

6 September 2024

Calnex Solutions plc

("Calnex", the "Company" or the "Group")

**Proposed Amendment to Existing Incentive Schemes
and Notice of General Meeting**

Calnex Solutions plc (AIM: CLX), a leading provider of test and measurement solutions for the global telecommunications and cloud computing markets has today sent a Circular to Shareholders setting out details of a proposed amendment to the Company's existing share-based and non-share-based incentive schemes (the "Existing Incentive Schemes").

The Company is currently restricted under the terms of certain of the Existing Incentive Schemes from issuing options over Ordinary Shares exceeding 10 per cent. of the Company's issued share capital (the "Current Share Option Limit"). In order to enable the Board to continue to use share-based incentive schemes to retain, recruit and incentivise executives, senior management and key staff of the Company, in what is a highly competitive market, the Board of Calnex recently undertook a consultation process with a significant number of institutional and individual shareholders to establish their views on the Board's proposal to amend the Current Share Option Limit.

Having considered the feedback from the consultation process, the Board is proposing to increase the Current Share Option Limit to 12.5 per cent. of the Company's issued share capital. It is intended that, following the use of this additional headroom for a period, the Board will seek to manage the number of options granted under the Existing Incentive Schemes below 10 per cent. of the issued share capital.

The proposed amendment to the Current Share Option Limit requires the approval of Shareholders and the Company will today post a circular to Shareholders, along with a notice convening the General Meeting, which is to be held at Oracle Campus, Linlithgow, EH49 7LR on 2 October 2024 at 9.30 a.m.

Further details on the proposal are set out below in the Letter from the Chair of the Company and both the Circular and Notice of General Meeting are available on the Company's website www.calnexsol.com.

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PROPOSED AMENDMENT OF EXISTING SHARE OPTION SCHEMES

AND

NOTICE OF GENERAL MEETING

Letter from the Chair of the Company

Introduction

The Board believes that it is important that employees of the Group are appropriately and properly incentivised. Accordingly, the Company has adopted a number of share-based and non-share-based incentive schemes (the "Existing Incentive Schemes"), the terms of which are more particularly described in the Company's annual report and accounts for the year ended 31 March 2024.

The Company is currently restricted under the terms of certain of the Existing Incentive Schemes (namely the EMI Plan, the Unapproved Plan and the CSOP) from issuing options over Ordinary Shares exceeding 10 per cent. of the issued ordinary share capital of the Company (the "Current Share Option Limit").

As at the date of the Circular, options subsist over 8.6 per cent. of the Ordinary Shares ("Existing Options"). The Board considers that the number of Existing Options leaves insufficient headroom under the Current Share Option Limit to grant the number of share-based options as may be required to be issued in future years to incentivise the employees of the Group and ensure that their compensation packages are competitive. The Board is also mindful that the situation could be exacerbated were the Company to make company acquisitions in future.

Accordingly, the Board is proposing that the Current Share Option Limit is increased to 12.5 per cent. of the issued ordinary share capital of the Company in any rolling 10-year period (the "Proposed Share Option Limit"). The proposed alteration of the Current Share Option Limit requires the approval of Shareholders.

Consequently, the purpose of the Circular is to provide Shareholders with information and to seek their approval to the alteration of the Current Share Option Limit. A notice convening the General Meeting to be held at Oracle Campus, Linlithgow, EH49 7LR on 2 October 2024 at 9.30 a.m., which contains details of the resolution to be proposed at the General Meeting, has today been sent to Shareholders.

Background to and Reasons for the Amendment to the Current Share Option Limit

The Company's admission to trading on AIM ("Admission") in 2020 resulted in the exercise of all historic equity incentives awarded prior to Admission and, following this event, a significant number of share options were issued to key staff and senior managers of the Company pursuant to those Existing Incentive Schemes that were in place on Admission in order to retain, incentivise and reward those individuals for successfully implementing the Company's strategy and thereby creating shareholder value. Accordingly, approximately three million equity-based awards (representing 3.45 per cent. of the Company's issued ordinary share capital as at the date of the Circular) were issued by the Company at that time. These awards have a ten-year exercise period and are therefore included within the calculation of the Current Share Option Limit in line with the Investment Association's Share Capital Management Guidelines.

In 2023, the Company introduced a long-term incentive plan for executives and senior management (the "LTIP"), with annual awards under the LTIP vesting over a 3-year period subject to the satisfaction of performance metrics (including EPS and absolute TSR). The Company currently makes annual grants of share-based awards, with approximately half of the awards granted pursuant to the LTIP and half under the Company's other Existing Incentive Schemes. Whilst the LTIP itself does not contain an aggregate limitation on the number of share options that may be issued thereunder, in practice the Company applies the Current Share Option Limit to the LTIP and the Board intends to continue this practice going forward (taking into account any future alterations to the Current Share Option Limit).

The Board estimates that if it continues to make grants of awards in line with past practice, the Current Share Option Limit will be reached within two years. On reaching the Current Share Option Limit, the Company would be restricted from issuing further awards under the EMI Plan, the Unapproved Plan, the CSOP and, in practice, the LTIP, until Q4 in 2030 (at which point the aggregate number of share options granted by the Company at Admission would no longer be included in the calculation of the Current Share Option Limit).

Accordingly, in order to be able to retain, recruit and incentivise executives, senior management and key staff of the Company in line with past practice, the Board is proposing that the Current Share Option Limit is increased to 12.5 per cent. of the issued ordinary share capital of the Company in any rolling 10-year period. To the extent Shareholders approve the Proposed Share Option Limit, the Board intend to utilise this additional headroom until Q4 in 2030 and thereafter their intention is to seek to manage the number of options granted under the Existing Incentive Schemes (and any further schemes adopted from time to time) under the 10 per cent. level.

Shareholder Consultation and LTIP Performance Metrics

The Board would like to thank those Shareholders who participated in our recent consultation process and provided useful feedback to help us arrive at this proposal to increase the Current Share Option Limit. The consultation, which commenced in May this year, invited a significant number of our principal institutional and individual Shareholders at that time to comment on our plans, with many contributing by way of written and verbal feedback.

As a technology company, we operate in a global market for talent and, as such, share-based incentives form a key component of the compensation we can offer to attract and retain rare talent.

Whilst we recognise the recent decline in the Company's share price, the Board does not believe that it is in the best interests of the Company or its Shareholders for the Company's ability to attract and retain key personnel through share-based incentivisation to be constrained by the Current Share Option Limit, at what we believe could be an important time for Calnex as end markets recover.

Having already enjoyed success in the cloud and data centre markets, over the medium term these represent a significant additional opportunity for Calnex. The ongoing investment into this industry to support the high growth in Artificial Intelligence (AI), virtual reality and increasing data centre demand creates new opportunities in the areas of network time monitoring, as well as data centre efficiency and effectiveness.

For LTIP awards made in FY25, the participants in the LTIP have been granted awards of options at the level of 80% of salary.

The performance conditions are set out below:

	Weighting (% of award)	Threshold	Maximum
Vesting (% of maximum)¹		25%	100%
Diluted EPS	50%	1.70p	3.45p
Total Shareholder Return ²	50%	27.1	62.1

Notes

1 Vesting is on a straight-line basis between the Threshold and Maximum.

2 Total Shareholder Return is the aggregate of: (a) the difference between the target share price at the end of the performance period compared to the baseline share price at the start of the performance period; and (b) the dividend amount.

- a) The baseline share price at the start of the performance period for FY25 is 71p, being the average share price for the three months to 31 March 2024, the end of the previous financial year. The threshold target share price is 95p; the maximum share price target is 130p.
- b) The dividend amount is the per share amount of any dividend for which the ex-dividend date falls in the performance period, allowing for a 10% growth in dividend per share over the performance period.

Appropriate adjustments may be made to ensure fair and consistent performance measurement over the performance period in line with the business plan and intended stretch of the targets at the point of the award.

The Company's Remuneration Committee also has the ability to exercise discretion to make the adjustments to the formulaic

vesting outcome if it is not considered to be appropriate taking into account business performance during the performance period, including consideration of strategic progress over the three-year performance period.

Format of the General Meeting

The General Meeting will be held in person, but we are pleased to offer the opportunity again for Shareholders (or their duly appointed representatives and/or proxies) to participate remotely via Zoom, with the details of how to participate set out below. It would help the Company's planning if Shareholders who wished to attend in person could email investors@calnexsol.com by no later than 5.30 p.m. on 18 September 2024 to confirm their wish to attend in order that the Company can be confident that the facilities proposed for the General Meeting will be able to accommodate attendance.

Details of any significant changes to the General Meeting arrangements will be published on the Company's website (<https://investors.calnexsol.com/regulatory-news-alerts/>) and Shareholders are reminded that they can register for email alerts.

Voting Arrangements

Shareholders are encouraged (whether or not they wish to attend the General Meeting in person) to appoint the Chair of the meeting as their proxy and to give their instructions on how they wish the Chair to vote on the proposed Resolution. This will ensure that Shareholders' votes will be counted if they (or any other proxy who they might otherwise appoint) are not able, or do not wish, to attend the General Meeting in person.

Information on how to appoint a proxy can be found in the Notes to the Notice of General Meeting, which has today been sent to Shareholders and is available on the Company's website www.calnexsol.com. To be valid, a proxy appointment must be received at the address for delivery specified in the Notes by 9.30 a.m. on 30 September 2024. If a Shareholder appoints the Chair of the meeting as their proxy, the Chair will vote in accordance with their instructions. If the Chair is given discretion as to how to vote, they will vote in favour of the Resolution set out in the Notice of General Meeting. Appointing the Chair of the meeting as their proxy will not prevent Shareholders from attending the meeting and voting in person if they wish to do so.

The Resolution for consideration at the General Meeting will be voted on by way of a poll, rather than a show of hands. This means that Shareholders will have one vote for each share held. The Company believes that this will result in a more accurate reflection of the views of Shareholders by ensuring that every vote is recognised, including the votes of all Shareholders who are unable to attend the meeting but who have appointed the Chair as their proxy for the meeting.

Shareholder Engagement

The Company is committed to encouraging Shareholder engagement on the business of the General Meeting. As such, in addition to voting by proxy, Shareholders (including any of their duly appointed proxies and/or corporate representatives) will be able to participate in the General Meeting by Zoom. Participating by Zoom will allow Shareholders to view and listen to the General Meeting remotely and to follow the proceedings in real time as well as asking questions, if they are invited to do so. Please note, however, that Shareholders will not be able to vote if participating by Zoom and it is therefore important that, if they wish to vote at the General Meeting, Shareholders either physically attend the General Meeting or appoint a proxy to attend and vote on their behalf. Information on how to participate by Zoom can be found below.

In order to participate by Zoom, Shareholders will be required to pre-register by sending an email to investors@calnexsol.com by no later than 5.30 p.m. on 18 September 2024. Shareholders will then be sent by email a link to the Zoom meeting with detailed joining instructions.

If a Shareholder has any questions about the Zoom meeting, they should email investors@calnexsol.com.

In addition to the Zoom meeting, Shareholders can submit questions to the Board in advance of the General Meeting by emailing such questions to investors@calnexsol.com by no later than noon on 1 October 2024. The Board will consider all questions received and provide a response to those that directly relate to the matters of the General Meeting. Answers to shareholders' questions will be posted on the Company's website at <https://investors.calnexsol.com/> as soon as practicable after the conclusion of the General Meeting.

Recommendation

The Directors consider the passing of the Resolution to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that all Shareholders vote in favour of the Resolution, as they intend to do, or procure to be done, in respect of their own beneficial shareholdings which, as at 5 September 2024 (being the latest practicable date before the publication of the Circular), totalled 17,720,176 Ordinary Shares, representing approximately 20.2 per cent. of the issued share capital of the Company.

DEFINITIONS

The following definitions apply throughout this announcement (and the Circular) unless the context otherwise requires:

"Act"	the Companies Act 2006, as amended;
"Admission"	the Company's admission to trading on AIM;
"AIM"	the market of that name operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time;
"Circular"	The document posted to Shareholders on 6 September 2024;
"Company"	Calnex Solutions plc, a company registered in Scotland with company number SC299625 and having its registered office at Oracle Campus, Linlithgow, West Lothian, EH49 7LR;
"CSOP"	the Calnex Solutions plc Company Share Option Plan;
"Current Share Option Limit"	10 per cent. of the issued ordinary share capital of the Company in any rolling 10-year period from time to time;

" Directors " or " Board "	the directors of the Company;
" EMI Plan "	the Calnex Solutions plc EMI Share Option Plan, together with the USA Incentive Stock Option Addendum to such plan;
" Existing Incentive Schemes "	the share-based and non-share-based incentive schemes adopted by the Company for the purposes of incentivising employees of the Group and other individuals who provide services to the Group. Details of such schemes can be found in the Company's annual report and accounts for the year ended 31 March 2024;
" Existing Options "	the number of options subsisting over Ordinary Shares which, as at the date of the Circular, represent 8.6 per cent. of the Company's ordinary share capital;
" Form of Proxy "	the Form of Proxy for use in connection with the General Meeting which accompanies the Circular;
" General Meeting "	the general meeting of the Company to be held at 9.30 a.m. on 2 October 2024 or any adjournment thereof, notice of which will be set out at the end of the Circular;
" Group "	the Company together with its subsidiaries;
" London Stock Exchange "	London Stock Exchange plc;
" LTIP "	the Calnex Solutions plc Long Term Incentive Plan;
" Notice of General Meeting "	the notice convening the General Meeting which forms part of this Circular;
" option "	rights to acquire (whether by subscription or market purchase) Ordinary Shares;
" Ordinary Shares "	ordinary shares of £0.00125 each in the capital of the Company;
" Proposed Share Option Limit "	12.5 per cent. of the issued ordinary share capital of the Company in any rolling 10-year period from time to time;
" Resolution "	the resolution set out in the Notice of General Meeting;
" Shareholders "	registered holders from time to time of Ordinary Shares;
" Unapproved Plan "	the Calnex Solutions plc Unapproved Share Option Plan; and
" £ "	UK pounds sterling, being the lawful currency of the United Kingdom.

Overview of Calnex

Calnex Solutions designs, produces and markets test and measurement instrumentation and solutions for the telecoms and cloud computing industries. Calnex's portfolio enables R&D, pre-deployment and in-service testing for network technologies and networked applications, enabling its customers to validate the performance of the critical infrastructure associated with telecoms and cloud computing networks and the applications that run on it.

To date, Calnex has secured and delivered orders in 68 countries across the world. Customers include BT, China Mobile, NTT, Ericsson, Nokia, Intel, Qualcomm, IBM and Meta.

Founded in 2006, Calnex is headquartered in Linlithgow, Scotland, with additional locations in Belfast, Northern Ireland, Stevenage, England and California in the US, supported by sales teams in China and India. Calnex has a global network of partners, providing a worldwide distribution capability.

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