



getmobile EUROPE plc

Interim Report 30 June 2006

Highlights

Financial

- Sales €28.8 million (2005 nil as pre-acquisition period)
- EBITDA €1.15 million (2005 €0.07 million EBITDA loss)
- Operating loss of €0.55 million after charging €1.66 million amortisation of goodwill (2005 operating loss €0.07 million)
- Cash €11.37 million (2005 €2.2 million) reflects seasonally low working capital requirement
- Following an impairment review of the carrying value of goodwill, it has been decided to write goodwill down to €9.2 million resulting in a non cash impairment charge of €53.97 million
- Loss per share 58.1 cents (2005 .21 cents)
- Adjusted¹ earnings per share .92 cents (2005 .21 cents loss per share)

Operations at getmobile AG level

- Previously reported difficult market conditions and under performance of a major 3rd party TV surface resulted in decline in contracts sold from 67,491 in 2005 to 57,065 in 2006.
- Sales increased from €24.26 million in 2005 to €28.8 million in 2006. Contract sales declined from €24.01 million to €21.18 million and trading sales increased from €0.25 million to €7.62 million.

Pierce Casey, Chairman, getmobile europe plc, commented:

“Given the seasonal reliance on the fourth quarter and ongoing market disruption it is difficult to assess the full year’s prospects at this time. Nonetheless we do anticipate continued profitability.”

¹ Adjusted for impairment and amortisation of goodwill

Chairman's statement

Introduction

The performance of the Company since its acquisition of getmobile AG in August 2005 has been a disappointment to the board and shareholders alike. The Company has had to issue two profit warnings resulting in significant falls in our share price and shareholder value.

Underlying trading for the year to 31 December 2005 following the first profit warning in October 2005 was creditable with getmobile AG showing earnings before interest and tax of €4.9m before plc charges of €150,000 and transaction related costs of €115,000 (source getmobile europe plc audited accounts). This was however in comparison to initial market expectations of €6m.

Although the performance in the first 3 months of 2006 was broadly in line with management's expectations in what continued to be a difficult market, a very poor second quarter necessitated a second profit warning on 27 June 2006. This reflected the underperformance of a major third party TV marketing surface and the continued impact on the German mobile phone contract market of aggressive pricing policies by MVNOs (Mobile Virtual Network Operators) seeking rapid short term growth in market share.

As an independent vendor this underlying market volatility makes it difficult to accurately forecast trading. It is however clear that, while profitable and cash generative, getmobile AG will not achieve the level of profitability and growth anticipated at acquisition. The Board has therefore carried out an impairment review on the book value of goodwill and has written its value down to €9.2 million resulting in a non cash impairment charge of €53.97 million.

Results

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the 6 months to 30 June 2006 were €1.15 million.

After charging the goodwill impairment charge of €53.97 million the result for the six months was a loss after tax of €54.77 million on turnover of €28.8 million.

The results for the period to 30 June 2005, which are not comparable as they relate to a period prior to the acquisition of getmobile AG, were an EBITDA loss of €0.07 million, and loss after tax of €0.02 million on nil turnover. The comparative period performance at getmobile AG level is considered in the business review below.

The loss per share amounted to 58.1 cents per share (.21 cents loss 30 June 2005) and the adjusted earnings per share after adding back the impairment and amortisation of goodwill was .92 cents (.21 cents loss 30 June 2005).

Business Review

The comparative profit and loss and balance sheet figures in the interim statement are for the period to 30 June 2005 which is prior to the acquisition of getmobile AG. To enable an understanding of the underlying business performance the table below compares the performance at getmobile AG level.

Revenues for the six months to 30 June 2006 totalled €28.8 million of which €21.18 million related to our primary business of selling mobile phone contracts and other items to end customers via direct marketing and €7.62 million arose from ancillary trading in mobile phones.

Chairman's statement

	6 months to* 30 June 2006	6 months to* 30 June 2005
	€m	€m
Sales - contracts	21.18	24.01
- trading	7.62	0.25
Total sales	<u>28.80</u>	<u>24.26</u>
EBITDA (after plc head office charge of €0.2 million (nil 2005))	1.17	1.99
No of contracts sold	57,065	67,491

**Non consolidated getmobile AG only*

While disruptive market conditions were an important factor, the sharp decline in the performance of the major third party TV surface referred to above was the primary factor in the decline in contracts sold for the period. Sales on our own branded TV and internet sales channels were broadly encouraging. The EBITDA achieved of €1.17 million reflects the impact of our low cost and largely outsourced model.

Financial Position

Net assets as at 30 June 2006 amounted to €18.96 million, of which goodwill accounted for €9.2 million, resulting in net assets less goodwill of €9.76 million. Net current assets amounted to €9.6 million, reflecting our very modest fixed asset base.

Net cash as at 30 June 2006 was €11.37 million, up from €6.59 million as at 31 December 2005. The net cash increase of €4.78 million was primarily generated from trading profits and decreased working capital arising from reduced trading as compared to the seasonally busy fourth quarter. The €11.37 million is somewhat flattered by seasonality and by €1.8 million which is anticipated to be used shortly for the payment of tax, trade advances and pre-acquisition silent partners (being pre-acquisition loan capital still outstanding).

Strategy

We retain our confidence in our business model. In the short term our focus will be to continue to trade profitably in our existing business and to reinvigorate our current product offerings and sales channels. In the medium term our low cost, largely outsourced business model can provide the basis for the distribution of a wider range of products via our internet, print and television marketing surfaces. The challenge is to develop the business model at a modest cost while safeguarding our financial resources and growing our existing strategic market position in the mobile phone contract market.

Resignation of Director

David Kleeman has indicated his wish to resign from the Board and as Company Secretary effective 30 September 2006. We would like to thank him for his wise counsel and support, and wish him continued success in his other business interests.

Outlook

Given the seasonal reliance on the fourth quarter and ongoing market disruption it is difficult to assess the full year's prospects at this time. Nonetheless we do anticipate continued profitability.

Pierce Casey
Chairman

Consolidated profit and loss account

for the six months ended 30 June 2006

		30 June 2006 Unaudited	30 June 2005 Unaudited
	Notes	€	€
Turnover	2	28,796,695	–
Cost of sales		25,679,438	–
Gross profit		3,117,257	–
Administrative expenses - other		1,968,894	67,265
Earnings before interest, tax, depreciation and amortisation		1,148,363	(67,265)
Administrative expenses - depreciation		41,307	–
- amortisation of goodwill	6	1,655,200	–
Total administrative expenses		3,665,401	67,265
Operating loss	2	(548,144)	(67,265)
Impairment of goodwill	6	(53,973,477)	–
Interest receivable and similar income	3	159,881	48,647
Loss on ordinary activities before taxation		(54,361,740)	(18,618)
Share of profits of associated company	4	5,733	–
Taxation (charge)/credit	5	(409,683)	1,095
Retained loss for the period		(54,765,690)	(17,523)
		<i>Euro Cents</i>	<i>Euro Cents</i>
Loss per share:	8		
Basic		(58.1)	(.21)
Diluted		(58.1)	(.21)
Adjusted earnings / (loss) per share:	8		
Basic		.92	(.21)
Diluted		.91	(.21)

The above results relate to continuing operations.

Consolidated Balance Sheet

as at 30 June 2006

		<i>30 June 2006</i>	<i>30 June 2005</i>
		<i>Unaudited</i>	<i>Unaudited</i>
	<i>Notes</i>	<i>€</i>	<i>€</i>
Fixed assets			
Intangible assets - goodwill	6	9,200,000	–
Tangible assets		183,303	–
Investment in associated company	4	13,260	–
		<u>9,396,563</u>	<u>–</u>
Current assets			
Stocks		977,374	–
Debtors		3,596,101	10,416
Cash and short term deposits		11,366,514	2,201,109
		<u>15,939,989</u>	<u>2,211,525</u>
Creditors: amounts falling due within one year		<u>6,373,500</u>	<u>50,083</u>
Net current assets		<u>9,566,489</u>	<u>2,161,442</u>
Net assets		<u>18,963,052</u>	<u>2,161,442</u>
Capital and reserves			
Called up share capital		1,360,499	125,622
Share premium account		71,154,794	2,033,106
Shares to be issued		178,655	–
Warrant reserve		15,574	15,574
Profit and loss account		(53,746,470)	(12,860)
Equity shareholders' funds		<u>18,963,052</u>	<u>2,161,442</u>

Consolidated Statement of Total Recognised Gains and Losses and Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2006

	<i>30 June 2006</i>	<i>30 June 2005</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>€</i>	<i>€</i>
Opening shareholders' funds	73,728,742	2,178,965
Loss for period including amortisation and impairment of goodwill	(54,765,690)	(17,523)
Closing shareholders' funds	<u>18,963,052</u>	<u>2,161,442</u>

These were no gains or losses other than losses of €54,765,690 attributable to the shareholders for the period ended 30 June 2006 (30 June 2005 loss € 17,523).

Group statement of cash flows

for the period ended 30 June 2006

		<i>30 June</i> <i>2006</i> <i>Unaudited</i> €	<i>30 June</i> <i>2005</i> <i>Unaudited</i> €
Net cash inflow/(outflow) from operating activities	9(a)	5,272,908	(58,765)
Returns on investments and servicing of finance			
Interest received		93,631	65,699
		<u>5,366,539</u>	<u>6,934</u>
Taxation			
Corporation and overseas tax		(2,060)	–
Capital expenditure			
Payments to acquire tangible fixed assets		(80,949)	–
Investment in associated company		(9,750)	–
		<u>5,273,780</u>	<u>6,934</u>
Net cash inflow before financing			
Financing			
Settlement of amounts due to silent partners		(497,250)	–
		<u>4,776,530</u>	<u>6,934</u>
Increase in cash			
		<u><u>4,776,530</u></u>	<u><u>6,934</u></u>
 Reconciliation of net cash flow to movement in net funds			
		<i>30 June</i> <i>2006</i> <i>Unaudited</i> €	<i>30 June</i> <i>2005</i> <i>Unaudited</i> €
Increase in cash		4,776,530	6,934
Cash used to repay silent partners		497,250	–
		<u>5,273,780</u>	<u>6,934</u>
Change in net funds resulting from cash flows		5,273,780	6,934
Profit arising on settlement of silent partners		66,250	–
Opening net funds		<u>5,884,657</u>	<u>2,194,175</u>
Closing net funds	9 (b)	<u><u>11,224,687</u></u>	<u><u>2,201,109</u></u>

Notes to the Financial Information

1. BASIS OF ACCOUNTING

The unaudited consolidated interim financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounting policies are the same as those set out in the financial statements for the period ended 31 December 2005.

The Company adopted the Euro as its accounting currency as from 1 July 2005. The comparative figures for the six months to 30 June 2005 have been extracted from the accounts from incorporation in April 2004 to 30 June 2005 which were originally prepared in sterling and have been converted into Euro.

The unaudited consolidated interim financial statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

2. TURNOVER AND SEGMENTAL ANALYSIS

The Group's turnover, operating loss by destination and source, were all derived from external customers in the European Union where its net assets are located. All turnover arose in the Group's German business which was acquired in August 2005.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>30 June 2006 Unaudited</i>	<i>30 June 2005 Unaudited</i>
	€	€
Bank interest	93,631	48,647
Gain on settlement of liabilities to silent partners	66,250	–
	<u>159,881</u>	<u>48,647</u>

Silent partners formed part of the capital structure of getmobile AG on acquisition.

4. INVESTMENT IN ASSOCIATED COMPANY

During the 6 months to 30 June 2006 the Company invested €9,750 for a 39% equity stake in getlogics GmbH, a Company established to provide warehousing and logistics services to the Company and third party customers. The Company has provided a pro rata guarantee of getlogics GmbH's bank borrowings up to a maximum of €39,750.

	<i>30 June 2006 Unaudited</i>	<i>30 June 2005 Unaudited</i>
	€	€
Cost of investment	9,750	–
Share of profits	5,733	–
Share of tax	(2,223)	–
Carrying value	<u>13,260</u>	<u>–</u>

Notes to the Financial Information

5. TAXATION

	<i>30 June 2006 Unaudited</i>	<i>30 June 2005 Unaudited</i>
	€	€
Current tax UK charge/(credit)	10,500	(1,095)
Current overseas tax charge	39,560	–
Share of associate current tax	2,223	–
Deferred tax	357,400	–
Total tax charge/(credit)	<u>409,683</u>	<u>(1,095)</u>

Under the provisions of FRS 19, a deferred tax asset of €650,000 (€1,007,000 31 December 2005), relating to historic losses carried forward at the Company's German subsidiary, has been recognised and is included in debtors.

6. INTANGIBLE ASSET - GOODWILL

In light of the failure of getmobile AG to achieve the levels of profitability and growth rates anticipated at the time of its acquisition in August 2005 an impairment review on the value of goodwill has been carried out in accordance with the terms of FRS 11 - Impairment of Fixed Assets and Goodwill.

As a result a provision of €53,973,477 has been made to write goodwill down to €9.2 million. This calculation was based on cashflow assumptions using a 20% discount rate.

The Company accounts for goodwill under the terms of FRS 10 - Goodwill and Intangible Assets which requires the amortisation of goodwill over its useful economic life. Following the impairment review it has been decided to reduce the estimated remaining useful economic life from 20 to 10 years.

	<i>30 June 2006 Unaudited</i>	<i>30 June 2005 Unaudited</i>
	€	€
Goodwill on acquisition	66,208,010	–
Amortisation to 31 December 2005	1,379,333	–
	<u>64,828,677</u>	–
Amortisation to 30 June 2006	1,655,200	–
Impairment of goodwill	53,973,477	–
	<u>9,200,000</u>	<u>–</u>

Notes to the Financial Information

7. DIVIDEND

The Directors do not propose the payment of a dividend for the period.

8. EARNINGS PER SHARE

	<i>30 June 2006</i>	<i>30 June 2005</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	€	€
Loss for period for basic earning per share	(54,765,690)	(17,523)
Amortisation and impairment of goodwill	55,628,677	–
Profit/(loss) for adjusted earnings per share	<u>862,987</u>	<u>(17,523)</u>
	No.	No.
Weighted average number of ordinary shares for basic EPS	94,264,665	8,469,457
Shares to be issued	207,738	–
Warrants*	–	–
Weighted average number of ordinary shares for diluted EPS	<u>94,472,403</u>	<u>8,469,457</u>
Basic loss per share (cents)	(58.1)	(.21)
Diluted loss per share (cents)	(58.1)	(.21)
Adjusted earnings/(loss) per share (cents)	.92	(.21)
Diluted adjusted earnings/(loss) per share (cents)	.91	(.21)

* No dilution has been calculated in relation to the warrant in respect of 175,000 ordinary share exercisable at 40 pence sterling at any time up to 2 July 2006 as the exercise price was above the share price for the 6 months to 30 June 2006 and the warrant has now lapsed unexercised.

The calculation of adjusted earnings per share is based on profit after tax before the amortisation and impairment of goodwill as the directors believe that this is an appropriate measure of underlying performance.

9. NOTES TO THE GROUP STATEMENT OF CASHFLOWS

a. Reconciliation of operating loss to net cash inflow (outflow) from operating activities

	<i>30 June 2006</i>	<i>30 June 2005</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	€	€
Operating loss	(548,144)	(67,265)
Depreciation	41,307	–
Amortisation of goodwill	1,655,200	–
Increase in stock	(122,133)	–
Decrease/(increase) in operating debtors	7,786,126	(2,043)
(Decrease)/increase in operating creditors	(3,539,448)	10,543
	<u>5,272,908</u>	<u>(58,765)</u>

Notes to the Financial Information

9. NOTES TO THE GROUP STATEMENT OF CASHFLOWS (continued)

b. Analysis of changes in net funds

Period to 30 June 2006				
	<i>At 31 December 2005</i>	<i>Noncash item*</i>	<i>Cashflow</i>	<i>At 30 June 2006</i>
	€	€	€	€
Cash at bank and deposits	6,589,984	–	4,776,530	11,366,514
Amount due to silent partners	(705,327)	66,250	497,250	(141,827)
	<u>5,884,657</u>	<u>66,250</u>	<u>5,273,780</u>	<u>11,224,687</u>
 Period to 30 June 2005				
	<i>At 31 December 2004</i>		<i>Cashflow</i>	<i>At 30 June 2005</i>
	€		€	€
Cash at bank and deposits	2,194,175		6,934	2,201,109

* A profit of €66,250 arose on the settlement, by cash payments of €497,250, of a provision of €563,500 for liabilities to silent partners at 31 December 2005. This has been reported as part of interest received and similar income.

10. INTERIM REPORT

This interim financial information was approved by a committee of the Board of Directors on 15 September 2006.

This report will be sent to all shareholders and copies are available from the Company's registered office - 4th Floor, 74 Chancery Lane, London WC2A 1AD and on the Company's website - www.getmobile-europe.com.