

7 June 2006



MAMA Group Plc

**Proposed purchase of shares in subsidiary company from directors and related agreement to sell 5.47% stake to Schroder Investment Management**

### **Notice of Extraordinary General Meeting**

#### **Introduction**

MAMA Group Plc ("MAMA Group" or "the Company"), the holding company of a number of music and marketing services businesses, announces that it has called an extraordinary general meeting on 22 June 2006 ("the EGM") for the purpose of approving the purchase of shares in a subsidiary company from three of the Company's directors for a mixture of cash and new 5p ordinary shares in the capital of the Company ("Ordinary Shares"). It has been agreed that, subject to such shareholder approval and subject to contract, a proportion of these new Ordinary Shares together with the Ordinary Shares in the Company currently held by one of the Company's subsidiaries, Channelfly plc, will then be sold to Schroder Investment Management ("Schroder"). Upon completion of the proposed sales Schroder will hold 21,218,998 Ordinary Shares in the Company, equivalent to 5.47% of the enlarged issued share capital.

#### **Background**

On 22 November 2005, MAMA Group announced an offer to acquire the entire issued share capital of Stonesthrow Media Limited ("Stonesthrow"), the holding company of the Channelfly group of music businesses. The offer was declared unconditional on 14 December 2005 and the first stage of the acquisition was completed on 15 December 2005.

In the admission document issued on 22 November 2005, MAMA Group stated that it intended to make an offer to all of the holders of options and warrants in Stonesthrow ("Stonesthrow Options") whereby the Company would make a payment of cash and issue new Ordinary Shares to the holders of the Stonesthrow Options in consideration of their agreement to cancel the Stonesthrow Options. Details of this cancellation offer were set out in the Admission Document.

Since the holders of Stonesthrow Options included three directors of the Company (Adam, Driscoll, Philip Murphy and Charles McIntyre, "the Relevant Directors") the making of the cancellation offer to the Relevant Directors was submitted for approval by the Company's shareholders at an extraordinary general meeting of the Company held on 14 December 2005. The making of the cancellation offer to the Relevant Directors was approved at that meeting.

The cancellation offer was made by the Company on 6 January 2006 and has been accepted by all of the holders of Stonesthrow Options apart from the Relevant Directors. The Company has been advised that, were the cancellation offer to be accepted by the Relevant Directors, a significant income tax and national insurance charge would arise for which the Company would be liable.

#### **Proposed Purchase of Shares from Directors**

In the light of this, the Company has considered alternative routes to give effect to the terms of the cancellation offer which will not have an adverse impact upon its earnings and cash reserves. A solution has been proposed which avoids the income tax and national insurance liability and also requires the Company to make a materially smaller cash payment to the Relevant Directors than was contained in the cancellation offer. Under this proposal the Company will approve the alteration of the terms of the Relevant Directors' Stonesthrow Options by reducing the exercise price per ordinary share of £1 each in Stonesthrow ("Stonesthrow Share") in return for the Relevant Directors' agreement to reimburse the Company in full for

all income tax and national insurance charges arising from the exercise of the Stonestrow Options. All of the Stonestrow Shares which result from the exercise of the Stonestrow Options will be purchased by the Company.

To enable the Relevant Directors to carry out this reimbursement the Relevant Directors have agreed with Schroder to sell a proportion of the new Ordinary Shares which they will receive as a result of the purchase of their Stonestrow Shares. Schroder has also agreed to purchase 6,549,998 Ordinary Shares currently held by Channelfly plc, one of the Company's subsidiaries. Following completion of the proposed sequence of transactions, Schroder will in total acquire 21,218,998 Ordinary Shares, equivalent to 5.47% of the enlarged issued share capital of the Company. The sales to Schroder are currently subject to contract and are conditional upon the approval by the Company's shareholders of the resolution set out in the notice of EGM.

This proposed sale requires the permission of Seymour Pierce Limited under the lock-in agreements entered into by the Relevant Directors at the time of the acquisition of Stonestrow. Seymour Pierce Limited has given this permission, conditional upon the approval by the Company's shareholders of the resolution set out in the notice of EGM. The Relevant Directors' lock-in agreements will be otherwise unaffected by the proposed transactions.

Following the alteration and exercise of the Stonestrow Options and the purchase by the Company of the resulting Stonestrow Shares and the subsequent sale to Schroder, none of the Relevant Directors will be left with a greater amount of cash or a greater number of Ordinary Shares than would have been the case had they accepted the original cancellation offer. Two of the Relevant Directors, Adam Driscoll and Charles McIntyre, will have a smaller number of Ordinary Shares than would have been the case had they accepted the cancellation offer.

Given that the proposed sequence of transactions gives effect to the intent behind the original cancellation offer and results in the Company's net cash outflow being approximately £140,000 less than would have been the case under the cancellation offer, Dean James, acting as an independent director, who has been so advised by Seymour Pierce Limited, believes that the terms of the proposed sequence of transactions are fair and reasonable insofar as the Company's shareholders are concerned. In providing advice to Mr James, Seymour Pierce Limited has taken into account Mr James' commercial assessments.

A circular setting out further information regarding the proposed sequence of transactions and enclosing a notice calling the EGM has today been posted to all shareholders and a copy is available to download from the Company's website at [www.mamagroup.co.uk](http://www.mamagroup.co.uk).

For further information contact:

Adam Driscoll or Dean James , Co-Chief Executives,  
MAMA Group Plc

Tel: 020 7691 4555

David Bick, Holborn PR

Tel: 020 7929 5599

Mark Percy, Seymour Pierce Limited

Tel: 020 7107 8000