

25 January 2017

**Kromek Group plc**  
("Kromek" or the "Company" or the "Group")

**Firm Placing and Open Offer to raise up to £21.0 million**

Kromek, a radiation detection technology company focusing on the medical, security and nuclear markets, is pleased to today announce a conditional Firm Placing and Open Offer to raise up to £21.0 million. The Firm Placing has been undertaken with new and existing institutional investors in the Company and was over-subscribed.

**Highlights**

- Firm Placing and Open Offer, which is subject to shareholder approval, will raise gross proceeds of up to £21.0 million;
- Firm Placing of 100,000,000 Ordinary Shares at the Offer Price of 20 pence per Ordinary Share; and
- Open Offer for an aggregate of 5,129,536 Offer Shares on the basis of 1 new Ordinary Share for every 30 Existing Ordinary Shares, at 20 pence each.

**Sir Peter Williams, Chairman of Kromek, said:** "We are pleased with the support shown by our current shareholders and we welcome new blue-chip institutions to our register. The present fundraising will considerably strengthen our balance sheet, underpinning our plans for the sustained growth of the business and supporting increasing commercial activity through the deployment of our proprietary technology. Kromek has made good progress this year, in which we achieved a number of important operational targets, enlarging our customer base and strengthening our relationship with our OEM partners. This resulted in significant contract wins over the past 18 months which have given us forward visibility over revenues in excess of 85% of market expectations for the current year. The Board has great confidence in the future of Kromek and recommends all shareholders to vote in favour of the proposals, which we believe will allow us to deliver increased value to our investors."

**Enquiries**

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This announcement contains inside information.

*Capitalised terms used in this announcement have the meanings given to them in the Circular.*

## **Introduction**

The Company has today announced a conditional Firm Placing to raise £20 million by the issue and allotment by the Company of 100,000,000 Ordinary Shares at the Offer Price of 20 pence per Ordinary Share.

In addition, in order to provide Shareholders who have not taken part in the Firm Placing with an opportunity to participate in the proposed issue of new Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe at the Offer Price for an aggregate of 5,129,536 Offer Shares, to raise up to approximately £1.0 million, on the basis of 1 new Ordinary Share for every 30 Existing Ordinary Shares, at 20 pence each, payable in full on acceptance. The Open Offer provides Qualifying Shareholders with an opportunity to participate in the proposed issue of the New Ordinary Shares whilst providing the Company with additional capital to invest in the business of the Group.

The Offer Price is at no discount to the closing middle market price of 20 pence per Existing Ordinary Share on 24 January 2017 (being the last practicable date before publication of this announcement).

The Firm Placing and Open Offer are conditional, inter alia, upon Shareholders approving the Resolutions at a General Meeting to be convened for 10 a.m. on 10 February 2017 that will grant to the Directors the authority to allot the New Ordinary Shares and the power to disapply statutory pre-emption rights in respect of the New Ordinary Shares. The Resolutions will be contained in the Notice of General Meeting included in the Circular to be posted to Shareholders today. Admission is expected to occur no later than 8.00 a.m. on 13 February 2017 or such later time and/or dates as Cenkos Securities and the Company may agree. The Firm Placing and Open Offer are not underwritten.

Further information on the Transaction is contained within the Circular sent to Shareholders today.

## **Summary of Kromek Group plc**

Kromek is a UK technology company and a leading developer of high performance radiation detection products based on cadmium zinc telluride. Using its core CZT technology Kromek designs, develops and produces x-ray and gamma ray imaging and radiation detection products for the medical, security screening and nuclear markets.

The Group's products provide high resolution information on material composition and structure and are used in multiple applications, ranging from the identification of cancerous tissues to hazardous materials, such as explosives, and the analysis of radioactive materials. Kromek uses multiple technologies in its manufacturing processes, including the established methods of 'liquid phase' detector production, and also 'vapour phase' production methods, which allow the production of high quality, high performance detectors on an industrial scale. Kromek has a portfolio containing over 265 identified pieces of intellectual property.

The Group's business model provides a vertically integrated technology offering to customers, being the growth of CZT crystals through to finished products or detectors, including software, electronics and application specific integrated circuits.

The Board believes that the vertical integration offered by Kromek, combined with the benefit of 25 years of research into CZT production and the patents and trade secrets accumulated by the Group, are unparalleled in the market place.

The Group has operations in the UK and US (California and Pennsylvania) and is selling internationally through a combination of distributors and direct to OEMs. Currently, the Group has over a hundred full time employees across its global operations.

## **Background to and reasons for the Firm Placing and Open Offer**

As announced in the Company's interim results, which were released on 7 December 2016, Kromek continues to experience good revenue growth and has significantly improved revenue visibility for the years ending 30 April 2017 and 30 April 2018.

The Directors continue to believe that it is increasingly evident that CZT-based detectors are set to replace the prevalent scintillator-based detectors. CZT is a semiconductor that directly converts x-ray or gamma-ray photons into electrons, at room temperature, creating a spectroscopic resolution that the Directors believe outperforms commercially-available scintillators. This performance means CZT is an ideal detector solution for medical, industrial and homeland security applications and therefore represents a significant addressable opportunity to the Group.

The market positioning of Kromek leaves the Group strategically placed to benefit from the increased adoption of CZT within its identifiable markets.

The Directors believe that a perceived lack of balance sheet strength has, at times, weakened the Group's position when negotiating contracts with OEM and government bodies. Whilst these organisations are increasingly interested in pursuing CZT as a new technology, when the Group has historically engaged in commercial discussions with these organisations concerns have been expressed about the financial strength of the Group and its ability to supply significant quantities of CZT detectors over an extended period of time. The Directors believe these concerns have delayed or prevented the Group from entering into significant supply contracts with potential new and existing customers.

The net proceeds of the Transaction will therefore provide the Group with the necessary cash reserves to provide comfort to third parties over the Group's balance sheet, whilst also providing working capital to allow the Group to continue to invest in product development to satisfy customer requirements.

The Board continues to target a self-funding business model, with EBITDA breakeven expected in the next financial year being for the twelve months ending 30 April 2018.

## **Use of proceeds**

The Company has conditionally raised £20.0 million before expenses through the Firm Placing and up to a further £1.0 million before expenses under the Open Offer. The estimate of expenses for the Transaction is expected to be up to £1.1 million dependent on the proceeds from the Open Offer.

The Company expects to use the net proceeds for the following purposes:

- £17.0 million – to strengthen the Company's balance sheet, driven by OEM requirements; and
- £3.0 million – for general working capital requirements; capital expenditure to drive efficiency in SPECT; and, to invest in the Company's patent portfolio.

## **Current Trading and Prospects**

The Company confirmed in its interim results for the six months ended 31 October 2016, released on 7 December 2016, that the Company has significant visibility over expected revenue for the remainder of the financial year. The Board can confirm this revenue visibility has continued into 2017 and that the Company continues to trade in line with market expectations.

## **The Firm Placing and Open Offer**

### ***Details of the Firm Placing***

The Company has conditionally raised £20.0 million before expenses through the Firm Placing of 100,000,000 Firm Placing Shares at the Offer Price to the Firm Placees.

The Firm Placing is conditional, inter alia, upon:

- i. the passing of all of the Resolutions;
- ii. the Firm Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- iii. Admission becoming effective by no later than 8.00 a.m. on 13 February 2017 or such later time and/or date (being no later than 8.00 a.m. on 21 February 2017) as Cenkos Securities and the Company may agree.

If any of the conditions are not satisfied, the Firm Placing Shares will not be issued and all monies received from the Firm Placees will be returned to them (at the Firm Placees' risk and without interest) as soon as possible thereafter.

The Firm Placing Shares are not subject to clawback.

The Firm Placing Shares (and the Offer Shares) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the Admission of the Firm Placing Shares and Offer Shares to trading on AIM. On the assumption that, inter alia, the Resolutions are passed, it is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 13 February 2017 at which time it is also expected that the Firm Placing Shares will be enabled for settlement in CREST.

### ***Details of the Open Offer***

The Company is proposing to raise up to approximately £1.0 million before expenses. A total of 5,129,536 new Ordinary Shares are available to Qualifying Shareholders pursuant to the Open Offer at the Offer Price, payable in full on acceptance. Any Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility. The balance of any Offer Shares not subscribed for under the Excess Application Facility will not be available to Firm Placees under the Firm Placing.

Qualifying Shareholders may apply for Offer Shares under the Open Offer at the Offer Price on the following basis:

1 Offer Share for every 30 Existing Ordinary Shares

and so in proportion for any number of Existing Ordinary Shares held on the Record Date.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in certain overseas jurisdictions will not qualify to participate in the Open Offer.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements will be credited to CREST on 26 January 2017. The Open Offer

Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 9 February 2017. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of bona fide market claims. The Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST applications and payment in respect of the Open Offer is 11.00 a.m. on 9 February 2017.

The Open Offer is conditional on the Firm Placing becoming or being declared unconditional in all respects and not being terminated before Admission (as the case may be). The principal conditions to the Firm Placing are:

- a) the passing of all of the Resolutions at the General Meeting;
- b) the Firm Placing and Open Offer Agreement having become unconditional; and
- c) Admission becoming effective by no later than 8.00 a.m. on 13 February 2017 or such later time and/or date (being no later than 8.00 a.m. on 21 February 2017) as Cenkos Securities and the Company may agree.

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and the Offer Shares will not be issued and all monies received by Capita will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

#### ***Firm Placing and Open Offer Agreement***

Pursuant to the Firm Placing and Open Offer Agreement, Cenkos Securities have agreed to use their reasonable endeavours as agent of the Company to procure subscribers for the Firm Placing Shares at the Offer Price.

The Firm Placing and Open Offer Agreement provides, inter alia, for payment by the Company to Cenkos Securities of a corporate finance fee and commissions based on certain percentages related to the number of Firm Placing Shares placed by Cenkos Securities and the Offer Shares, multiplied by the Offer Price.

The Company will bear all other expenses of and incidental to the Firm Placing and Open Offer, including printing costs, Registrar's and Receiving Agent's fees, all legal and accounting fees of the Company and of Cenkos Securities, all stamp duty and other taxes and duties where payable.

The Firm Placing and Open Offer Agreement contains certain warranties and indemnities from the Company in favour of Cenkos Securities and is conditional, inter alia, upon:

- a) Shareholder approval of the Resolutions at the General Meeting;
- b) the Firm Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- c) Admission becoming effective not later than 8.00 a.m. on 13 February 2017 or such later time and/or date as the Company and Cenkos Securities may agree, being not later than 21 February 2017.

Cenkos Securities may terminate the Firm Placing and Open Offer Agreement in certain circumstances, if, inter alia, the Company is in material breach of any of its obligations under the Firm Placing and Open Offer Agreement; if there is a material adverse change in the condition, earnings, business, operations or solvency of the Company; or if there is a material adverse change in the financial, political, economic or stock market conditions, which in their respective reasonable opinion makes it impractical or inadvisable to proceed with the Firm Placing and Open Offer.

### **Directors' and related parties' participation in the Transaction**

Certain Directors have indicated their intentions to subscribe for new Ordinary Shares under the Open Offer. Details of the Directors intentions are set out below:

<i>Director</i>	<i>Number of Ordinary Shares held before the Transaction</i>	<i>Number of Ordinary Shares held as a percentage of the Existing Ordinary Shares</i>	<i>Number of Offer Shares to be applied for under the Open Offer at the Offer Price</i>	<i>Maximum number of Ordinary Shares that could be held following the Firm Placing and Open Offer</i>	<i>Percentage of Ordinary Shares held following the Firm Placing and Open Offer assuming the Open offer is fully subscribed</i>
Sir Peter Williams	30,000	0.1%	50,000	80,000	0.1%
Derek Bulmer	40,000	0.1%	60,000	100,000	0.1%
Lawrence Kinet	150,000	0.1%	50,000	200,000	0.1%
Jerel Whittingham	110,450	0.1%	5,000	115,450	0.1%

In addition to the above, Dr Graeme Speirs, a Non-Executive Director of the Company has agreed to subscribe for 7,500,000 Placing Shares, via Polymer N2 Limited, an entity in which he has an interest. Mr Speirs, personally, currently holds 3,494,940 Ordinary Shares in the Company, which represents 2.3 per cent of the Existing Ordinary Shares. Further, Mr Speirs is interested in Polymer Holdings Limited's shareholding in the Company, which is 12,773,475 Ordinary Shares, which represents 8.3 per cent of the Existing Ordinary Shares. In total, Mr Speirs is therefore interested, directly or indirectly, in 16,268,415 Ordinary Shares, which represents 10.6 per cent. of the Existing Ordinary Shares. Following Admission, Mr Speirs will have an interest, directly or indirectly, in 23,768,415 Ordinary Shares, which represents 9.2 per cent of the Enlarged Share Capital assuming the Open Offer is fully subscribed.

In addition to the above, Miton Group plc, an existing substantial shareholder as defined by the AIM Rules, has agreed to subscribe for 31,250,000 Placing Shares pursuant to the Placing at the Placing Price. Following Admission, Miton Group plc will have an interest in 48,114,730 Ordinary Shares, representing 18.6 per cent. of the Enlarged Share Capital assuming the Open Offer is fully subscribed.

The participation in the Placing by Dr Graeme Speirs via Polymer N2 Limited (as a director of the Company) and of Miton Group plc (as a substantial shareholder) constitute related party transactions pursuant to the AIM Rules. The Directors (excluding Dr Graeme Speirs) consider, having consulted with Cenkos, the Company's Nominated Adviser for the purposes of the AIM Rules, that the terms of the related party subscriptions are fair and reasonable insofar as the shareholders of the Company are concerned.

### **Transaction Considerations**

As set out in the Recommendation section below, the Directors believe the Transaction to be in the best interests of the Company and its Shareholders as a whole. In making this statement the Directors have spent time, and have taken appropriate advice, in considering the Transaction and the method by which to raise the net proceeds. The Directors concluded that a Firm Placing accompanied by an Open Offer was the most appropriate structure to raise funding for the following reasons:

- the Firm Placing enables the Company to attract a number of new investors to its shareholder register, which the Directors expect will improve liquidity going forward, and also to provide an element of funding certainty within the Transaction; and
- the Open Offer of up to approximately £1.0 million enables all Qualifying Shareholders to participate in the Transaction on the same terms as institutional and new investors but

without the time and costs associated with a full pre-emptive offer. A full pre-emptive offer, either via a rights issue or open offer (above €5.0 million) would have required the Company to have produced a prospectus which would have taken significant time and cost.

The Offer Price represents no discount to the closing mid market price of the Ordinary Shares on 24 January 2017, being the latest practicable date prior to the publication of the Circular. The Directors can confirm the Offer Price, and therefore potential dilution for Shareholders, has been a key consideration in setting the amount raised as part of the Transaction and the decision to undertake an Open Offer. The Offer Price was established as part of a book building process undertaken by the Company's advisors and also following consultation with certain substantial Shareholders and incoming investors.

### **General Meeting**

The Directors do not currently have authority to allot all of the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting.

A notice convening the General Meeting, which is to be held at NETPark, Thomas Wright Way, Sedgefield, TS21 3TD, at 10.00 a.m. on 10 February 2017, is set out in the Circular that will be posted to shareholders later today. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1 which is an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £1,051,295.36 being equal to 105,129,536 New Ordinary Shares (i.e. the maximum number of New Ordinary Shares available under the Firm Placing and Open Offer); and
- Resolution 2 which is conditional on the passing of Resolution 1 and is a special resolution to authorise the Directors to issue and allot 105,129,536 New Ordinary Shares pursuant to the Firm Placing and Open Offer on a non-pre-emptive basis.

The authorities to be granted pursuant to the Resolutions shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2017 or the date falling 6 months from the date of the passing of the Resolutions (unless renewed varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held on 21 September 2016.

### **Recommendation**

**The Directors believe that the Firm Placing and Open Offer and the passing of the Resolutions are in the best interests of the Company and Shareholders, taken as a whole. Accordingly the Directors unanimously recommend Shareholders vote in favour of the Resolutions.**

**The Firm Placing and Open Offer are conditional, inter alia, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Firm Placing and Open Offer will not proceed.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	5.00 p.m. on 23 January 2017
Announcement of the Firm Placing and Open Offer, publication and posting of the Circular, the Application Form and Form of Proxy	7.00 a.m. on 25 January 2017
Ex-entitlement Date	8.00 a.m. on 25 January 2017
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	26 January 2017
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 3 February 2017
Recommended latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 6 February 2017
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 7 February 2017
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	10.00 a.m. on 8 February 2017
Latest time and date for acceptance of the Open Offer and receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (if appropriate)	11.00 a.m. on 9 February 2017
General Meeting	10.00 a.m. on 10 February 2017
Announcement of result of General Meeting and Open Offer	10 February 2017
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 13 February 2017
New Ordinary Shares credited to CREST members' accounts	13 February 2017
Despatch of definitive share certificates in certificated form	20 February 2017

**If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.**

**Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Resolutions to be proposed at the General Meeting.**

**All references are to London time unless stated otherwise.**