fair value of the common stock in Afterpay US Inc. at the date of the exchange, taking into account the volume weighted average price of APT shares at that time.
- There is no current trading price for Afterpay US Inc. and as such the exercise of options is not tied to a purchase or trading price. Rather, as previously announced, the exercise price is set by reference to a third party valuation of Afterpay US Inc.
- No APT directors hold any US ESOP securities or Afterpay US Inc. common stock.

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