

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

3 August 2017

**Porta Communications Plc
("Porta" or the "Company" or the "Group")**

Strategic investment, debt reduction, lower debt coupons, Board changes

£3m Strategic Investment from SEC S.p.A

Partial Conversion of Hawk and Retro Grand Loans

Restructuring of Hawk and Retro Grand Loans

Appointment of Fiorenzo Tagliabue as Deputy Chairman

Porta Communications Plc (AIM: PTCM) announces that it has agreed a £3 million equity subscription with SEC S.p.A ("SEC" – AIM: SECG.L) a public relations company with operations across Europe (the "Subscription").

It also announces the conversion and restructuring of debt balances due to Hawk Investment Holdings Limited ("Hawk") and Retro Grand Limited ("Retro Grand").

Alongside SEC's strategic investment, Mr Fiorenzo Tagliabue, CEO and founder of SEC, has been appointed to the board of Porta as Non-Executive Deputy Chairman.

Strategic Investment

- Pursuant to a subscription agreement (the "Subscription Agreement") with SEC, the issue of 85,714,286 new ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") at a price of 3.5 pence per Ordinary Share to SEC to raise gross proceeds of £3 million (the "Subscription")
- Alongside the strategic investment, the signing of a commercial collaboration agreement with SEC (the "Commercial Agreement")

Partial conversion of Hawk and Retro Grand loans

- The settlement of a £311,375 debt due to Hawk, by way of the allotment and issue of 8,896,429 new Ordinary Shares at 3.5 pence per Ordinary Share (the "Hawk Conversion")
- The settlement of £417,779 of debt due to Retro Grand, by way of the allotment and issue of 11,936,542 new Ordinary Shares at 3.5 pence per share (the "Retro Grand Conversion")

Lower debt coupons

- The replacement of the current Hawk facility with a £4,460,243 discounted bond facility maturing on 14 April 2021, with a reduced equivalent annual interest rate of 8% (the "Hawk Discounted Bond Replacement")
- The replacement of the current Retro Grand convertible loan facility with a new convertible loan facility with a reduced interest rate of 8% and a maturity date 364 days after date of completion (the "Retro Grand Loan Replacement")

Board changes

- The appointment of Fiorenzo Tagliabue to the Porta board as Non-executive Deputy Chairman with effect from admission of the Subscription Shares (as defined below) to trading on AIM
- The resignation of Raymond McKeeve following his decision to step down from the board after more than five years of service, with the date of departure to be formally agreed by the board in due course

John Foley, Non-Executive Chairman of Porta, commented: “I previously identified the need for an equity injection and I am delighted to announce the subscription agreement with SEC which will provide Porta with the necessary additional funds to support the growth of the Company for the foreseeable future.

“The Board is also pleased to report the negotiation of much improved terms with Hawk and Retro Grand which significantly reduce the Company’s finance costs. These important developments form part of the Board’s ongoing strategy to build a strong, growing business supported by an equally strong balance sheet.

“The Board thanks Raymond McKeeve for all his valuable support and expertise. The Board is actively seeking a replacement and will make an appointment in due course.

“Porta is currently ahead of 2016 Interim results in terms of both fee income and Adjusted Headline EBITDA and the Board looks forward to updating shareholders with the interim report.”

Steffan Williams, CEO of Porta, added:

“Porta and SEC are highly complementary businesses in terms of geography, industry focus and services. The partnership will benefit the clients of both groups by allowing us to offer valued advice and services across many markets around the world.

“I’m looking forward to working closely with SEC. I’ve enjoyed getting to know Fiorenzo over recent months - he and I share the same approach - and he will bring considerable experience and ability to Porta.”

The Subscription Agreement

Porta announces that it has successfully raised gross proceeds of £3m by way of an issue of 85,714,286 new Ordinary Shares to SEC (the “Subscription Shares”) at a price of 3.5 pence per Ordinary Share. The Subscription Shares are subject to a lock-up arrangement that includes a 12-month lock-in period followed by a 12-month orderly market period. The Subscription Agreement contains standard warranties given by the Company and SEC and certain undertakings by the Company. The Subscription Agreement also gives SEC the right to appoint a Non-executive Director to the board of Porta for so long as SEC holds an interest equal to, or greater than, 7.5 per cent of the issued share capital of Porta. SEC has agreed that all transactions with Porta will be conducted on an arm’s length basis and that it will not take any action that, *inter alia*, would prevent the Company from conducting its business independently, impair its corporate governance arrangements or prejudice Porta’s status as an AIM-quoted company.

The purpose of the Subscription is to raise funds to be used by the Company for working capital to support a number of the subsidiary companies in the next phase of their development and growth as well as to strengthen the balance sheet of Porta.

Coupled with the above, Porta has sought out a strategic investor with which to collaborate in order to create a wider range of PR advisory capabilities and geographies that both companies would otherwise not have access to (for further details see the terms of the Commercial Agreement below).

SEC was founded in 1989 in Italy as a holding company and head office for a public relations and advocacy business. It is headquartered in Milan with operations across western Europe and the UK. On inception it grew organically focusing on media relations, institutional and business to business (B2B) events, publishing, lobbying and public affairs. From 1997, SEC expanded across Italy opening offices in Turin, Venice, Naples, Rome, Bari and Catania.

Following consistent growth over a number of years, in 2013 SEC began to expand internationally with a series of acquisitions in Belgium (2013), Spain (2014), Germany (2015), the UK (2016) and Poland (2017). The SEC Group currently comprises eleven subsidiaries in which it holds stakes ranging between 51 per cent. and 75 per cent of the share capital.

The Hawk Conversion

A loan was made from Hawk to Porta on 18 April 2016 in the amount of £257,707 for a term of 364 days, at an annual interest rate of 12%, with the interest payable quarterly, or compounded and paid in arrears in full at the end of the loan term. The total sum due as at 30 June 2017 was £311,375 consisting of the principal balance of £257,707 and interest of £53,668 (the "Hawk Loan").

The Company has agreed with Hawk to settle the Hawk Loan by way of the issue of new Ordinary Shares. The terms of the Hawk Conversion are that the sum due to Hawk totalling £311,375 under the Hawk Loan is converted into 8,896,429 new Ordinary Shares at an issue price of 3.5 pence per Ordinary Share (the "Hawk Conversion Shares").

Pursuant to the Hawk Conversion, the Company has today allotted and issued the Hawk Conversion Shares to Hawk (subject only to admission).

The Retro Grand Conversion

A loan was made from Retro Grand to Porta ("the Retro Grand Loan") on 9 November 2016 in the amount of £5,183,415 for a term of 364 days, at an annual interest rate of 12%, with the interest payable quarterly. It has been agreed to settle part of the Retro Grand Loan in the sum of £417,779 ("the Conversion Liability") by way of the issue of new Ordinary Shares.

The terms of the Retro Grand Conversion are that the Conversion Liability is settled by way of the issue of 11,936,542 new Ordinary Shares at an issue price of 3.5 pence per Ordinary Share ("the Retro Grand Conversion Shares").

Pursuant to the Retro Grand Conversion, the Company has today allotted and issued the Retro Grand Conversion Shares to Retro Grand (subject only to admission).

Interests in Ordinary Shares

Following the issue of the Subscription Shares, the Hawk Conversion Shares and the Retro Grand Conversion Shares, SEC will be beneficially interested in 85,714,286 Ordinary Shares representing approximately 19.3 per cent. of the enlarged issued share capital of the Company; Hawk will be beneficially interested in 69,054,077 Ordinary Shares representing approximately 15.6 per cent. of the enlarged issued share capital of the Company; and Retro Grand will be beneficially interested in 30,262,932 Ordinary Shares representing approximately 6.8 per cent. of the enlarged issued share capital of the Company.

The Hawk Discounted Bond Replacement

The Company has agreed the terms of a discounted bond with Hawk to replace Porta's existing £4,110,000 deep discounted bond with Hawk, maturing on 14 April 2019 with an equivalent annual interest rate of 12.8%. The Hawk Discounted Bond Replacement has a redemption date of 14 April 2021 and the amount to be redeemed on that date will be £4,460,243.

The Hawk Discounted Bond Replacement represents an improvement on the equivalent annual interest rate Porta was previously accruing, from 12.8% to 8%, along with pushing out the maturity date by two years to April 2021.

At its request, Porta is able to redeem the Hawk Discounted Bond Replacement early at a discount calculated on the date of redemption. As well as having the opportunity to repay early at a discount, the Hawk Discounted Bond Replacement will help to continue to reduce the Company's monthly cash interest payments as the redemption premium is only payable on the date of redemption.

The Retro Grand Loan Replacement

As announced on 8 November 2016, the Company re-financed the pre-existing convertible loan from Retro Grand with a convertible loan from Retro Grand with a face value of £5,183,415 and interest payable at a rate of 1% per month. In the event of default Retro Grand has the option of converting the loan into Porta Ordinary Shares with the conversion price calculated on the basis of the volume weighted average price of Porta Ordinary Shares for the five business days immediately prior to a notice of conversion being issued.

The Company has now agreed with Retro Grand to replace the existing facility with the Retro Grand Loan Replacement facility (also a convertible loan) which will have a face value of £5,183,415, a term of 364 days from the effective re-financing date of 30 June 2017 and on which interest will accrue at a rate of 8% per annum, payable quarterly in arrears.

The Commercial Collaboration Agreement

Porta has also entered into a Commercial Agreement with SEC which provides that the two companies will share business opportunities and platforms to leverage the capabilities of both companies and to strengthen their respective positions in the public relations market. SEC and Porta intend for this collaboration to approach the market as a global partnership, allowing for a broader set of skilled offerings to be offered across a greater geographical reach than either company is currently able to provide on its own.

Under the terms of the Commercial Agreement, Porta and SEC will establish a central marketing and new business function to facilitate the development of joint new business opportunities to share best practices and to act as a conduit for future collaborative activities (the “Collaboration Team”). The Collaboration Team will initially comprise two individuals with one individual nominated by Porta and one by SEC. The individuals appointed to the Collaboration Team will be Senior Managers from both companies. The work of the Collaboration Team will be coordinated by the CEO of Porta and by the CEO of SEC.

The fee sharing arrangements on joint projects will be determined on a case-by-case basis.

The Commercial Agreement and Collaboration Team will be further supported by a SEC senior manager who will be on secondment and based at Porta’s office.

The Commercial Agreement shall continue, unless terminated earlier, until the third anniversary of the commencement of the Commercial Agreement. Separately, the Commercial Agreement may be terminated at any time with the written consent of both parties, or by one party giving at least 30 days’ notice in writing to the other party.

The Commercial Agreement is conditional upon admission occurring in accordance with the provisions of the Subscription Agreement.

Board changes

Mr Fiorenzo Tagliabue, CEO and founder of SEC, will be appointed to the board of Porta as Non-Executive Deputy Chairman, with effect from the Admission of the Subscription Shares to trading on AIM.

Mr Tagliabue founded SEC Group in 1989 and continues to be involved in the company’s day-to-day operations and strategic direction, serving as CEO. Mr Tagliabue has played a key role in building SEC Group and expanding its footprint internationally. In addition to his role as CEO of SEC he personally oversees the lobbying and public affairs division based in Milan and Rome. Prior to founding SEC, Mr Tagliabue served as Managing Director of NEI S.p.A, the company that edits the daily newspaper Avvenire (1983-1989) and as General Secretary of the Vatican Television Centre (1986-1989).

Further information concerning Fiorenzo Tagliabue, as required by the AIM Rules for Companies, is set out below.

The Company has also been informed by Raymond McKeeve, a Non-Executive Director of the Company, that he has taken the decision to step down from the Board after more than five years of service and the date of departure will formally be agreed by the Board in due course.

Related Party Transactions

The Hawk Conversion, the Retro Grand Conversion, the Hawk Discounted Bond Replacement and the Retro Grand Loan Replacement constitute related party transactions pursuant to Rule 13 of the AIM Rules for Companies as Morton PTC Limited, as the trustee of the Morton Family Trust, is the legal owner of Hawk (a substantial shareholder of the Company) and as the trustee of the Edward Trust, is the legal owner of Retro Grand.

The directors consider, having consulted with the Company's nominated adviser, Grant Thornton UK LLP, that the terms of these transactions are fair and reasonable insofar as the Company's shareholders are concerned.

Application for admission to trading on AIM

Application has been made to the AIM Market of the London Stock Exchange ("AIM") for a total of 106,547,257 Ordinary Shares, representing the Subscription Shares, the Hawk Conversion Shares and the Retro Grand Conversion Shares, which all rank pari passu with the Company's existing issued Ordinary Shares, to be admitted to trading on AIM. Dealings on AIM are expected to commence at 8:00 a.m. on or around 4 August 2017 ("Admission").

Total Voting Rights

For the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTRs"), following Admission the issued ordinary share capital of the Company will comprise 443,341,441 Ordinary Shares with voting rights attached (one vote per share). The Company does not hold any shares in treasury. This figure of 443,341,441 may be used by the Company's shareholders as the denominator for the calculation by which they will determine whether they are required to notify their interest in, or a change to their interest in the share capital of Porta under the DTRs.

Further information on Fiorenzo Tagliabue

Fiorenzo Vittorio Tagliabue, aged 67, is, or has been, a director or partner of the following companies or partnerships during the past five years:

Current directorships and partnerships

SEC S.p.A.
Cambre Associates SA
ACH Cambre - Consejeros De Relaciones Públicas S.L
Kohl PR & Partner Unternehmensberatung für Kommunikation GmbH
Newington Communications Limited
SEC & Associati S.r.l.
SEC and Partners S.r.l.
SEC Mediterranea S.r.l.
HIT S.r.l.
Curious Designs S.r.l.
Martis Consulting Sp. z o. o.
IUAV, Istituto Universitario di Architettura Venezia

Past directorships and partnerships

SEC and Up S.r.l. in liquidation
SEC & Partners S.r.l in liquidation
Della Silva Communication Consulting S.r.l. in liquidation
Fondazione Teatro alla Scala, Milan
Fondazione Banco Alimentare Onlus

Fiorenzo Tagliabue was appointed a director of Berenice S.p.A on 6 May 2011. Mr Tagliabue resigned as a director on 27 February 2012. The company subsequently entered administration and was liquidated.

Fiorenzo Tagliabue was appointed a director of SEC AND UP S.r.l. on 2 February 2000. Mr Tagliabue resigned as a director on 12 November 2012. The company subsequently entered administration and is in the process of being liquidated.

Fiorenzo Tagliabue was appointed a director of Della Silva Communication Consulting S.r.l. on 13 October 2008. Mr Tagliabue resigned as a director on 20 December 2016, when the company was put into liquidation. The company is in the process of being liquidated.

Fiorenzo Tagliabue was appointed a director of SEC & Partners S.r.l. (formerly SEC Sponsoring S.r.l.) on 24 February 1992. Mr Tagliabue ceased to be a director on 14 February 2017 when the company was put into liquidation. The company is in the process of being liquidated.

There is no further information required to be disclosed in respect of the above appointment pursuant to Rule 17 or Schedule 2 (g) of the AIM Rules for Companies.

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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Notes to Editors:

Porta is a fully integrated communications and marketing group with specialisms including financial, corporate and consumer public relations, public affairs and research and multi-capability marketing, brand and creative communications.

The group has offices in Abu Dhabi, Beijing, Brisbane, Bristol, Canberra, Cardiff, Edinburgh, Hong Kong, London, Manchester, Melbourne, Singapore and Sydney.

The brands and companies it owns are: Newgate Communications, Redleaf Communications, Publicasity, 2112 Communications and Summit Marketing Services.

Porta Communications' corporate website is - www.portacomms.com