

28 November 2002

PLASMON PLC
2002 INTERIM RESULTS

Plasmon Plc, the Cambridge based data storage solutions company, today announces its 2002 Interim Results.

Highlights

- Group sales revenues increased 3% to £30.1m. Both European and Plasmon brand channel sales in the US grew 12%. Overall US sales declined by 1% due to an expected decline in sales to IBM and adverse exchange movements.
- Operating profit before goodwill amortisation, exceptional and UDO development costs increased by 20% to £2.0m.
- US reorganisation successfully completed without major disruption although there was significant cost duplication during the period. The full cost savings benefits are expected in the second half.
- Financial position remains strong with capital gearing of 29%.
- UDO development programme continues to make excellent progress. Working prototypes were successfully demonstrated at Comdex on 18 November 2002. Initial product shipments remain on schedule for August 2003.

J Barrie Morgans, Chairman of Plasmon, commented:

"The first half has been a period of consolidation for Plasmon. We are now in a more stable environment and concentrating on improving our efficiency while driving revenue growth and completion of the UDO programme. We are encouraged by the modest increase in first half sales and with the cost reductions already coming through, we expect to achieve a significantly improved financial performance in the second half."

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Plasmon Plc

2002 Interim Results

Chairman's Statement

Group sales revenues in the six months to 30 September 2002 were £30.1m, an increase of 3% over the £29.1m we achieved in the comparable period last year. Our European business continued to perform well, with revenue growth of 12% reflecting a solid performance in our core optical library business and by our French mastering business. Our new US sales and marketing operation in Denver is now fully established and grew Plasmon brand channel sales in the US by an encouraging 12% in the first half. However, as anticipated sales to IBM fell by 32% in the same period, resulting in overall US growth of 4% in US dollar terms which translated into a fall of 1% in sterling terms after unfavourable foreign exchange movements. The growth in Plasmon brand sales was driven by increased sales and marketing expenditure that rose to £4.9m from £3.8m in the comparable period last year.

Operating profit before goodwill amortisation, exceptional and UDO development costs increased by 20% to £2.0m from £1.7m the previous year. UDO development costs continued to be in line with management expectations and increased some 20% to £3.0m from £2.5m last year. Overall development costs decreased from £5.8m to £5.4m as we had completed the development of our tape library products in the previous year.

In August we signed an OEM agreement with Siemens to supply a new 2,175 disk DVD library complete with our software and network attached server solution. To fulfil the contract we retained our Minneapolis library team for six months to undertake a fast-track design programme. Initial shipments of the new products were made on schedule in September after which we closed the Minneapolis engineering facility at an exceptional cost of £0.5m.

By September 30 we finally completed our US reorganisation programme without major disruption to our business, although we incurred significant cost duplication through much of the period. However, administration costs still fell by 44% to £1.3m and with all Minneapolis related costs terminated by the end of September, we expect to see the full cost saving benefits in the second half. After £0.4m of interest costs and £0.1m of taxation, the retained loss for the period improved slightly to £2.4m from £2.5m last year.

In June 2002 we raised an additional £1.7m net by way of a 5% Placing for cash to help fund the purchase of the UDO media production equipment. This top-up funding was required as we found the market for equipment leasing facilities more difficult in the current economic climate. All of the volume manufacturing equipment has now been ordered and we expect to commission the production line early in the New Year.

The UDO development programme continues to make excellent progress and remains on schedule for initial product shipments in August 2003. In July 2002 we received Phase II drive mechanisms from Pentax and first-turn ASICs from our chip development partners. The initial integration of form-factor drives was completed on schedule and we are now reading and writing data at the target 30GB capacity. The prototypes are showing excellent system margins and we are confident our design will result in a highly reliable product with good manufacturing yield.

On 18 November 2002 we demonstrated working UDO drives at Comdex, the world's largest IT trade show, in Las Vegas. The demonstration was a major milestone in the UDO development programme and firmly established UDO as a competitive storage technology with customers, industry analysts and press. We continue to receive a good response from prospective OEM customers that will help to establish UDO as the future standard in professional optical storage technology.

As part of our preparations for UDO introduction, we are redesigning our low end library products to increase their performance and reduce manufacturing costs through increased commonality of parts. Prototypes of the new libraries were also demonstrated at Comdex and we expect to introduce the new product line alongside UDO drives in August 2003.

Following our US reorganisation, we have focused hard on improving our working capital management. Since 31 March 2002 we have reduced our inventory levels by £1.7m and expect to make further progress in the second half. Our overall financial position remains strong with capital gearing of 29% despite the continuing high level of investment in UDO development and related manufacturing facilities.

The first half of 2002/3 has been a period of consolidation for Plasmon following the upheaval of the US reorganisation which is now complete. We are now in a more stable operating environment and concentrating on improving our efficiency while driving revenue growth and completion of the UDO development programme. We are encouraged by the modest increase in sales in the first half and with reductions in our cost base already coming through, we expect to achieve a significantly improved financial performance in the second half.

J. Barrie Morgans
Chairman
28 November 2002

Consolidated profit & loss account for the six months ending 30 September 2002

	Before goodwill amortisation and exceptional costs £ '000	Goodwill amortisation and exceptional costs £ '000	Total six months ended 30 September 2002 £ '000	Before goodwill amortisation and exceptional costs £ '000	Goodwill amortisation and exceptional costs £ '000	Total six months ended 30 September 2001 £ '000	Before goodwill amortisation and exceptional costs £ '000	Goodwill amortisation and exceptional costs £ '000	Total year ended 31 March 2002 £ '000
Turnover	30,071	—	30,071	29,118	—	29,118	61,554	—	61,554
Operating profit/(loss)									
Existing	2,005	(1,036)	969	1,669	(1,230)	439	4,201	(4,713)	(512)
UDO development	(2,976)	—	(2,976)	(2,529)	—	(2,529)	(5,246)	—	(5,246)
Operating loss	(971)	(1,036)	(2,007)	(860)	(1,230)	(2,090)	(1,045)	(4,713)	(5,758)
Interest receivable			—			—			36
Interest payable			(360)			(329)			(577)
Loss on ordinary activities before taxation			(2,367)			(2,419)			(6,299)
Tax on ordinary activities			(29)			(59)			542
Retained loss			(2,396)			(2,478)			(5,757)

Earnings per share

	Six months ended 30 September 2002	Six months ended 30 September 2001	Year ended 31 March 2002
Basic losses per Ordinary share (p)	(4.59)	(5.79)	(12.28)
Basic earnings per Ordinary share excluding UDO development costs, exceptional costs and goodwill amortisation (p)	3.10	3.00	8.96
Diluted losses per Ordinary share (p)	(4.59)	(5.79)	(12.28)

Statement of total recognised gains and losses

	Six months ended 30 September 2002 £ 000's	Six months ended 30 September 2001 £ 000's	Year ended 31 March 2002 £ 000's
Loss for the period	(2,396)	(2,478)	(5,757)
Currency translation differences	(1,593)	(595)	(288)
Total recognised losses relating to the period	(3,989)	(3,073)	(6,045)

Consolidated balance sheet

	As at 30 September 2002 £ 000's	As at 30 September 2001 £ 000's	As at 31 March 2002 £ 000's
Intangible assets	7,902	8,908	9,209
Tangible assets	25,280	22,723	24,421
Fixed assets	33,182	31,631	33,630
Stocks	15,978	15,439	18,854
Debtors	13,687	12,862	15,861
Cash at bank and in hand	1,037	3,132	1,668
Current assets	30,702	31,433	36,383
Bank loans and overdrafts	(5,941)	(3,893)	(5,163)
Other creditors	(13,139)	(10,837)	(16,720)
Creditors: amounts falling due within one year	(19,080)	(14,730)	(21,883)
Net current assets	11,622	16,703	14,500
Total assets less current liabilities	44,804	48,334	48,130
Bank loans	(4,085)	(2,713)	(3,798)
Other creditors	(1,456)	(1,495)	(1,822)
Creditors: amounts falling due after more than one year	(5,541)	(4,208)	(5,620)
Provisions for liabilities and charges	(116)	—	(1,353)
Net assets	39,147	44,126	41,157
Capital and reserves			
Called up share capital	2,701	2,552	2,553
Non-distributable reserves	42,003	40,170	40,172
Profit and loss account	(5,557)	1,404	(1,568)
Equity shareholders' funds	39,147	44,126	41,157

Consolidated cash flow statement

	Six months ended 30 September 2002 £ 000's	Six months ended 30 September 2001 £ 000's	Year ended 31 March 2002 £ 000's
Net cash inflow/(outflow) from operating activities	38	(1,603)	(399)
Net cash outflow from returns on investments and servicing of finance	(377)	(369)	(600)
Tax paid	(10)	(328)	(501)
Net cash outflow from capital expenditure	(3,457)	(4,453)	(8,251)
Net cash outflow before financing	(3,806)	(6,753)	(9,751)
Net cash inflow from financing	2,027	9,923	10,365
(Decrease)/increase in cash	(1,779)	3,170	614

Reconciliation of net cash flow to movement in net debt

	Six months ended 30 September 2002 £ 000's	Six months ended 30 September 2001 £ 000's	Year ended 31 March 2002 £ 000's
(Decrease)/increase in cash	(1,779)	3,170	614
Net cash (inflow)/outflow from debt financing	(48)	362	(78)
Changes in net debt resulting from cash flows	(1,827)	3,532	536
Inception of finance leases	—	(89)	(973)
Foreign exchange differences	545	191	66
Movement in net debt in period	(1,282)	3,634	(371)
Opening net debt	(9,897)	(9,526)	(9,526)
Closing net debt	(11,179)	(5,892)	(9,897)

Reconciliation of operating loss to net cash inflow from operating activities

	Six months ended 30 September 2002 £ 000's	Six months ended 30 September 2001 £ 000's	Year ended 31 March 2002 £ 000's
Operating loss	(2,007)	(2,090)	(5,758)
Amortisation of intangible fixed assets	646	637	1,266
Depreciation of tangible fixed assets	2,331	2,334	4,577
Loss on sale of fixed assets	5	5	32
Decrease/(increase) in stock	1,748	(883)	(4,085)
Decrease/(increase) in debtors	1,288	(255)	(2,561)
(Decrease)/increase in creditors	(2,363)	(1,297)	4,967
(Decrease)/increase in provisions for liabilities and charges	(1,237)	—	1,223
Other non-cash items	(373)	(54)	(60)
Net cash inflow/(outflow) from operating activities	38	(1,603)	(399)

Notes:

1. The interim results have been prepared under the historical cost convention and in accordance with applicable Accounting Standards using accounting policies that have been consistently applied.
2. Turnover and operating profit relate to continuing operations, there being no discontinued operations in the periods as defined by FRS3.
3. The exceptional operating costs of £472,000 during the six months ended 30 September 2002 arose from the closure of the Minneapolis engineering facility, principally comprising employment related costs. The exceptional operating costs of £629,000 in the six months ended 30 September 2001 comprised a bad debt charge that resulted from the bankruptcy of Toolex International NV. The exceptional operating costs of £2,888,000 in the six months ended 31 March 2002 arose from the transfer of US library manufacturing from Minneapolis to Colorado Springs, principally comprising employment related transition costs and relocation costs.
4. Basic earnings per share have been calculated on the basis of loss on ordinary activities after tax and 52,202,628 Ordinary Shares (30 September 2001: 42,761,569 – 31 March 2002: 46,899,519), being the weighted average number of Ordinary Shares deemed to have been in issue in the period.

Basic earnings per share excluding UDO development costs, exceptional costs and goodwill amortisation have been calculated on the basis of profit on ordinary activities after tax adjusted for UDO development costs of £2,976,000 (30 September 2001: £2,529,000 – 31 March 2002: £5,246,000), exceptional costs of £472,000 (30 September 2001: £629,000 – 31 March 2002: £3,517,000) and goodwill amortisation of £564,000 (30 September 2001: £601,000 – 31 March 2002: £1,196,000).

There is no dilution of earnings per share in the six months ended 30 September 2002 or in the previous periods.

5. The interim results for the two half years have not been audited. The financial information contained in the interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The information relating to the full year figures has been extracted from the 2001/2 Annual Report which received an unqualified auditors' report and has been delivered to the Registrar of Companies.
6. The interim report will be mailed to shareholders and copies will be available at the registered office: Plasmon Plc, Whiting Way, Melbourn, Hertfordshire SG8 6EN.

Independent review report to Plasmon Plc

Introduction

We have been instructed by the company to review the financial information which comprises the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes that have been reviewed. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.

PricewaterhouseCoopers
Chartered Accountants
London
28 November 2002

Notes:

- (a) The maintenance and integrity of the Plasmon Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.