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21 February 2014

Porta Communications plc

£7.0 million Placing

Porta Communications plc ("Porta" or the "Company" or, together with its subsidiaries, the "Group") announces that it has conditionally raised £7.0 million (before expenses) by way of an oversubscribed placing of 53,846,153 new ordinary shares at a price of 13 pence per ordinary share of 10 pence each ("Ordinary Share") with certain institutional and other investors by N+1 Singer (the "Placing").

The purpose of the Placing is to raise funds to be used by the Company to implement the next phase of its growth as well as reducing debt (and thereby its interest charge) and improving the ability of the Group to develop its income stream.

Over the last two years, the Group has successfully grown its operations through a combination of acquisitions and start-ups and the Directors now believe that the Group is a well-integrated marketing and communications group with an expanding international presence. The Group is now cash generative and Newgate Communications, the Group's global public relations business, was ranked the fastest growing agency in the Holmes Report's Global and UK Agency Rankings 2013 (*the Holmes Report, 2013 Agency Rankings, Fast Movers Global and UK available at <http://worldreport.holmesreport.com/growth#global>*).

The Board believes that it is the right time to embark on the next phase of growth and is in preliminary discussions in relation to a number of potential acquisitions. All of these are expected to conform to the Directors' acquisition rationale to accelerate geographic expansion, bring in additional communications consulting skills, broaden the Group's service offering and expand the team of consultants with existing client relationships. Furthermore and as part of the Company's selection criteria, any acquisition will usually be expected to be earnings accretive within the first full year following acquisition.

The identified acquisition targets are in the UK advertising and public relations sectors. The Board believes that both of these sectors offer significant growth opportunities for the Group. The total consideration for the proposed acquisitions is expected to be approximately £12.1 million, of which approximately £7.7 million is expected to be funded with cash and with the balance funded through the issue of Ordinary Shares. The acquisitions are expected to add a combined annual fee income of approximately £8.75 million and net profit of approximately £1.75 million to the Group. With regard to the acquisitions, £0.4 million of the proceeds from the placing announced by the Company on 10 December 2013 will be used to partially fund one of the acquisitions. Approximately £4.0 million of the cash consideration is expected to be deferred over a 12 month period and this is expected to be funded from the Group's operating cash flow.

The Board believes that issuing additional new ordinary shares as part of the consideration for the potential acquisitions is an important part in motivating and retaining the equity owners of those

companies once they are part of the enlarged Group and expects such owners to be subject to appropriate lock-in arrangements.

Shareholders should note that while a number of acquisition targets have been identified and some preliminary discussions have taken place, there is no guarantee that such acquisitions will reach a successful conclusion. In the event that the proposed acquisitions do not complete, the proceeds of the Placing will be used for general working capital purposes and potentially to fund other unidentified acquisitions.

In addition to the Group's acquisition strategy, the Group has the opportunity to acquire the remaining 20 per cent. of Newgate Threadneedle which it does not already own. Newgate Threadneedle is a financial public relations agency covering small and mid-cap listed companies and is ranked number one AIM financial public relations adviser by number of clients (*Adviser Rankings Limited, January 2014 Adviser Rankings for UK financial public relations agencies advising AIM clients*). The Group has agreed to pay a total cash consideration of £0.9 million for this 20 per cent. interest and expects to complete this acquisition following Admission and will then own 100 per cent. of Newgate Threadneedle. Based on the current financial performance of Newgate Threadneedle, this acquisition is expected to be earnings accretive.

As at 31 December 2013, the Group had unaudited cash balances of £0.8 million and unaudited debt of £5.4 million comprising:

Discounted bond with a related party, nominal interest rate of 12 per cent., maturing February 2016 at £2.8 million	£2.0m
Secured bank loan, nominal interest rate of 2.75 per cent. over base rate, maturing September 2014	£0.65m
Convertible loan, nominal interest rate of 12 per cent., maturing July 2014	£0.6m
Convertible loan, nominal interest rate of 12 per cent., maturing August 2014	£1.2m
Convertible loan, nominal interest rate of 12 per cent., maturing October 2014	£0.5m
Loan with a related party, nominal interest rate of 12 per cent., maturing March 2014	<u>£0.45m</u>
Total	£5.4m

The Directors intend to use approximately £2.4 million of the proceeds from the Placing to reduce the Group's net debt to approximately £2.2 million. As well as strengthening the Group's balance sheet, the Directors expect this debt repayment to reduce the Group's annual interest charge by approximately £0.3 million.

A summary of the intended use of the Placing proceeds is as follows:

Acquire the 20 per cent. minority holding in Newgate Threadneedle	£0.9m
Proposed acquisitions	£3.3m
Debt reduction	£2.4m
Transaction expenses	<u>£0.4m</u>
Total	£7.0m

Outlook

In addition to the guidance issued by the Company in its trading update dated 23 January 2014, the Company now expects to report revenue and fee income for the six months ended 31 December 2013 of approximately £14.0 million and £6.9 million, respectively.

Director dealings and related party transaction

Hawk Investment Holdings Limited ("Hawk"), a company beneficially owned by Bob Morton and his wife, and Gene Golembiewski are participating in the Placing at the Placing Price as described below:

	<i>Amount subscribed (£)</i>	<i>Number of Placing Shares</i>	<i>Number of shares held including the Placing Shares¹</i>	<i>Percentage of Enlarged Share Capital</i>
Hawk	399,999.99	3,076,923	31,842,552	14.74
Gene Golembiewski	99,999.90	769,230	769,230	0.36

Note 1: 500,000 of these Ordinary Shares are held by Hawk Pension Fund Limited, a company beneficially owned by Bob Morton.

The conditional agreement to subscribe for Placing Shares entered into by Hawk, combined with the related party loan announced by the Company on 8 March 2013 and participation in the placings announced on 28 February 2013 and 10 December 2013, is classified as a related party transaction under the AIM Rules.

Hargreave Hale, a substantial shareholder of the Company (as defined by the AIM Rules) is investing approximately £800,000 in the Placing. Hargreave Hale's participation in the Placing, together with their participation in the placings announced by the Company on 28 February 2013 and 10 December 2013 is deemed to be a related party transaction under the AIM Rules.

The Independent Directors consider, having consulted with the Company's nominated adviser, N+1 Singer, that the terms of both Hawk's and Hargreave Hale's participation in the Placing,

combined with the related party loan announced by the Company on 8 March 2013 and both Hawk's and Hargreave Hale's participation in the placings announced on 28 February 2013 and 10 December 2013, are fair and reasonable insofar as its Shareholders are concerned. In providing advice to the Independent Directors, N+1 Singer has taken into account the commercial assessments of the Independent Directors.

General Meeting

The Placing is conditional, *inter alia*, upon the Company obtaining approval from its shareholders to disapply pre-emption rights and to grant the Directors authority to allot the Placing Shares. Completion of the Placing is therefore conditional upon the passing of all of the necessary resolutions by shareholders at a General Meeting of the Company (the "Resolutions"). A circular convening the General Meeting of the Company to pass the Resolutions is being sent to shareholders today. The General Meeting will be held at 10.00 a.m. on 11 March 2014 at 33 King William Street, London EC4R 9AS. The Directors believe that the Placing is in the best interests of the Company and the Shareholders as a whole, and recommend that shareholders vote in favour of the Resolutions at the General Meeting, as they themselves intend to do in respect of their own beneficial share holdings amounting in aggregate to 36,113,961 Ordinary Shares representing approximately 22.3% of the existing issued share capital of the Company.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that admission will occur and that dealings will commence at 8.00 a.m. on 12 March 2014.

Enquiries

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PLACING STATISTICS

Number of Existing Ordinary Shares	162,121,000
Placing Price	13 pence
Number of Placing Shares to be issued by the Company pursuant to the Placing	53,846,153

Number of Ordinary Shares in issue following admission of the Placing Shares	215,967,153
Percentage of the Enlarged Share Capital being placed pursuant to the Placing	24.9%
Total proceeds of the Placing	£7.0 million
Estimated net proceeds of the Placing receivable by the Company	£6.6 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2014
Publication of the circular	21 February
Latest time and date for receipt of Form of Proxy	4:30 p.m. on 7 March
General Meeting	10:00 a.m. on 11 March
Admission and commencement of dealings in the Placing Shares on AIM	8:00 a.m. on 12 March
Where applicable, expected date for CREST accounts to be credited in respect of Placing Shares in uncertificated form	12 March
Where applicable, expected date for despatch of definitive share certificates for Placing Shares in certificated form	by 22 March

(Note: Each of the above dates is subject to change at the absolute discretion of the Company and N+1 Singer).

Definitions used in this announcement carry the same meaning as set out in the circular sent to shareholders today.

A copy of the Circular, including the notice of General Meeting, will be made available on the Company's website at: www.portacommunications.plc.uk

N+1 Singer, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company in connection with the Placing, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of N+1 Singer or for providing advice in relation to the Proposals or any other matter in relation to the contents of this announcement.

This announcement has been issued by Porta Communications plc and is the sole responsibility of the Company. This announcement has not been approved by N+1 Singer for the purposes of section 21 of FSMA. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by N+1 Singer or by any of its

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking.