

eXpansys plc

A Global Presence

Results for six months ended 31 October 2007

January 2008

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eXpansys

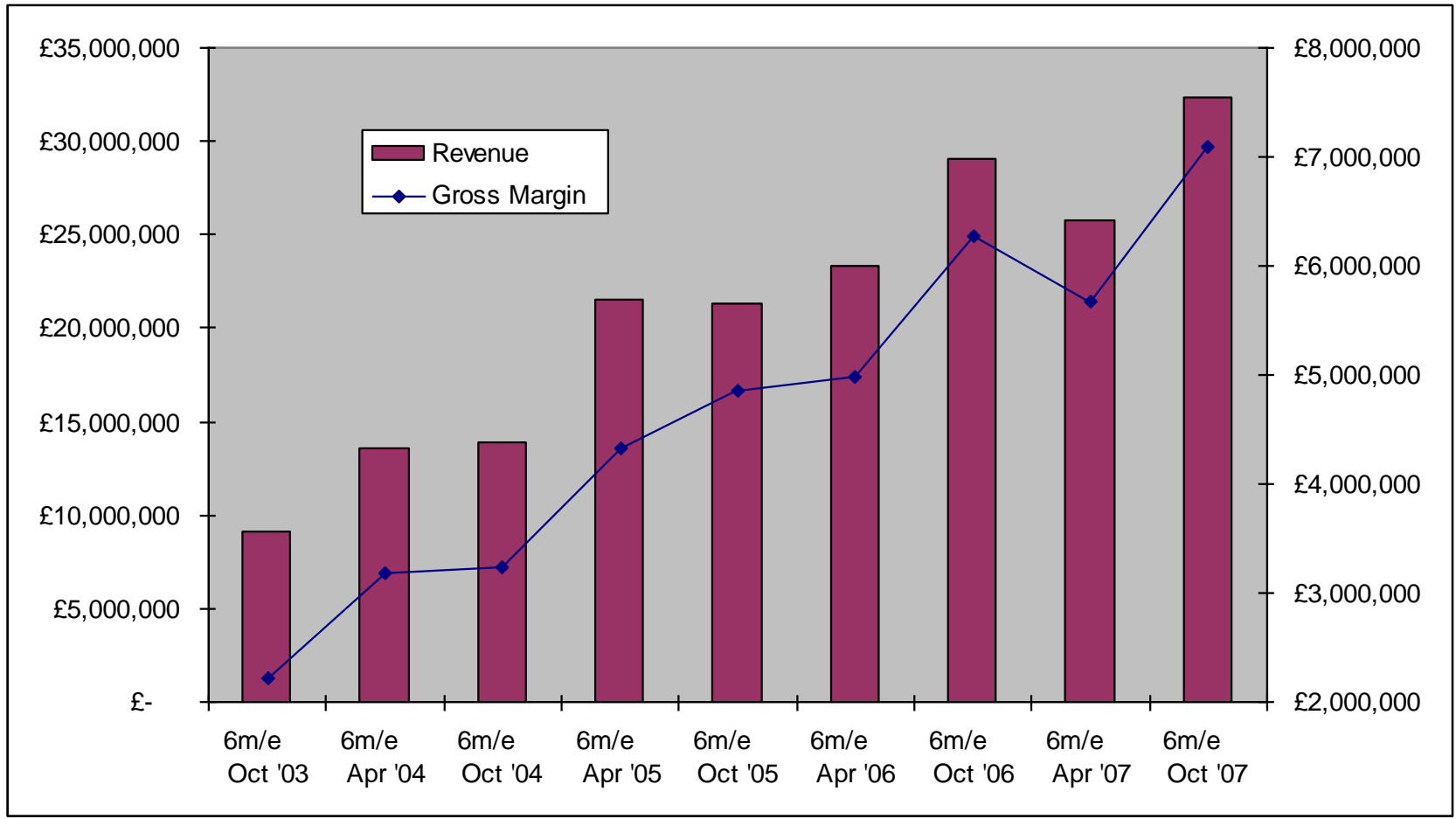
Half year headlines

- Revenue growth of 30%
- Gross margin stable
- EBITDA pre exceptionals up 10%
- e-commerce business creating strong cashflow
- Corporate business working capital intensive



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Revenue and gross margin growth

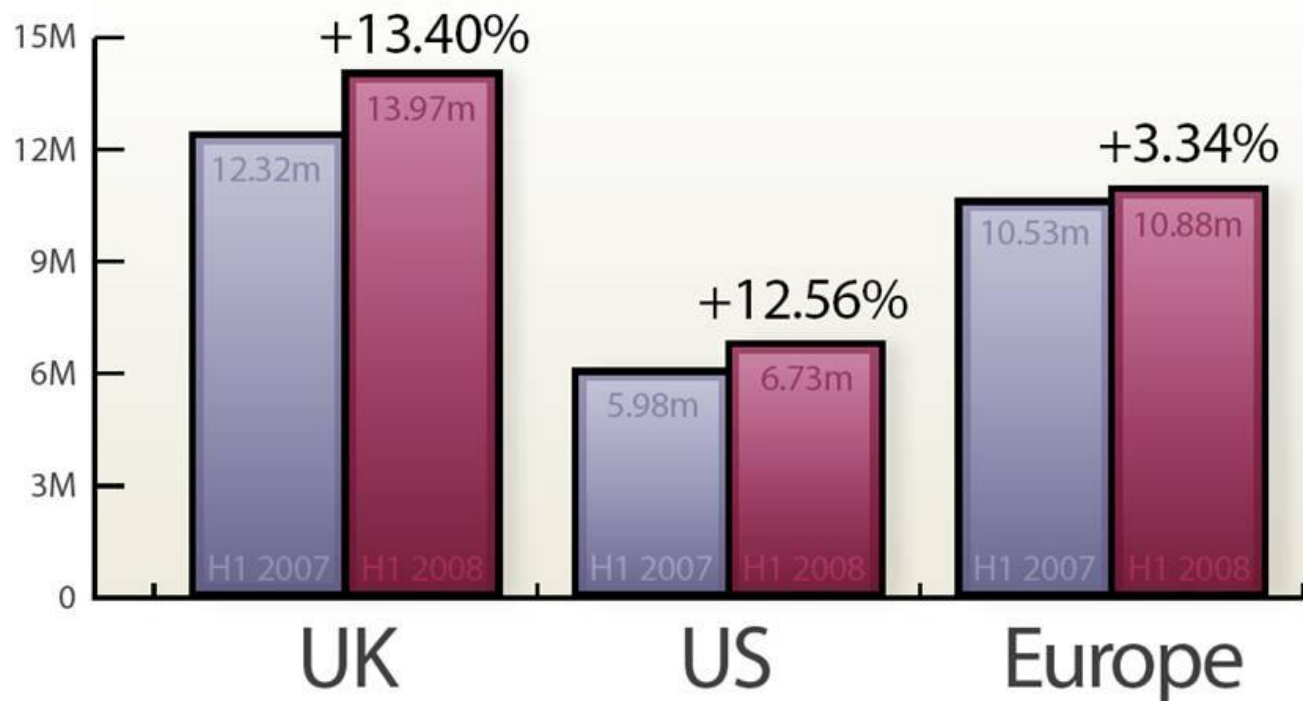


Strategy

- Focus on e-commerce to deliver solid, repeatable profit and positive cash flow
- Further utilisation of strong eXpansys brand by extension of product set
- Cost reduction program underway

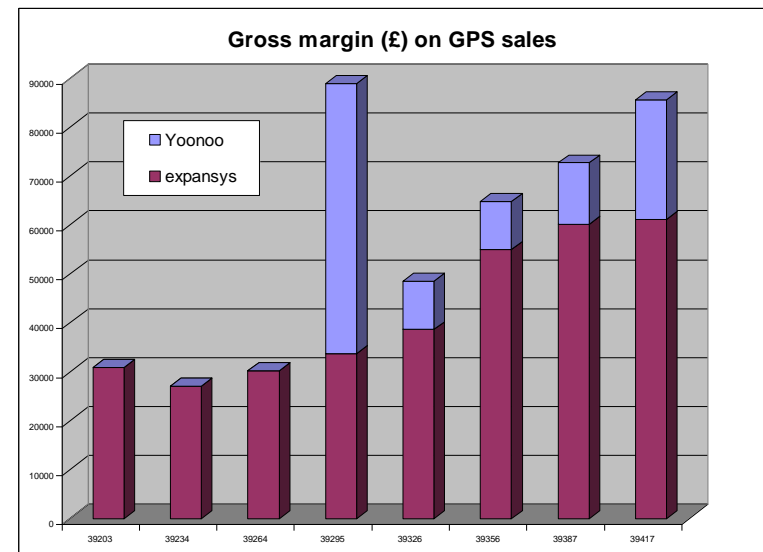


Number of unique visitors to the web sites



YooNoo acquisition update

- Market leading online retailer of satellite navigation systems in the UK purchased in July 2007
- Established 7 years ago
- Up front consideration of £0.2m
- Cash in Yoonoo of £0.3m on acquisition
- Unexpected effect of acquisition on eXpansys sales v GPS.co.uk sales
- No further payment likely under the earn-out, settlement under negotiation would lead to cost cuts



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MWg Singapore

- Stock of O2 XDAs and fixed assets of O2 Asia acquired for \$6.2m cash in October 2007 with guarantee package based on warrants
- Responsibility for lease in Singapore and warranty support function also taken on
- Gross Margins of up to 50% available on MWg products sold through eXpansys, opportunity to add significant value to eXpansys plc with investment
- Mobile and Wireless Group Pty incorporated in Singapore in November 2007 to continue the business with existing O2 supplier relationships, customer relationships and 42 staff
- 90% majority shareholder in MWg with management having 10% minority stake



MWg strengths

- Experience of O2 to develop, brand and market innovative smartphone devices, including strong relationships with long standing suppliers and key distributors and network operators in Asia
- Premium product with sleek design, reliable quality and superior customer service
- Greater customisation to match customers needs
- Expansion into USA and Europe using eXpansys presence and market knowledge will enable rapid growth in the short term
- Scale of distribution and gross margins increased through eXpansys' worldwide online retail presence



Media comment on MWg

- “There are a bunch of small manufacturers showing phones at this year's CES, but MWg is one to take seriously because their smart phone, the Atom Life, is already available to U.S. consumers.”
(PC Magazine, Jan 9, 2008)
- “With HTC topping the chart every month, when will a viable challenger come? With MWg (ex-O2 Asia) coming into the picture in the coming months, hopefully things will get shaken up soon.”
(Cnet Asia, Jan 14, 2008)
- “The Zinc II follows the original O2 Zinc with an innovative design, which includes a unique slide-out keyboard.”
(Pocketnow.com, Jan 3, 2008)
- “Both (MWg) devices come with a slew of connectivity features including HSDPA, Wifi and GPS among others.”
(Cnet Asia, Jan 7, 2008)



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Income Statement

£ millions	6 m/e Oct 2007	6 m/e Oct 2006
Revenue	32.3	29.3
Gross profit	7.3	6.6
Distribution expenses	(1.8)	(1.5)
Administration expenses	(4.7)	(4.3)
Operating profit pre exceptional items	0.7	0.7
Exceptional items	(1.4)	(0.5)
Gross profit margin %	22.5%	22.5%
EBITDA pre exceptional costs	1.3	1.1



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Cash flow

£ millions	6 m/e Oct 2007	6 m/e Oct 2006
Net cashflow from operating activities	(1.8)	(0.1)
Net cash in flow from YooNoo acquisition	0.1	-
Payments to acquire fixed assets	(0.3)	(0.4)
Movements on borrowings	(0.1)	(0.1)
Decrease in cash	(2.1)	(0.6)



Balance sheet

£ millions	6 m/e Oct 2007	6 m/e Oct 2006
Non current assets	6.9	6.3
Inventories	10.8	6.4
Trade and other receivables	7.3	4.9
Cash	0.2	0.4
Trade and other payables	(12.9)	(12.7)
Financial liabilities	(2.3)	(3.9)
Provisions	(1.8)	-
Net assets	8.2	1.4



Market update

- *In-Stat ,November 13, 2007* - Smartphone OS-based phones will grow at more than a 30% compound annual growth rate for the next five years globally
- Market increasingly hardware led playing to eXpansys strengths – O2 ‘Simplicity’ and T-Mobile ‘Web n Walk’ both now available SIM only
- Scale and e-tail trusted brand status becomes more and more important, and are significant strengths of eXpansys
- ‘Credit crunch’ affecting smaller competitors
- Apple I-Phone major factor in US, less so in Europe



Competition update

- Competitive landscape remains fundamentally unchanged
- Increasing use of SIM only deals by O2 and T-mobile in the UK – eXpansys appointed first Premier Partner for SIM only deals by T-Mobile in January 2008
- I-Phone a failure in UK but major success in USA, impacted US revenues
- Ecommerce model gains cost advantage – Dixons and other bricks and mortar resellers suffering with high costs



Current trading

- Strong revenue performance
- Gross margins maintained
- Slower trading in Q4 than expected
- Cost cuts have been made and more will be made
- MWg shows great promise



Summary conclusion

- E-Commerce will be the focus of the business in 2008
- Revenue growth back on track
- Cost cuts underway
- YooNoo delivering value
- MWg shows promise of great value



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