

TMN Group PLC

Interim Results

10 December 2008. TMN Group plc (AIM: TMN, the "Group" or the "Company"), UK's premier digital marketing group, has published its interims results for the six months to 31 October 2008.

Highlights

- Group revenues, including acquisitions, up 72% to £15.5m (2007: £9.0m)
 - Online Research up 30%
 - Lead Generation increased to 9% of Group revenue
- Adjusted* profit before tax £0.5m (2007: £1.4m)
- Adjusted* basic earnings per share were 0.5p (2007: 2.2p)
- New £4m banking facilities secured – Group net debt as at 31 October 2008 £2m
- New products and services launched, including new consumer websites and increased Affiliate services

Mark Smith, TMN Chief Executive, commented,

"We have reacted swiftly to the challenges in display advertising in September and October by rebasing our costs and improving our operational efficiencies; although other channels have performed well, launching new products and services during the first six months of the current financial year.

"Our increased banking facilities and the Group's enhanced scale based on five business channels – Affiliate Marketing, Email Marketing, Publishing, Lead Generation and Online Research – as well as the continued demand for online marketing, enables us to be cautiously confident about the second half when the Group traditionally is stronger."

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* Adjusted profits before tax excludes share-based payment charges of £11,000 (2007: £15,000) and the amortisation of acquisition related intangible assets of £1.1m (2007: £182,000).

Overview

The first six months of the current financial year to 31 October 2008 are the first full reporting period for the enlarged TMN Group, following the acquisitions completed in early 2008 and coincide with a very challenging economic environment. However, despite a sharp reduction in email display advertising, a diversified revenue and client base helped to mitigate the effects of this downturn which ensured the Group was profitable and remains both financially and operationally sound.

The Group has recently renewed its bank facilities which now provide TMN with a committed facility of £4m, £2m more than the net debt at 31 October 2008, along with a further £1m for potential acquisition purposes. The Group has also swiftly cut its cost base and restructured to maintain its margins, ensuring TMN is well positioned to take advantage of the shifts to and within online advertising and marketing sectors.

Strategy

The Group is one of the largest online advertising and research suppliers in Europe, offering a multi-channel internet advertising solution and global online research offering. Over 50 million display adverts are dispatched monthly through a network of highly branded responsive databases and over 120,000 website partners signed up to display the Group's performance-based adverts.

The acquisitions of TAPPS and AffiliateFuture have increased the Group's range of services. Across the Group, over 40 million visitors were sent to advertisers during the period generating in excess of £75 million of online sales. Over 2 million prospect leads were sourced for clients and over 600,000 research survey responses were generated.

Financial Review

For the period ended 31 October 2008 revenues were £15.5m, an increase of 72% compared with 2007 revenues of £9.0m. On a pro forma basis, 2007 revenues were £17.7m.

£'m	Reported 2008	Reported 2007	Proforma 2007
Email marketing	5.6	6.3	7.8
Affiliate marketing	7.1	0.6	7.6
Research	1.6	1.2	1.2
Publishing	1.2	0.9	1.1
Total	15.5	9.0	17.7
United Kingdom	13.8	9.0	16.2
Netherlands	1.7	-	1.5
Total	15.5	9.0	17.7

Gross profit increased by 40% to £6.7m (2007: £4.8m), although gross profit margin was 43% (2007: 54%) reflecting the change in revenue mix, primarily as a result of the acquisition of the lower margin AffiliateFuture in February 2008.

Adjusted operating profit, excluding the impact of the non cash items; share-based payment charges of £11,000 (2007: £15,000) and the amortisation of acquisition related intangible assets of £1.1m (2007: £182,000), was £0.6m (2007: £1.4m).). The lower operating profit is due to the dilutive effect of the lower margin affiliate marketing business, higher headcount costs and higher charges for depreciation and amortisation reflecting investment in infrastructure, internal development and databases.

Adjusted profit before tax was £0.5m (2007: £1.4m) and adjusted basic earnings per share were 0.5p (2007: 2.2p). The reported loss before tax was £0.7m (2007: profit of £1.2m) and the basic loss per share was 0.6p

Since the beginning of the period, the Group has reduced its operating cost base and expenditure by £1m on an annualised basis which will have a material impact in the second half of the current financial year, although there will be a one off exceptional restructuring cost of around £0.3m.

The Group disposed of Sweatband.com Limited, the loss-making E-commerce business acquired as a result of the purchase of Internet Business Group in October 2008, realising a profit of £0.2m

Net debt at 31 October was £2.0m compared to £0.3m at 30 April 2008. The increase in net debt reflects operating cash flow of £0.6m, less £0.7m of interest and tax paid, capital expenditure of £1.3m and a net cash outflow from acquisitions and disposal of £0.2m.

The Group has recently renewed its bank facilities resulting in £2m of committed headroom over the net debt position at 31 October 2008.

Operations

Email marketing showed a marked reduction in revenues in September and October 2008 compared to the equivalent period last year. However, as a result of the diversified revenue and client base, the Group was able to mitigate the effects of this revenue reduction with several other channels continuing to grow organically.

AffiliateFuture showed growth over the second half of the last financial year and Online Research has taken advantage of the ongoing migration from marketing to research with revenues increasing by 30% year on year. Lead Generation now represents 9% of the Group's revenue with over 150 clients utilising these services during the period. Publishing through a combination of growth and new website launches has grown its revenues by 9%.

Industry wide, display advertising has suffered from the UK media downturn. During the previous half year, finance advertising alone was worth in excess of £4.5 million – it accounted for around 30% of that figure in the period under review - but the Group has successfully replaced some lost revenues with other verticals.

The Group's mix of verticals has altered significantly from 12 months ago when finance and automotive advertising accounted for over 27% of revenues. Today the three most important verticals are travel, at 17% of revenues, and telecoms and finance, at 10% each.

The Group's market leading position has been recognised through a number of awards. EDR won two awards from Connect and Data Strategy for their work with their bespoke lead generation tool Pure Lead.

tmnmedia won the list manager of the year for its work with ASOS at the Connect Awards and AffiliateFuture won its inaugural award at the prestigious IMA event for its work with Sunshine.

Technology plays an important part in the ongoing success of the Group. Lead generation site, Survey Central, was launched during the period and Pure Lead, the award winning data cleansing tool, helped generate over 2 million prospect leads for over 150 clients. AffiliateFuture launched a number of new initiatives to add to its innovative tracking solution, Veracitag, including Project Xenon, which allows retailers to promote its specific product listings on affiliated websites.

Opportunities to further expand the Group's services within existing and new territories are also being explored. Recent developments include exploration of opportunities in Benelux, expanding operations from the Netherlands. The Research reach was increased recently to include a satellite operation in Melbourne, Australia which, with the UK and US offices, now gives 24 hour coverage to a growing list of online qualitative research customers.

Outlook

The Directors fully recognise the challenges within the marketplace, yet equally consider the Group to be well positioned to take advantage of the shifts to and within online advertising. The Group has slimmed down its cost base and secured considerable banking headroom.

Recent reports from the IAB and Enders suggest that growth in 2009 will be challenging for display advertising, although performance based advertising, which represents over 50% of the Group's revenues through the Affiliate and Publishing channels, offers a manageable and highly transparent alternative to traditional fixed-rate advertising.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	6 months ended 31 October 2008 Unaudited	6 months ended 31 October 2007 Unaudited	Year ended 30 April 2008 Audited
Note	£'000	£'000	£'000
Revenue	15,463	8,993	22,534
Cost of sales	(8,805)	(4,157)	(10,804)
Gross profit	6,658	4,836	11,730
Administrative expenses	(5,741)	(3,196)	(7,489)
Other administrative expenses			
- Amortisation of intangibles	(1,671)	(423)	(1,530)
- Exceptional costs	-	-	(225)
Operating (loss) / profit	(754)	1,217	2,486
Profit on disposal of subsidiary undertakings	189	-	-
Interest on bank deposits	5	29	42
Interest payable and similar charges	(111)	-	(51)
(Loss) /Profit on ordinary activities before tax	(671)	1,246	2,477
Tax	195	(254)	(635)
(Loss) /profit on ordinary activities after tax	(476)	992	1,842
(Loss) /earnings per share			
Basic (pence)	2 (0.63)p	2.0p	3.3p
Diluted (pence)	2 -	1.9p	3.1p

All amounts relate to continuing operations.

CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2008

	31 October 2008 Unaudited	31 October 2007 Unaudited	30 April 2008 Audited
	£'000	£'000	£'000
Non-current assets			
Goodwill	11,525	6,361	11,370
Other intangible assets	10,640	1,319	11,280
Property, plant and equipment	758	199	948
Investments	108	-	108
	<u>23,031</u>	<u>7,879</u>	<u>23,706</u>
Current assets			
Inventories	-	-	277
Trade and other receivables	9,414	6,433	9,450
Cash and cash equivalents	1,015	1,040	2,702
	<u>10,429</u>	<u>7,473</u>	<u>12,429</u>
Total assets	<u>33,460</u>	<u>15,352</u>	<u>36,135</u>
Current liabilities			
Financial liabilities – bank overdraft	3,018	-	3,032
Trade and other payables	6,493	3,601	7,438
Current tax liabilities	406	379	924
Deferred tax liabilities	-	32	-
Provisions	979	465	1,408
	<u>10,896</u>	<u>4,477</u>	<u>12,802</u>
Non-current liabilities			
Provisions	786	-	786
Deferred tax	1,738	136	2,046
	<u>2,524</u>	<u>136</u>	<u>2,832</u>
Total liabilities	<u>13,420</u>	<u>4,613</u>	<u>15,634</u>
Net assets	<u>20,040</u>	<u>10,739</u>	<u>20,501</u>
EQUITY			
Called up share capital	108	105	108
Share premium account	7,748	6,215	7,748
Merger reserve	7,174	-	7,174
Equity shares to be issued	356	356	356
Share option reserve	454	441	443
Other reserves	150	121	146
Retained earnings	4,050	3,501	4,526
Total equity	<u>20,040</u>	<u>10,739</u>	<u>20,501</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	6 months ended 31 October 2008 Unaudited	6 months ended 31 October 2007 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000	£'000
Cash flows from operating activities			
Operating (loss) / profit	(754)	992	2,486
Adjustments for:			
Depreciation	243	53	182
Amortisation	1,671	423	1,530
Interest receivable	-	(29)	-
Taxation expense recognised in profit and loss account	-	254	-
Loss on investments	-	-	9
Foreign exchange	-	-	25
Share based payments expense	11	15	27
Increase in inventories	-	-	32
Increase in receivables	(53)	(1,899)	(2,395)
(Decrease)/ increase in payables	(402)	935	1,405
(Decrease)/ increase in provisions	(129)	(82)	(105)
Cash generated from operations	587	662	3,196
Interest paid	(110)	-	(51)
Income tax paid	(629)	(311)	(444)
Net cash (utilised in) / generated from operating activities	(152)	351	2,701
Cash flows from Investing activities			
Interest received	5	29	42
Proceeds from disposal of subsidiary undertaking	149	-	-
Purchases of plant, property and equipment	(298)	(103)	(384)
Purchases of intangible assets	(1,048)	(454)	(1,567)
Acquisition of subsidiaries	(329)	(200)	(2,539)
Net cash (used in) investing activities	(1,521)	(728)	(4,448)
Financing activities			
Proceeds on issue of shares – share options exercised	-	75	75
Purchase of own shares	-	(109)	(109)
Loan note repaid	-	(100)	(100)
Net cash (used in) financing activities	-	(134)	(134)
Net (decrease) in cash and cash equivalents	(1,673)	(511)	(1,881)
Cash and cash equivalents at the beginning of the period	(330)	1,551	1,551
Cash and cash equivalents at the end of the period	(2,003)	1,040	(330)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Equity shares to be issued £'000	Share option reserve £'000	Other reserves £'000	Retained earnings £'000	£'000
At 1 May 2007	105	5,809	-	687	426	121	2,618	9,766
Profit for the financial year	-	-	-	-	-	-	1,842	1,842
Issue of shares	3	1,864	7,174	(331)	-	-	-	8,710
Share options exercised	-	75	-	-	-	-	-	75
Share options cancelled	-	-	-	-	(10)	-	10	-
Deferred tax on share options	-	-	-	-	-	-	165	165
Purchase of own shares	-	-	-	-	-	-	(109)	(109)
Net income recognised directly in equity	-	-	-	-	-	25	-	25
Share-based payment	-	-	-	-	27	-	-	27
At 1 May 2008	108	7,748	7,174	356	443	146	4,526	20,501
Net income recognised directly in Equity	-	-	-	-	-	4	-	4
Loss for the period	-	-	-	-	-	-	(476)	(476)
Share - based payment	-	-	-	-	11	-	-	11
At 31 October 2008	108	7,748	7,174	356	454	150	4,050	20,040

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

1. Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 October 2008. They have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These financial statements have been prepared under the historical cost convention.

These consolidated interim financial statements have been prepared in accordance with the accounting policies used in the year ended 30 April 2008 which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU).

Nature of operations and general information

TMN Group plc and subsidiaries' ('the Group') principal activities include the provision of online marketing and online market research services.

TMN Group plc is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of TMN Group plc's registered office, which is also its principal place of business, is 69-73 Theobalds Road, London, WC1X 8TA. TMN Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

TMN Group plc's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 9 December 2008.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 April 2008, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement's under Section 237(2) of the Companies Act 1985.

2. (Loss) /Earnings per share

The calculation of earnings per share is based on the following results and number of shares:

	6 months ended 31 October 2008			6 months ended 31 October 2007			Year ended 30 April 2008		
	Loss £'000	Number of shares '000	Pence per share	Profit £'000	Number of shares '000	Pence per share	Profit £'000	Number of shares '000	Pence per share
Basic (loss) / earnings per share	(476)	75,383	(0.63)	992	50,309	2.0	1,842	56,111	3.3
Dilutive effect of securities:									
Share options	-	-	-	-	1,530	-		1,789	
Deferred consideration to be settled in shares	-	-	-	-	-	-		1,176	
Diluted (loss) / earnings per share	-	-	-	992	51,839	1.9	1,842	59,071	3.1

In the period ended 31 October 2008 the group made a loss and therefore the effect of share options and deferred share based consideration are anti-dilutive and as such no diluted EPS has been presented.

An adjusted earnings per share has also been calculated based on the profit for the period before amortisation of acquisition related intangibles and share-based payments amounting to a total of £825,000 (2007: £127,000). The adjusted earnings per share is therefore based on the adjusted net profit for the period of £349,000 (2007: £1,119,000) divided by the weighted average number of shares in issue during the period of 75,382,759 (2007: 50,309,000) which results in an adjusted earnings per share of 0.46p pence (2007: 2.2 pence). The diluted profit per share is based on a weighted average number of shares in issue on a fully diluted basis after adjusting for the dilutive impact of the share options and the deferred consideration to be settled in shares which results in an adjusted diluted earnings per share of 0.45 pence (2007: 2.2 pence)