27 March 2018

Mobile Streams plc ("Mobile Streams" or the "Company") (AIM: MOS)

Interim results

Mobile Streams announces its unaudited interim results for the six months ended 31 December 2017. These were in line with management's expectations as set out in the Company's trading update on 2 February 2018.

Highlights

- Customer renewal base* in India exceeded 750,000 customers
- Growth enabled by our billing connection for the largest local mobile phone operators four contracts entered into with a fifth in advanced discussions
- 180,000 active paying subscribers** in India
- Trading in Argentina was stable throughout the period
- Unaudited revenues were £1.8m (31 December 2016: £3.6m). All revenue is from continuing operations
- £1.5m of cash and cash equivalents at 31 December 2017 (£2.8m as at 31 December 2016), with no debt

Post-period end highlights

- Customer renewal base* in India has almost doubled to over 1.75 million currently
- 210,000 active paying subscribers** in India currently
- Trading in Argentina remains stable
- £1.2m of cash and cash equivalents at today's date, with no debt
- Company is now working with all major carriers in the India market
- Customer renewal base* in India showing strong growth with more than 500,000 customers added since the start of March 2018

* Customer renewal base is the active paying subscriber base plus the renewal base of zero-rate customers, whereby customers who have zero balances in their pre-pay mobile account who want to use MobileGaming.com are subscribed to the service with billing attempts then subsequently made to turn them into active paying subscribers.

**Active paying subscribers are measured as consumers who have made a purchase from the Company in the country in the past 60 days. For like-for-like comparability, this is the same methodology the Company uses to measure subscribers in its other markets such as Argentina.

Commenting, Simon Buckingham, CEO of Mobile Streams said: "We are pleased that the team has grown the mobileGaming.com customer renewal base above 1.75 million subscribers. Our primary focus during the period was to reduce losses with our key accounts in India through a process of marketing and customer churn optimisation as well as working to convert zero rated mobileGaming.com customers into active paying subscribers. With the Argentina business stabilised, we intend to continue to focus on achieving active paying subscriber growth in India which in turn drives our revenues so that we can build up volumes to cover our operating expenses."

India

Mobile Streams India Private Limited, exceeded the important milestone of reaching a customer renewal base of 750,000 on its Android and HTML5 MobileGaming.com games subscription services. Subsequently, the customer renewal base has climbed to more than 1,750,000. The number of active paying subscribers is currently 210,000.

Most of the growth in customer renewal base to date has been driven by growth enabled by the Company's billing connection for the largest local mobile phone operator. The Company has faced certain challenges with its other billing partners which have hindered growth over the past six months.

Due to consolidation in the Indian market, one of the Company's operator billing partners has recently filed for bankruptcy. The Company is working on launch of services with a fifth telecom operator and anticipates that this will take place over in the next few months.

As announced on 2 February 2018, the Indian mobile industry saw a number of changes, in the form of aggressive marketing strategies from certain market participants, consolidation and increased regulation, in the first half of the financial year which have impacted telecom operators and, in turn, the Company. At the same time, consuming mobile content has never been easier for customers with enhanced networks, cheap smartphones and data making the opportunity in India, particularly for games content, a huge one.

Argentina

Trading in Argentina remained stable during the period and this is expected to continue throughout the remainder of the financial year.

OPERATING REVIEW

During the period, both the Group's Mobile Internet revenues and its Mobile Operator revenues decreased. This was primarily as a result of consumers steadily update their phones from legacy feature and flip phone models to smartphones, resulting in less use of operator content portals less. Consumers generally use independent portals, as well as the open mobile internet, more actively. The Company has adapted to this trend through cost and marketing optimisation and in focusing in the potential growth in markets like India.

The Company's primary focus during the period was therefore to reduce losses with key accounts in India through a process of marketing and customer churn optimisation as well as working to convert zero rated mobileGaming.com customers into active paying subscribers.

Mobile internet

Mobile Streams' performance during the six months ended 31 December 2017 was driven primarily from its Mobile Internet sales in Latin America. During the period, Mobile Streams has continued with its strategy to develop a content offering direct to consumers across a wide range of mobile devices in a number of large emerging markets. This is in addition to the Company's business of providing content to mobile network operators and other business partners.

As in previous years, Latin America, primarily Argentina, accounted for the majority of revenue in the first half of the current financial year. This is anticipated to continue to be the case for the remainder of the current year and beyond until such time as the revenues from India reach significant scale.

Mobile operator sales

The Group has several contracts with mobile operators that allow the distribution of content through their mobile portals. Revenues from this stream have reduced by more than 49% in comparison with the previous period which is partially because of consumer preferences.

There was a reduction in the number of consumer visitors to these portals, which has been a continuing trend for several years. The Group's teams share and implement the best retailing practices in order to increase the conversion of visitors into customers to mitigate the natural decline in this revenue stream as the market changes.

FINANCIAL REVIEW

Group revenue for the six months ended 31 December 2017 was £1.8m, a decrease of 49% from 2016's figure of £3.6m. The gross profit was £0.7 which decreased by 38% during the period (2016: £1.1m). The cost of sales on mobile internet revenue is much higher than on operator revenue because of marketing costs resulting in a lower overall gross profit margin. The gross profit margin increased from 29.6% to 36.7% as a result of decreased marketing (direct to consumer) costs related to its Mobile Internet division.

The Group recorded a loss after tax of £587k for the 6 months ended 31 December 2017 (2016: loss £879k), generating a loss per share of 0.64 pence per share (2016: 2.17 pence loss per share).

Adjusted loss per share (excluding depreciation, amortisation, impairments and share compensation expense) was 0.63 pence per share (2016: 1.89 pence adjusted loss per share).

As announced on 2 February 2018, as a consequences of these challenges, the Company has sought to refocus and reduce its marketing spend to approximately 20% of the levels in June 2017 with a view to protecting EBITDA and cash.

Cash and cash equivalents

During the period the Argentine Peso depreciated by approximately 15% against the British Pound during the semester. Current cash balances are £ 1.27m.

OUTLOOK

Whilst the Directors are optimistic about the medium-term prospects of the Company and the potentially transformational opportunity presented by India, trading conditions in the Company's core markets of India and Argentina are unlikely to change materially in the second half of the current financial year meaning that the Company expects that second half revenues will be slightly below those recorded in the first half of the year. With the Argentina business stabilised, the Company intends to continue to focus on achieving active paying subscriber growth in India which in turn drives revenues enabling it to build up volumes to cover operating expenses.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2017 £000's	Unaudited 6 months ended 31 December 2016 £000's	Audited 12 months ended 30 June 2017 £000's
Revenue	**1.833**	**3.640**	**5.695**
Cost of sales	(1.162)	(2.563)	**(3.942)**
Gross profit	671	1.077	**1.753**
Selling and marketing costs	(440)	(349)	**(769)**
Administrative expenses **	(879)	(1.549)	**(2.598)**
Operating Loss	(648)	(821)	**(1.614)**
Finance income	82	78	**98**
Finance expense	(2)	(2)	**(2)**
Loss before tax	(568)	(745)	**(1.518)**
Tax expense	(19)	(134)	**(209)**
Loss for the period	(587)	(879)	**(1.727)**
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	(587)	(879)	**(1.727)**

Earning Per Share

	Pence per share	Pence per share	Pence per share
Basic loss per share	**(0,641)**	**(2,167)**	**(2,620)**
Diluted loss per share	**(0,641)**	**(2,167)**	**(2,620)**

* *Administrative expenses include depreciation, amortisation, impairment and share based compensation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited 12 months ended 30 June 2017
	£000's	£000's	£000's
Loss for the period	(587)	(879)	(1.728)
Exchange differences on translating foreign operations	(145)	74	(103)
Total comprehensive loss for the period	**(732)**	**(805)**	**(1.831)**
Total comprehensive loss for the period attributable to:			
Equity shareholders of Mobile Streams Plc	**(732)**	**(805)**	**(1.831)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2017 £000's	Unaudited 6 months ended 31 December 2016 £000's	Audited 12 months ended 30 June 2017 £000's
Assets			
Non- Current			
Intangible assets	-	-	-
Property, plant and equipment	12	8	16
Deferred tax asset	155	-	155
	167	**197**	**171**
Current			
Trade and other receivables	1.261	1.870	1.571
Cash and cash equivalents	1.466	2.780	2.260
	2.727	**4.650**	**3.831**
Total assets	**2.894**	**4.847**	**4.002**
Equity			
Called up share capital	182	1.164	182
Share premium	12.463	11.482	12.463
Translation reserve	(3.398)	(3.076)	(3.253)
Retained earnings	(8.136)	(6.723)	(7.553)
Total equity	**1.111**	**2.847**	**1.839**
Liabilities			
Current			
Trade and other payables	1.516	1.463	1.649
Current tax liabilities	267	537	514
	1.783	**2.000**	**2.163**
Total liabilities	**1.783**	**2.000**	**2.163**
Total equity and liabilities	**2.894**	**4.847**	**4.002**

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited 12 months ended 30 June 2017
	£000's	£000's	£000's
Operating activities			
Profit before taxation	(568)	(745)	(1.518)
Adjustments:			
Shared based payments	4	97	118
Depreciation	3	14	19
Interest received	(82)	(78)	(98)
Changes in trade and other receivables	310	706	1.005
Changes in trade and other payables	(133)	(132)	54
Tax paid	(228)	(460)	(692)
Interest paid	2	(2)	2
Total cash utilised in operating activities	**(692)**	**(600)**	**(1.110)**
Investing activities			
Additions to property, plant and equipment	4	(1)	(15)
Interest received	82	78	98
Interest paid	(2)		(2)
Net cash generated from investing activities	**84**	**77**	**81**
Issue of share capital (net of expenses paid)	-	1.993	1.969
Net cash generated from financing activities	**-**	**1.993**	**1.969**
Net change in cash and cash equivalents	(608)	1.470	940
Cash and cash equivalents at beginning of period	2.260	1.367	1.367
Exchange (loss)/ gain on cash and cash equivalents	(186)	(57)	(47)
Cash and cash equivalents, end of period	**1.466**	**2.780**	**2.260**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Translation reserve	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2016	**74**	**10.579**	**(3.150)**	**(5.943)**	**1.560**
Credit for share based payments	-	-	-	97	97
Transactions with owners	**-**	**-**	**-**	**97**	**97**
Loss for the 6 months ended 31 December 2016	-	-	-	(879)	(879)
Exchange differences on translating foreign operations	-	-	77	-	77
Issue of share capital (net of expenses paid)	108	1.884	-	-	1.992
Total comprehensive income for the period	**-**	**-**	**77**	**(879)**	**(802)**
Balance at 31 December 2016	**182**	**12.463**	**(3.073)**	**(6.725)**	**2.847**
Balance at 1 January 2017	182	12.463	(3.073)	(6.725)	2.847
Credit for share based payments	-	-	-	21	**21**
Transactions with owners	-	-	-	21	**21**
Loss for the 6 months ended 30 June 2017	**-**	**-**	-	(848)	**(848)**
Exchange differences on translating foreign operations	**-**	**-**	(180)	-	**(180)**
Balance at 30 June 2017	**182**	**12.463**	**(3.253)**	**(7.552)**	**1.839**
Balance at 1 July 2017	182	12.463	(3.253)	(7.552)	1.839
Credit for share based payments	**-**	**-**	-	**4**	**4**
Transactions with owners	-	-	-	**4**	**4**
Loss for the 6 months ended 31 December 2017	**-**	**-**	**-**	**(587)**	**(587)**
Exchange differences on translating foreign operations	**-**	**-**	**(145)**	**-**	**(145)**
Total comprehensive income for the period	-	**-**	**(145)**	**(587)**	**(732)**
Balance at 31 December 2017	**182**	**12.463**	**(3.398)**	**(8.136)**	**1.111**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results of Mobile Streams PLC are prepared in accordance with the requirements of IAS 34 Interim Financial Reporting as adopted by the EU and prepared in accordance with the accounting policies set out in the last financial statements for the 12 months ended 30 June 2017.

The interim results, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative financial information for the twelve months ended 30 June 2017 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2017 has been extracted from the unaudited Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have been delivered to the Registrar of Companies.

The auditor's report on these financial statements was unqualified and did not contain statements under S498 (2) or S498 (3) of the Companies Act 2006.

2. SEGMENT REPORTING

As at 31 December 2017, the Group was organised into four geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues were from external customers only and generated from three principal business activities: the sale of mobile content through MNO s (Mobile Operator sales), the sale of mobile content over the internet (Mobile Internet sales) and the provision of consulting and technical services (Other Service Fees).

All operations are continuing and all inter-segment transfers are priced and carried out at arm's length.

The segmental results for the 6 months ended 31 December 2017 were as follows:

£000's	**Europe**	**Asia**	**North America**	**Latin America**	**Group**
Mobile operator sales	1	1	25	-	**27**
Mobile internet sales	-	329	-	1.471	**1.800**
Other service fees	4	-	2	-	**6**
Total revenue	**5**	**330**	**27**	**1.471**	**1.833**
Cost of sales	(1)	(220)	(13)	(928)	**(1.162)**
Gross profit	**4**	**110**	**14**	**543**	**671**
Operating expenses	(540)	(251)	(38)	(483)	**(1.312)**
EBITDA*	**(536)**	**(141)**	**(24)**	**60**	**(641)**
Depreciation, amortisation	-	-	-	(3)	**(3)**
Share based compensation	(4)	-	-	-	**(4)**
Finance income	-	-	-	80	**80**
Profit/(loss) before tax	**(540)**	**(141)**	**(24)**	**137**	**(568)**
Income tax expense	-	-	-	(19)	**(19)**
Profit/(loss) after tax	**(540)**	**(141)**	**(24)**	**118**	**(587)**
Segmental assets	**578**	**308**	**169**	**1.839**	**2.894**
Segmental liabilities	**238**	**298**	**103**	**1.144**	**1.783**

*Calculated as profit before tax, interest, amortization, depreciation, share compensation expense and impairment of assets.

The segmental results for the 6 months ended 31 December 2016 were as follows:

£000's	**Europe**	**Asia**	**North America**	**Latin America**	**Group**
Mobile operator sales	17	-	35	-	**52**
Mobile internet sales	-	113	2	3.466	**3.581**
Other service fees	6	-	1	-	**7**
Total revenue	**23**	**113**	**38**	**3.466**	**3.640**
Cost of sales	(9)	(81)	(6)	(2.467)	**(2.563)**
Gross profit	**14**	**32**	**32**	**999**	**1.077**
Operating expenses	(297)	(147)	(73)	(1.272)	**(1.789)**
EBITDA*	**(283)**	**(115)**	**(41)**	**(273)**	**(712)**
Depreciation, amortisation	**-**	**-**	**-**	(14)	**(14)**
Share based compensation	(97)	-	-	-	**(97)**
Finance income	-	-	-	77	**77**
Profit/(loss) before tax	**(380)**	**(115)**	**(41)**	**(210)**	**(746)**
Income tax expense	(84)	-	-	(49)	**(133)**
Profit/(loss) after tax	**(464)**	**(115)**	**(41)**	**(259)**	**(879)**
Segmental assets	**1.887**	**201**	**151**	**2.608**	**4.847**
Segmental liabilities	**156**	**56**	**313**	**1.475**	**2.000**

*Calculated as profit before tax, interest, amortization, depreciation, share compensation expense and impairment of assets.

The segmental results for the year ended 30 June 2017 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile Operator Services	34	2	48	-	**84**
Mobile Internet Services	-	398	4	5.195	**5.597**
Other Service fees	10	-	3	1	**14**
Total revenue	**44**	**400**	**55**	**5.196**	**5.695**
Cost of sales	(8)	(260)	(12)	(3.662)	**(3.942)**
Gross profit / (loss)	**36**	**140**	**43**	**1.534**	**1.753**
Operating expenses	(596)	(442)	(120)	(2.072)	**(3.230)**
EBITDA*	**(560)**	**(302)**	**(77)**	**(538)**	**(1.477)**
Depreciation, amortisation and impairment	**-**	**-**	**(19)**	-	**(19)**
Share based compensation	(118)	-	-	-	**(118)**
Revenue/expense intercompany	-	-	-	98	**98**
Finance income/expense	(2)	-	1	(1)	**(2)**
Profit/(loss) before tax	**(680)**	**(302)**	**(95)**	**(441)**	**(1.518)**
Taxation	(84)	-	-	(125)	**(209)**
Profit/(loss) after tax	**(764)**	**(302)**	**(95)**	**(566)**	**(1.727)**
Segmental assets	**1.370**	**314**	**175**	**2.143**	**4.002**
Segmental liabilities	**269**	**57**	**297**	**1.540**	**2.163**

*Calculated as profit before tax, interest, amortization, depreciation, share compensation expense and impairment of assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. EARNINGS PER SHARE

Earnings per share is calculated by dividing the(loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited 6 months ended 31 December 2017	**Unaudited 6 months ended 31 December 2016**	**Audited 12 months ended 30 June 2017**
Loss for the period (£000’s)	**(587)**	**(879)**	**(1306)**
Loss earnings per share (pence):			
Basic	**(0,641)**	**(2,167)**	**(3,519)**
Diluted	**(0,641)**	**(2,167)**	**(3,519)**

Adjusted earnings per share

Adjusted earnings per share is calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

	6 months ended 31 December 2017 £000's	**6 months ended 31 December 2016 £000's**	**12 months ended 30 June 2017 £000's**
Loss for the period	**(587)**	**(879)**	**(1727)**
Add back: share compensation expense	**4**	**97**	**118**
Add back: impairment of intangibles and goodwill	**-**	**-**	**-**
Add back: depreciation and amortisation	**3**	**14**	**19**
Adjusted loss for the period	**(578)**	**(768)**	**(1590)**

	Pence per share	**Pence per share**	**Pence per share**
Adjusted loss per share	**(0,633)**	**(1,894)**	**(2,414)**
Adjusted diluted loss per share	**(0,633)**	**(1,894)**	**(2,414)**

Weighted average number of shares

	6 months ended 31 December 2017	**6 months ended 31 December 2016**	**12 months ended 30 June 2017**
Basic	**91.593.533**	**40.507.910**	**65.910.376**
Exercisable share options	**-**	**-**	**-**
Diluted	**91.593.533**	**40.507.910**	**65.910.376**

Diluted (loss)/earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of ordinary shares.

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

4. GOING CONCERN

The Group had cash balances of £1.46m at 31 December 2017 (30 June 2017: £2.26m) and no borrowings. Having reviewed cash flow forecasts and budgets for a year ahead the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As at 31 December 2017, £0.65 (including short-term investments of £0.55m) of the Group's cash balance was held in Argentina. The Argentine Government has released the currency restrictions in December 2015. Since then, the Peso has remained relatively stable, although we cannot predict future movements in the currency and the impact on our financial performance.

5. FOREIGN CURRENCY TRANSLATION
(a) Presentational currency

The consolidated financial statements are presented in British pounds: the functional currency of the parent entity is also British pounds.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date the transaction occurs. Any exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities at the balance sheet date are reported in the income statement except when these represent a net investment in a subsidiary when they are charged or credited to equity .

Foreign currency balances are translated at the balance sheet date using exchange rates prevailing at the period end.

(c) Group companies

The financial results and position of all group entities that have a functional currency different from the presentational currency of the Group are translated into the presentational currency as follows:

i - assets and liabilities for each balance sheet are translated at the closing exchange rate at the date of the balance sheet

ii - income and expenses for each income statement are translated at average exchange rates (unless it is not a reasonable approximation to the exchange rate at the date of transaction)

iii - all resulting exchange differences are recognised as a separate component of equity (translation reserve)

The exchange rates used in respect of Argentinean pesos are the official published exchange rates.