Datalex plc

Interim Report
Consolidated Financial Information

For the six months ended 30 June 2010

Datalex plc

Chief Executive's Review
for the six months ended 30 June 2010

Summary

I am pleased to announce that despite the continuing challenges in the travel industry and the broader economy, Datalex has delivered a positive EBITDA performance and some significant new business wins in the first half of 2010.

Key events

At the end of H1 we were chosen by a leading European airline to deploy our latest TDP e-commerce portfolio, which will provide significant new functionality and revenue generating merchandising capabilities. This customer is projected to go live in Q4 2010.

After a competitive RFP process, we have just been selected as e-commerce solution of choice by Republic Airways Holdings, who acquired our existing US customer Frontier Airlines in 2009. Datalex will now extend the TDP platform and online solution to the other group airline, Midwest Airlines, under a new five year contract through to 2016 for Datalex with the combined airlines. The implementation also includes the deployment of our TDP Agent platform in their call centres and is expected to be completed in Q4 2010.

During the period we commenced implementation of our TDP platform at Air China, and this is expected to go live in Q1 2011. We view China as a strategic market for Datalex, and expect to build on this success with the acquisition of additional new airline customers before the end of 2010.

We also commenced a six month pilot of our merchandising platform at a major US carrier.

In February of this year, we went live with our latest customer on the TDP platform, the Colombian airline Aero Republica. We also completed a number of siginficant deliveries to current customerrs, in particular Philippine Airlines, who took delivery of an integrated TDP Agent call centre application, currently in pilot, the solution will be rolled out to over 600 agents in Q4.

Performance

Total revenue in the period was $13.1m, down 9% on the same period in 2009. Transaction revenue in the period was $6.7m (2009 H1: $7.0m), which includes the negative impact of c. $0.35m from the volcanic ash cloud disruption in Q2.

Total costs in H1 2010, before the impact of product development capitalised / amortised, were $13.8m, compared to $16.9m in the same period in 2009, a decline of over $3m or 18%. This reflects the full impact in H1 2010 of the cost reduction programme implemented in Q2 last year.

Our EBITDA of $0.3m (2009 H1: EBITDA $0.8m) includes an unrealized foreign exchange loss on revaluation of non US Dollar assets of $0.7m (2009 H1: foreign exchange gain on revaluation $0.4m). This arose due to the strengthening of the US Dollar against the Euro by 10% in Q2, however this initial negative impact will be offset by a lower effective dollar cost base over the remainder of 2010.

Balance sheet

Trade debtors and accrued income was $8.2m at 30 June 2010, down from $8.5m at 31 December 2009, and $11.2m at 30 June 2009. Cash at 30 June was $8.4m, down from $10.5m at 31 December 2009 and $11.1m at 30 June 2009. This decline reflects the operating performance in 2010 to date, including the foreign exchange impact of the weaker Euro.

Gross spend on product development in H1 2010, capitalised in accordance with International Financial Reporting Standards, was $1.5m (H1 2009: $2.5m). Amortisation of product development investment was $2.2m in the period (2009 H1: $2.0m), resulting in a net debit to the Income Statement in the period of $0.7m (2009 H1: net credit $0.5m).

Cormac Whelan
Chief Executive Officer

26 August 2010

Datalex plc

Statement of Directors' Responsibility

We confirm that to the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated financial information gives a true and fair view of the assets, liabilities, financial position and loss of the Group.

We confirm that this interim financial information includes a fair view of the development and performance of the Group during the first six months of 2010. This review is provided in the highlights commentary on page 5 and in the notes to the consolidated financial information on pages 11 to 19.

We confirm that information regarding related party transactions and changes thereto has been provided in Note 13 to the consolidated financial information.

We confirm that a description of the principal risks and uncertainties associated with the expected development of the Group in the remaining part of the year has been provided in Note 14 to the consolidated financial information.

The directors of Datalex plc are listed in the group Annual Report for 31 December 2009.

On behalf of the Board

Paschal Taggart	**Cormac Whelan**	
Director	**Director**	**26 August 2010**

Datalex plc

Consolidated Balance Sheet

as at 30 June 2010 – unaudited

		30 June 2010	**31 December 2009**
		US$'000	US$'000
Assets			
Non-current assets			
Property, plant and equipment		394	549
Intangible assets	9	17,694	18,445
		18,088	18,994
Current Assets			
Trade and other receivables	10	10,303	10,302
Cash and cash equivalents		8,405	10,458
		18,708	20,760
Total Assets		**36,796**	**39,754**
Equity			
Capital and reserves attributable to the equity holders of the company			
Ordinary share capital	11	7,165	7,165
Other equity share capital		262	262
Other reserves		187,152	187,478
Retained earnings		(162,096)	(159,919)
Total Equity		32,483	34,986
Liabilities			
Current liabilities			
Trade and other payables		4,313	4,593
Current income tax and liabilities		-	175
Total equity and liabilities		**36,796**	**39,754**

The accompanying notes on pages 11 to 19 form an integral part of the condensed interim financial information.

Datalex plc

Consolidated Income Statement

for the six months ended 30 June 2010 – unaudited

	Notes	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Revenue	4	13,090	14,363
Cost of sales	5	(11,571)	(13,667)
Gross profit		1,519	696
Other gains/(losses)		(756)	421
Selling and marketing costs	5	(946)	(945)
Administrative expenses	5	(2,027)	(1,754)
Operating loss		(2,210)	(1,582)
Finance income		56	56
Loss before income tax		(2,154)	(1,526)
Income tax charge	7	(23)	(4)
Loss for the financial period		(2,177)	(1,530)
Loss per share for the financial period (in US$ cents per share)			
Basic and diluted	8	(0.030)	(0.021)

The accompanying notes on pages 11 to 19 form an integral part of the condensed interim financial information.

Datalex plc

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010 – unaudited

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Loss for the financial period	(2,177)	(1,530)
Other comprehensive income:		
Foreign currency translation adjustments	(355)	(32)
Comprehensive income and expense for the financial period	**(2,532)**	**(1,562)**

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010 – unaudited

	Equity share capital US$'000	Other equity share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2009	**7,165**	**262**	**187,787**	**(155,094)**	**40,120**
Total comprehensive income and expense for the period	-	-	(32)	(1,530)	(1,562)
Employee share option scheme charge	-	-	39	-	39
Balance at 30 June 2009	**7,165**	**262**	**187,794**	**(156,624)**	**38,597**
Balance at 1 January 2010	7,165	262	187,478	(159,919)	34,986
Total comprehensive income and expense for the period	-	-	(355)	(2,177)	(2,532)
Employee share option scheme charge	-	-	29	-	29
Balance at 30 June 2010	**7,165**	**262**	**187,152**	**(162,096)**	**32,483**

The accompanying notes on pages 11 to 19 form an integral part of the condensed interim financial information.

Datalex plc

Consolidated Cash Flow Statement

for the six months ended 30 June 2010 – unaudited

	Notes	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	12	(28)	(1,639)
Income tax paid		(23)	(4)
NET CASH USED IN OPERATING ACTIVITIES		(51)	(1,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(57)	(132)
Development of Intangible assets and purchase of software		(1,497)	(2,714)
Interest received		56	56
NET CASH USED IN INVESTING ACTIVITIES		(1,498)	(2,790)
Net decrease in cash and cash equivalents		(1,549)	(4,433)
Foreign Exchange (loss)/gain on cash and cash equivalents		(504)	725
Cash and cash equivalents at 1 January		10,458	14,816
CASH AND CASH EQUIVALENTS AT 30 JUNE		**8,405**	**11,108**

The accompanying notes on pages 11 to 19 form an integral part of the condensed interim financial information.

Datalex plc

Notes to the Consolidated Interim Financial Statements

at 30 June 2010– unaudited

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 public limited company incorporated and domiciled in Ireland and is listed on the Irish Stock Exchange.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 26 August 2010.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ('IAS 34') as adopted by the European Union. This report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009 included in the group's 2009 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 2009 were approved by the Board of Directors on 25 March 2010 and contained an emphasis of matter unqualified audit report and will be filed with the Irish Registrar of Companies in due course.

The group's auditors have not audited or reviewed the interim group financial information contained in this report.

3. Accounting policies

The accounting policies are consistent with those in the annual report for the financial year ended 31 December 2009.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

There were no new or amended standards which become effective during the current period, which have a material effect on the Group financial information or which are currently relevant to the Group.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRIC 17, 'Distributions of Non-cash Assets to Owners'; effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions;
- IFRIC 18, 'Transfers of assets from customers' Distributions of Non-cash Assets to Owners', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers;
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer; and
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, ‘Financial instruments’;
- Revised IAS 24, ‘Related party disclosures’;
- ‘Classification of rights issues’ (Amendment to IAS 32);
- ‘Prepayment of a minimum funding requirement’ (Amendment to IFRIC 14);
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’; and
- Improvements to International Financial Reporting Standards 2010.

4. Segmental information

Management has determined the operating segments based on the reports reviewed by the executive management team that are used to make strategic decisions. The executive management team assesses the performance of the operating segments based on a measure of EBITDA.

The executive management team considers the business from a product perspective. Management considers the performance of E-business and Consulting.

The reportable operating segments derive their revenue primarily from the sale of products and services associated with our suite of travel related technology and consulting revenue.

The segment information provided to the executive management team for the reportable segments for the financial period ended 30 June 2010 is as follows:

			Six months ended 30 June 2010			**Six months ended 30 June 2009**
	E- business	**Consulting**	**Total**	**E- business**	**Consulting**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	11,004	2,432	13,436	11,938	2,824	14,762
Inter-segment revenue	-	(346)	(346)		(399)	(399)
External Revenue	**11,004**	**2,086**	**13,090**	**11,938**	**2,425**	**14,363**
EBITDA	(9)	259	250	316	505	821
Depreciation	209	3	212	268	4	272
Amortisation	2,248	-	2,248	2,131	-	2,131
Operating (loss)/gain	(2,466)	256	(2,210)	(2,093)	511	(1,582)
Finance income			56			56
Loss before taxation			(2,154)			(1,526)
Income tax			(23)			(4)
Loss after taxation			**(2,177)**			**(1,530)**

Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive management team is measured in a manner consistent with that in the income statement.

A reconciliation of EBITDA to loss before tax is provided as follows:

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
EBITIDA	250	821
Depreciation	(212)	(272)
Amortisation – Development Costs	(2,178)	(2,032)
Amortisation - Software	(70)	(99)
Finance income	56	56
Loss before taxation	**(2,154)**	**(1,526)**

The amounts provided to the executive management team with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Total segment assets are as follows:

			30 June 2010 US$'000			31 December 2009 US$'000
	E- business US$'000	**Consulting** US$'000	**Total** US$'000	**E- business** US$'000	**Consulting** US$'000	**Total** US$'000
Total segment assets	35,604	1,192	36,796	**38,078**	**1,676**	**39,754**

Revenues from external customers are derived from the sales of E-business products and services associated with our suite of travel related technology and consulting revenue.

Analysis of revenue by category	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Transaction revenue	6,694	7,036
Professional services	3,666	4,036
Consultancy	2,086	2,425
Other	644	866
Total Revenue	**13,090**	**14,363**

5. Expenses by Nature

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Employee Benefit expense (Note 6)	7,061	7,772
Consultant and Contractor	1,968	2,793
Depreciation	212	272
Amortisation	2,248	2,131
Hosting	754	963
Rent and rates	675	641
Professional Expenses	709	289
Third Party Services	216	624
Travel	228	221
Auditors remuneration		
- audit work	78	92
Other	395	568
Total cost of sales, selling and marketing costs and administrative expenses	**14,544**	**16,366**
Disclosed as:		
- Cost of sales	11,571	13,667
- Selling and marketing costs	946	945
- Administrative expenses	2,027	1,754
Total	**14,544**	**16,366**

6. Employee benefit expense

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Wages and salaries	7,246	8,323
Social security costs	717	841
Pension costs – defined contribution schemes	96	238
Employee benefit expense before capitalisation	8,059	9,402
Capitalised labour	(1,027)	(1,669)
	7,032	7,733
Share options granted to directors and employees	29	39
Total	**7,061**	**7,772**

7. Income tax

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Current tax		
Corporation tax on loss for the period	23	4
Current tax expense for the period	23	4

8. Loss per share

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Basic and Diluted		
Loss attributable to ordinary shareholders	(2,177)	(1,530)
Weighted average number of ordinary shares outstanding	71,651,678	71,651,678
Basic and Diluted loss per share (in US$ cents)	(0.030)	(0.021)

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The categories of dilutive potential ordinary shares of the Group are employee share options and the 'B' convertible redeemable shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to the 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.

The effects of anti-dilutive potential ordinary shares have been ignored in calculating diluted loss per share.

9. Intangible assets

	Software	Development Costs	Total
	US$'000	US$'000	US$'000
Period ended 30 June 2009			
Opening net book amount	235	18,351	18,586
Additions	199	2,515	2,714
Amortisation charge	(99)	(2,032)	(2,131)
Closing net book amount	**335**	**18,834**	**19,169**
Year ended 31 December 2009			
Opening net book amount	235	18,351	18,586
Additions	203	4,459	4,662
Government grant assistance	-	(532)	(532)
Amortisation charge	(212)	(4,059)	(4,271)
Closing net book amount	226	18,219	18,445
Period ended 30 June 2010			
Opening net book amount	226	18,219	18,445
Additions	8	1,489	1,497
Amortisation charge	(70)	(2,178)	(2,248)
Closing net book amount	**164**	**17,530**	**17,694**

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

Capitalised development costs are amortised over a period of five years commencing from the product being generally available for use.

10. Trade and other receivables

	30 June 2010	31 December 2009
	US$'000	US$'000
Trade receivables	6,683	7,638
Less: provision for impairment	(165)	(656)
Trade receivables – Net	6,518	6,982
Other receivables	1,369	1,126
Prepayments	762	639
Accrued income	1,654	1,555
	10,303	10,302

All amounts fall due within one year. USD$0.5m of the provision was utilised during the period ended 30 June 2010.

11. Share Capital

During the period to 30 June 2010, no ordinary shares were issued upon the conversion of employee share options into ordinary share capital.

12. Cash used in from operations

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Loss for the financial period	(2,177)	(1,530)
Adjustments for:		
Interest received	(56)	(56)
Depreciation	212	272
Amortisation	2,248	2,131
Employee share option amortisation	29	39
Foreign Currency losses/(gains) on operating activities	170	(314)
Fair value gains on derivative financial instrument	-	(241)
Trade and other receivables	1	(1,008)
Trade and other payables	(455)	(932)
Cash used in from operations	**(28)**	**(1,639)**

13. Related party transactions

The following transactions were carried out with related parties:

(a) Key management personnel includes the two executive directors and eight members of the senior management team. Key management compensation :

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Salaries and other short-term employee benefits	918	919
Post employment benefits	33	37
	951	**956**

(b) The remuneration of and transactions with all non-executive directors:

	Six months ended 30 June 2010 US$'000	Six months ended 30 June 2009 US$'000
Basic salaries and fees	**149**	**165**

14. Principle risks and uncertainties

(a) Principal risks

The principal risks faced by the Group include the impact of general economic pressures on the airline industry, foreign exchange risk on currency exposures arising in the normal course of business, credit risk on outstanding receivables, and litigation risk (see below). The impact of general economic conditions is mitigated by the geographic and market spread of our customer base. Foreign exchange risk is managed through the use of forward contracts to hedge net foreign currency risk. Credit risk on receivables is managed through ongoing external customer credit risk monitoring together with the use of credit limits on customer balances.

(b) Litigation and disputes

There has been no material change in our contingent liabilities in the period ended 30 June 2010 since the approval of our statutory financial statements for the year ended 31 December 2009.

Flight Centre Limited

As outlined in our 2009 annual report, we are currently engaged in litigation with Flight Centre Limited ("Flight Centre") of Australia. Flight Centre are seeking restitutionary and compensatory damages from Datalex for non-delivery under the contract, and Datalex are seeking damages from Flight Centre for breach of contract.

In our 2009 annual report we stated that it was our view that this claim would not result in a material adverse effect on our business, financial position, income, or cash flows. Consequently, no provision was made in our financial statements for the year ended 31 December 2009.

At 30 June 2010, we maintain this view, that this claim will not have any material adverse effect on our business or financial position, and consequently we have not made any provision in respect of this claim in our financial information for the six months ended 30 June 2010. Litigation is always subject to inherent uncertainties and our view of these matters may change in the future.

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. Distribution of interim report

The interim report is available on the Group's website www.datalex.com. Copies are also available to the public from the Company's registered office at Block U, East Point Business Park, Clontarf, Dublin 3, Ireland.