

Company Atelis PLC
TIDM ATEL
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ATELIS PLC
(“ATELIS” OR THE “COMPANY”)
INTERIM RESULTS

Atelis plc, a provider of IP-PBX telephony solutions, today announces Interim Results for the half year ended 30th June 2007.

Highlights:

- Revenues increased to £248,196 (2006: £188,340).
- Loss on ordinary activities after taxation increased to £118,308 (2006: £9,052).
- Continued geographic expansion of reseller network into Jordan, Turkey and Cyprus. Three new resellers added in the UK in Q3.
- Trial phase of products by reseller network successfully completed.
- Appointment in September 07 of Andy Mitchell to the Board with responsibility for the European Sales operation.

Rony Cohen, Chief Executive of Atelis commented: "The restructuring process, involving a reorientation of products towards corporate solutions, begun in the latter half of last year continued into the first half of this year, having a negative effect on the financial results for the period. However, we believe that process is now largely complete and have been encouraged by the positive reaction of our reseller network to our products. We believe the market continues to move in our favour, with voice over IP telephony solutions now being adopted by the mainstream. We would like to thank our investors for their continued support and look forward to increased momentum through 2007 and beyond."

For further information, please contact:

Atelis plc Tel: +44 (0)870 478 8248
Rony Cohen, CEO

ICIS Limited Tel: +44 (0)20 7651 8688
Tom Moriarty / Caroline Evans-Jones

City Financial Associates Limited Tel: +44 (0)20 7492 4777
James Caithie

Lewis Charles Securities Tel: +44 (0)20 7456 9100
Kealan Doyle

About Atelis plc

Atelis (AIM:ATEL) delivers turnkey, integrated hardware-software telephony solutions for carriers, service providers, and enterprises of all sizes. Atelis customers easily and rapidly deploy new networks, add capacity to existing infrastructure, and acquire new value-added services. Atelis enterprise-grade SIP

PBX solutions for small, medium and very large businesses provide robust, flexible, affordable, low-maintenance, and easy-to-deploy systems to replace or upgrade outdated legacy technologies.

Atelis currently operates in the UK and in Israel, where its development team is based. The Company's products are distributed through a network of telecoms and IT systems resellers.

For further information on the Company, visit: <http://www.atelis.net>

Chairman's Statement

Introduction

I am pleased to report that following the completion of the restructuring of the Company begun last year, and the reorientation of our products toward corporate solutions, we are now starting to gain traction amongst our reseller network. This has taken longer than originally anticipated, we did not therefore see the growth in sales in the first half which we had previously expected, however we did see continued progress in other areas. Following the period end we strengthened our Board through the appointment of Andy Mitchell as an Executive Director with responsibility for the European sales operation. We have already seen progress in the UK and continue to believe that our IP telephony products are well positioned to address the growing enterprise market.

Reseller and partner network

Our key focus has been on extending our network of IT Value Added Resellers and ISP's able to sell our products around the world as part of their voice offering to businesses. We have experienced encouraging success in this, and of particular note has been the signing of an agreement with the largest IBM distributor in Turkey who will now also carry our products. In addition, we have signed up resellers in new geographies such as Jordan and Cyprus and have added a further three distributors in the UK during the third quarter of the year.

Our strategy is also to partner with telecoms carriers to resell our SME products to their customers in bundled telephony solutions. Not only would this deliver additional revenues through sales of our products but also additional recurring revenue through revenue share agreements on voice traffic.

Results

Revenues for the period increased to £248,196 (2006: £188,340). The Board took the decision in October 2006 to withdraw from our previous marketing model and focus on the enterprise market where demand is consistent and shorter sales cycle for the Company's products prevail. Traction in this market did not progress as anticipated and therefore sales were lower than expected. However many of the resellers have now successfully completed the trials of our products and we are now gaining momentum in the third quarter.

Loss on ordinary activities after tax increased to £118,308 (2006: £9,052) due to restructuring carried out during the period and an increase in marketing activities.

Net cash carried forward was £2,832 (2006: £386,272).

In May 2007, following the year end the Company completed the placing of 4,876,000 shares representing 19.48 percent of the Company's issued share capital, at a price of 4.5 pence equating to £219,420 before expenses. These shares were held by Andrew Caird, the Company's former chairman, and were sold for the Company's benefit as part of the arrangements surrounding his departure from the Company.

Product development

Whilst we have largely moved out of the R&D phase of product development into a greater focus on sales and marketing we are soon to launch a host of new software features in line with the release of Digium's Asterisk Appliance which intend to market to our resellers and via our online sales channel from the end of October 2007.

During the period, Nir Simionovich resigned as Chief Technical Officer because, as noted above, the Company has largely moved out of the R&D phase of product development.

Market developments

Our key market continues to be the UK and Western Europe, from which we continue to derive the majority of our revenues although we expect to see an increase in revenues coming through from developing regions as we move through the year, such as Central and South America, East Central Africa and some of Eastern Europe, where investment is now being made in an IP infrastructure. We have also seen an increase in interest from non-IT orientated enterprises, indicating that VOIP solutions are now moving into the corporate mainstream and are becoming more accepted by the market.

Outlook

We continue to believe our IP telephony products are now well positioned to service the enterprise market. With a strengthened reseller network in place and successful trials of our products completed with them, we expect to achieve steady levels of growth over the remainder of the year.

Atelis PLC
Group Profit and Loss account
For the six month period ended 30 June 2007

Consolidated income statement for the six months ended 30 June 2007

	Unaudited 6 months to 30 June 2007 £	Unaudited 6 months to 30 June 2006 £	Audited 12 months to 31 December 2006 £
Turnover	248,196	188,340	305,281
Cost of sales	(130,647)	(15,418)	(106,704)
Gross profit	117,549	172,922	198,577
Administrative expenses	(253,220)	(173,366)	(730,411)
Operating Loss	(135,671)	(444)	(531,834)
Other interest payable and similar expense	(961)	-	(5,997)
Loss on ordinary activities before taxation	(136,632)	(444)	(537,831)
Taxation	18,324	(8,608)	-
Loss on ordinary activities after taxation being retained profit for the period	(118,308)	(9,052)	(537,831)
Loss per share – basic and diluted	Pence (0.005p)	Pence (0.0004p)	Pence (0.023p)

The operating loss arises from the group's continuing operations.

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Consolidated balance sheet at 30 June 2007

	Unaudited 30 June 2007 £	Unaudited 30 June 2006 £	Audited 31 December 2006 £
Fixed assets			
Tangible assets	203,702	149,197	131,590
Current assets			
Stock	12,500	2,209	-
Debtors	230,686	292,680	315,498
Cash at bank and in hand	2,832	386,272	10,349
	<u>246,018</u>	<u>681,161</u>	<u>325,847</u>
Creditors: amounts falling due within one year	(361,185)	(228,372)	(250,594)
	<u>(361,185)</u>	<u>(228,372)</u>	<u>(250,594)</u>
Net current assets	(115,167)	452,789	75,253
Total assets less current liabilities	88,535	601,986	206,843
Capital and reserves			
Share capital	62,562	62,562	62,562
Share premium	712,968	579,332	712,968
Profit and loss account	(686,995)	(39,908)	(568,687)
	<u>(686,995)</u>	<u>(39,908)</u>	<u>(568,687)</u>
Shareholders' funds	88,535	601,986	206,843

The interim statements were approved by the Board of Directors and authorised for issue on 28th September 2007.

They were signed on its behalf by:

R. Cohen
Director

Consolidated cash flow statement for the six months ended 30 June 2007

	Unaudited 6 months to 30 June 2007 £	Unaudited 6 months to 30 June 2006 £	Audited 12 months to 31 December 2006 £
Net cash outflow from operating activities	(119,112)	(29,995)	(565,021)
Returns on investments and servicing of finance:			
Interest paid	-	-	(997)
Capital expenditure:			
Purchase of tangible assets	(76,744)	(175,800)	(161,086)
Net cash outflow before financing	(195,856)	(205,795)	(727,104)
Financing:			
Proceeds from share issue	188,339	591,894	737,280
Net cash inflow from financing	188,339	591,894	737,280
Increase (Decrease) in cash	(7,517)	386,099	10,176
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Net funds brought forward	10,349	173	173
Net Funds carried forward	<u>2,832</u>	<u>386,272</u>	<u>10,349</u>

Atelis PLC

Notes to the Unaudited Interim Accounts For the Six Months ended 30 June 2007

1. Compliance with accounting standard
The financial statements have been prepared in accordance with applicable International Financial Reporting Standards and under the historical cost convention. The principal accounting policies of the Group are set out in the Group's annual report and financial statements.
2. Statutory accounts
The financial information set out above does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.
3. Dividends
The directors do not recommend the payment of a dividend.
4. Consolidated accounts
The Group financial statements consolidate the accounts of the Company and its interest in subsidiary undertakings. Overseas subsidiaries are consolidated using the closing rate method. Foreign exchange differences arising on consolidation are taken to reserves.
5. Basic and diluted loss per ordinary share
The calculation of basic loss per share is based on loss after taxation of £118,308 (2006: £9,052) and on 25,025,000 ordinary shares (2006: 20,839,917) being the weighted average number of ordinary shares in issue during the year. The calculation of diluted loss per share is based on loss after taxation of £118,308 (2006: £9,052) and on 25,025,000 ordinary shares (2006: 20,839,917) being the weighted average number of ordinary shares in issue. There were no dilutive share options or warrants outstanding in the year.

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