

Messaging International Plc
(‘Messaging International’ or the ‘Company’)
Interim Results

Messaging International Plc, the AIM traded company and provider of innovative messaging services, announces its results for the six months ended 30 June 2008.

Highlights

- Strengthened position as a leading provider of innovative messaging services
- Post-tax loss reduced to £199,028 (2007: loss £356,721)
- Total revenue increased by 71% to £727,697 (2007: £424,342)
- New relationships and extended existing contracts with leading mobile operators
- Expansion into new geographic territories

Chairman’s Statement

Messaging International has continued to strengthen its position as a leading provider of innovative messaging services over this period; with new partners and new deals in place, our geographic reach and market presence is ever increasing.

The foundations on which the Company has grown over the past three years since floating on AIM have served us well, and the partners and customers that we have accumulated remain a pillar of strength to Messaging International, along with our cutting edge technology. We have built strong relationships with leading mobile operators such as Sprint Nextel, Rogers Wireless, Telus and Bell Canada, and we have made considerable headway with partners such as Mobixell and Comverse. TeleMessage, the trading subsidiary of Messaging International, is proactive in developing these bonds by launching new features and products, such as the ‘Record Your Name’ personalisation tool that was launched by Sprint recently for its Text-to-Landline customers. Sprint customers now have the option to personalise their communications by recording their voices at the beginning of their Text-to-Landline messages, increasing customer satisfaction and helping Sprint to increase adoption and growth.

The Company remains well positioned to capitalise on the increased popularity of messaging services such as TeleMessage’s Text-to-Landline and PC-to-Mobile solutions, and we have the resources in place to continue developing our pioneering messaging technology to stay at the forefront of what is increasingly a very competitive market.

Financial Results

The results for the six months ended 30 June 2008 show a pre-tax loss of £199,028 (2007: loss £356,721) on turnover of £727,697, an increase of 71% as compared with the same six month period last year of £424,342.

The Company's cash position as at 30 June 2008 was £210,383 (June 2007: £393,663).

Since the end of June, the Company announced the agreement of a \$750,000 venture lending loan from Mizrahi Tefahot Bank Ltd ('Mizrahi') to its wholly owned subsidiary in Israel. Under the terms of this loan, the Company will be able to access this debt facility and withdraw the full amount in tranches until June 2009, with repayments in 24 instalments from the date of each tranche. Mizrahi has also approved an additional \$50,000 credit facility, should the Company require further funding in line with its growth strategy.

The board believe that the additional funds from Mizrahi will support and further drive the growth that the Company has achieved over recent months, as the products and services developed by TeleMessage gain recognition by blue-chip operators and their users worldwide.

The board does not recommend the payment of an interim dividend.

Operations Review

New Partners

Messaging International has always recognised the importance of forging long lasting and mutually beneficial relationships with high profile software and systems providers, in order to leverage the technology developed by TeleMessage into new applications and blue-chip corporate agreements.

The partnership agreement signed with Mobixell in February was a great opportunity for TeleMessage to showcase its innovative PC-to-Mobile product suite and Mobixell's mobile multimedia and video products. The integration of these two complementary technology bases enables a PC user to send video streaming files over the Internet, from websites such as YouTube, to a mobile phone and allows mobile operators to offer converged fixed-mobile services. Additionally, the platform handles all billing aspects, as well as real-time streaming adaptation of video and music of all formats, optimising the mobile user experience for all types of media, regardless of handset and network.

Through TeleMessage's partnership agreement with Converse, the world's leading provider of software and systems enabling network-based messaging and content value-added services, the Company's PC-to-Mobile product suite has now been integrated for global availability into Converse's comprehensive messaging portfolio. This

partnership has already resulted in deployment of our product to one major operator in Eastern Europe and we believe the potential for further deals is vast.

New Deals

The Company has made significant headway in terms of new deals in recent months, with numerous major mobile phone operators launching TeleMessage's products and services and enjoying the benefits of their innovative and convenient solutions.

Partner Communications Ltd, one of Israel's leading mobile service providers operating under the Orange brand, launched TeleMessage's smsomms service in January, which enables Orange mobile subscribers to send text, pictures, music and video to mobile phones from their PCs. The service integrates with Internet Explorer and Windows Explorer and allows a user to right-click the mouse over multimedia content which is thereby sent to mobile phones. The Board is confident that this area of messaging technology will increasingly gain popularity following the strong uptake of PC to SMS. Sending MMS messages from a PC could be seen as the next natural step.

TeleMessage's Text-to-Landline solution has continued to build momentum over the period with numerous large operators launching the service to their customers. This has significantly expanded TeleMessage's geographic footprint and markets and also strengthened its presence in traditional territories such as North America. High profile operators Bell Mobility, a division of major telecoms operator, Bell Canada; Qwest, a leading US based communications group; and Alltel Wireless, America's largest network, have all launched the Text-to-Landline solution during this period, and the Board see this as a clear indication of the quality and popularity of the product. Importantly, the Company also has exposure in the booming Latin American telecommunications market for the first time, through its agreement with Claro Guatemala ('Claro'). Claro is a subsidiary of America Movil Group, the largest mobile carrier in Guatemala with over 4 million users. This agreement marks the inaugural launch of the Text-to-Landline service in the region, which the Board hopes will spearhead a larger penetration in Latin America as this deal with Claro gains recognition for Text-to-Landline and other services in the TeleMessage product suite.

A key factor driving future growth will be quality relationships with established companies possessing synergies with Messaging International, as this can potentially leverage its products into avenues of business that were previously unavailable.

Prospects

Our products and services have continued to gain recognition and popularity. We aim to continue and increase the momentum that we have achieved by identifying complementary partnership opportunities and major mobile operators to launch TeleMessage's applications.

I believe that Messaging International has an exciting future as we continue to develop our innovative range of products and services and expand our geographic reach, benefitting more customers worldwide with our pioneering technology.

H Furman
Chairman
23 September 2008

For further information visit www.telemesssage.com or contact:

| | | |
|----------------|-------------------------------|---------------------------|
| Guy Levit | Messaging International Plc | Tel: + 972 3 9225252 |
| Mark Percy | Seymour Pierce Limited | Tel: +44 (0) 20 7107 8000 |
| Susie Calllear | St Brides Media & Finance Ltd | Tel: +44 (0) 20 7236 1177 |

Consolidated income statement

For the six month period ended 30 June 2008

| | Notes | Unaudited six months ended 30 June 2008 £ | Unaudited six months ended 30 June 2007 £ | Audited year ended 31 December 2007 £ |
|--------------------------------------|----------|---|---|---|
| Revenues | 2 | 727,697 | 424,342 | 1,367,235 |
| Cost of revenue | | (361,980) | (243,270) | (536,697) |
| Gross profit | | 365,717 | 181,072 | 830,538 |
| Operating expenses | | | | |
| Research and development | | (204,180) | (187,593) | (333,668) |
| Sales and marketing | | (132,992) | (167,422) | (368,481) |
| Administrative and general costs | | (227,573) | (170,686) | (368,158) |
| Total operating expenses | | (564,745) | (525,701) | (1,070,307) |
| Operating loss | | (199,028) | (344,629) | (239,769) |
| Finance cost | | - | (12,092) | (20,123) |
| Loss before taxation | | (199,028) | (356,721) | (259,892) |
| Taxation | 3 | - | - | - |
| Loss for the financial period | | (199,028) | (356,721) | (259,892) |

Loss per share

| | | | | |
|----------------------------------|---|----------------|----------------|----------------|
| Basic and diluted loss per share | 4 | <u>(0.08)p</u> | <u>(0.18)p</u> | <u>(0.12)p</u> |
|----------------------------------|---|----------------|----------------|----------------|

Consolidated statement of recognised income and expense

For the six month period ended 30 June 2008

| | Notes | Unaudited six months ended 30 June 2008 £ | Unaudited six months ended 30 June 2007 £ | Audited year ended 31 December 2007 £ |
|--|-------|---|---|---|
| Exchange difference on translation of non UK operation | | (378) | 10,959 | (11,334) |
| Loss for the period/year | | (199,028) | (356,721) | (259,892) |
| Total recognised income and expense for the period/year | | <u>(199,406)</u> | <u>(345,762)</u> | <u>(271,226)</u> |

Consolidated balance sheet

As at 30 June 2008

| | Notes | Unaudited as at 30 June 2008 £ | Unaudited as at 30 June 2007 £ | Audited as at 31 December 2007 £ |
|-----------------------------|-------|--|--|--|
| Non current assets | | | | |
| Goodwill | | 3,236,617 | 3,236,617 | 3,236,617 |
| Tangible assets | | 27,210 | 37,234 | 25,047 |
| Intangible assets | | - | 350 | - |
| Other investments | | 107,500 | 47,330 | 107,500 |
| | | <u>3,371,327</u> | <u>3,321,531</u> | <u>3,369,164</u> |
| Current assets | | | | |
| Cash and cash equivalents | | 210,383 | 393,663 | 355,780 |
| Trade and other receivables | | 428,617 | 263,996 | 380,610 |
| | | <u>639,000</u> | <u>657,659</u> | <u>736,390</u> |
| Total assets | | 4,010,327 | 3,979,190 | 4,105,554 |
| Current liabilities | | | | |
| Trade and other payables | | (307,088) | (177,098) | (200,520) |

| | | | |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Bank overdraft | - | (57,000) | - |
| | <u>(307,088)</u> | <u>(234,098)</u> | <u>(200,520)</u> |
| Net current assets | <u>331,912</u> | <u>423,561</u> | <u>535,870</u> |
| Non current liabilities | | | |
| Severance pay obligations | (121,000) | (85,013) | (121,000) |
| Total liabilities | <u>(428,088)</u> | <u>(319,111)</u> | <u>(321,520)</u> |
| Net assets | <u><u>3,582,239</u></u> | <u><u>3,660,079</u></u> | <u><u>3,784,034</u></u> |
| Share capital | 1,176,900 | 1,176,900 | 1,176,900 |
| Share premium account | 4,266,227 | 4,266,227 | 4,266,227 |
| Revenue reserves | (1,826,131) | (1,770,962) | (1,624,714) |
| Foreign exchange reserves | (34,757) | (12,086) | (34,379) |
| Shareholders' equity | <u><u>3,582,239</u></u> | <u><u>3,660,079</u></u> | <u><u>3,784,034</u></u> |

Consolidated cash flow statement

For the six months ended 30 June 2008

| | Unaudited six months ended 30 June 2008 £ | Unaudited six months ended 30 June 2007 £ | Audited year ended 31 December 2007 £ |
|---|--|--|--|
| Cash flow from operating activities | | | |
| Loss before taxation | <u>(199,028)</u> | <u>(344,629)</u> | <u>(239,769)</u> |
| Adjustments for: | | | |
| Share based payments | (2,389) | - | 49,419 |
| Depreciation and amortisation | 6,784 | 7,648 | 19,394 |
| Foreign currency translation adjustments | <u>(378)</u> | <u>10,959</u> | <u>(26,640)</u> |
| | <u>4,017</u> | <u>18,607</u> | <u>42,173</u> |
| Operating cash flow before working capital movements | <u>(195,011)</u> | <u>(326,022)</u> | <u>(197,596)</u> |
| Increase in receivables | (48,007) | (72,650) | (189,264) |
| Increase/(decrease) in payables | 106,568 | (32,249) | (8,827) |
| Increase/(decrease) in provisions | - | (5,881) | 30,106 |
| | <u>58,561</u> | <u>(110,780)</u> | <u>(167,985)</u> |
| Cash outflow from operating activities | <u>(136,450)</u> | <u>(436,802)</u> | <u>(365,581)</u> |
| Investing activities | | | |

| | | | |
|--|------------------|----------------|-----------------|
| Interest paid | - | (12,092) | (3,945) |
| Investments | - | (925) | (53,571) |
| Purchase of tangible assets | (8,947) | 6,599 | (1,006) |
| Net cash used in investing activities | (8,947) | (6,418) | (58,522) |
| Financing activities | | | |
| Issue of equity share capital | - | 900,000 | 900,000 |
| Share issue costs | - | (33,248) | (33,248) |
| Net cash from financing activities | - | 866,752 | 866,752 |
| Net (decrease)/increase in cash and cash equivalents | (145,397) | 423,532 | 442,649 |
| Cash and cash equivalents at the beginning of the period/year | 355,780 | (86,869) | (86,869) |
| Cash and cash equivalents at the end of the period/year | 210,383 | 336,663 | 355,780 |
| Cash and cash equivalents | 210,383 | 393,663 | 355,780 |
| Bank overdrafts | | (57,000) | - |
| Cash and cash equivalents at the end of the period/year | 210,383 | 336,663 | 355,780 |

**Notes to the interim report
For the six months ended 30 June 2008**

1. Basis of preparation and consolidation

The financial information contained in the Interim Results has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. It has been prepared in accordance with IAS 34 – Interim Financial Reporting and does not include all of the information required for full annual financial statements.

The financial information contained in this Interim Results for the six months ended 30th June 2008 and 30th June 2007 are un-audited. The comparative figures for the year ended 31st December 2007 do not constitute statutory financial statements of the Group within the definition of S240 of the Companies Act 1985. Full audited accounts of the Group in respect of that financial period prepared in accordance with IFRS, which we received an unqualified audit opinion have been delivered to Registrar of Companies.

The interim results have been drawn up using accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 December 2007.

The accounting policies used in the interim statement are consistent with those used in the financial statements for the year ended 31 December 2007 and are in accordance with International Financial Reporting Standards.

The consolidated income statement and balance sheet include the financial statements of the Company and its subsidiary undertakings up to 30 June 2008.

2. Turnover

| | Unaudited six months ended 30 June 2008 £ | Unaudited six months ended 30 June 2007 £ | Audited year ended 31 December 2007 £ |
|-------------------|--|--|--|
| North America | 528,410 | 249,562 | 644,500 |
| Rest of the World | 199,287 | 174,780 | 722,735 |
| | <u>727,697</u> | <u>424,342</u> | <u>1,367,235</u> |

3. No provision has been made for taxation as the Group has losses available to carry forward against future trading profits. No deferred tax asset has been recognised in accordance with International Accounting Standard 12.

4. Basic and diluted loss per share

The calculation of the loss per ordinary share is based on the loss after taxation for the six month period to 30 June 2008 of £199,028 (2007: £356,721) and 235,380,000 ordinary shares being the weighted average number of shares in the period. (2007: 195,800,000).

5. Movement to shareholders' equity

| | Unaudited six months ended 30 June 2008 £ | Unaudited six months ended 30 June 2007 £ | Audited Year ended 31 December 2007 £ |
|---------------------------------------|--|--|--|
| Loss for the period | (199,028) | (356,721) | (259,892) |
| Foreign Exchange reserves movement | (378) | 10,959 | (11,334) |
| Issue of new shares net of costs | - | 866,752 | 866,752 |
| Equity settled share based payments | (2,389) | - | 49,419 |
| | <u>(201,795)</u> | <u>520,990</u> | <u>644,945</u> |
| Equity at the beginning of the period | 3,784,034 | 3,139,089 | 3,139,089 |
| Equity at the end of the period | <u>3,582,239</u> | <u>3,660,079</u> | <u>3,784,034</u> |