

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all of your Ordinary Shares in Artilium plc, please send this document together with the Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Application will be made for the Placing Shares to be admitted to trading on the AIM market of the London Stock Exchange plc ("AIM"). It is expected that admission to AIM will become effective and that dealings in the Placing Shares will commence on 26 September 2008, subject to Shareholders approving the Resolutions to be proposed at the General Meeting. AIM is a market designed primarily for emerging and smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consulting with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

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# Artilium plc

*(Registered in England and Wales with company number 03904535)*

## **Proposed Placing of up to 38,346,527 Placing Shares at 23.25p per Placing Share and Notice of General Meeting**

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A letter from the Chairman of Artilium plc is set out in this document.

A notice of a General Meeting of Artilium plc to be held at the offices of Morrison & Foerster, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10.00 a.m. on 25 September 2008 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document and should be completed, signed and returned in accordance with the instructions thereon, as soon as possible but, in any event, so as to be received by the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 23 September 2008 (or 48 hours before any adjournment of the General Meeting). Completion and return of a Form of Proxy will not preclude a shareholder from attending and voting at the meeting in person.

## Contents

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	<i>Page</i>
Expected timetable of events	3
Placing and admission statistics	3
Definitions	4
Letter from the Chairman	5
Appendix – Summary of the terms and conditions of the Warrants	8
Notice of General Meeting	10

## **Expected timetable of events**

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Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 23 September 2008
General Meeting	10.00 a.m. on 25 September 2008
Admission date	8.00 a.m. on 26 September 2008
Crediting CREST accounts with the Placing Shares	30 September 2008
Definitive share certificates despatched in respect of the Placing Shares	30 September 2008
Definitive warrants despatched in respect of the Warrants	30 September 2008

## **Placing and Admission Statistics**

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Placing Price	23.25p
Number of Existing Ordinary Shares in issue on the date of this document	58,787,925
Maximum number of Placing Shares	38,346,527
Ordinary Shares issued to meet expenses	1,935,484
Maximum number of Ordinary Shares in issue immediately following Admission	99,069,936
Percentage of Enlarged Share Capital subject to the Placing	38.71%
Market capitalisation of the Company at Admission at the Placing Price (assuming the maximum number of Placing shares are issued)	£23.03 million
Maximum gross proceeds of the Placing receivable by the Company	£8.92 million
Maximum estimated net proceeds receivable by the Company pursuant to the Placing after expenses	£8.42 million
Maximum number of Warrants issued pursuant to the Placing	18,991,689
International Security Identification Number (ISIN)	GB00B1L7NQ30
EPIC/TIDM	ARTA

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## Definitions

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“Act”	the Companies Act 1985, as amended;
“Admission”	admission of the Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	AIM, a market operated by the London Stock Exchange plc;
“Artilium” or the “Company”	Artilium plc;
“Board” or “Directors”	the board of directors of Artilium;
“Enlarged Share Capital”	the issued Ordinary Shares immediately following Admission;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document;
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the General Meeting;
“General Meeting”	the General Meeting of the Company to be held at 10.00 a.m. on 25 September 2008, notice of which is set out at the end of this document;
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company;
“Placing”	the conditional placing of the Placing Shares at the Placing Price;
“Placing Price”	23.25p per Placing Share
“Placing Shares”	up to 38,346,527 new Ordinary Shares which have been conditionally placed pursuant to the Placing;
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out on page 5 of this document;
“Shareholders”	holders of Ordinary Shares;
“Warrants”	warrants entitling the holder to subscribe for one Ordinary Share at a price of 28.85p, the terms and conditions of which are summarised in the Appendix to this document.

## Letter from the Chairman

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# Artilium plc

(Registered in England and Wales with company number 03904535)

### Directors

Richard Hooper (Chairman)  
Robert Marcus (Chief Executive Officer)  
Chris Ogle (Chief Finance Officer)  
Paul Thornton (Non-Executive Director)  
Paul Gratton (Non-Executive Director)  
Michael Hulme (Non-Executive Director)  
Philip Kendall (Non-Executive Director)

### Registered Office

c/o Mofu Nominees Limited  
CityPoint  
One Ropemaker Street  
London  
EC2Y 9AW

1 September 2008

Dear Shareholder,

### 1. Introduction

Your Board has been reviewing the Company's strategy and financial position and has concluded that it would be prudent to raise additional funds to accelerate development of the Company's software platform.

On 20 March 2008 the Company announced that it had signed a software license agreement with KPN Mobile International, a leading European mobile network operator, adding to the Company's 40 existing deployments serving tens of millions of subscribers in 11 countries. This long-term licence agreement represents an important proof-point for the Company's next generation ARTA Mobile Services Platform ("ARTA"), which transitions mobile networks from proprietary to open, standards-based software, bridging telecoms and IT/Web, and activates the coming wave of third-party/user-generated mobile application development and innovation.

The Company intends to release its preliminary results at the end of September and is currently very aware of the difficult conditions that exist in the UK, and indeed worldwide, equity markets. In order to maximise on the market-making first-mover advantage it possesses in its technology category as well as its go-to-market relationship with Microsoft, the Company is now accelerating research and development of the next major version upgrade to ARTA which will involve raising additional finance. The next version of the software is designed to deliver enhanced modularity, extensibility and scalability, and is thus optimised for channel partner distribution and deployment to enable a significant acceleration and expansion of the Company's worldwide business.

After canvassing a small number of institutional investors the Company has decided to proceed with a placing of Ordinary Shares which is expected to yield cash proceeds that will enable the Company to accelerate product development and have sufficient working capital for at least 12 months, well beyond the anticipated software version upgrade launch date.

In order to take advantage of a fundraising opportunity, your Board is seeking the approval of its Shareholders to the Resolutions to be proposed at a General Meeting of the Company which has been convened for 10.00 a.m. on 25 September 2008 at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW.

The purpose of this document is to inform Shareholders of the nature and purpose of the Resolutions to be proposed at the General Meeting and to recommend that you vote in favour of the Resolutions, which your Board believes are necessary to give the Company the ability to take advantage of the opportunity described below.

## 2. **Reasons for the fundraising**

The proceeds of the placing will be used to advance the development of the Company's software platform through significant investment in research and development and to meet associated working capital requirements. The fundraising will involve the placing of up to 38,346,527 Placing Shares at a price of 23.25p each. Of these Placing Shares, 28,075,711 shares have been placed on a fully committed basis and a further 10,270,816 Placing Shares are subject to a placing agreement with Amsterdams Effectenkantoor, a Dutch broking firm, who have agreed to use their reasonable endeavours to procure places for those shares. Accordingly the Placing will raise at least £6.46m but may raise up to £8.85m (pre expenses). In addition to the Placing Shares, 1,935,484 Ordinary Shares are being issued to settle certain expenses. Cash expenses relating to the Placing are approximately £50,000.

Places in respect of up to 18,991,689 shares, will each receive a Warrant to subscribe for one new Ordinary Share at a price of 28.85p exercisable at any time during the three year period from issue. With respect to the balance of the Placing Shares, the Company has entered into a swap agreement with the placee whereby the proceeds are received in monthly instalments over a 24 month period, the exact amounts receivable being dependent upon the Company's share price performance over the period.

The Board accepts that the Placing is dilutive to existing shareholders and considered closely with its advisers effecting the placing in conjunction with an open offer to all shareholders. However, such an open offer would have required the preparation of a full prospectus and the associated costs and delays made that course of action impracticable in the circumstances. The Directors have considered the discount being offered to the prevailing market price of the Company's shares on AIM and do not conclude the discount to be materially greater than those currently being offered by Company's of a similar size who are raising money at the current time.

If the Resolutions are not approved by Shareholders, the Board considers that, in the absence of alternative funding, the Company will face difficulty in developing ARTA 8 within a meaningful timeframe and in meeting short-term working capital requirements.

## 3. **General Meeting**

In order to give effect to the proposals, the Directors have convened a General Meeting. You will find set out at the end of this document a notice convening the General Meeting to be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW at 10.00 a.m. on 25th September 2008. At the meeting, resolutions will be proposed to the following effect:

- (i) to increase the authorised share capital of the Company;
- (ii) to authorise the Directors pursuant to section 80 of the Act (without prejudice to all subsisting authorities) to allot up to 121,853,379 Ordinary Shares; and
- (iii) conditional on the above resolution being passed, to empower the Directors pursuant to section 95 of the Act (without prejudice to all subsisting authorities) to allot up to: (a) 76,693,054 Ordinary Shares pursuant to, and in connection with, the Placing; and (b) up to

a further 20,322,146 Ordinary Shares for cash pursuant to the authority given in paragraph (ii) above as if section 89(1) of the Act (which relates to the pre-emption rights of existing shareholders) did not apply to the allotment.

4. **Action to be taken**

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. **Whether or not you intend to be present at the Meeting you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registered office as soon as possible and in any event so as to arrive not later than 10.00 a.m. on 23 September 2008. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting at the General Meeting, should they so wish.**

5. **Recommendation**

The Directors consider that the ability of the Company to raise funds through the implementation of a placing of new Ordinary Shares is in the best interests of Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions, which are required for the implementation of the placing, as they have undertaken to do so in respect of their own beneficial holdings amounting in aggregate to 358,000 Ordinary Shares representing approximately 0.006 per cent. of the Company's current issued share capital.

Yours faithfully  
**Richard Hooper**  
Chairman

## APPENDIX – TERMS AND CONDITIONS OF THE WARRANTS

The Warrants will be constituted by and issued subject to the terms and conditions contained in a deed (the “**Warrant Instrument**”) to be executed by the Company. The principal terms and conditions of the Warrants are as follows:

1. **Exercise Price**

The Warrants are exercisable at a price of 28.85p per Share.

2. **Warrant Rights**

The registered holder of a Warrant will have the right to subscribe in cash for one Share for each Warrant held. The Warrants will be exercisable at any time after the issue of the Warrants until 25 September 2011. The Warrant rights may be exercised in respect of all or some of the Warrants held. The maximum number of Warrants which may be issued under the Warrant Instrument is 38,346,527.

3. **Form of Warrants**

Warrants will be issued in certified form. The Company will issue a Warrant Certificate to each registered holder. Joint holders will be entitled to only one certificate in respect of their joint holding of Warrants. A form of notice of exercise, and the full terms and conditions of the Warrants, will be attached to each Certificate. Provision may be made by the Directors in the future to allow Warrants to be alternatively held in uncertificated form. It is not the Directors present intention to apply for the Warrants to be admitted to trading on any investment exchange.

4. **Conditions attaching to exercise**

The Directors may require, as a condition of exercise of any Warrant, that the registered holder of the Warrant certifies that such exercise is not by or on behalf of a person resident in certain overseas territories, or made with a view to the transfer of the Shares to which the Warrant relates to persons resident in such territories. The registered holder is liable to reimburse the Company in respect of any taxes or duties referable to the holder, as a result of the exercise of the Warrant and for which the Company is liable to account.

5. **Allotment of Shares**

On the due exercise of any Warrant, the Company will allot the number of Shares for which subscription is made to the registered holder of the Warrant. As soon as practicable after the issue of Shares following exercise of the Warrants, the Company will apply for those Shares to be admitted to dealing on any recognised investment exchange on which the Company’s Shares are then traded. The Company undertakes to keep available for issue sufficient authorised but unissued Shares to enable it to perform its obligations under the Warrants, without the need for the passing of any resolutions of its Shareholders. Shares allotted on exercise of Warrants will rank *pari passu* in all respects with the fully paid Shares of the Company then in issue, except that the Shares so allotted will not rank for any dividend or other distribution which has previously been announced, declared, recommended or resolved, if the record date for such dividend or other distribution is prior to the date of exercise of the Warrants.

6. **Adjustment of Warrant Rights**

If the Company's Shares are consolidated or subdivided, the number of Warrants to which each holder is entitled will be adjusted accordingly, the adjustment to be made by the auditors of the Company for the time being.

7. **Takeovers**

If a takeover offer is made for the Company, and the Company becomes aware as a result of the offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror (or persons associated or acting in concert with the offeror) the Company will give notice to all registered holders Warrants then outstanding within 14 days of its becoming so aware. Each registered holder of Warrants will then be entitled, for a period of 30 days following the date of the notice (but not in any event later than the expiry date of the Warrants) to exercise his Warrants; failing such exercise, the right to exercise the Warrants will lapse on expiry of the 30 day period.

8. **Liquidation**

If the Company commences liquidation (whether voluntary or compulsory) (except for the purposes of a reconstruction, amalgamation or unitisation on terms sanctioned by extraordinary resolution of the Warrant holders) it shall give notice thereof to the Warrant holders who shall be entitled to participate in the distribution of any available surplus as though he had, immediately before the date of passing of the winding up resolution, exercised his Warrants, and to receive the distribution which he would have received had he done so, less the subscription price payable.

9. **Transfer of Warrants**

Warrants may be transferred by a written transfer or, in the case of Warrants held in uncertificated form (to the extent applicable), in accordance with the Uncertificated Securities Regulation 2001.

10. **Modification of Warrant Rights**

The rights attaching to the Warrants may from time to time be altered or abrogated, with the sanction of an extraordinary resolution of the holders of the Warrants. For the purposes of the Warrant conditions, "extraordinary resolution" means a resolution proposed at a meeting of the holders of the Warrants duly convened and held, and passed by a three quarters majority of the votes cast, whether on a show of hands or on a poll. Meetings of the holders of Warrants may be convened by the Company at any time. The same procedures as are applicable to the general meetings of shareholders of the Company will apply to meetings of the holders of Warrants. A holder will be entitled to attend any such meeting in person, or to appoint a proxy to attend on his behalf.

11. **Governing Law**

The Warrant Instrument and the Warrants will be governed by and construed in accordance with English Law.

## ARTILIUM PLC

### NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Artilium plc will be held at the offices of Morrison & Foerster (UK) LLP, 7<sup>th</sup> Floor, CityPoint, One Ropemaker Street, London, EC2Y 9AW on 25 September 2008 at 10.00 am to consider, and if thought fit, pass the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolution 3 will be proposed as a special resolution.

#### Ordinary Resolutions

1. That the authorised share capital of the Company be increased to £15,000,000 by the creation of an additional 89,864,612 ordinary shares of 5 pence each.
2. That in substitution for all existing authorities under the following section to the extent utilised, the Directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot, grant options or rights over, or convertible into offer or otherwise deal with or dispose of any relevant securities within the meaning of that section to such person at such times and on such terms as the Directors think proper up to an aggregate nominal amount of £6,092,669 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling fifteen months after the passing of this resolution and the conclusion of the annual general meeting of the Company for the period ending 30 June 2008, but so that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement.

#### Special Resolution

3. That in substitution for all existing authorities to the extent utilised, the directors be and are hereby generally empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 1 above, as if section 89(1) of the Act did not apply to the allotment PROVIDED THAT this power:
  - (a) expires on the earlier of the date falling 18 months after the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2008, whichever is the earlier, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the Directors may allot equity securities in pursuance of that offer of agreement; and
  - (b) is limited to:
    - (i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements with the offer as they may deem necessary or expedient;

- (A) to deal with equity securities representing fractional entitlements; and
  - (B) to deal with legal or practical problems under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory; and
- (ii) allotments of equity securities in connection with the grant of options pursuant to the Company's share option scheme and the making of awards under the Company's long term incentive plan
  - (iii) allotments of equity securities up to an aggregate nominal value of £3,834,653 in connection with the Placing (as defined in the circular of which this notice forms part (the "Circular")) and including equity securities which may fall to be issued in connection with the exercise of the Warrants (as defined in the Circular); and
  - (iv) allotments of equity securities for cash otherwise pursuant to subparagraphs (i), (ii) and (iii) up to an aggregate nominal amount of £1,016,107.

1 September 2008

*By Order of the Board*  
MoFo Secretaries Limited  
Morrison & Foerster (UK) LLP  
CityPoint  
One Ropemaker Street  
London EC2Y 9AW

*Registered in England & Wales*  
Company No: 3904535

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. A form of proxy is enclosed with this document. To be valid, it must be returned via mail or fax to the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. Completion and return of the proxy will not preclude ordinary shareholders from attending and voting in person at the meeting.
3. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members' securities at 10.00 am on 23 September 2008 (or in the event of an adjournment, the time which is 48 hours before the adjourned meeting) shall be entitled to attend or vote at the aforesaid meeting extraordinary general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 10.00 am on 23 September 2008 (or, in the event of an adjournment, the time which is 48 hours

before the adjourned meeting) shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant holding.

# ARTILIUM PLC

## FORM OF PROXY

### General Meeting

to be held at the offices of Morrison & Foerster (UK) LLP, CityPoint, One Ropemaker Street, London EC2Y 9AW  
on 25 September at 10.00 a.m.

I/We(block capitals) .....of  
.....  
being (a) holder(s) of ordinary shares of 5 pence each in the capital of the Company hereby appoint the Chairman of the meeting or ..... (note 1) as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 25 September 2008 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote in the manner indicated by an X in the appropriate column. Unless otherwise indicated, or upon any matter properly put before the meeting but not referred to below, my/our proxy may exercise his discretion as to how he votes and whether or not he abstains from voting.

The proxy will be used only in the event of a poll. On a show of hands, only those shareholders present in person will be entitled to vote.

		<b>For</b>	<b>Against</b>	<b>Abstain</b>
1.	To increase the share capital of the Company			
2.	To grant the Directors authority to allot shares pursuant to section 80 of the Companies Act 1985			
3.	To grant the Directors authority to dis-apply the statutory pre-emption rights pursuant to section 95 of the Companies Act 1985			

Dated ..... 2008

Signature(s) .....

#### Notes

- (1) If you wish to appoint a proxy other than the Chairman of the meeting insert the name in the space provided and delete the Chairman of the meeting.
- (2) In the case of a corporation this proxy must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney.
- (3) To be effective at the meeting this proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be lodged at the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting.
- (4) In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
- (5) The completion and return of this form shall not preclude a member from attending and voting in person.
- (6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered in the register of members at 10.00 a.m. on 23 September 2008 (or, in the event of an adjournment, the time which is 48 hours before the adjourned meeting) shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 10.00 a.m. on 23 September 2008 (or, in the event of an adjournment, the time which is 48 hours before the adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (7) An abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" a resolution.