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Plasmon Plc ("Plasmon" or the "Company")

Growth strategy update and proposed placing of 100,000,000 new ordinary shares at 10 pence per share to raise £10 million before expenses

Introduction

The Board of Plasmon today announces a major growth strategy update and a proposed placing to raise approximately £10 million, before expenses, by way of a placing of 100,000,000 new ordinary shares at 10 pence per share ("Placing").

The Placing is subject to shareholder approval. A circular, which comprises a prospectus ("Prospectus"), setting out further details of the Placing and including a notice convening a general meeting of the Company, is expected to be dispatched to shareholders in early March 2008.

Growth strategy update

The \$45bn global storage market continues to grow and, within this, archive storage revenues are forecast to increase from \$9bn in 2007 to \$23bn by 2010. Business and public sector organisations recognise that most of their rapidly growing storage of data is rarely accessed after 90 days. However, they are faced with a need to make such data readily available to meet legal and regulatory requirements. There is, therefore, an increasing opportunity to move rarely-accessed data archives from expensive hard disk (RAID) servers to a lower cost, more permanent storage infrastructure tier.

Plasmon's archive solutions (based on the proven UDO optical disk technology) offer immediate recall of archive data, with high levels of data authenticity and longevity at a significantly lower cost than RAID. Plasmon's Archive Appliance also consumes less power than disk storage, at a time when the environmental impact of growing data centres is a concern. By combining the performance of disk with the low cost of traditional tape archives and the integrity of a permanent, non-magnetic media, Plasmon is building on 20 years of leadership in professional optical storage, and its unique intellectual property, with the objective of becoming the archive solution provider of choice.

Steven Murphy was appointed CEO in November 2007, bringing a long record of senior corporate leadership and entrepreneurial success in the storage and systems management industry. He was previously president of Amdahl Software and Fujitsu Software Inc. and most recently led an MBO of Softek, where, as CEO, he transformed

the business into a leading provider of data migration solutions and successfully negotiated its sale to IBM in 2007.

Steven has accelerated Plasmon's sales execution strategy in order to deliver faster growth in higher value customer segments. Key to this strategy is the development of a customer-facing marketing, sales and service channel; focused on stimulating awareness and demand within major enterprise customers in support of the current third party reseller channel.

This strategy will build on two successes achieved in 2007. Firstly, the signing of 16 new reseller channel partners which, in 1H08, grew Archive Appliance sales by c.50 per cent year-on-year and increased the sales pipeline fourfold. Secondly, a major programme of operational restructuring, which has already reduced the overhead cost base by 17 per cent and, the Company expects, will have reduced headcount by 25 per cent when the outsourcing of hardware manufacturing is concluded in June 2008. Contribution margin on sales is now approaching management's target of 60 per cent.

Rod Powell (Non-Executive Chairman) said "The Board and I are delighted with the impact Steven Murphy has made in the last 2 months. His experience and skills are exactly what the Company needs to turn its technology leadership into market leadership."

Steven Murphy (Chief Executive) said "Archiving is becoming a mainstream application just as the Archive Appliance is being recognised as the solution of choice. We now have access to the people and resources we need to deliver exceptional sales growth."

Reasons for the Placing

To achieve its growth objectives, the Company wants to invest in the development of a direct customer-facing sales and service channel. This will involve the recruitment of senior (predominantly US-based) executives, most of whom have been identified and are ready to join the business. The directors believe that existing facilities will fund the working capital requirement relating to sales growth.

The proceeds of the Placing are expected to be £10 million before expenses and will be used to:

- fund recruitment and investment in the customer-facing sales and service channel and industry marketing strategy;
- strengthen the Company's intellectual property in the 'software solution layer' of Archive Appliance; and
- fund the working capital requirements of the Company and provide customers and employees with confidence in Plasmon's long-term growth prospects.

Primarily as a result of this investment in a faster growth strategy, the Company is now deferring its cash break-even target to 2H09.

Details of the Placing

The Company proposes to issue 100,000,000 new ordinary shares by way of a Placing at 10p each to raise £10 million before expenses.

The Placing is conditional on, *inter alia*, shareholder approval and admission of the new shares to listing on the Official List and trading on the London Stock Exchange's market for listed securities ("Admission") becoming effective by not later than 31 March 2008 (or such later date, being not later than 28 April 2008, as the Company and Kaupthing Singer & Friedlander Capital Markets Ltd may agree).

New Ordinary Shares

Application will be made to the UK Listing Authority and to the London Stock Exchange for Admission. Subject to the fulfilment of the conditions of the Placing, it is expected that Admission will become effective and that dealings will commence in the new ordinary shares around the end of March 2008 and CREST accounts will be credited on that date. A further announcement will be made in due course advising of the expected date of admission.

Details of the Placees

Invesco Perpetual – funds managed by Invesco Perpetual hold approximately 29.4 per cent of the existing share capital of the Company. 29,420,211 new ordinary shares have been conditionally placed with Invesco Perpetual on the same terms as the other placees. Following admission of the new ordinary shares, Invesco Perpetual will hold approximately 29.4 per cent of issued share capital of Plasmon.

Hanover Investors, currently holds approximately 25.0 per cent of the existing share capital of the Company. 26,838,200 new ordinary shares have been conditionally placed with Hanover Investors on the same terms as the other placees. Following admission of the new ordinary shares, Hanover Investors will hold approximately 25.8 per cent of issued share capital of Plasmon. Matthew Peacock, a non-executive director of the Company, is a partner of Hanover Investors.

In addition, the other directors of the Company intend to subscribe for 1,500,000 of the new ordinary shares to be issued under the Placing.

The other placees are primarily investment management firms and existing shareholders in Plasmon.

The resolution to approve the issue of new ordinary shares will include consent for the issue of new ordinary shares to Invesco Perpetual and Hanover Investors which is required by the Listing Rules as Invesco Perpetual and Hanover Investors each hold over 10 per cent. of the issued share capital of the Company and are therefore deemed to be a related parties to the Company.

Proposed Long-Term Incentive Plan

As part of the Placing, the Company proposes to introduce a long-term incentive plan under which Steven Murphy, Chief Executive, will be awarded a conditional grant of

shares in the Company ("LTIP"). The LTIP, which is subject to the approval of shareholders at the General Meeting, will grant approximately 6.6 million shares to Steven Murphy which will vest over a three year period depending on share price performance, with a starting threshold of 35p per share and fully vesting if 120p per share is achieved. Further details of the LTIP will be disclosed in the Prospectus.

General Meeting

The Placing is conditional, *inter alia*, upon the approval of certain resolutions at a general meeting of the Company. The resolution to be proposed at the general meeting will seek approval to:

- a) increase the authorised share capital of the Company from £10,000,000 to £15,000,000 by the creation of 100,000,000 ordinary shares of 5p each;
- b) authorise the directors to issue the 100,000,000 shares under the Placing for cash at 10p per share;
- c) approve allotment of shares under the Placing at a discount in excess of 10 per cent;
- d) waive statutory pre-emption rights in respect of the 100,000,000 new ordinary shares;
- e) approve the placing of shares with funds owned or controlled by Invesco Perpetual and Hanover Investors; and
- f) approve the proposed LTIP.

Outline Timetable

It is expected that a prospectus including a notice of the general meeting will be sent to shareholders of the Company in early March 2008 and that admission of the new Ordinary Shares will take place following the general meeting in late March 2008.

For further information, please contact

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is not acting for any person other than Plasmon and will not be responsible to any person other than Plasmon for providing the protections afforded to its customers or for providing advice on the transactions and arrangements proposed in this announcement.

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