getmobile EUROPE plc

Interim Report 30 June 2009

Chairman's Statement

Introduction

getmobile europe plc (the "Company") is a UK registered company whose shares are traded on AIM in London, and on Entry Standard in Frankfurt.

In a trading update released on 26 June 2009 the Company reported that trading in our mobile phone contracts business had deteriorated and that when combined with planned losses in our new ecommerce initiatives a loss would be incurred for the 6 months to 30 June 2009.

The trading update also noted that the Company was reviewing a possible sale of the mobile phone contracts business. In view of the continuing poor performance of the mobile phone contract business the board has concluded that it should either sell the business for modest consideration or alternatively continue to operate the business on a much reduced scale – we have already cut the cost base of the business. Sales discussions are underway with certain interested parties.

There has been no improvement in trading since the update provided in June, and as a result the board has decided that it is appropriate to write off all acquisition goodwill in the Company and its subsidiaries (the "Group") along with the other intangible assets associated with the acquisition of the mobile phone contracts business. This has resulted in an exceptional impairment provision of €11.74 million.

While encouraging progress is continuing to be made in our new ecommerce businesses they continue to absorb resources. However with cash balances of €10.73 million, and no debt, at 30 June 2009 our balance sheet remains strong.

Results

Sales fell from €48.98 million in the 6 months to 30 June 2008 to €16.88 million in the 6 months to 30 June 2009, a reduction of €32.10 million. Approximately €16 million of this reduction resulted from the planned cessation of low margin sales of phone handsets to third party wholesalers, with the balance reflecting primarily reduced activity in the mobile phones contract business where the number of contracts sold fell from 69,654 to 33,995, representing a fall of 51.2% in the number of contracts sold. Turnover in our early stage ecommerce business was €1.22 million (2008 €4,000)

The reduction in the number of contracts and an associated decrease in margins reflects an overall smaller market for new and churning post paid mobile phone contracts due to reduced consumer demand and competition from low cost prepaid products. The Company estimates that the addressable post paid mobile phone contract market in Germany has reduced from between eight to nine million contracts to between five to six million contracts per annum. We have also seen increased credit denial rates to our customers by the mobile phone contract operators as a result of the recession and their concentration on maximizing their own direct sales channels.

The Company incurred a group operating loss before taxation for the 6 months to 30 June 2009 of €11.91 million (2008: profit €1.65 million). This reflects the €11.74 million exceptional impairment provision against goodwill and intangibles and an EBITDA (Earnings before interest, tax, depreciation and amortisation) loss of €0.20 million (2008: EBITDA profit €1.62 million).

The breakdown of our revenues was as follows:

	Six months ended 30 June 2009 Unaudited	30 June 2008 Unaudited	Year ended 31 December 2008 Audited
Revenues	*€ m*	*€ m*	*€ m*
Sale of mobile phone contracts and ancillary income	15.66	32.54	76.93
Sale of hand sets to third party distributors	-	16.40	24.40
New ecommerce initiatives	1.22	-	0.17
Total revenue	16.88	48.94	101.50

The breakdown of EBITDA in the Group was as follows:

	Six months ended 30 June 2009 Unaudited	30 June 2008 Unaudited	Year ended 31 December 2008 Audited
	€ m	*€ m*	*€ m*
EBITDA			
Mobile phone and handset trading operating profit	0.24	1.79	3.87
Losses of new e-commerce initiatives	(0.44)	(0.17)	(0.42)
Cost of prospectus – Deutsche Börse listing		-	(0.23)
	(0.20)	1.62	3.22

The loss per share for the 6 months ended 30 June 2009 was 126.11 Euro cents (2008: 13.06 Euro cents earnings). The adjusted loss per share after adding back the €11.74 million exceptional impairment provision was 1.82 Euro cents (2008: 13.06 Euro cents earnings).

Pauldirekt, our closed community shopping business has progressed very satisfactorily and has grown its number of registered users from 15,000 at the end of December 2008 to 580,000 at the end August 2009

Premingo, our household contracts platform, is now operating at close to breakeven and management are examining how best to achieve its full potential.

Financial Position

Net assets as at 30 June 2009 were €10.24 million as compared to €22.65 million as at 31 December 2008, principally reflecting, the impact of the €11.74 million impairment provision.

Cash balances as at 30 June 2009 were €10.73 million (31 December 2008: €9.03 million). The Group has no debt.

Planned capital commitments of €0.77 million to Premingo and Pauldirekt in the second half of the year, the purchase of the additional 11.87% stake in Shirtinator, and the payment of the 2008 dividend on 2 July, when allied to anticipated operating losses and seasonal working capital requirements will lead to a reduced cash balance as at 31 December 2009.

Chairman's Statement

Business Development and Strategy

In the past the primary focus of Getlogics GmbH our 64% warehousing and logistics subsidiary, and of Getperformance GmbH (our 100% subsidiary direct response advertising support company - which has recently changed its name from GetonTV GmbH) was the support of the mobile phone contract business. Their focus is now changing to the support of our other ecommerce companies and the generation of third party sales.

Getlogics has invested in new warehousing in anticipation of the growth of the Pauldirekt. Getperformance has been successful in generating third party sales and the intention is to grow these businesses as independent profit centres.

The Company intends to continue to invest selectively in e-commerce activities. However, until such time as we have greater clarity on the position of the core mobile contract business we intend to adopt a cautious approach and preserve our capital. In the case of Pauldirekt we are investigating the potential to introduce a third party investor to accelerate its next stage of development and validate the commercial value of the business model.

Dividend

The Company paid a final dividend in respect of the year ended 31 December 2008 of 6 cents on 2 July 2009. The directors do not intend to recommend the payment of an interim dividend for 2009.

Outlook

As noted above, in light of its continuing underperformance we have initiated discussion on the sale of our mobile phone contracts business. In addition the cost base has been reduced.

The outlook for our remaining subsidiaries, Getperformance, Getlogics, Premingo and Pauldirekt appears promising in the medium term although, taken together, they are, in aggregate, likely to be loss making in 2009. Our associate Shirtinator is developing well and trading profitably.

Our ecommerce management expertise allied to our cash resources facilitates the ongoing search for selective ecommerce investment opportunities.

Pierce Casey

Chairman

Group Income Statement

for the six months ended 30 June 2009

		Six months ended		*Year ended*
		30 June 2009 Unaudited	*30 June 2008 Unaudited*	*31 December 2008 Audited*
	Notes	*€000's*	*€000's*	*€000's*
Revenue	*2*	16,882	48,984	101,458
Cost of sales		(13,145)	(43,267)	(90,192)
Gross profit		3,737	5,717	11,266
Administrative expenses excluding depreciation and amortisation		(3,932)	(4,096)	(8,042)
(Loss)/Earnings before interest, tax, depreciation and amortisation		(195)	1,621	3,224
Administrative expenses - depreciation and amortisation		(180)	(129)	(248)
- exceptional items	*3*	(11,742)	-	-
Total administrative expenses		(15,854)	(4,225)	(8,290)
Share of post tax profit of associates		35	43	101
Group operating (loss)/profit from continuing operations	*2*	(12,082)	1,535	3,077
Finance revenue	*4*	169	115	269
Finance costs	*4*	-	-	(1)
(Loss)/Profit from continuing operations before taxation		(11,913)	1,650	3,345
Income tax expense	*6*	(2)	(480)	(972)
(Loss)/Profit for the period from continuing operations		(11,915)	1,170	2,373
(Loss)/Profit for the period attributable to:				
Equity holders of the parent		(11,914)	1,234	2,513
Minority interest		(1)	(64)	(140)
		(11,915)	1,170	2,373
		Euro Cents	*Euro Cents*	*Euro Cents*
(Loss)/earnings per share	*7*			
Basic and diluted		(126.11)	13.06	26.60
Adjusted and diluted		(1.82)	13.06	28.98

Group Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital €000's	*Distributable reserves €000's*	*Shareholder equity €000's*	*Minority interest €000's*	*Total equity €000's*
At 1 January 2008	1,364	20,126	21,490	18	21,508
Profit for the period		1,234	1,234	(64)	1,170
Other movements:					
Group equity attributable to minority interest				122	122
Share based payments		30	30		30
Dividend paid		(945)	(945)		(945)
At 30 June 2008	1,364	20,445	21,809	76	21,885
Profit/(loss) for the period		1,279	1,279	(76)	1,203
Other movements:					
Group equity attributable to minority interest				3	3
Dividends paid		(472)	(472)		(472)
Share based payments		30	30		30
At 31 December 2008	1,364	21,282	22,646	3	22,649
Loss for the period		(11,914)	(11,914)		(11,914)
Other movements:					
Group equity attributable to minority interest				45	45
Share based payments		31	31		31
Dividend declared and approved		(567)	(567)		(567)
At 30 June 2009	1,364	8,832	10,196	48	10,244

Group Balance Sheet

as at 30 June 2009

		Six months ended		*Year ended*
		30 June 2009	*30 June 2008*	*31 December 2008*
		Unaudited	*Unaudited*	*Audited*
	Notes	*€000's*	*€000's*	*€000's*
Non current assets				
Intangible assets		252	11,807	11,960
Property, plant and equipment		409	231	284
Investment in associated companies	*5*	425	128	41
Other investments		150		
Deferred tax asset		-	182	65
		1,236	12,348	12,350
Current assets				
Inventories		1,021	2,382	1,756
Trade and other receivables		3,476	11,071	11,592
Overseas tax paid in advance		314	289	-
Cash and cash equivalents		10,733	9,719	9,028
		15,544	23,461	22,376
Total assets		16,780	35,809	34,726
Current liabilities				
Trade and other payables		6,268	13,375	11,526
Corporation and overseas taxes		268	549	296
Other financial liabilities		-	-	150
		6,536	13,924	11,972
Non current liabilities				
Deferred tax		-	-	105
Net assets		10,244	21,885	22,649
Equity attributable to equity holders of the parent				
Called up share capital		1,364	1,364	1,364
Distributable reserves		8,832	20,445	21,282
Group shareholders equity		10,196	21,809	22,646
Minority interest		48	76	3
		10,244	21,885	22,649

Group Statement of Cash Flows

for the six months ended 30 June 2009

	Six months ended 30 June 2009 Unaudited €000's	*Six months ended 30 June 2008 Unaudited €000's*	*Year ended 31 December 2008 Audited €000's*
Operating activities			
(Loss)/profit for the period	(11,915)	1,170	2,373
Adjustments to reconcile profit for the year to net cash inflow from operating activities			
Tax on continuing operations	2	480	972
Net finance revenue	(169)	(115)	(268)
Net profit on sale of associates	-	(15)	(15)
Share of post tax profits of associates	(35)	(43)	(101)
Impairment of goodwill and other intangibles	11,742		
Depreciation and impairment of property, plant and equipment	76	45	104
Amortisation of intangible assets	104	84	144
Share-based payments	32	30	60
Decrease/(increase) in inventories	735	(673)	(47)
Decrease /(increase) in trade and other receivables	8,216	1,906	1,493
(Decrease)/increase in trade and other payables	(6,164)	1,214	310
Cash generated from operations	2,624	4,083	5,025
Income taxes paid	(320)	(96)	(438)
Net cash flow from operating activities	2,304	3,987	4,587
Investing activities			
Interest received	169	115	269
Dividend from associate	22		145
Sale of property, plant and equipment	-		21
Sale of associates	-	68	68
Investment in associates	(390)	-	-
Investment in subsidiary undertakings net of cash acquired	(125)	(19)	(17)
Other investment	(150)	-	-
Payments to acquire property, plant and equipment	(125)	(68)	(201)
Payments to acquire intangibles (excluding goodwill)		(88)	(150)
Net cash flow from investing activities	(599)	8	135
Financing activities			
Interest paid	-	-	(1)
Dividends paid to equity shareholders of the parent	-	-	(1,417)
Net cash flow from financing activities	-	-	(1,418)
Increase/(decrease) in cash and cash equivalents	1,705	3,995	3,304
Cash and cash equivalents at the beginning of the year	9,028	5,724	5,724
Cash and cash equivalents at the period end	10,733	9,719	9,028

Notes to the Financial Information

1. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union other than IAS 34 ("Interim Financial Reporting") and as applied in accordance with the provisions of the Companies Act 2006.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008.

The financial information contained in this interim statement does not amount to statutory financial statements within the meaning of section 435 Companies Act 2006. The financial statements for the year ended 31 December 2008, from which information has been extracted, were prepared under IFRS and have been delivered to the Registrar of Companies. The report of the auditors was unqualified in accordance with section 495 Companies Act 2006 and did not contain a statement under sections 498 (2) or (3) Companies Act 2006.

2. Revenue and segmental analysis

The Group's revenue, operating profit by destination and source, were all derived from external customers in the European Union where its net assets are located. All revenues arose in the Group's German businesses.

3. Exceptional items

	Six months ended		*Year ended*
	30 June 2009	*30 June 2008*	*31 December 2008*
	Unaudited	*Unaudited*	*Audited*
	€000's	*€000's*	*€000's*
Impairment of goodwill	11,378	-	-
Impairment of other intangibles	364	-	-
	11,742	-	-

As noted in the Chairman's Statement there is uncertainty as to the future profitability of the Group's mobile telephone contracts business and following a review of the impact of this it has been concluded that the value of the Group's goodwill and other associated intangibles assets is impaired and these assets have been written off as at 30 June 2009.

4. Finance revenues and costs

	Six months ended		*Year ended*
	30 June 2009	*30 June 2008*	*31 December 2008*
	Unaudited	*Unaudited*	*Audited*
	€000's	*€000's*	*€000's*
Finance revenue			
Bank interest receivable	65	115	269
Write back of provision for finance fee	104	-	-
	169	115	269
Finance costs - bank interest payable	-	-	(1)
	169	-	(1)

5. Investment in associated companies

	Six months ended		*Year ended*
	30 June 2009	*30 June 2008*	*31 December 2008*
	Unaudited	*Unaudited*	*Audited*
	€000's	*€000's*	*€000's*
At 1 January	41	137	137
Cost of investments	390	10	-
Disposal of investments	(19)	(62)	(52)
Share of profits after tax	35	43	101
Dividend received	(22)		(145)
At end of period	425	128	41

6. Income tax expense

	Six months ended		*Year ended*
	30 June 2009	*30 June 2008*	*31 December 2008*
	Unaudited	*Unaudited*	*Audited*
	€000's	*€000's*	*€000's*
Current income tax:			
UK corporation tax	-	43	90
Foreign tax	41	267	445
Current income tax charge	41	310	535
Amounts over provided in previous years – UK	-	-	(3)
Amounts under provided in previous years – Foreign	-	-	48
Total current income tax	41	310	580
Deferred tax:			
Origination and reversal of temporary differences	(39)	170	392
Tax charge in the income statement	2	480	972
Tax charge in the income statement is disclosed as follows:			
Income tax expense on continuing operations	2	480	972
	2	480	972

As at 31 December 2008 a deferred tax asset of €65,000 (30 June 2008: €182,000), relating to historic losses carried forward in the Company's German subsidiary getmobile AG and tax adjustments in relation to its former silent partners investors, was recognised and included in non current assets. As at 31 December 2008 a deferred tax liability of €105,000 (June 2008: €nil) in relation to intangible fixed asset value adjustments on acquisition was included in non current liabilities.

Both of these balances have been released in full in the period to 30 June 2009 due to utilisation of losses forward, the write off of the associated intangible fixed assets and the uncertainty of future recoverability of the remaining portion of the deferred tax asset.

7. (Loss) earnings per share

	Six months ended 30 June 2009 Unaudited €000's	*Six months ended 30 June 2008 Unaudited €000's*	*Year ended 31 December 2008 Audited €000's*
(Loss) Profit for period for basic and diluted earnings per share	(11,914)	1,234	2,513
	No. 000's	*No. 000's*	*No. 000's*
Weighted average number of ordinary shares for basic, adjusted and diluted EPS	9,447	9,447	9,447
Basic and diluted (loss) earnings per share (cents)	(126.11)	13.06	26.60
Adjusted and diluted (loss) earnings per share (cents)	(1.82)	13.06	28.98

The calculation of adjusted loss or earnings per share is based on the loss or profit attributable to equity holders of the parent used for the calculation of basic loss or earnings per share as set out above, adjusted by adding back the exceptional impairment provision of €11,742,000 (Year ended 31 December 2008: adding back the costs associated with the issue of a prospectus of €225,000), as the directors believe this is an appropriate measure of underlying performance.

8. Interim report

This interim financial information was approved by the Board of Directors on 28 September 2009.

This report will be sent to all shareholders and copies will be available from the Company's registered office - 4th Floor, 74 Chancery Lane, London WC2A IAD and on the Company's website - www.getmobile-europe.com.