Acquisition

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Acal plc

Proposed 1 for 1 Rights Issue at 176 pence per Rights Issue Share to raise approximately £55 million (the "Rights Issue"), proposed acquisition of Noratel (the "Acquisition") and Notice of General Meeting

Acal plc (LSE: ACL, "Acal", the "Group" or "the Company"), a leading European specialist electronics supplier, is pleased to announce that it has entered into a conditional agreement to acquire Trafo Holding AS, trading as Noratel, based on an enterprise value of NOK735 million (£73.5 million)[(1)] on a debt free basis.

Noratel is a global designer and manufacturer of electromagnetic products, specifically of low, medium and high power transformers and chokes, headquartered in Norway. The Acquisition marks a significant step forward in the Group's stated growth strategy, being highly complementary to the Group's existing electromagnetic business.

The initial cash consideration for the Acquisition of NOK291.9 million (£29.2 million) will be met in part from the proceeds of the Rights Issue (£55.0 million) and the issue of such number of Consideration Shares as is equivalent to £0.8 million as determined using the average mid-market closing price for the three trading days prior to Completion. The proceeds of the Rights Issue will also be used to repay part of Noratel's existing debt (£43.5 million).

Additionally, the Company has entered into a new Facility Agreement in respect of a £70 million revolving facility (the "Facility"), which is available in part to finance the Acquisition, and partly to refinance Acal's existing committed facilities (which stood at £24 million on 31 March 2014), to refinance part of Noratel's existing debt and for general corporate purposes.

The Acquisition is expected to be immediately significantly accretive to underlying earnings per share, taking into account the issue of the Rights Issue Shares but excluding any cost or benefits from potential operational efficiencies arising from the Acquisition. [(2)]

The Company has earlier today announced separately its audited final results for the financial year ended 31 March 2014.

Transaction highlights

- **Acquisition of Noratel**
  - Specialist designer and manufacturer of electromagnetics products
  - Revenues in 2013 of NOK794 million (£79.4 million), with NOK100 million (£10 million) underlying EBITDA (12.6 per cent.

underlying EBITDA margin)[1]

- **Similar technology to Myrra & Acal BFi electromagnetic businesses**
  - Expands Acal's electromagnetics business
  - Attractive niche sector with significant growth prospects

- **Complementary geographic profile**
  - Adds scale in key markets (Nordic regions and Germany)
  - Foothold in new markets (India and United States)

- **Significantly and immediately accretive to underlying earnings per share[2]**

- **Financing and acquisition consideration**
  - NOK735 million (£73.5 million) consideration (enterprise value)[1]
  - Proposed 3 year performance related incentive scheme of up to £1.2 million for Noratel management
  - Transaction funding - £55 million rights issue and new Group debt facility
  - Subject to shareholder approval

Note (1): Converted at an exchange rate of £1:NOK10, restated under IFRS
Note (2): This statement does not constitute a profit forecast.

The Acquisition, because of its size in relation to the Company, is a Class 1 transaction for Acal under the Listing Rules and is therefore conditional, inter alia, upon the approval of Shareholders of all of the Resolutions. A General Meeting is to be held at 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH at 11 a.m. on 23 June 2014 for the purpose of seeking such approval and a notice convening the General Meeting, at which the Resolutions will be proposed will be set out in the Prospectus expected to be sent to Shareholders in due course.

Nick Jefferies, Group Chief Executive commented:

"I am very pleased to announce the proposed acquisition of Noratel, which is a major step forward in building a highly differentiated specialist electronics supplier. The Noratel Group has a successful track record of providing custom electromagnetic products to industrial customers throughout Europe and increasingly in Asia and North America, and fits well with our existing businesses, in particular the Myrra Group. As part of the enlarged group, Noratel will have access to our 20,000 strong customer base whilst Acal will benefit from Noratel's well established customisation, design and manufacturing capabilities and international footprint.

We look forward to welcoming Noratel's management and employees into the Acal Group."

Indicative timetable	**2014**
Publication of Prospectus	on or around 5 June
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 19 June
Rights Issue Record Date	5.00 p.m. on 19 June
General Meeting	11.00 a.m. on 23 June
Existing Ordinary Shares marked "ex" by the LSE	8.00 a.m. on 24 June
Dealings in new Ordinary Shares, nil paid, commence on the LSE	8.00 a.m. on 24 June
Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 8 July
Dealings in new Ordinary Shares, fully paid, commence on the LSE	8.00 a.m. on 9 July
Expected date of Completion of Acquisition	on or around 16 July

Note: Each of the times and dates above is subject to change. References to time and day are to time in London, United Kingdom, unless otherwise stated.

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IMPORTANT NOTICE

Unless otherwise stated references to time contained in this announcement are to UK time. This announcement has been prepared and issued by and is the sole responsibility of Acal plc.

A copy of the Prospectus when published will be available from the registered office of the Company and on the Company's website at www.acalplc.co.uk provided that the Prospectus will not be available (whether through the website or otherwise) to "Restricted Shareholders", subject to certain exceptions. The Prospectus will give further details of the Acquisition, the Rights Issue Shares, the Nil Paid Rights and the Fully Paid Rights being offered pursuant to the Rights Issue.

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In addition, none of the Rights Issue Shares, the Nil Paid Rights or the Fully Paid Rights will qualify for distribution under any of the relevant securities laws of any of the Excluded Territories. Accordingly, the Rights Issue Shares, the Nil Paid Rights and the Fully Paid Rights may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any of the Excluded Territories.

Certain statements contained in this announcement, as well as in written and oral statements that the Company, its management and/or its directors may make from time to time in reports, filings, news releases, conferences, teleconferences, postings or otherwise are or may constitute "forward looking statements". Such forward looking statements include, without limitation, statements in relation to the Group's and/or the Noratel Group's financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, plans and objectives of management and other matters and other statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group or the Noratel Group, in the industries in which they operate, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, general economic and business conditions, changes in government relations or policy, competition and the other risks described in this announcement. Given these uncertainties, prospective investors and Shareholders are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are stated as at the date of this announcement.

Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange, the FSMA or applicable law, the Company does not have any obligation to update or publicly revise any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the rules of the FCA, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or by law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in Acal's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any forward-looking statement contained in this announcement based on past or current trends and/or activities of the Group or the Noratel Group should not be taken as a representation that such trends or activities will continue in the future. No statement in this announcement is intended to be a profit forecast or to imply that the earnings of the Group or the Noratel Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group or the Noratel Group. These forward-looking statements are further qualified by the risk factors described in Part II ("Risk Factors") of the Prospectus. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statement made as to sufficiency of working capital in paragraph 17 of Part XVII ("Additional Information") of the Prospectus.

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Neither the content of Acal's website (or any other website) nor the content of any website accessible by hyperlinks on Acal's website (or any other website) is incorporated in, or forms part of, this announcement.

Introduction

Acal plc (LSE: ACL, "Acal", the "Group" or the "Company"), a leading European specialist electronics supplier, is pleased to announce that it has entered into a conditional agreement to acquire Noratel, based on an enterprise value of NOK735 million (£73.5 million) on a debt free basis. The upfront cash consideration for the Acquisition is NOK291.88 million (£29.2 million) and the issue of up to such number (subject to a maximum of 500,000 Consideration Shares) as is equivalent to £0.8 million as determined using the average mid-market closing price for the three three trading days prior to Completion.

The Company is proposing to finance the Acquisition in part through a 1 for 1 Rights Issue at 176 pence per Rights Issue Share to raise approximately £55 million (the "Rights Issue"). The Rights Issue Price represents a 49.0 per cent. discount to the closing middle market price on 4 June 2014 and a 32.5 per cent. discount to the theoretical ex-rights price. Adjusting the closing price for the 2014 Final Dividend of 6.85 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 13 June 2014, implies a discount to the closing price of 48.0 per cent. and a discount of 30.6 per cent. to the theoretical ex-rights price on the same basis.

The Company has also entered into a Facility Agreement in respect of a £70 million revolving facility, which is available in part to finance the Acquisition, and partly to refinance Acal's existing committed facilities (which stood at £24 million on 31 March 2014), to refinance Noratel's existing debt (£43.5 million) and also for general corporate purposes.

The Acquisition, because of its size in relation to the Company, is a Class 1 transaction for Acal under the Listing Rules and is therefore conditional, inter alia, upon the approval of Shareholders of all of the Resolutions.

Background to and reasons for the Acquisition

Over the last five years, as a result of a change of Group strategy in February 2009, Acal has successfully transitioned into a leading European supplier of specialist electronics to the industrial market place with services spanning distribution, design and manufacture. This has been achieved through both a change in the focus of the underlying business towards more highly differentiated products as well as through acquisitions of complementary specialist businesses, including Acal's successful acquisition of the Myrra Group in April 2013.

The Group has performed well over the last five years, with the last three of these years being against a challenging market backdrop. The Group has seen an increase in its market share and operating margins over this period, with a strong focus on control of operating costs and cash generation. While markets remain challenging, the Company has been encouraged by the pick-up in orders for the financial year ended 31 March 2014, with electronic orders 21 per cent. higher at CER than in the previous financial year. Excluding acquisitions, like for like orders were 4 per cent. higher than in the previous financial year. In addition, Global and Eurozone purchasing managers index ("PMI") data has seen an improving trend since July 2012, with the Markit Eurozone Manufacturing PMI for May 2014 at 52.2 and the JP Morgan Global Manufacturing PMI for May 2014 at 52.2. The Board believes that the Acquisition, which is a further step in the Group's stated growth strategy, will bring a number of benefits to Acal, including:

- **Further strengthening of Acal's specialist electronics business as:**
    - Noratel's customised electromagnetics offering to a high quality industrial customer base is highly complementary with both Myrra (design and manufacture) and Acal BFi (specialist distribution); and
    - Noratel brings a broad based, long term customer base;

- **Enhancing custom design and production capabilities, noting in particular that:**
    - a high proportion (approximately 70 per cent.) of Noratel's products are customised or modified; and
    - Noratel provides additional design and manufacturing capabilities with production facilities in Asia, Europe and the US;

- **Further developing the Group's geographic profile by:**
    - expanding sales into northern and western Europe and Asia;
    - enlarging the Group's presence in Asia and the Nordic region, a core Electronics market within Europe; and
    - providing an initial footprint into the US market;

- **Potential operational benefits including:**

- opportunities for purchasing and development efficiencies between Acal and Noratel; and
- cross selling of products across customer and geographical segments; and

- **Enhancing financial performance:**
  - the acquisition of a high margin business (12.6 per cent. underlying EBITDA margin in the year ending 31 December 2013) with a track record of growth; and
  - it is expected to be immediately significantly accretive to underlying earnings per share (after taking into account the issue of Rights Issue Shares and Consideration Shares) [(3)]

Note (3): This statement does not constitute a profit forecast.

Information on the Acal Group

Acal is a specialist electronics group supplying niche electronics to industrial manufacturers and the healthcare sector. The Group operates a number of high quality businesses, which supply and create individual product solutions to meet specific customer needs. Acal is well positioned with an infrastructure to deliver a complementary range of specialist products and bespoke solutions across Europe as well as in Asia and Africa. The Group's businesses comprise Acal BFi, Hectronic, MTC, Myrra, RSG, Stortech and Vertec of which Acal BFi is the largest. Approximately 70 per cent. of the Group's revenues are generated from major economies in Europe.

Acal has completed seven acquisitions in the last five years, more than trebling its specialist electronics revenues. These acquisitions have expanded both its design and manufacturing capabilities as well as its specialist distribution offering. These acquisitions have delivered a combined pre-tax return on investment of 24 per cent. (after including the costs of the integration) during the year ended 31 March 2014. This combined with the development of the organic performance and the disposal of the Supply Chain Division, has led to an increase in underlying operating profits and underlying operating margin in this period from an underlying operating loss of £0.7 million (-0.4 per cent. margin) to an underlying operating
profit of £7.1 million (3.4 per cent. margin) on a continuing basis.

On 2 June 2014 Shareholders voted to approve the disposal of the Enterprise Business to a company in which the management team of that business is participating. The disposal represented the remaining business contained within its Supply Chain Division and reflects Acal's continued strategy of building a specialist electronics supplier to the industrial and medical sectors. The disposal completed the Company's program of non-core business disposals, following the disposal of its UK Parts Business and the European Parts Business in 2013.

Acal's strategy is to further enhance its leading position through organic growth and by acquiring complementary businesses which together create the opportunity for enhanced growth and/or the realisation of operational efficiencies.

Current trading and prospects
In its 2014 Financial Results released earlier today, Acal reported underlying profit before taxation of £6.3 million for the 2014 Financial Year on revenues of £211.6 million on a continuing basis. As at 31 March 2014, Acal had net assets of £48.5 million.

The 2014 Financial Results contained the following commentary in relation to the Company's current trading and prospects:

"The business performed well over the last year. Organic performance returned to growth and operating margins have further improved, generating a healthy cash flow. All seven of our acquisitions made in the last five years are performing well, including Myrra, YEG and RSG acquired this year, bringing new capabilities and products, as well as access to new geographies. With the disposal of the Enterprise Business completed, Acal is now wholly focused on specialist electronics.

Trading conditions improved through the year and we continue to perform ahead of the broader market, as customers increasingly recognise and appreciate the value of our differentiated offering.

The new financial year has started well as expected. Sales growth continues, driven by the high order book, whilst orders remain at levels similar to those of last year. The proposed major acquisition of the Noratel Group, announced today, will enhance our product capabilities and expand our geographic presence. Whilst overall market growth rates remain relatively low, the business is well positioned to benefit from improving market conditions, enhanced by further quality acquisitions."

Information on the Noratel Group

Noratel is a global designer and manufacturer of electromagnetic products, specifically of low, medium and high power transformers and chokes, headquartered in Norway. Noratel has a broad customer base in Europe, Asia and increasingly in North America and has become a preferred supplier to leading international OEMs in various markets. It has a well-establised position supplying the industrial, renewable energy, medical and oil and gas sectors.

With almost sixty years of experience in designing and manufacturing transformers, Noratel is an international group of 16 companies operating in 12 countries, with more than 2,300 employees of which approximately 75 per cent. are located at the production facilities in Asia. The senior management team of the Noratel Group is led by Asle Tandberg who became Chief Executive Officer of the Noratel Group in 1999. Asle Tandberg joined the Noratel Group in 1993 and prior to becoming Chief Executive Officer held various roles, including Chief Financial Officer. He led the business' expansion into northern Europe and Asia.

The Company currently intends to put in place an incentivisation arrangement for Noratel's management team based on the performance of Noratel over the three years following Completion worth up to £1.2 million. The exact terms of this arrangement are yet to be finalised. In addition, part of the consideration that Noratel's management team have elected to receive is payable in Ordinary Shares, thus further incentivising Noratel's management team to drive performance in the Enlarged Group.

The Company considers that Noratel's key strengths include:

- **Product quality, development and customisation:**Product development and customisation is an essential part of Noratel's business and is typically performed in close co-operation with its customers. Although the basic construction principle behind a transformer has not changed significantly over the years, Noratel's customers continually demand smaller, more efficient and lower cost products. The engineers at Noratel are able to design, manufacture and test transformer and choke products according to specific performance, safety and environmental requirements.

- **Geographic platform:** Noratel has more than 2,300 employees worldwide, with the majority engaged in the manufacturing process in low-cost countries in Asia and Poland. Noratel is well-known in many markets for its technical knowledge and innovation. An experienced staff of more than 40 engineers, largely based in Norway and Germany, are involved in product development and customisation.

- **Manufacturing capacity and customer base:** As a diversified manufacturer Noratel delivers to a range of customers in selected industries and geographical locations. Over recent years Noratel has been able to acquire an increasing share of international blue chip customers, and has become a preferred supplier to many leading international OEMs. Noratel sells its products primarily to seven main end-market segments:
  - motor drives and automation;
  - installation and wholesale;
  - wind and solar energy;
  - medical;
  - ship and offshore oil and gas platforms; and
  - other (for example audio and mobility)

- **Long term customer relationships:** In the last year, Noratel had approximately 2,500 customers. No one customer represents a significant proportion of total revenue with the top 30 customers accounting for 45 per cent. of total revenue for the year ended 31 December 2013. Whilst orders will fluctuate from year to year, Noratel has had a relationship with most of its customers for at least five years and in some cases up to twenty years.

- **Stable management with long term service:** Management have an average length of service of 16 years with the Noratel Group and are therefore highly experienced with a track record of growing the business.

Current trading and prospects
Noratel's trading for the first four months of 2014 reports revenues that have increased by 5 per cent. compared to the same period of the prior year. Rolling twelve month revenues to the end of April 2014 have grown by 2 per cent., at CER, compared to the prior year and rolling twelve month orders at the end of April 2014 were 1 per cent. lower, at CER, compared to the prior year. With a significant pipeline of new projects both in the industrial, renewable energy and medical sectors, the Group is well positioned for further growth, as project releases come through and global economies continue to improve.

The general improvement in market conditions, pick up in industrial manufacturing activities and growth in the renewable energy and medical sectors presents significant growth opportunities for the Noratel Group. With a strong track record, custom design service, broad geographical presence and a low cost manufacturing base in Asia, the Noratel Group is well positioned to take advantage of these opportunities and grow further.

Summary financial information on the Noratel Group

The historical financial information of the Noratel Group for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 is set out below:

NOK million	**Financial year ended 31 December**		
	2011	**2012**	**2013**
Sales	726	743	794
Operating profit	50	74	74
Underlying operating profit	56	75	81
Underlying operating margin	7.7%	10.1%	10.2%
Underlying EBITDA	73	92	100
Profit before tax	30	48	38
Underlying profit before tax	36	49	45

Note: Underlying profit measures above exclude the impact of exceptional items.

As at 31 December 2013, Noratel had gross assets of NOK815 million (£80.7 million) and net assets of NOK227 million (£22.4 million).

The Noratel Group has experienced solid growth over the 3 year period ending 31 December 2013 amidst challenging market conditions. Revenue has grown by 5 per cent. CAGR over the 3 year period, with underlying operating margin and underlying EBITDA margin improving by 2.5 percentage points and 2.6 percentage points respectively over the historical period resulting from increasing revenues, resilient gross margins and a stable cost base. Noratel's revenue performance benefitted from the acquisition of NPE in December 2012, giving the Noratel Group access to the sizeable US market and contributing NOK18.2 million of revenue to the Noratel Group in the year ended 31 December 2013.

The NOK4.4 million (9.0 per cent.) decrease in underlying profit before tax in 2013 compared to the prior year is attributable to a NOK10.3 million increase in net finance costs resulting mainly from foreign exchange losses on financial liabilities.

Principal terms of the Acquisition

Under the terms of the Sale and Purchase Agreement, which was signed on 4 June 2014, the Purchaser, a wholly owned subsidiary of Acal, has agreed to acquire the entire issued and to be issued share capital of Noratel based on an enterprise value (on a debt free basis) of NOK735 million (£73.5 million). The upfront cash consideration payable by the Purchaser to the Sellers on Completion is NOK291.9 million (£29.2 million). Certain members of the Noratel management team have also elected to receive a portion their consideration (equal to £812,000 in aggregate) in the form of Ordinary Shares in Acal with a view to sharing in the future growth and success of the Acal Group. Stefan Larsson, the Chief Financial Officer of Noratel, also has committed to acquire Ordinary Shares with a value of £33,000 at Completion.

Shareholders will experience dilution as a result of the issue of the Consideration Shares. In the event that the maximum number of Consideration Shares are issued, Shareholders will experience a 0.8 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 0.8 per cent.) as a result of the issue of the Consideration Shares (by reference to their shareholding after completion of the Rights Issue).

The Acquisition is conditional, inter alia, upon obtaining the approval of Shareholders at the General Meeting, the completion of the Rights Issue and the satisfaction or waiver of other conditions which are considered customary for a transaction of this nature.

The Sale and Purchase Agreement includes commercial and tax warranties and indemnities from the Sellers to the Purchaser. Claims by the Purchaser against the Sellers under the warranties and indemnities are subject to certain financial thresholds and caps, matters disclosed by the Sellers, and a survival period, which are customary for a transaction of this nature.

Herkules, a Norwegian private equity firm, has owned Noratel since 2004. Herkules Private Equity (GP-I) Limited, which owns 67.5 per cent. of the share capital of Noratel, is expected to be wound up on or around 31 December 2014, as the fund reaches the end of its term. Accordingly, in order to provide cover for the liabilities of the Sellers in respect of the warranties under the Sale and Purchase Agreement, Acal has taken out an insurance policy. Subject to certain customary exceptions, this insurance policy will respond to any claims by Acal against Herkules under the warranties up to a cap of NOK250 million (£25 million).

In the event that the Resolutions are not passed on or before 30 June 2014, or the Underwriting Agreement is terminated prior to Admission or Admission does not occur, save in certain limited circumstances, the Company will be required to pay the Sellers c.€0.6 million (£0.5 million) under a break fee for costs and expenses incurred by the Sellers in connection with the Acquisition.

Further details of the Sale and Purchase Agreement, including the terms of the break fee, will be set out in Part VIII ("Summary of the Principal Terms of the Acquisition") of the Prospectus.

Financial effects of the Acquisition

The Acquisition is expected to be immediately accretive to underlying earnings per share, taking into account the issue of the Rights Issue Shares and the Consideration Shares but excluding any cost or benefits from potential operational efficiencies arising from the Acquisition. This statement does not constitute a profit forecast.

The upfront cash consideration for the Acquisition is NOK291.9 million (£29.2 million). In addition, the Company will incur commission, adviser fees, banking arrangement fees and expenses of approximately £5.0 million in connection with the Acquisition, the Rights Issue and the Facility.

Part XIV ("Unaudited Pro Forma Financial Information") of the Prospectus will contain an unaudited pro forma statement of net assets and an unaudited pro forma income statement of the Enlarged Group assuming that the disposal of the Enterprise Business by the Acal Group, the Acquisition and the Rights Issue had occurred on 31 March 2014 and at the beginning of that financial year, respectively. As more fully described in Part XIV of the Prospectus, on a pro forma basis and based on the assumptions described therein, the unaudited pro forma revenues and underlying operating profit of the Enlarged Group would be £298 million and £16 million respectively with profit before tax of £9.8 million and profit for the year from continuing operations of £8.1 million. The pro forma net assets of the Enlarged Group would be £99.5 million.

The Company estimates that the net debt of the Enlarged Group following Completion will be approximately £30 million (based on an assumed seasonally adjusted normalised net debt level for the Enlarged Group) and therefore expects headroom of approximately £40 million under the Facility to provide ongoing financial flexibility. The Board expects leverage following Completion to be approximately 1.6 times net debt/underlying EBITDA (based on the pro forma profits for the 2014 Financial Year). The Enlarged Group is expected to generate strong free cash flow and the Board expects that this leverage ratio will reduce over time.

Principal Terms of the Rights Issue

The Rights Issue will raise gross proceeds of approximately £55 million which will be used to finance the Acquisition. The Rights Issue is not conditional upon completion of the Acquisition. Subject to the terms and conditions to be set out in the Prospecus, the Rights Issue Shares will be offered for subscription by way of a rights issue to Qualifying Shareholders on the following basis:

1 Rights Issue Shares at 176 pence each for every 1 Ordinary Share.

The Rights Issue Price represents a discount of approximately 49.0 per cent. to the closing middle market price on 4 June 2014 (being the last Business Day prior to this announcement) and a 32.5 per cent. discount to the theoretical ex-rights price of £2.61 per Rights Issue Share calculated by reference to that Closing Price on the same basis. This represents a 48.0 per cent. discount to that closing middle market price adjusted for the 2014 Final Dividend of 6.85 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 13 June 2014, and a discount of 30.6 per cent. to the theoretical ex-rights price on the same basis.

Upon completion of the Rights Issue, the Rights Issue Shares will represent 100 per cent. of the Company's existing issued share capital and 50 per cent. of the Company's enlarged issued share capital following the Rights Issue and prior to the issue of the Consideration Shares.

The Rights Issue Shares will be credited as fully paid and will rank pari passu in all respects with the Existing Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Shares after Admission, save that the Rights Issue Shares will not qualify for the 2014 Final Dividend.

The offer of Nil Paid Rights, Fully Paid Rights and/or Rights Issue Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Subject to certain exceptions, the Rights Issue is not being made in the Excluded Territories. Persons in Excluded Territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

A Qualifying Shareholder who sells or otherwise elects not to take up or who is not permitted to take up its, his or her Nil Paid Rights (for example because they are Qualifying Shareholders in Excluded Territories) will experience a 50 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 50 per cent.) as a result of the Rights Issue.

If a Qualifying Shareholder does not subscribe for the Rights Issue Shares to which he is entitled, such Shareholder can instead sell his rights to those Rights Issue Shares and receive the net proceeds in cash. This is referred to as dealing in the rights - nil paid and, subject to the fulfilment of certain conditions, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 24 June 2014.

The Rights Issue has been fully underwritten by Oriel Securities pursuant to and subject to the terms and conditions of the Underwriting Agreement. The Rights Issue is conditional, amongst other things, upon:

- the Underwriting 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
- Admission becoming effective by 8.00 a.m. on 24 June 2014 (or such later time and date as the Company and Oriel Securities may agree, but not later than 1 July 2014).

Applications will be made to the UK Listing Authority and to the London Stock Exchange for the Rights Issue Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities respectively. It is expected that Admission will become effective on 24 June 2014 and that dealings in Rights Issue Shares, nil paid, will commence at 8.00 a.m. on that date.

The number of Rights Issue Shares to be issued is 31,332,127. As at the Latest Practicable Date an additional 1,207,462 Ordinary Shares under the Rights Issue would be required to be issued were all outstanding options and awards under the Acal Share Plans excercised between the Latest Practicable Date and the Record Date. In addition, up to a maximum of 500,000 Consideration Shares will be issued pursuant to the Acquisition.

It is expected that the Provisional Allotment Letters to Qualifying Non-CREST Shareholders will be dispatched on 23 June 2014.

The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 a.m. on 8 July 2014.

Part XV of the Prospectus will set out the terms and conditions of the Rights Issue.

New Facility

Acal plc (among others) has entered into the Facility Agreement with certain lenders for the provision of the Facility of up to £70 million. The purpose of the Facility is to provide loans to the Purchaser to enable it to directly or indirectly finance or refinance the Acquisition and certain existing indebtedness of any member of the Group including (following completion of the Acquisition) the Noratel Group, to fund future permitted acquisitions and to provide certain group-wide working capital facilities.

The Termination Date under the Facility is the date falling 5 years from the date on which the Acquisition completes and the lenders' commitments under the Facility will reduce by £625,000 every six months commencing June 2015. Advances under the Facility will attract a rate of interest for each interest period equal to 2.40 per cent. per annum (subject to margin ratchet) plus LIBOR (or the equivalent rate for the applicable currency).

The Facility is committed, conditional on customary conditions to utilisation including completion of the Acquisition and the Rights Issue. If the Acquisition does not close by 30 September 2014, then the Facility will be automatically cancelled, subject to lender approval to continue.

The Facility Agreement contains certain representations, warranties and undertakings and other obligations which include an undertaking to provide certain information in relation to the Enlarged Group and to maintain certain financial ratios. The financial ratio levels are tested on a quarterly basis and require that Interest Cover (as defined in the Facility Agreement) must be not less than 4.00 and Leverage (as defined in the Facility Agreement) must not be more than 3.25 (in respect of the quarter date falling on or around 31 December 2014) and 3.00 (thereafter).

Risk factors

Shareholders should consider fully and carefully the risk factors associated with the Group and the Enlarged Group including those set out in this announcement. Your attention is drawn to the risk factors set out in Part II ("Risk Factors") of the Prospectus.

Dividend and dividend policy

The Board has recommended the 2014 Final Dividend of 6.85 pence per Ordinary Share giving a total dividend for the financial year ended 31 March 2014 of 9.35 pence per Ordinary Share, which represents an increase of 10 per cent. on the previous year and a dividend cover of 1.7 times underlying earnings. In total, the dividend has been increased by 34 per cent. over the last four years. The dividend will be payable on 31 July 2014 to shareholders on the register as at 13 June 2014.

The Board continues to consider dividends to be an important component of Shareholder returns and intends to continue its progressive dividend policy, wherever practical to do so. Following the Acquisition it is the Board's intention to maintain dividend cover over the medium term in the range of two to three times underlying earnings.

Potential revised incentivisation arrangements for Acal's senior management

Following Completion, it is the Board's intention to review the incentive plans for Acal's senior management to take into account the importance of the Acquisition. Following best practice, the Company will consult with key Shareholders before finalising the details and will seek Shareholders' approval for any changes to the existing LTIP or to the remuneration policy.

Shareholder approval and timetable

The Acquisition, because of its size in relation to the Company, is a Class 1 transaction for Acal under the Listing Rules and is therefore conditional, inter alia, upon the approval of Shareholders of all of the Resolutions. A General Meeting is to be held at 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH at 11 a.m. on 23 June 2014 for the purpose of seeking such approval and a notice convening the General Meeting, at which the Resolutions will be proposed, will be set out at the end of the Prospectus.

Expected timetable

	2014
Announcement of the Acquisition and Rights Issue	5 June
Dividend record date	13 June
Record date for entitlement under the Rights Issue for Qualifying Shareholders	5.00 p.m. on 19 June
Latest time and date for receipt of Forms of Proxy	5.00 p.m. on 19 June
General Meeting	11.0 p.m. on 23 June
Dealings in the Rights Issue Shares, nil paid, on the London Stock Exchange	8.00 a.m. on 24 June
Ex-entitlement date for the Rights Issue	8.00 a.m. on 24 June
Latest time and date for acceptance, payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 8 July
Announcement of the result of the Rights Issue	7.00 a.m. on 9 July
Dealings in Rights Issue Shares, fully paid, commence on the London Stock Exchange	8.00 a.m. on 9 July
Admission of the Consideration Shares	8.00 a.m. on or around 16 July
Completion of the Acquisition	on or around 16 July

Note: Each of the times and dates above is subject to change. References to time and day are to time in London, United Kingdom, unless otherwise stated.

Directors' Intentions

Each of the Directors who holds Ordinary Shares has undertaken to take up in full his or her rights to subscribe for Rights Issue Shares under the Rights Issue in respect of his or her beneficial holdings, which together amount to 66,263 Ordinary Shares, representing 0.2 per cent. of Acal's issued ordinary share capital as at the Latest Practicable Date.

Recommendation

The Board believes that the Acquisition and Rights Issue are in the best interests of the Company and of Shareholders as a whole and accordingly unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting to approve the Acquisition and the Rights Issue as the Directors intend to do in respect of their own beneficial holdings amounting, in aggregate, to 66,263 Ordinary Shares, representing approximately 0.21 per cent. of the issued ordinary share capital of Acal as at the Latest Practicable Date.

Key information on the risks specific to the issuer or its industry

The Directors believe that the risks and uncertainties relating to the Company, the Acquisition and the Rights Issue include, but are not limited to:

Risks associated with the Acquisition not proceeding
The Acquisition is contingent on certain conditions, including approval by Shareholders of all of the Resolutions. If these conditions are not satisfied such that the Acquisition does not complete, the Company would nonetheless be obliged to pay certain costs associated with the Acquisition of approximately £1.7 million (being non-contingent adviser fees and a £0.5 million break fee granted by Acal to the Sellers). The Rights Issue is not conditional upon Completion of the Acquisition; if the Acquisition does not complete but the Rights Issue does, the proceeds of the Rights Issue will be retained by the Group while management explores other acquisition opportunities and, if no acquisitions can be found on acceptable terms within a suitable timeframe, the Directors will consider how best to return surplus capital to Shareholders. Such a return could result in certain costs and complexities such that any return of capital may be less than the amount subscribed in the Rights Issue.

Risks associated with the Acquisition
The Enlarged Group may not realise the expected benefits from the Acquisition or may encounter difficulties in achieving these anticipated benefits or unexpected costs. Only limited warranties are being provided by the Sellers in the Sale and Purchase Agreement which may limit the ability of the Enlarged Group to recover for potential liabilities associated with the Noratel Group. Following Completion, the leverage of the Enlarged Group will increase which may result in increased borrowing costs and more restrictive covenants which may limit its commercial and financial flexibility.

Risks associated with the Group and, following Completion, the Enlarged Group
The Enlarged Group faces operational risks (including, among others, business interruptions, theft, fraud, natural disasters, the fluctuation of prices in the supply of raw materials, and failure by third parties to perform in accordance with contractual agreements) which could impact the trading performance of the Enlarged Group.

Demand for the Enlarged Group's products may be adversely affected by macroeconomic and market conditions beyond its control which could ultimately affect the Enlarged Group's profitability. The Enlarged Group's businesses are exposed to fluctuations in currency exchange rates (in particular the Euro and NOK). An adverse change in currency exchange rates may impact the Enlarged Group's results of operations, financial condition and/or growth prospects. The Enlarged Group may have to make additional contributions to Acal's existing closed legacy retirement benefit fund, which could have an adverse effect on the Enlarged Group's business and prospects. Major damage to the Enlarged Group's warehouse and production facilities from fire, malicious damage or natural disaster would result in disruption in shipments to customers and therefore impact the business for a period.

Appendix
Definitions

"2014 Final Dividend"	The proposed final dividend for the year ended 31 March 2014 of 6.85 pence per Ordinary Share
"2014 Financial Results"	The final results of the Company for the year ended 31 March 2013 released on 5 June 2014
"2014 Financial Year"	1 April 2013 to 31 March 2014
"Acal BFi" or "Acal BFi Group"	Acal BFi UK Ltd, Acal Bfi NV/SA, Acal Bfi GmbH, Acal Bfi France Holdings SAS, Acal Bfi Nordic AB, Acal Bfi Technology BV, Acal Bfi Italia Srl, and Acal Bfi Iberia SL
"Acquisition"	the proposed acquisition by Acal of the entire issued and to be issued Noratel Shares pursuant to the Sale and Purchase Agreement
"Additional Consideration Shares"	the new Ordinary Shares to be subscribed for by Stefan Larsson for cash at Completion pursuant to the Sale and Purchase Agreement
"Admission"	the admission of the Rights Issue Shares, nil paid, to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Banks"	HSBC, Clydesdale and Danske
"Board"	the board of Directors of the Company
"Business Day"	any day on which banks are generally open for the transaction of normal business other than a Saturday or Sunday or public holiday in London
"CAGR"	compound annual growth rate, calculated as referenced in the Prospectus
"CER"	constant exchange rate
"Closing Price"	the closing middle market quotation of a Share as derived from the Daily Official List on a given day
"Company" or "Acal"	Acal plc
"Completion"	completion of the Acquisition in accordance with the terms of the Sale and Purchase Agreement
"Consideration Shares"	the Initial Consideration Shares and the Additional Consideration Shares
"Consideration Share Admission"	the admission of the Consideration Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with respectively, the Listing Rules and the Admission and Disclosure Rules
"CREST"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
"Directors"	the directors of the Company, whose names will be set out in Part XII ("Directors, Senior Management and Corporate Governance") of the Prospectus
"Enlarged Group"	Acal as enlarged by the Acquisition
"Enterprise Business"	a non-core business within the Acal Group, primarily supporting end of service life, mid-range and mainframe enterprise systems, such as computer servers and data centres
"European Parts Business"	the European IT parts distribution business sold by Acal to EAF Holding GmbH on 11 November 2013 for gross proceeds of c. 4.4 million
"Excluded Shareholders"	Shareholders with a registered address in (subject to certain exceptions) an Excluded Territory
"Excluded Territories"	the United States of America, Canada, Australia and Japan and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation

"Facility"	the term and revolving multi-currency debt facility, including new working capital facilities for the Group granted in relation to the Acquisition and the refinancing of certain Group-wide indebtedness pursuant to the Facility Agreement
"Facility Agreement"	the facility agreement dated 3 June 2014 to be entered into by certain members of the Group conditional on the Acquisition, as further described in Part XVII of the Prospectus
"FCA" or "Financial Conduct Authority"	Financial Conduct Authority of the United Kingdom
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the General Meeting
"General Meeting"	the general meeting of the Company to be held at 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH at 11 a.m. on 23 June 2014, notice of which is set out at the end of the Prospectus
"Group or Acal Group"	the Company together with its subsidiaries and subsidiary undertakings
"Hectronic"	Hectronic AB
"Herkules"	Herkules Private Equity (GP-I) Limited and Herkules Private Equity (GP-II) Limited, both private limited liability companies organised under the laws of Jersey, with registered office at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH, Channel Islands, acting in their capacity as general partners to Herkules Private Equity (Jersey-I) L.P. and Herkules Private Equity (Jersey II) L.P.
"IFRS"	International Financial Reporting Standards as adapted for use in the European Union
"Initial Consideration Shares"	the new Ordinary Shares to be issued to Management Sellers as consideration pursuant to the Sale and Purchase Agreement
"Latest Practicable Date"	4 June 2014, being the last practicable date prior to finalisation of the Prospectus for purposes of the Listings Requirements
"London Stock Exchange"	London Stock Exchange plc
"MTC"	MTC Micro Tech Components GmbH
"Myrra" or "Myrra Group"	Myrra Hong Kong Limited, Zongshan Myrra Electronic Ltd, Myrra SAS Myrra Deutschland Gmbh, Myrra Hispania, and Myrra Power SP
"Noratel"	Trafo Holding AS, registered in Norway under number 996755193 whose registered office is at Elektroveien 7, 3300 Hokksund
"Noratel Group"	Noratel, its subsidiaries and subsidiary undertakings
"Nil Paid Rights"	Rights Issue Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue
"Notice of General Meeting"	the notice of General Meeting set out at the end of the Prospectus
"NPE"	Noratel Power Engineering
"OEM"	Original Equipment Manufacturer
"Official List"	the Official List of the FCA
"Ordinary Shares" or "Shares"	the ordinary shares of 5p each in the share capital of the Company
"Oriel Securities"	Oriel Securities Limited, a company incorporated in England and Wales with registered number 04373759 whose registered office is at 150 Cheapside, London, EC2V 6ET, acting as bookrunner, sponsor and financial adviser in connection with the Rights Issue
"Provisional Allotment Letter"	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders
"Purchaser"	Acal Nordic Holdings Limited, a subsidiary of the Company
"Qualifying CREST Shareholders"	Qualifying Shareholders whose Existing Shares on the register of members of the Company at the Record Date are in uncertificated form and held through CREST
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders whose Existing Shares on the register of members of the Company at the Record Date are in certificated form

"Qualifying Shareholders"	Shareholders on the register of members of the Company at the Record Date, other than Excluded Shareholders
"Record Date"	5.00 p.m. on 19 June 2014
"Registrar" or "Receiving Agent"	Corporate Actions, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA
"Regulation S"	Regulation S under the US Securities Act
"Reporting Accountants"	KPMG LLP
"Resolutions"	the Resolutions to be proposed at the General Meeting (and set out in the Notice of General Meeting)
"Rights Issue"	the offer to Qualifying Shareholders, constituting an invitation to apply for Rights Issue Shares, on the terms and subject to the conditions set out in the Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letters
"Rights Issue Price"	176 pence per Rights Issue Share
"Rights Issue Shares"	the 31,332,127 new Ordinary Shares being offered to Qualifying Shareholders pursuant to the Rights Issue
"RSG"	RSG Electronic Components GmbH
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 4 June 2014 between the Purchaser and the Sellers relating to the Acquisition as described in paragraph 6 of Part VII of the Prospectus, a copy of which will be on display at the addresses specified in paragraph 21 of Part XVII of the Prospectus
"Sellers"	Herkules and the Minority Sellers
"Shareholders"	holders of Ordinary Shares whose names are registered on the Company's register of members
"Stortech"	Stortech Electronics Ltd
"UK Listing Authority" or "UKLA"	the Financial Conduct Authority acting in its capacity as the competent authority for listing under Part VI of FSMA
"UK Parts Business"	the new and refurbished parts and outsourcing business sold by Acal to EAF Supply Chain Limited (formerly Acal Supply Chain Limited) on 3 January 2013 for gross proceeds of £2.0 million (on a debt free basis)
"Uncertificated form"	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Underwriting Agreement"	the underwriting agreement dated 5 June 2014 between the Company and Oriel Securities in relation to the Rights Issue, details of which are set out in section 13 of Part XVII ("Additional Information") of the Prospectus
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Securities Act"	the US Securities Act of 1933, as amended
"Vertec"	Vertec Scientific Ltd and Vertec Scientific SA
"YEG"	Young Electronics Group

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