



Datalex plc
Interim Report
Consolidated Financial Statements
For the six months ended 30 June, 2006

Datalex plc

Chief Executive's Review

for the 6 months ended 30 June 2006

Profitability

The profit for the period amounted to \$1.6 million (\$1.0 million for H1 2005) giving a profit per ordinary share of \$0.02 (\$0.02 per share for H1 2005). This profit includes a foreign exchange gain of \$1.0 million (loss of \$0.2 for H1 2005).

Revenues and Costs

Total revenues in the period were \$12.4m (\$14.4m in H12005). In line with expectations E-Business revenues reduced to \$8.9 million (\$ 11.5 million in H1 2005). The reduction in E-Business revenue was primarily due to our migration towards the transactional model which forfeits short term licence revenue for potentially longer term earnings. TPF consulting revenues increased to \$3.5 million (\$2.9 million in H1 2005) due to an upturn in this market and tighter integration with the rest of the business.

The gross margin declined to 26.6% in H1 of 2006 from 39.4% in H1 2005. This was due to the predicted decline in E-business revenues and lower margins earned on the increased TPF consulting revenue coupled with an increased cost of sale. Operating costs reduced to \$3.2 million from \$4.8 million in H1 2005. This is primarily due to the increased capitalisation of development expenditure of \$2.4 million (\$1.1 million H1 2005). This additional expenditure reflects the group's ongoing investment in product development as we focus on accelerating the release of our Product Roadmap.

Balance Sheet

There was an increase in the company's net worth to \$42.4 million from \$40.2 million at December 2005 reflecting the profit of \$1.6 million achieved during the period and the issue of \$0.6 million of share capital. Intangible assets grew by \$2.4 million reflecting product development expenditure capitalised in accordance with International Financial Reporting Standards (IFRS). Trade and other receivables has increased by \$3.6m since December 2005 due mainly to an increase in deferred project expenditure of \$1.3m and an increase in accrued income of \$1.6m. Unrestricted cash balances are \$30.0 million (\$32.7 million at December 2005).

We have made considerable investment in the airline functionality of our product suite over the last eighteen months and are expanding our development to productise our 'leisure' based solutions. This focuses our efforts on expanding our functionality in the dynamic packaging and hosted price and inventory areas. As airlines and travel companies become more strategic about developing alternative distribution and revenue channels this becomes an important part of their infrastructure.

We continue to be successful in closing transaction revenue contracts but as noted previously these do not add to revenue in the short term. A number of significant customers are expected to 'go live' on the transaction based model in Q3 and Q4 2006.

Cormac Whelan
Chief Executive Officer
24 August 2006

Datalex plc**Consolidated Income Statement**

for the 6 months ended 30 June 2006 – unaudited

	Notes	Six months ended 30 June 2006 US\$'000 (unaudited)	Six months ended 30 June 2005 US\$'000 (unaudited)	Year ended 31 December 2005 US\$'000 (unaudited)
Revenue	4	12,422	14,358	28,384
Cost of sales	5	<u>(9,123)</u>	<u>(8,696)</u>	<u>(18,155)</u>
Gross profit		3,299	5,662	10,229
Other gains/(losses) - net		981	(194)	(402)
Selling and marketing costs	5	(1,791)	(2,610)	(4,358)
Administrative expenses	5	<u>(1,421)</u>	<u>(2,226)</u>	<u>(4,475)</u>
Operating profit		1,068	632	994
Interest income		511	405	907
Interest expense		<u>(12)</u>	<u>(11)</u>	<u>(25)</u>
Profit before income tax		1,567	1,026	1,876
Income tax (expense)/refund	7	<u>(13)</u>	<u>8</u>	<u>32</u>
Profit for the period		<u>1,554</u>	<u>1,034</u>	<u>1,908</u>
Earnings per share (in US\$ cents per share)				
Basic	8	<u>0.02</u>	<u>0.02</u>	<u>0.03</u>
Diluted	8	<u>0.02</u>	<u>0.01</u>	<u>0.03</u>

Datalex plc
Consolidated Balance Sheet
as at 30 June 2006 - unaudited

	Notes	30 June 2006 US\$'000 (unaudited)	30 June 2005 US\$'000 (unaudited)	31 December 2005 US\$'000 (unaudited)
Assets				
Non-current assets				
Property, plant and equipment		1,187	1,376	1,133
Intangible assets	9	<u>5,123</u>	<u>1,261</u>	<u>2,745</u>
		<u>6,310</u>	<u>2,637</u>	<u>3,878</u>
Current assets				
Trade and other receivables	10	13,004	10,348	9,429
Restricted cash and cash equivalents		540	540	540
Cash and cash equivalents		<u>29,963</u>	<u>32,266</u>	<u>32,701</u>
		<u>43,507</u>	<u>43,154</u>	<u>42,670</u>
Total Assets		<u>49,817</u>	<u>45,791</u>	<u>46,548</u>
Equity				
Capital and reserves attributable to equity holders of the company				
Ordinary share capital	11	6,940	6,771	6,838
Other equity share capital		262	262	262
Other reserves		185,987	185,129	185,471
Retained Earnings		<u>(150,793)</u>	<u>(153,221)</u>	<u>(152,347)</u>
Total Equity		<u>42,396</u>	<u>38,941</u>	<u>40,224</u>
Liabilities				
Current liabilities				
Trade and other payables		7,421	6,765	6,275
Provisions for other liabilities and charges		<u>-</u>	<u>85</u>	<u>49</u>
Total liabilities		<u>7,421</u>	<u>6,850</u>	<u>6,324</u>
Total equity and liabilities		<u>49,817</u>	<u>45,791</u>	<u>46,548</u>

Datalex plc**Consolidated Statement of Changes in Equity**
for the 6 months ended 30 June 2006 - unaudited

	Equity share Capital US\$'000 (unaudited)	Other reserves US\$'000 (unaudited)	Retained earnings US\$'000 (unaudited)	Other equity share capital US\$'000 (unaudited)	Total equity US\$'000 (unaudited)
Balance at 1 January 2005	<u>6,761</u>	<u>185,171</u>	<u>(154,255)</u>	<u>262</u>	<u>37,939</u>
Currency translation differences	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>(92)</u>
Net income recognised directly in equity	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>(92)</u>
Profit for the period	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>-</u>	<u>1,034</u>
Total recognised income for the period	<u>-</u>	<u>(92)</u>	<u>1,034</u>	<u>-</u>	<u>942</u>
Issue of Ordinary shares on exercise of options	10	27	-	-	37
Employee share option scheme	<u>-</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>
	<u>10</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>60</u>
Balance at 30 June 2005	<u>6,771</u>	<u>185,129</u>	<u>(153,221)</u>	<u>262</u>	<u>38,941</u>
Currency translation differences	<u>-</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>101</u>
Net income recognised directly in equity	<u>-</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>101</u>
Profit for the period	<u>-</u>	<u>-</u>	<u>874</u>	<u>-</u>	<u>874</u>
Total recognised income for the period	<u>-</u>	<u>101</u>	<u>874</u>	<u>-</u>	<u>975</u>
Issue of Ordinary shares on exercise of options	67	216	-	-	283
Employee share option scheme	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
	<u>67</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>308</u>
Balance at 31 December 2005	<u>6,838</u>	<u>185,471</u>	<u>(152,347)</u>	<u>262</u>	<u>40,224</u>

Datalex plc**Consolidated Statement of Changes in Equity (continued)**

for the 6 months ended 30 June 2006 – unaudited

	Equity share Capital US\$'000 (unaudited)	Other Reserves US\$'000 (unaudited)	Retained earnings US\$'000 (unaudited)	Other equity share capital US\$'000 (unaudited)	Total equity US\$'000 (unaudited)
Balance at 31 December 2005	<u>6,838</u>	<u>185,471</u>	<u>(152,347)</u>	<u>262</u>	<u>40,224</u>
Profit for the period	<u>-</u>	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>1,554</u>
Total recognised income for the period	<u>-</u>	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>1,554</u>
Issue of Ordinary shares on exercise of options	102	458	-	-	560
Employee share option scheme	<u>-</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>58</u>
	<u>102</u>	<u>516</u>	<u>-</u>	<u>-</u>	<u>618</u>
Balance at 30 June 2006	<u>6,940</u>	<u>185,987</u>	<u>(150,793)</u>	<u>262</u>	<u>42,396</u>

Datalex plc**Consolidated Cash Flow Statement**

for the 6 months ended 30 June 2006 – unaudited

	Notes	Six months ended 30 June 2006 US\$'000 (unaudited)	Six months ended 30 June 2005 US\$'000 (unaudited)	Year ended 31 December 2005 US\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (used)/generated from operations	12	(907)	295	1,602
Income tax (paid)/refund		<u>(13)</u>	<u>8</u>	<u>32</u>
Net cash (used)/generated in operating activities		<u>(920)</u>	<u>303</u>	<u>1,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(499)	(173)	(457)
Capitalised development costs		(2,378)	(1,102)	(2,586)
Interest received		511	405	907
Movement in restricted cash balance		<u>-</u>	<u>4,750</u>	<u>4,750</u>
Net cash (outflow)/inflow from investing activities		<u>(2,366)</u>	<u>3,880</u>	<u>2,614</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		560	37	320
Repayment of loan notes		-	(4,750)	(4,750)
Interest paid		<u>(12)</u>	<u>(11)</u>	<u>(25)</u>
Net cash inflow/(outflow) from financing activities		<u>548</u>	<u>(4,724)</u>	<u>(4,455)</u>
Net decrease in cash and cash equivalents		(2,738)	(541)	(207)
Foreign currency translation difference		-	(92)	9
Cash and cash equivalents at beginning of period		<u>32,701</u>	<u>32,899</u>	<u>32,899</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>29,963</u>	<u>32,266</u>	<u>32,701</u>

Datalex plc

Notes to the Interim Financial Information

at 30 June 2006 – unaudited (all amounts are in US\$'000)

1. General Information

The principal activity of Datalex plc is the development and sale of a variety of information technology products and services, including hardware, software and IT services, largely to the airline and travel industries.

The company is a limited liability company incorporated and domiciled in Ireland and is listed on the Irish Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 24 August 2006.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared using the same accounting policies and method of computation as for the year ended 31 December 2005 and has been prepared in accordance with IAS 34 "Interim financial reporting" and the requirements of the Listing Rules of the Irish Stock Exchange. For a more complete discussion of our significant accounting policies and other information, this report should be read in conjunction with our 2005 Annual Report.

This condensed interim financial information does not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the financial year ended 31 December 2005 were approved by the Board of Directors on 13 April 2006 and contained an unqualified audit report and will be filed with the Companies Office before 30 September 2006.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2006:

- **IAS 21 (Amendment), "Net investment in a foreign operation"** (effective from 1 January 2006). This amendment is not relevant for the group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- **IFRS 7, "Financial Instruments: Disclosures", and a complementary Amendment to IAS 1, "Amendments to Capital Disclosures"** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management do not expect the interpretation to be relevant for the group.
- **IFRIC 7, "Applying the Restatement Approach under IAS 29"** (effective from 1 March 2006). Management do not expect the interpretation to be relevant for the group.
- **IFRIC 8, "Scope of IFRS 2"** (effective from 1 May 2006). Management is currently assessing the impact of IFRIC 8 on the groups' operations.
- **IFRIC 9, "Reassessment of Embedded Derivatives"** (effective from 1 June 2006). Management do not expect the interpretation to be relevant for the group.

4. Segmental information

The group is organised on a worldwide basis into two main business segments: E-business products and services associated with our suite of travel related technology, and consulting revenue, consisting primarily of revenue generated from our consulting activities.

	E-Business US\$'000	Consulting US\$'000	Total US\$'000
Period ended 30 June 2006			
Total revenue	9,127	3,295	12,422
Inter-segment revenue	<u>(183)</u>	<u>183</u>	<u>-</u>
External Revenue	<u>8,944</u>	<u>3,478</u>	<u>12,422</u>
Operating profit for the period	<u>492</u>	<u>576</u>	<u>1,068</u>
	E-Business US\$'000	Consulting US\$'000	Total US\$'000
Period ended 30 June 2005			
Total revenue	12,053	2,305	14,358
Inter-segment revenue	<u>(553)</u>	<u>553</u>	<u>-</u>
External Revenue	<u>11,500</u>	<u>2,858</u>	<u>14,358</u>
Operating profit for the period	<u>195</u>	<u>437</u>	<u>632</u>
	E-Business US\$'000	Consulting US\$'000	Total US\$'000
Year ended 31 December 2005			
Total revenue	23,876	4,508	28,384
Inter-segment revenue	<u>(881)</u>	<u>881</u>	<u>-</u>
External Revenue	<u>22,995</u>	<u>5,389</u>	<u>28,384</u>
Operating profit for the period	<u>782</u>	<u>212</u>	<u>994</u>

5. **Expenses by Nature**

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2006	2005	2005
	US\$'000	US\$'000	US\$'000
Employee benefit expense	9,251	9,413	21,199
Consultant and contractor expense	2,506	1,793	4,299
Depreciation	444	615	1,142
Rent and rates	493	524	1,070
Travel	484	336	752
Auditors remuneration	72	95	108
Other expenses	1,231	1,858	1,004
Development expenditure capitalized	<u>(2,146)</u>	<u>(1,102)</u>	<u>(2,586)</u>
Total	<u>12,335</u>	<u>13,532</u>	<u>26,988</u>
Classified as:			
-Cost of sales	9,123	8,696	18,155
-Selling and marketing costs	1,791	2,610	4,358
-Administrative expenses	<u>1,421</u>	<u>2,226</u>	<u>4,475</u>
Total	<u>12,335</u>	<u>13,532</u>	<u>26,988</u>

6. **Employee benefit expense**

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2006	2005	2005
	US\$'000	US\$'000	US\$'000
Wages and salaries	8,170	8,427	18,978
Social Security costs	742	642	1,539
Pension costs – defined contribution schemes	280	321	634
Share options granted	<u>59</u>	<u>23</u>	<u>48</u>
	<u>9,251</u>	<u>9,413</u>	<u>21,199</u>

7. **Income tax**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the Irish domestic tax rate applicable to profits of the consolidated companies due mainly to the utilization of previously unrecognized tax losses.

	Six months ended 30 June	Six months ended 30 June	Year ended 31 December
	2006	2005	2005
	US\$'000	US\$'000	US\$'000
Current Tax			
Foreign tax (refund)/expense	(8)	4	(20)
Adjustment in respect of prior period	<u>21</u>	<u>(12)</u>	<u>(12)</u>
Current tax expense/(refund) for the period	<u>13</u>	<u>(8)</u>	<u>(32)</u>

8. Earnings per share

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Basic			
Profit attributable to ordinary shareholders	<u>1,554</u>	<u>1,034</u>	<u>1,908</u>
Weighted average number of ordinary shares outstanding	<u>68,746,352</u>	<u>67,642,200</u>	<u>67,824,508</u>
Basic earnings per share (in US\$ cents)	<u>0.02</u>	<u>0.02</u>	<u>0.03</u>

Basic earnings per share is calculated by dividing the profit for the period after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Diluted			
Profit attributable to ordinary shareholders	<u>1,554</u>	<u>1,034</u>	<u>1,908</u>
Weighted average number of ordinary shares outstanding	68,746,352	67,642,200	67,824,508
Adjustment for share options	<u>5,016.659</u>	<u>4,696.008</u>	<u>4,744.462</u>
Weighted average number of ordinary shares outstanding	<u>73,763,011</u>	<u>72,338,208</u>	<u>72,568,970</u>
Diluted earnings per share (in US\$ cents)	<u>0.02</u>	<u>0.01</u>	<u>0.03</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only category of dilutive potential ordinary shares of the group are employee share options. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price during the period of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

9. Intangible assets

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Opening net book amount	2,745	159	159
Additions	2,738	1,102	2,586
Accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,123</u>	<u>1,261</u>	<u>2,745</u>

Intangible assets consist of capitalised development costs and software. These intangibles are internally generated, have finite useful lives and are valued based on actual costs incurred.

Capitalised development costs will be amortised over a period of five years commencing from the product being generally available for sale. No amortization has been charged to date.

10. Trade and other receivables

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Current			
Trade receivables	7,815	9,705	7,946
Less: provision for impairment of receivables	<u>(530)</u>	<u>(1,342)</u>	<u>(1,177)</u>
Trade receivables - Net	7,285	8,363	6,769
Prepayments	3,352	1,415	1,939
Accrued income	2,088	490	521
Other receivables	<u>279</u>	<u>80</u>	<u>200</u>
	<u>13,004</u>	<u>10,348</u>	<u>9,429</u>

The group has recognised a provision of US\$0.5m for the impairment of its trade receivables during the period ended 30 June 2006 (Year ended 31 December 2005 US\$1.1m). The group has released a provision for impaired receivables of US\$0.1m and written off US\$0.5m during the same period (Year ended 31 December 2005 released a provision of US\$0.5m).

All amounts fall due within one year.

11. Share Capital

During the period to 30 June 2006 1,024,356 ordinary shares were issued. All of these shares issued were the conversion of employee share options into ordinary share capital.

12. Cash (used)/generated from operations

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Profit for the period	1,554	1,034	1,908
Adjustments for:	(511)	(405)	(907)
Interest receivable	12	11	25
Interest payable	13	(8)	(32)
Income tax paid/ (refund)	444	615	1,142
Depreciation	59	23	48
Employee share option amortisation	(49)	(120)	(156)
Movement in provision for other liabilities and charges			
Changes in working capital: (excluding the effects of exchange differences on consolidation)			
(Increase)/Decrease in trade and other receivables	(3,575)	19	938
Increase/(Decrease) in trade and other payables	<u>1,146</u>	<u>(874)</u>	<u>(1,364)</u>
Cash (used)/generated from operations	<u>(907)</u>	<u>295</u>	<u>1,602</u>

13. Related party transactions

The following transactions were carried out with related parties:

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Sales of services	<u>183</u>	<u>553</u>	<u>881</u>
Purchases of services	<u>183</u>	<u>553</u>	<u>881</u>

Services are usually negotiated with related parties on a cost basis. The above services relate to consulting services supplied by one of the group's consultancy companies to other companies in the group.

Key management personnel are deemed to be the directors of the company, as only the directors have authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly.

	Six months ended 30 June 2006 US\$'000	Six months ended 30 June 2005 US\$'000	Year ended 31 December 2005 US\$'000
Salaries and other short-term employee benefits	<u>296</u>	<u>154</u>	<u>445</u>

The company has agreements with Michael Quinn and Simon Calver in respect of their consultancy services to the group. At the period end, US\$nil (Six months ended 30 June 2005 US\$nil ; Year ended 31 December 2005 US\$nil) remained outstanding.

Peter Lennon, non-executive director, provides legal services to the group through his firm, Lennon Heather & Company. During the period, legal services rendered amounting to US\$nil (Six months ended 30 June 2005: US\$nil ; Year ended 31 December 2005 US\$2,486) were paid/payable to Lennon Heather & Company.

14. Contingent liabilities

There has been no material change in our contingent liabilities in the period ended 30 June 2006 since the approval of our statutory financial statements for the year ended 31 December 2005.

15. Seasonality

Management do not believe that seasonality has a material impact on the business of the group.

16. Events occurring after the balance sheet date

There have been no material events subsequent to the period end, which have not been reflected in the interim financial information.

17. Information

The interim report is being sent by post to all registered shareholders. Copies are also available to the public from the Company's registered office at Block U, Eastpoint Business Park, Clontarf, Dublin 3, Ireland.