

Notice of Annual General Meeting

Zytronic plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 03881244)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Zytronic plc (the “Company”) will be held at the Company’s registered office at Whiteley Road, Blaydon-on-Tyne, Tyne and Wear, NE21 5NJ at 2.00pm on 16 February 2017 to consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 5 (inclusive) and Special Business Resolution 1 will be proposed as Ordinary Resolutions of the Company and Special Business Resolutions 2 to 6 (inclusive) will be proposed as Special Resolutions of the Company.

Ordinary business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions of the Company:

1. To receive the financial statements for the year ended 30 September 2016 and the reports of the Directors and auditors thereon.
2. To pay a final dividend of 10.96p per Ordinary Share of 1.0p for the year ended 30 September 2016 on Friday 3 March 2017 to members on the Register at the close of business on Friday 17 February 2017.
3. To re-elect Claire Smith as a Director.
4. To re-elect David Buffham as a Director.
5. To reappoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration.

Special business

To consider and, if thought fit, to pass the following Resolutions, of which the Resolution numbered 1 below will be proposed as an Ordinary Resolution of the Company and the Resolutions numbered 2 to 6 below will be proposed as Special Resolutions of the Company:

1. That the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 (the “Act”), to send, convey, or supply all types of notices, documents or information to Shareholders by electronic means, including making such notices, documents or information available on a website.
2. That, pursuant to Section 551 of the Act, the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities up to an aggregate nominal amount of £50,917.45, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the Company’s Annual General Meeting held in 2018 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting), but in each case prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities under any such offer or agreement as if the authority had not expired.

In this Resolution, “Relevant Securities” means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right. This authority is in addition to all existing authorities under Section 551 of the Act and the authority to be granted by Special Business Resolution 5 below.

3. That if Special Business Resolution 2 above is passed, the Directors be authorised to allot equity securities (as defined in the Act) for cash under the authority given by that Resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:
 - (a) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - (i) to holders of Ordinary Shares in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and
 - (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,
 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (b) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 3(a) above) up to a nominal amount of £7,714.76,

such authority to expire at the conclusion of the Company’s Annual General Meeting held in 2018 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Special business *continued*

4. That if special business resolution 2 on page 1 is passed, the Directors be authorised in addition to any authority granted under special business resolution 3 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be:

- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £7,714.76; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the conclusion of the Company's Annual General Meeting held in 2018 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

5. That:

- (a) the sum of £8,919,000 of the amount standing to the credit of the Company's profit and loss account reserve and which does not form part of the Company's distributable reserves shall be capitalised and applied in paying up in full at par such number of new B shares (the "Capital Reduction Shares") equal to the number of Ordinary Shares in issue at the Capital Reduction Record Time (as defined in the circular to shareholders of the Company dated 5 January 2017), such Capital Reduction Shares having a nominal value equal to the sum that is obtained by dividing the number of Capital Reduction Shares to be issued as set out above into £8,919,000, as shall be required to effect such capitalisation, and the Directors be and they are hereby authorised for the purposes of Section 551 of the Act to allot and issue all the Capital Reduction Shares (up to a maximum aggregate nominal amount of £8,919,000) thereby created, to such members of the Company including one of their number as they shall in their absolute discretion determine upon terms that they are paid up in full by such capitalisation, and such authority shall for the purposes of Section 551 of the Act expire on 30 April 2017;
- (b) the Capital Reduction Shares created and issued pursuant to paragraph (a) above shall have the following rights and restrictions:
 - (i) the holders of Capital Reduction Shares shall have no right to receive any dividend or other distribution whether of capital or income;
 - (ii) the holders of Capital Reduction Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company;
 - (iii) the holders of Capital Reduction Shares shall on a return of capital on a liquidation, but not otherwise, be entitled to receive the nominal amount of each such share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such a share and the holders of Capital Reduction Shares shall not be entitled to any further participation in the assets or profits of the Company;
 - (iv) a reduction by the Company of the capital paid up or credited as paid up on the Capital Reduction Shares and the cancellation of such shares will be treated as being in accordance with the rights attaching to the Capital Reduction Shares and will not involve a variation of such rights for any purpose. The Company will be authorised at any time without obtaining the consent of the holders of Capital Reduction Shares to reduce its capital (in accordance with the Act);
 - (v) the Company shall have irrevocable authority at any time after the creation or issue of the Capital Reduction Shares to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and, in accordance with the provisions of the Act, to purchase or cancel such shares without making any payment to or obtaining the sanction of the holders thereof and pending such a transfer and/or purchase and/or cancellation to retain the certificates, if any, in respect thereof, provided also that the Company may in accordance with the provisions of the Act purchase all but not some only of the Capital Reduction Shares then in issue at a price not exceeding 1 penny for all the Capital Reduction Shares; and
- (c) subject to and conditional upon the prior allotment and issue of the Capital Reduction Shares under paragraph (a) above, the Company's capital be reduced by cancelling and extinguishing the Capital Reduction Shares.

Special business *continued*

6. That the Company be and is hereby generally and unconditionally authorised pursuant to Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares provided that:
- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,542,953;
 - (b) the minimum price which may be paid for an Ordinary Share shall be 1p;
 - (c) the maximum price which may be paid for an Ordinary Share shall be not more than 5% above the average of the middle market quotations for Ordinary Shares as derived from the London Stock Exchange daily official list for securities admitted to AIM of the London Stock Exchange for the five business days immediately preceding the date of the purchase of the Ordinary Share; and
 - (d) unless previously renewed, revoked or varied, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting held in 2018 (or, if earlier, at the close of business on the date which is 15 months after the date of this Annual General Meeting) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares pursuant to such contract as if such authority has not expired, and that all Ordinary Shares so purchased in pursuance of this authority shall be held as treasury shares (as defined by Section 724 of the Act) for future resale for cash, transfer for the purposes of an employees' share scheme or for cancellation.

By order of the Board

Claire Smith

Company Secretary

Zytronic plc

Whiteley Road
Blaydon-on-Tyne
Tyne and Wear
NE21 5NJ

5 January 2017

Notes

1. Further details and information about the Resolutions which appear in this Notice of Annual General Meeting can be found in the Company's circular which accompanies this document.
2. Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote (whether on a show of hands or on a poll) at the meeting on their behalf. A proxy need not be a member of the Company. A prepaid Form of Proxy accompanies this document.
3. Completed Forms of Proxy must be returned to the Company's registrars at the address shown on the Form of Proxy not later than 2.00pm on Tuesday 14 February 2017 or two working days prior to any adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, one working day before the time appointed for the taking of the poll. The sending of a completed Form of Proxy to the Company's registrars will not preclude members from attending and voting at the meeting, or any adjournment thereof, in person, should they so wish.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those holders of Ordinary Shares of 1p each of the Company registered in the Register of Members of the Company:
 - (a) as at close of business or 6.00pm on 14 February 2017; or
 - (b) if this meeting is adjourned, at close of business two working days prior to the adjourned meeting,
 shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares of 1p each in the capital of the Company registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on Tuesday 14 February 2017 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. Copies of contracts of service between the Directors and the Company or any of its subsidiary undertakings will be available for inspection during normal business hours by members at the registered office of the Company on each business day from the date of this notice until the date of the Annual General Meeting, and at the place of the Annual General Meeting for at least 15 minutes prior to, and during, that meeting.



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