

To Publishing Technology plc shareholders

Dear Shareholder,

Re: AGM of Publishing Technology to be held on Thursday 24th July

I am writing to you to give you notice of the Annual General Meeting of the Company (the "AGM") to be held on Thursday 24th July 2008 at 10:00 a.m. at 44 Southampton Buildings, London WC2A 1AP, formal notice of which ("Notice") is enclosed with this letter. The AGM has been called for the purpose of proposing (among other resolutions) special resolutions:

1. to reduce the Company's share capital by cancelling the two classes of deferred shares and to cancel its share premium account ("**Reduction of Capital**"). The purpose of which is to eliminate the deficit on the Company's profit and loss account;
2. to consolidate ("**Share Consolidation**") the Company's existing issued ordinary shares of 0.1p each ("**Existing Ordinary Shares**") into new ordinary shares of 10p each ("**New Ordinary Shares**");
3. to amend the Company's articles of association ("**Articles of Association**") to incorporate or take account of certain new provisions of the Companies Act 2006 ("**CA 2006**").

Capital Reduction

At 31 December 2007, the Company had a deficit on its profit and loss account of £29,348,464 which has arisen as a result of past losses. This deficit precludes the payment by the Company of any dividends out of future profits until the deficit is eliminated. The Directors propose to eliminate the deficit on profit and loss account by reducing the capital of the Company by the cancellation of 141,207,420 deferred shares of 4p each and 936,207,420 deferred "B" Shares of 0.9p each in the capital of the Company (together "the Deferred Shares") and by cancelling the share premium account of the Company.

The proposed cancellation of the Deferred Shares and cancellation of the share premium account require the approval of shareholders by a special resolution and the confirmation of the Court.

Cancellation of Deferred Shares and Share Premium Account

The issued share capital of the Company currently comprises 841,361,040 ordinary shares of 1p each ("Ordinary Shares") which are admitted to trading on the AIM Market of the London Stock Exchange, and 141,207,420 deferred shares of 4p and 596,207,420 deferred "B" Shares of 0.9p each. The Deferred Shares afford their holders no right to attend or vote at general meetings of the Company, no right to participate in dividends or other distributions, and the right to participate in a return of capital only to the extent of the amount paid up on the Deferred Shares and only after the holders of the Existing Ordinary Shares have been paid the amount paid up on their Existing Ordinary Shares plus a premium of £10 million per share. These rights are such as to make the Deferred Shares effectively worthless in the hands of their holders. However, in the Company's books, the capital paid up on the Deferred Shares represents a capital reserve of £11,014,794¹

As at 31 December 2007, the Company had funds standing to the credit of its Share Premium Reserve in excess of £20,685,000 which, since the end of the last financial year has risen, on the issue by the Company of shares at a premium, to £22,891,157. The capital reserves represented by the Deferred Share capital and the share premium account can be applied by the Company only for limited purposes. In particular, it cannot be used for the purpose of paying dividends. However, with the sanction of a special resolution of shareholders and the confirmation of the High Court, both the Deferred Shares and share premium account may be cancelled and, inter alia, set against the deficit on the Company's profit and loss account, thus eliminating the deficit and bringing forward the time at which the Company may pay dividends in the future, should its profits permit the Company to do so.

The cancellation of the Deferred Shares is the subject of Resolution 5 set out in the Notice of Annual General Meeting. Resolution 5 is proposed as a Special Resolution.

The cancellation of the Share Premium Account is the subject of Resolution 6 set out in the Notice of Annual General Meeting. Resolution 6 is also proposed as a Special Resolution.

¹ There are 596,207,420 Deferred "B" Shares in issue, representing a reserve of £5,365,866.78 and 141,207,420 Deferred Shares of 4p representing a reserve of £5,648,296.80.

The Application to the Court

The cancellation of the Deferred Shares and of the Share Premium Account will only take effect if sanctioned by Shareholders at the General Meeting and confirmed by the Court and upon the appropriate documents being filed with the Registrar of Companies.

The Company has been advised that the Court may require the Company to give an undertaking for the protection of the Company's existing creditors. If required, the Company will provide such undertakings to the Court for the protection of creditors as it is advised by Counsel are appropriate to be given. There is no guarantee that the Court will confirm the cancellation of the Deferred Shares and/or of the Share Premium Account. However, the Company has taken Counsel's advice and, subject to the Company putting in place satisfactory provision for the protection of creditors, the Company has been advised that there are good prospects of the cancellation of the Deferred Shares and of Share Premium Account being confirmed by the Court.

If Shareholders approve the Proposals at the AGM, the Board intends that an application will be made to the Court promptly following the AGM to sanction the Reduction of Capital.

The effect of the Proposals

If the Proposals are implemented, the deficit on the Company's Profit and Loss Account at 31 December 2007 will be eliminated and a reserve created which will, in the long term, become a distributable reserve.

Share Consolidation

It was announced on 25 April 2008 that the re-organisation of the Company's issued share capital had taken place so that the Ordinary Shares of 1p had been re-designated as ordinary shares of 0.1p. This was necessary to enable the Company to allot shares at a price higher than nominal value, allotments at less than nominal value being prohibited under company law.

However, the Directors believe that it is not in the Company's or shareholders' longer term interests for the market price of its shares to be at or below 1p.

Accordingly, the Directors have decided to recommend to shareholders that the Existing Ordinary Shares of 0.1p each are consolidated on a 1 for 100 basis into shares of 10p each. A resolution to effect this is set out in the Notice. Upon completion of the Share Consolidation, Shareholders will hold 1 New Ordinary Share of 10p for every 100 Existing Ordinary Shares of 0.1p each that they currently hold. This should mean that the Company's New Ordinary Shares will trade at approximately 100 times the value at which they currently trade, although market forces may mean that the price is greater or less than this anticipated value.

For example, if you hold 100,000 Existing Ordinary Shares that, at the mid-market closing price on 26 June 2008 of 0.7 pence per share, would be worth £700, these would be consolidated into 1,000 New Ordinary Shares with an anticipated mid-market share price of 70 pence per share valuing the 1,000 New Ordinary Shares at £700. Thus the number of shares would have decreased and the value of each share increased, such that, disregarding market price movements and fractional entitlements arising on the Share Consolidation, the aggregate value of your holding would remain the same.

No fractional entitlements will be allotted. Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market for the benefit of the Company.

Other than the change in nominal value, the rights of the New Ordinary Shares under the Articles of Association will carry equivalent rights to the Existing Ordinary Shares currently in issue.

It is intended that the new share certificates will be sent to those shareholders, who hold their Existing Ordinary Shares in certified form, on completion of the Share Consolidation. These new share certificates will set out the number of New Ordinary Shares owned by a shareholder on completion of the Share Consolidation and will replace a Shareholders' existing share certificate which, on receipt of the new share certificate, should be destroyed. Definitive certificates for the New Ordinary Shares to be issued in certificated form are expected to be despatched during August.

For shareholders holding shares in uncertificated form, the relevant number of New Ordinary Shares will be credited to the shareholders' existing stock accounts in due course.

Amendments to the Articles of Association

The proposed changes to the Articles of Association of the Company are to incorporate or take account of the new provisions of the CA 2006. The provisions of the new CA 2006 are being brought into force in several stages and therefore, there are certain provisions which will only come into force later this year or next year. It is proposed that the Company adopts the new articles containing the CA 2006 provisions already in force and the provisions coming into force on 1 October 2008. This would avoid the need for the Company to convene another general meeting at the end of the year to approve these latter provisions.

CA 2006 – Already in Force

1. Resolutions

Under CA 2006, "extraordinary resolutions" have largely ceased to exist. The Articles of Association will be amended by removing all references to "extraordinary resolutions". "Ordinary" and "special" resolutions will be the only types of resolution.

2. Shareholders' Meetings

The phrases "extraordinary general meeting" and "EGM" are no longer used under CA 2006. Under CA 2006, all shareholder meetings not Annual General Meetings, are "general meetings". References in the Articles of Association to "extraordinary general meetings" will therefore be changed to "general meetings".

The length of notice required to convene general meetings is 14 days, regardless of whether special resolutions are being proposed at the meeting. Currently, under CA 1985, 21 days' notice is required where a special resolution is being proposed. In contrast, regardless of the resolutions being proposed, 21 days' notice is needed to convene an annual general meeting.

3. Transfer of shares

Under the CA 1985, if a company refused to register a transfer of shares or debentures, the company was required to give the would-be transferee notice of refusal within two months of receipt of the purported transfer. However, the company was not required to give its reasons for refusing to register the transfer. Under CA 2006, a company now must register a transfer of shares (or give its reasons for refusal) "as soon as practicable" and in any event, within two months of the transfer being lodged with the company.

4. Electronic Communications

The Articles of Association already contain provisions which permit the Company, if it chooses, to send notices, including of general meetings, by electronic communication and/or by posting on a website. The Articles of Association also allow the directors to decide whether to allow appointments of proxies to be submitted by shareholders by way of electronic communication. They also permit the accounts of the Company to be sent to shareholders via electronic communication or to be posted on a website.

The definition of "electronic communication" includes e-mail, fax, text messages and sending a CD by post.

Notwithstanding that the above provisions are already contained in the Articles of Association, it is proposed that a new provision be adopted which permits the Company to send *any* document, for example, not just notices or the accounts, to shareholders by electronic means or by posting on a website. This will not oblige the Company to send documents by electronic means. Rather, it will give it the option of doing so.

Before the Company can rely on the electronic provisions in its articles of association, it must obtain each shareholder's consent (or deemed consent) to the use of electronic means or a website for communications. The communication to shareholders must state that if the shareholder does not wish to receive communications electronically, the shareholder must respond to the Company within 28 days of the date of the communication. If no response is received from the shareholder by then, he is deemed to have agreed that the Company may send documents to him via a prescribed website or electronically.

The letter can either request consent in relation to any document supplied by the Company or relate to specific documents, for example, the Company's accounts. Shareholders who respond to the Company that they do not wish to receive documents by electronic means will receive hard copies of documents.

When the Company posts documents on a website, the Company must notify the intended recipient that the document has been posted and give the website address and how to access the document. The document must be kept available for viewing on the website for 28 days from the date of notification (unless a different time period is specified in CA 2006). Shareholders can always request a hard copy version of the document.

5. Proxies

Shareholders now have the right to appoint a proxy to attend, speak and vote at meetings on his behalf. Previously, in respect of public companies, proxies did not have the right to speak at meetings. Also a proxy is now entitled to vote on a show of hands, as well as on a poll. Proxies were previously only entitled to vote on a poll.

The deadline for the Company's receipt of an appointment of a proxy can not be set at more than 48 hours before the time of the meeting. Weekends, Christmas Day, Good Friday and any bank holidays are excluded from the time counting towards the maximum 48 hour notice required to appoint proxies.

6. Directors

Under both CA 1985 and CA 2006, shareholder approval is required for directors' service contracts that guarantee a directors' term of employment. Under CA 1985 approval was required for a term guaranteed for in excess of five years. Under the CA 2006, approval is required for a term guaranteed for in excess of two years.

The 70 year age limit for directors of public companies has been repealed. Therefore, directors no longer need to vacate their position on reaching the age of 70.

7. Indemnities

Under CA 1985, a company could indemnify directors and fund expenditure incurred in connection with certain actions against directors. These powers have been extended by CA 2006. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the indemnity can now also be extended to cover "associated companies", for example, a subsidiary, parent or sister company of the company.

CA 2006 – Coming into force 1 October 2008

8. Directors

Companies will be required to have at least one director who is a natural person. Under CA 1985, there is no minimum age requirement for directors. As of 1 October 2008, directors will need to be at least 16 years of age.

9. Duty of Directors to declare their interest

Under CA 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with a company's interests. The requirement is very broad and could, potentially, apply, for example, if a director becomes a director of another company. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The amended articles (those which would come into effect on 1 October 2008) give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. For instance, only independent directors will be able to take the relevant decision. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.