



RNS

Miscellaneous

Proposed Return of Capital and Notice of GM

ZYTRONIC PLC

Released 07:00:09 01 February 2021

RNS Number : 4601N
Zytronic PLC
01 February 2021

Capitalised terms used in this Announcement, unless otherwise defined, have the same meanings as set out in the Circular.

1 February 2021

**Zytronic plc
("Zytronic" or the "Company")**

**Proposed return of up to £10 million by way of a Tender Offer to purchase up to 6,896,551
Ordinary Shares at 145p per share**

**Publication of Circular
and
Notice of General Meeting**

Zytronic is pleased to announce the terms of a proposed tender offer to buy back up to 6,896,551 Ordinary Shares from Qualifying Shareholders at the Tender Offer Price of 145 pence per Ordinary Share. If taken up in full, the Tender Offer will return approximately £10 million of cash.

Qualifying Shareholders will be entitled to a guaranteed Basic Entitlement, meaning that if they so wish, they can tender up to approximately 43 per cent. of the Ordinary Shares that they currently own and those tenders will be accepted in full.

Qualifying Shareholders may apply to tender more than their Basic Entitlement and, subject to other Qualifying Shareholders tendering fewer shares than their Basic Entitlements, such Excess Applications will be accepted according to the terms of the Tender Offer described in the Circular.

The Tender Offer Price represents a premium of approximately 14 per cent. to the average closing mid-market price over the last five trading days to 29 January 2021, being the last practicable date prior to the release of this announcement.

The Tender Offer is being made available to all Qualifying Shareholders who are on the Register at the close of business on the Tender Offer Record Date, being 23 February 2021. Qualifying Shareholders may choose whether they want to tender some, all or none of their shareholdings, and are not obliged to tender any of their Ordinary Shares if they do not wish to do so.

The Company requires the authority from Shareholders to purchase Ordinary Shares under the Tender Offer and this is being sought at a general meeting to be held at the office of the Company at Whiteley Road, Blaydon-on-Tyne, NE21 5NJ at 9.30 a.m. on 25 February 2021 (the "**General Meeting**"). Due to the ongoing COVID-19 pandemic, the General Meeting will be held as a closed meeting and Shareholders will not be permitted to attend in person. Please refer to the notice of General Meeting and the Circular for details on how to vote by proxy and how to ask questions of the Board.

Further information containing the background to and reasons for the Tender Offer is contained within the Circular, which sets out the full details of the Tender Offer and the requisite notice of General Meeting, and which is expected to be posted to Shareholders later today. The Circular is also being made available shortly on the Company's website (www.zytronicplc.com). The letter from the Chairman contained within the Circular is set out below.

The Tender Offer is being made by N+1 Singer, the Company's corporate broker, as principal on the basis that all Ordinary Shares that it buys under the Tender Offer will be immediately purchased from it by the Company. All Ordinary Shares purchased by the Company pursuant to the Tender Offer will be cancelled.

Qualifying Shareholders are not obliged to tender any Ordinary Shares and if they do not wish to participate in the Tender Offer, they should not complete or return a Tender Form or submit a TTE instruction in CREST.

Qualifying Shareholders who have any questions about the procedure for tendering Ordinary Shares, or who are seeking help in completing and returning the Tender Form or Form of Proxy, should contact Computershare Investor Services PLC on 0370 707 1428.

The helpline is open between 9.00 a.m. - 5.30 p.m. Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Expected Timetable of Events

Tender Offer opens	4 February 2021
Latest time for receipt of Forms of Proxy	9.30 a.m. on 23 February 2021
Latest time for receipt of Tender Forms and TTE Instructions in relation to the Tender Offer	1.00 p.m. on 23 February 2021
Tender Offer Closing Date	1.00 p.m. on 23 February 2021
Tender Offer Record Date	6.00 p.m. on 23 February 2021
General Meeting	9.30 a.m. on 25 February 2021
Announcement of result of Tender Offer	25 February 2021
Purchase of Ordinary Shares under the Tender Offer	26 February 2021
Latest date for posting of cheques in respect of the Tender Offer, along with any balance certificates or the crediting of CREST accounts	3 March 2021

Notes:

Each of these times and dates are indicative only and are subject to change. If any of these 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.

Principal Statistics of the Tender Offer

Current number of issued Ordinary Shares	16,044,041
Maximum number of Ordinary Shares to be purchased under the Tender Offer	6,896,551
Resulting Share Capital assuming maximum take-up of the Tender Offer	9,147,490

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as retained in UK law pursuant to Section 3 of the European Union (Withdrawal) Act 2018 ("MAR").

Enquiries:

Zytronic plc

Mark Cambridge, Chief Executive
Claire Smith, Group Finance Director and Company
Secretary

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N+1 Singer (Nominated Adviser and Broker)

Aubrey Powell, Rachel Hayes, Amanda Gray

020 7496 3000

About Zytronic

Zytronic is a world-renowned developer and manufacturer of a unique range of internationally award winning optically transparent interactive touch sensor overlay products for use with electronic displays in industrial, self-service and public access equipment.

Zytronic's products employ a sensing solution that is readily configurable and embedded in a laminate core that offers significant durability, environmental stability and optical enhancement benefits to system designers specific requirements.

Zytronic has continually developed process and technological know-how and IP since the late 1990's around two sensing methodologies; the first being single touch self-capacitive which Zytronic markets as PCT™ ("Projected Capacitive Technology") and the second being multi-touch, multi-user mutual-capacitive which Zytronic markets as MPCT™ ("Mutual Projected Capacitive Technology"), in which Zytronic holds five granted patents.

Zytronic operates from a single site near Newcastle-upon-Tyne in the United Kingdom. Zytronic is relatively unique in the touch eco-system as it offers a complete one-stop solution from processing internally the form and factor of the glass substrates, assembles their touch overlay products to a customer's specific requirements, in environmentally controlled cleanrooms and develops the bespoke firmware, software and electronic hardware to link the interactive overlays to a customer's integrated systems and products.

Important Information

This Announcement should be read in full, and the Circular should be read in full by those lawfully entitled to be in possession of it. If you are in any doubt about what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

THE TENDER OFFER IS NOT BEING MADE, DIRECTLY OR INDIRECTLY, IN OR INTO, OR BY USE OF THE MAILS, OR BY ANY MEANS OR INSTRUMENTALLY (INCLUDING, WITHOUT LIMITATION, FACSIMILE TRANSMISSION, TELEX AND TELEPHONE) OF INTERSTATE OR FOREIGN COMMERCE OR OF ANY FACILITY OF A NATIONAL SECURITIES EXCHANGE, OF ANY RESTRICTED JURISDICTION AND THE TENDER OFFER CANNOT BE ACCEPTED BY ANY SUCH USE, MEANS, INSTRUMENTALITY OR FACILITY FROM OR WITHIN ANY RESTRICTED JURISDICTION.

THIS ANNOUNCEMENT DOES NOT CONSTITUTE, OR FORM PART OF, ANY OFFER FOR OR INVITATION TO SELL OR PURCHASE ANY SECURITIES, OR ANY SOLICITATION OF ANY OFFER FOR, SECURITIES IN ANY JURISDICTION. ANY ACCEPTANCE OR OTHER RESPONSE TO THE TENDER OFFER SHOULD BE MADE ONLY ON THE BASIS OF INFORMATION CONTAINED IN OR REFERRED TO IN THE CIRCULAR. THE CIRCULAR WILL CONTAIN IMPORTANT INFORMATION, INCLUDING THE FULL TERMS AND CONDITIONS OF THE TENDER OFFER, WHICH SHAREHOLDERS ARE URGED TO READ CAREFULLY.

Further Information

This announcement contains (or may contain) certain forward-looking statements with respect to certain of the Company's and/or the Directors' current expectations or projections about future events. These statements, which sometimes use words such as "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect the Directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by any such forward-looking statement. Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and neither N+1 Singer nor the Company, except as required by applicable law, assumes any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. You should not rely on forward-looking statements, which speak only as of the date of this announcement.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

Proposed return of up to £10 million by way of a Tender Offer to purchase up to 6,896,551 Ordinary Shares at 145 pence per Ordinary Share representing approximately 43 per cent. of the Company's share capital and Notice of General Meeting.

Introduction

The Board has previously announced, in the Company's Final Results for the 12 months ended 30 September 2020 (released on 8 December 2020), that a large proportion of the year-end cash balances of £14 million are surplus to current requirements and that it may be appropriate to distribute surplus cash by a share buy-back, and the Company would seek Shareholder approval for the requisite authorities at the next general meeting.

The Company now intends to launch a tender offer to purchase up to 6,896,551 ordinary shares at the Tender Offer Price of 145 pence, being a premium of approximately 14 per cent. to the average mid-market closing price over the last five trading days. If the maximum number of Ordinary Shares are acquired in the Tender Offer, this will result in an amount of approximately £10 million being returned to Shareholders.

The Tender Offer is being made available to all Qualifying Shareholders who are on the Register at the close of business on 23 February 2021.

Qualifying Shareholders can choose whether they want to tender some, all, or none of their shareholdings. The extent to which any tenders in excess of Basic Entitlements will be accepted is subject to other Qualifying Shareholders having tendered less than their Basic Entitlements. Qualifying Shareholders are not obliged to tender any of their Ordinary Shares if they do not wish to do so.

The Circular sets out the background to and reasons for the Tender Offer and why the Directors believe the Tender Offer to be in the best interests of the Company and its Shareholders as a whole. The Circular also contains full details of the Tender Offer including the procedure that should be followed by those Qualifying Shareholders who wish to participate in the Tender Offer.

The Circular also contains a notice convening a General Meeting of the Company, to be held at the office of the Company at Whiteley Road, Blaydon-on-Tyne, NE21 5NJ at 9.30 a.m. on 25 February 2021, to consider the Resolution necessary to authorise the Tender Offer. If the Resolution is not passed, the Company will not be able to proceed with the Tender Offer. Shareholders are reminded that, given the current government restrictions in relation to the COVID-19 pandemic, the Board has decided to prohibit Shareholders attending the General Meeting in person with the exception of the minimum number of Directors as Shareholders needed to form a quorum. Any Shareholder who attempts to attend the General Meeting in person will be refused entry. As such, voting on the Resolution at the General Meeting shall be decided by way of a poll and not by a show of hands. The Company strongly encourages all Shareholders to submit their Form of Proxy, appointing the Chairman of the General Meeting as proxy.

The Board is unanimously recommending Shareholders to vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings of shares representing approximately 1.5 per cent. of the voting rights in the Company.

As described below, in the event that the Tender Offer is not fully taken up, the passing of the Resolution will also enable the Company to use the balance of the authority granted at the General Meeting to make on-market purchases of Ordinary Shares from time to time. Should this be likely, a further announcement would be made in due course. Shareholders should note that the price paid in such buy-backs, if there are any, would not necessarily be the Tender Offer Price but (consistent with the buy-back authority being sought at the Annual General Meeting, which is being held immediately prior to the General Meeting, and which is in addition to any authority granted at the General Meeting) at a price of not more than a 5.0 per cent. premium to the average closing mid-market price for the five business days prior to the purchase.

Background to the Tender Offer

The Company had, until this financial year, a 17 year record of profitability and strong cash generation, with an unbroken dividend record between 2005 and 2020, during which time it had also accumulated cash balances of £14 million.

In May 2020 as the COVID-19 pandemic began to significantly affect the business, the Board decided the Company should not pay a dividend until there was a return towards normality.

The Board has, since then, taken the necessary action to adjust operations to meet the lower levels of demand, but a recovery to profitability may take some time and is dependent on a successful worldwide vaccination programme allowing markets to re-open.

However, having considered the future cash requirements and after retaining sufficient funds for working capital, the Company is in the position to return £10 million surplus cash to Shareholders to provide them with the opportunity to realise some of their investment in the Company.

Benefits of the Proposals

The Board considered a range of options for returning cash to Shareholders but decided to proceed by way of the Tender Offer as it believes this process benefits both Qualifying Shareholders and the Company.

In particular, the Directors believe that the Tender Offer:

- ensures equal opportunity to all Qualifying Shareholders to participate in the return of capital by offering a guaranteed Basic Entitlement of approximately 43 per cent. of their shareholding;
- enables those Shareholders who do not wish to receive capital at this time to maintain their full investment in the Company;
- provides those Qualifying Shareholders who wish to sell Ordinary Shares with the opportunity to do so, without dealing costs; and
- is available to all Qualifying Shareholders regardless of the size of their shareholdings.

Details of the Tender Offer

The Directors propose that the Tender Offer be made, pursuant to which N+1 Singer will purchase, as principal, up to approximately 43 per cent. of the Company's Ordinary Shares at a price of 145 pence per Ordinary Share, subject to the terms and conditions of the Tender Offer set out in Part 2 of the Circular.

The Tender Offer is being made subject to the passing of a special resolution which will be proposed at the General Meeting. The Tender Offer is also subject to the conditions set out in the Share Purchase Agreement and Part 2 of the Circular being fulfilled. The Tender Offer is open to Qualifying Shareholders on the Register at 6.00 p.m. on the Tender Offer Record Date.

In accordance with the terms and subject to the conditions of the Share Purchase Agreement, the Company shall purchase from N+1 Singer the Ordinary Shares which N+1 Singer has purchased pursuant to the Tender Offer at a price of 145 pence per Ordinary Share. All of the Ordinary Shares purchased by the Company under the Share Purchase Agreement will be cancelled.

The purchase of shares from N+1 Singer pursuant to the Share Purchase Agreement will be funded from the surplus cash of the Company and paid out of its distributable reserves. Accordingly, following the completion of the Purchase, the Company's distributable reserves will be reduced by the size of the Tender Offer. If the Share Purchase Agreement becomes unconditional and the Tender Offer is

taken up in full, the Resulting Share Capital would comprise 9,147,490 Ordinary Shares. The Company does not hold any shares in treasury.

The Tender Offer is being effected by N+1 Singer, the Company's corporate broker, as principal, on the basis that all Ordinary Shares that it buys under the Tender Offer will be subsequently purchased from it by the Company pursuant to the terms of the Share Purchase Agreement.

In accordance with section 702 of the Companies Act, the Share Purchase Agreement will be available for inspection without charge by Shareholders and any other person at the Company's registered office for at least ten years following the Tender Offer Closing Date.

The Tender Offer involves the following:

- The Tender Offer is being made to Qualifying Shareholders by N+1 Singer, acting as principal, for the purchase of up to 6,896,551 Ordinary Shares, representing approximately 43 per cent. of the Existing Share Capital.
- Under the Tender Offer, each Qualifying Shareholder is entitled to tender their Basic Entitlement (representing approximately 43 per cent. of their shareholding) with potentially further sales depending on whether the number of shares tendered by all Qualifying Shareholders is less than the aggregate Basic Entitlement.
- The opportunity for Qualifying Shareholders to sell Ordinary Shares at a premium of approximately 14 per cent. to the average of the mid-market price over the five trading days to 29 January 2021 (being the last practicable date prior to the publication of the Circular).
- Qualifying Shareholders will be able to decide to tender none, some, or all of their Ordinary Shares within the overall limits of the Tender Offer.
- Tenders in excess of a Qualifying Shareholder's Basic Entitlement will only be accepted to the extent that other Qualifying Shareholders tender less than their Basic Entitlement or do not tender any Ordinary Shares.
- All Ordinary Shares validly tendered by any Qualifying Shareholder up to their Basic Entitlement will be accepted in full.
- To the extent that there is sufficient capacity to purchase further Ordinary Shares after having satisfied all valid applications for Basic Entitlements, priority will be given to Qualifying Shareholders owning 200 Ordinary Shares or less who have tendered their entire shareholding, before utilising the remaining available cash resources to purchase additional Ordinary Shares from other Qualifying Shareholders in accordance with clause 2.4 of Part 2 of the Circular.
- Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (i.e. in CREST) and who wish to tender some or all of their Ordinary Shares should send a TTE instruction through CREST to the member account set out in paragraph 4.3 of Part 2 of the Circular.
- Ordinary Shares validly tendered by all Qualifying Shareholders will be accepted in the order set out below:

- all Ordinary Shares validly tendered by any Qualifying Shareholder up to their Basic Entitlement will be accepted in full;
 - all Ordinary Shares validly tendered by Qualifying Shareholders in excess of their Basic Entitlements will be satisfied in accordance with clause 2.4 of Part 2 of the Circular and at the discretion of the Company in consultation with N+1 Singer; and
 - the number of Ordinary Shares to be purchased in the Tender Offer will not, in any event, exceed 6,896,551 Ordinary Shares.
- All successfully tendered Ordinary Shares purchased by N+1 Singer will subsequently be purchased from N+1 Singer by the Company in accordance with the terms of the Share Purchase Agreement and will be immediately cancelled and will not rank for any future dividends.
 - Any rights of Qualifying Shareholders who choose not to tender their Ordinary Shares will be unaffected. However, the reduction in the Company's issued share capital may result in a reduction in the liquidity of the Ordinary Shares in the secondary market.

You are recommended to read Part 2 of the Circular which sets out the full terms and conditions of the Tender Offer.

Qualifying Shareholders are not obliged to tender any Ordinary Shares and if they do not wish to participate in the Tender Offer, they should not complete or return a Tender Form or submit a TTE instruction in CREST.

All times and dates in the Circular are indicative only and are subject to change. If any of these 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. In particular, the Company reserves the right to extend the Tender Offer Closing Date should it wish to do so, including for the purposes of permitting the Directors to participate in the Tender Offer where they would not otherwise be able to do so on account of the Company being in a "closed period" for the purposes of MAR.

Shareholder's option to tender for more or less than their Basic Entitlement

Qualifying Shareholders tendering up to their Basic Entitlement will be satisfied in full (subject to completion of the Tender Offer).

Qualifying Shareholders are also entitled to tender a number of Ordinary Shares in excess of their Basic Entitlement (an "**Excess Tender**") if they so wish but any such Excess Tender shall only be satisfied to the extent that other Qualifying Shareholders tender a number of Ordinary Shares that is less than their Basic Entitlement. The aggregate number of shares purchased in the Tender Offer will not in any event exceed 6,896,551 Ordinary Shares.

Ongoing authority to buy back shares

If the Tender Offer is not taken up in full by Qualifying Shareholders, the Board, having given Qualifying Shareholders the opportunity to participate in the Tender Offer, reserves the right in its absolute discretion to purchase in the market, up to such number of Ordinary Shares as is equal to the difference between the number of Ordinary Shares successfully tendered in the Tender Offer and 6,896,551 Ordinary Shares (being the maximum number of Ordinary Shares to be purchased under the Tender Offer). The key parameters under which any on-market purchases will be made will, save for the potential quantum of shares to be bought, be identical to those permitted by the authority to

make such purchases pursuant to the Company's proposed resolution 4 being put to the Annual General Meeting of the Company which is being held immediately prior to the General Meeting. Such authority may also be used for further on-market purchases at the Company's discretion. The Notice of Annual General Meeting is contained within the Company's annual report and accounts for the year ended 30 September 2020, copies of which have been sent to shareholders and are available at www.zytronicplc.com/investor-information/finance-performance.

Share Purchase Agreement

The Company and N+1 Singer entered into a share purchase agreement on 1 February 2021, pursuant to which the Company has agreed to purchase from N+1 Singer, on market, such number of Ordinary Shares as N+1 Singer shall purchase pursuant to the Tender Offer, at an aggregate price equal to the amount paid by N+1 Singer for those Ordinary Shares. The Company's purchase of Ordinary Shares from N+1 Singer will be made immediately upon N+1 Singer having completed its purchase of validly tendered Ordinary Shares.

N+1 Singer may terminate the Tender Offer if it receives notice from the Company that, in the Company's reasonable opinion, one or more of the conditions set out in sub-paragraph 2.2 of Part 2 of the Circular have not been satisfied.

In acquiring the Ordinary Shares pursuant to valid tenders made in the Tender Offer and in selling such shares to the Company, N+1 Singer will act as principal.

The Share Purchase Agreement is governed by and construed in accordance with English Law.

General Meeting

The on market purchase of shares pursuant to the Tender Offer, requires, inter alia, the passing of a special resolution by Shareholders. Set out at the end of the Circular is a notice convening a General Meeting of the Company to be held at the office of the Company at Whiteley Road, Blaydon-on-Tyne, NE21 5NJ at 9.30 a.m. on 25 February 2021 at which the Resolution will be proposed.

Shareholders are reminded that, given the current government restrictions in relation to the COVID-19 pandemic and in the interests of protecting the health and safety of our Shareholders, colleagues and the wider public, the Board has decided to prohibit Shareholders attending the General Meeting in person with the exception of the minimum number of Directors as Shareholders needed to form a quorum. Our advisers and other guests have also been asked not to attend. Any Shareholder who attempts to attend the General Meeting in person will be refused entry. As such, voting on the Resolution at the General Meeting shall be decided by way of a poll and not by a show of hands. The Company strongly encourages all Shareholders to submit their Form of Proxy as early as possible, appointing the Chairman of the General Meeting as proxy.

The Form of Proxy must be received by no later than 9.30 am on Tuesday 23 February 2021 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of any adjourned meeting). Questions to the Chairman can be posed via the following email address: info@zytronicplc.com.

Directors' and others' interests

Please see Part 3 of the Circular for information relating to the Directors' and others' interests in the share capital of the Company.

Significant Change

Save as publicly disclosed by way of notification to a Regulatory Information Service, there has been no significant change in the financial or trading position of the Group since 30 September 2020, being the date to which the Company's last financial statements were prepared

Directors' responsibility

The Directors accept responsibility for the information contained in the Circular. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

How to accept the Tender Offer

A. Ordinary Shares in certificated form (that is, not in CREST)

Qualifying Shareholders who hold Ordinary Shares in certificated form will also find accompanying the Circular a **Tender Form** for use in connection with the Tender Offer. Such Qualifying Shareholders who wish to tender some or all of the Ordinary Shares registered in their name on the Tender Offer Record Date should complete the **Tender Form** in accordance with the instructions printed thereon and in Part 2 of the Circular.

The completed, signed and witnessed Tender Form **together with your valid share certificates and/or other document(s) of title** should be sent by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH by no later than 1.00 p.m. on 23 February 2021.

A prepaid envelope is enclosed for this purpose (for use within the UK only).

B. Ordinary Shares in uncertificated form (that is, in CREST)

Qualifying Shareholders who hold Ordinary Shares in CREST (uncertificated form) who wish to take advantage of the Tender Offer should comply with those procedures set out in Part 2 of the Circular in respect of transferring uncertificated Ordinary Shares in escrow through CREST.

To do so they should ensure that their CREST nominee custodians, brokers or financial advisers have been advised to send the TTE instruction through CREST so as to settle by no later than 1.00 p.m. on 23 February 2021.

Qualifying Shareholders are not obliged to tender any Ordinary Shares and if they do not wish to participate in the Tender Offer, they should not complete or return a Tender Form or submit a TTE instruction in CREST.

If you have any questions about the procedure for tendering Ordinary Shares or if you want help in completing and returning the Tender Form or Form of Proxy, please contact Computershare Investor Services PLC on 0370 707 1428.

The helpline is open between 9.00 a.m. - 5.30 p.m. Monday to Friday excluding public holidays in England and Wales. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Recommendations by the Directors

The Board considers that the Tender Offer is in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of the Resolution, as they intend

to do in respect of their own holdings of Ordinary Shares representing, in aggregate, approximately 1.5 per cent. of the issued share capital of the Company. The Directors shall not however be participating in the Tender Offer.

The Board is making no recommendation to individual Qualifying Shareholders in relation to participation in the Tender Offer. Whether or not Qualifying Shareholders decide to tender their Ordinary Shares will depend, amongst other things, on their own individual circumstances, including their own tax position. Qualifying Shareholders are recommended to consult an appropriately authorised independent adviser in determining whether or not to participate in the Tender Offer and the extent of any such participation.

Yours faithfully,

Tudor Davies
Non-executive Chairman
For and on behalf of the Board

DEFINITIONS

The following defined terms are used in the Circular being sent to Shareholders in connection with the Tender Offer

"AIM"	the market of that name operated by the London Stock Exchange
"Basic Entitlement"	for each Qualifying Shareholder, the number of Ordinary Shares (rounded down to the nearest whole share) representing approximately 43 per cent. of the aggregate number of Ordinary Shares held by such Qualifying Shareholder on the Tender Offer Record Date
"Board" or "Directors"	the board of directors of the Company
"Business Day"	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business
"certificated form" or "certificated"	in relation to an Ordinary Share, recorded on the Company's Register as being held in certificated form (that is not in CREST)
"Circular"	the Circular providing information to Shareholders in relation to the Tender Offer and containing the notice for the General Meeting
"Companies Act"	the Companies Act 2006, as amended
"Company"	Zytronic plc (registered number: 03881244)
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities

	operated by Euroclear in accordance with the CREST Regulations
"CREST Regulations" or "Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
"CREST Member"	a person who has been admitted by Euroclear as a system member (as defined in the Regulations)
"CREST Participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST Sponsor"	a CREST Participant admitted to CREST as a CREST sponsor
"CREST Sponsored Member"	a CREST Member admitted to CREST as a CREST sponsored member
"Electronic Tender"	an electronic tender of Ordinary Shares in accordance with paragraphs 4.5(b) and 5.2 of Part 2 of the Circular
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Existing Share Capital"	the 16,044,041 Ordinary Shares in issue at the date of the Circular, all of which are admitted to trading on AIM
"Form of Proxy"	the form of proxy for the General Meeting which accompanies the Circular
"General Meeting"	the General Meeting of the Company to be held at its office at Whiteley Road, Blaydon-on-Tyne, NE21 5NJ at 9.30 a.m. on 25 February 2021
"Group"	the Company and all its subsidiary undertakings at the date of the Circular
"HMRC"	Her Majesty's Revenue and Customs
"ISIN"	international securities identification number
"London Stock Exchange"	London Stock Exchange plc
"MAR"	The Market Abuse Regulation (EU/596/2014)
"N+1 Singer"	Nplus1 Singer Capital Markets Limited, together with its affiliates, acting as executing broker and financial adviser to the Company in respect of the Tender Offer, and as nominated advisor to the Company

"Ordinary Shares"	the current issued ordinary shares of 1 pence each in the share capital of the Company, all of which are admitted to trading on AIM
"Overseas Shareholder"	a Shareholder who is resident in, or a citizen of, a jurisdiction outside the United Kingdom
"Participant ID"	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
"Proposals"	the proposals for the Tender Offer and the Purchase, as described in the Circular
"Purchase"	the purchase by the Company of Ordinary Shares from N+1 Singer by way of an on-market purchase pursuant to the Share Purchase Agreement
"Qualifying Shareholders"	shareholders who are entitled to participate in the Tender Offer who are on the Register on the Tender Offer Record Date and who are not Restricted Shareholders
"Receiving Agent"	Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH
"Register"	the Company's register of members
"Registrar"	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ
"Regulatory Information Service"	a service approved by the FCA for the distribution to the public of regulatory announcements and included within the list maintained on the FCA's website
"Resolution"	the special resolution to authorise market purchases by the Company to be proposed at the General Meeting
"Restricted Jurisdiction"	each of the United States, Canada, Australia, New Zealand, South Africa and Japan and any other jurisdiction where the mailing of the Circular into or inside such jurisdiction would constitute a violation of the laws of such jurisdiction
"Restricted Shareholder"	a Shareholder with a registered address in a Restricted Jurisdiction
"Resulting Share Capital"	the resulting 9,147,490 Ordinary Shares in issue, assuming maximum take-up of the Tender Offer
"Shareholders"	holders of Ordinary Shares

"Share Purchase Agreement"	the agreement dated 1 February 2021 between the Company and N+1 Singer whereby the Company has agreed to purchase as an on-market purchase all of the Ordinary Shares purchased by N+1 Singer pursuant to the Tender Offer pursuant to the terms of the Purchase Agreement
"Takeover Code"	the City Code on Takeovers and Mergers
"tender" and "tendered"	refers to tenders by Shareholders of Ordinary Shares pursuant to the Tender Offer
"Tender Conditions"	shall have the meaning set out in paragraph 2 of Part 2 of the Circular
"Tender Form"	the tender form issued with the Circular to Shareholders for use in respect of Ordinary Shares held in certificated form
"Tender Offer"	the invitation by N+1 Singer to Qualifying Shareholders to tender Ordinary Shares for sale to N+1 Singer on the terms and subject to the conditions set out in the Circular and, in the case of Ordinary Shares held in certificated form only, in the Tender Form
"Tender Offer Closing Date"	1.00 p.m. on 23 February 2021 (or such later time and date as may be subsequently notified by the Company)
"Tender Offer Price"	the price of 145 pence per Ordinary Share, being the price at which N+1 Singer is to purchase Ordinary Shares under the Tender Offer
"Tender Offer Record Date"	6.00 p.m. on 23 February 2021
"TFE instruction"	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear)
"TTE instruction"	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear)
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" or "in uncertificated form"	in relation to an Ordinary Share, recorded on the Company's Register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST

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