



ASX ANNOUNCEMENT - ESPREON LIMITED (EON)

12 February 2009

ESPREON ANNOUNCES HALF YEAR RESULTS

Summary of Results

The Board of Espreon Limited ("**Espreon**" or the "**Company**") is pleased to announce the Company's results for the half year ended 31 December 2008.

As previously advised to shareholders, the Company narrowed its strategic focus to its core Property Services business and proceeded to sell its Corporate Services and Billback Systems businesses.

Revenue from the Property Services business for the half year was \$49.3 million (2007: \$56.8 million) representing a decline of 13% compared with the prior corresponding period. This compares favourably with key market indicators which suggest the overall market for property exchanges in the second half of 2008 was approximately 25% lower than the same period in 2007. The Company secured additional business from existing clients, primarily in settlement services, and is in the process of implementing further extensions of services during the second half of the year.

Property Services remains a profitable business and delivered satisfactory earnings for the period despite the challenging market conditions. Profit before tax for the Property Services business for the half year was \$3.3 million, down only \$1.1 million compared with the prior corresponding period, even though revenue and margins were down on prior periods and the business has largely fixed operating costs.

The Company reduced its net corporate costs for the half year to \$0.8 million (2007: \$1.3 million) prior to costs associated with takeover proposals, which amounted to \$1.2 million during the period.

The financial results from the continuing operations of the Company during the half year are summarised below.

	Half Year to 31 December	2008	2007	+/-
		\$m	\$m	%
Profit before tax from Continuing Operations				
Property Services		3.3	4.4	-24%
Corporate Head Office		(0.8)	(1.3)	
Profit before tax from operating activities		2.5	3.1	-18%
Costs associated with takeover offers		(1.2)	-	
Finance costs		(1.9)	(1.4)	
(Loss)/profit before tax		(0.6)	1.7	

Mr Iain Keddie, Chief Executive Officer, commented "The performance of the Property Services business during the half year has been pleasing given the challenges in the Australian property and financial markets. The business has remained focussed on client service in order to minimise the distractions associated with the corporate actions in relation to the Group. The preeminent position held by Espreon in its market has enabled the Company to win competitive tenders and to extend its services to existing clients. Opportunities for future growth remain which may temper the impact from reduced market activity, although these opportunities may take time to materialise."

In addition to the challenging market conditions which faced the Property Services business during the half year and the decision to sell its Corporate Services and Billback Systems businesses, the Company commenced the restructure of its Corporate Head Office and engaged with both Vectis Group Pty Limited ("Vectis") and SAI Global Limited ("SAI") in relation to takeover proposals for the Company. In particular, the scheme of arrangement which Vectis terminated in early November 2008 and its inadequate takeover offer announced in late November 2008 both consumed significant Company resources which impacted the financial results of the period as outlined above.

On 2 January 2009, the Company completed the sale of the Corporate Services and Billback Systems businesses to Reckon Limited pursuant to a sale agreement dated 27 November 2008. These businesses are classified as Discontinued Operations held for sale in the Company's 31 December 2008 financial accounts. The net asset value of these businesses was written down to \$18 million, being the gross proceeds from the sale, resulting in a write down of goodwill of \$20.3 million, lower than previously announced. The total net loss from these discontinued operations in the period was \$19.7 million.

The Company continued to generate strong operating cash flows during the half year and maximised the extraction of cash from the discontinued operations. In January 2009, the Company utilised part of the \$18 million proceeds from the sale of Corporate Services and Billback Systems to retire \$17 million of bank loans and to terminate its interest rate derivative contracts.

Currently, the Company has available cash of approximately \$10 million, depending on the timing of working capital receipts and payments, and debt has been reduced to \$10.0 million, such that the Group is operating with a small net cash or net debt position. The Company has also converted the interest rate exposure on its primary bank loan facility to a variable rate basis.

Takeover Offers

On 13 January 2009 SAI announced an off market takeover offer for the Company. The Independent Expert appointed by the Board of Espreon has determined that SAI's offer is fair and reasonable and the Board has recommended that shareholders accept the SAI offer in the absence of a superior proposal and subject to future movements in SAI's share price. SAI is presently entitled to 38.7% of Espreon and the offer is due to close on 27 February 2009 unless extended.

The Board continues to recommend that shareholders reject the inadequate and highly conditional takeover offer from Vectis which the Independent Expert has concluded is not fair and not reasonable.

Outlook

Espreon has secured new business during 2008, the benefits of which are yet to emerge in full. There remain prospects for additional future business, particularly in services to support loan processing and settlements, although these may take time to materialise. In contrast, the overall market for property exchanges which drives the Company's revenues remains depressed and there is uncertainty about when it may be reasonable to expect a recovery in market conditions. Any improvement in market conditions which increases the volume of property exchanges in Australia is expected to have a positive impact on the business and its financial performance.

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About Espreon Limited

Espreon partners with leading financial services, legal and professional organisations, to free them from transactional processes and allow them to focus on their core business.

Espreon provides an industry leading range of Information Brokerage, Property Enquiry & Settlement related products and services.

For more information about Espreon, please visit the Espreon website at www.espreon.com
