

Connxion Limited

Q2 FY2011 Shareholders Report

Below is the Q2, Quarterly Shareholders Report.

Connxion Limited (CXN) is pleased to report to shareholders its achievements for the second quarter of Financial Year 2011.

Q2 and half year highlights

- Quarterly revenue of \$5.54m and Operating EBITDA of \$0.61m
- Compared to revenue of \$2.21m and an Operating EBITDA loss of \$0.04m in same quarter last year
- Quarter 2 FY11 revenue is up 151% on Quarter 2 FY10 revenue
- FY11 half year results of \$12.69m revenue and \$2.37m Operating EBITDA compares well to FY10's first half results of \$3.34m revenue and \$0.08m Operating EBITDA
- Operating EBITDA/Sales margin almost 11% compared to -2% in Quarter 2 FY10 and is continuing to improve.

Please note the above financial results are as per the Connxion (CXN) management accounts and are subject to the half yearly audit sign-off.

Introduction

CXN has furthered its strategy of providing data and transaction related services across its Australian, Asian and Chinese platforms and is currently taking advantage of further Asian growth prospects.

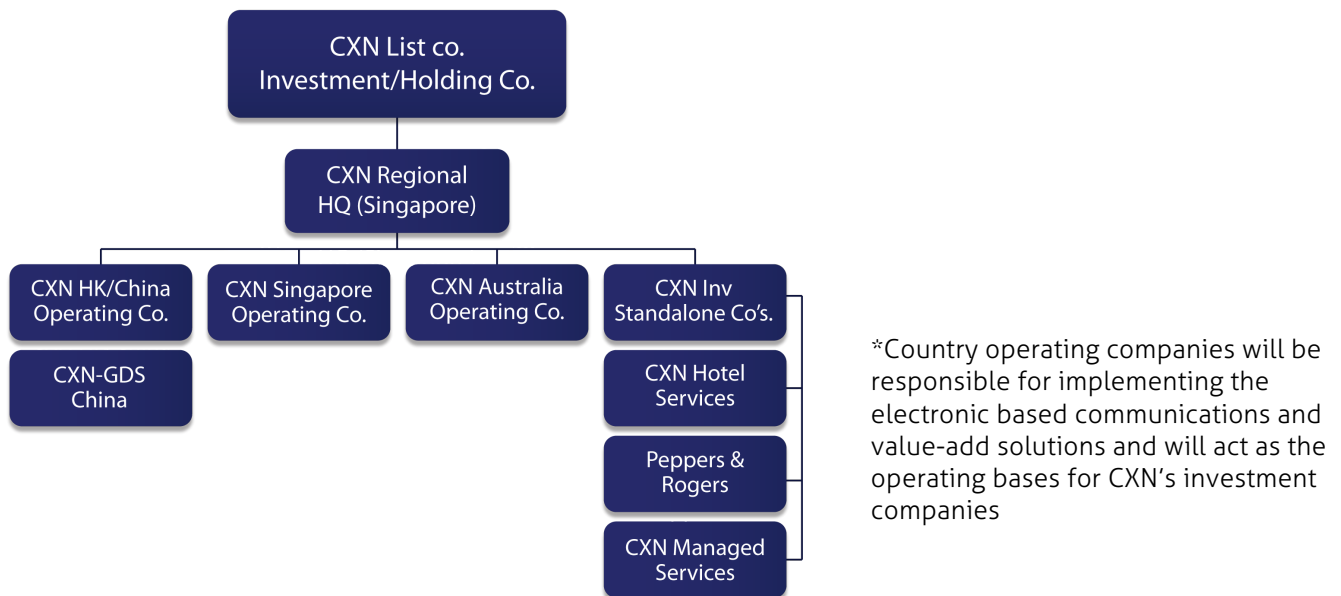
The Company has announced previously that it has started its transition, from primarily an investment company focused on the data and transaction services industry, to a more established, macro-operating company and is currently looking to further its Asian growth strategy. This included a bolstering of its core management team and current resources to undertake and deliver this strategy. At the November 2009 AGM, the company changed its name from Connxion Ventures Limited to Connxion Limited to reflect this shift in strategy.

CXN is currently talking to a select number of internationally recognised global data industry companies about raising capital to support its Asian growth plans and in particular its China expansion, which includes the recently announced GDS JV. CXN, as always will keep the market informed of developments and progress in this regard.

The rationale for attracting an established data company as an investor is that it will bring regional clients and expanded product capabilities to CXN, whilst CXN will provide considerable Asian and China expertise and reach.

CXN is currently transitioning into the below regional operating structure which will provide the foundation and platform for implementing its Asian data and transaction services strategy.

Corporate Operating Structure



Q2 Objectives

The key objectives for this quarter were:

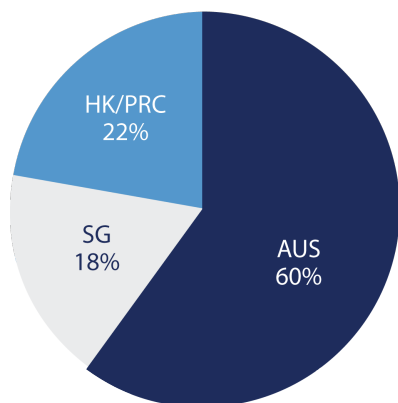
1. Continue to improve EBITDA margins across all divisions.
Operating EBITDA/Sales margin was almost 11%, compared to -2% in Quarter 2 FY10 and is continuing to improve. EBITDA growth, quarter on quarter, remains a priority.
2. Formalise the joint venture with GDS
The signing of the Umbrella Agreement, finalising the JV structure and obtaining the relevant operating licenses have either been completed or significantly moved forward.
3. Convert qualified prospects to new customer contracts
CXN's focus on Data Services in Australia, and in particular Electronic Bill Presentment & Payment (EBPP) and data analytics, saw 3 new customers signed.
4. Organically grow number of existing contracts in key markets both in Australia and Asia, with a key focus on Asian growth objectives
In Australia, 3 customers extended their EBPP contracts and 1, their managed service contract. Another 3 customers added new services to their existing contracts.
In Singapore, 4 customers upgraded their Managed Services contracts with additional services whilst another customer extended their contract for a further 3 year term.

Q2 Achievements

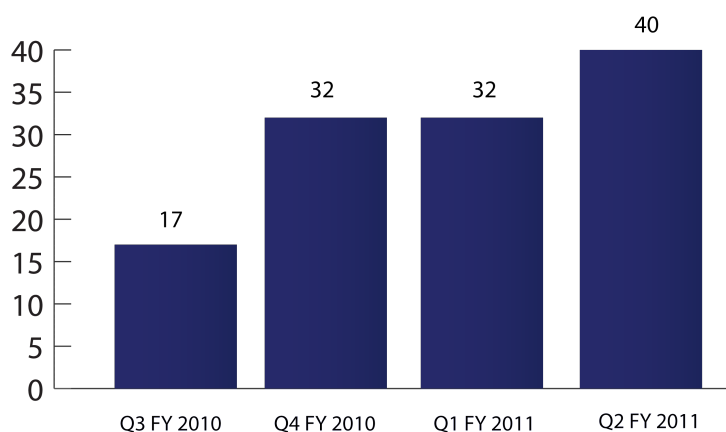
Revenue and EBITDA growth achieved

Revenue of \$5.54m for the second quarter of FY2011 was a 151% improvement on the corresponding quarter in FY10. Pleasingly, 40 per cent, or \$2.18m, of second quarter revenue was derived from the company's operations in Asia & China, and this trend is expected to accelerate in coming quarters as CXN's operations ramp up in these markets.

Q2 Revenue by Region



Asia Revenue % compared to total Revenue

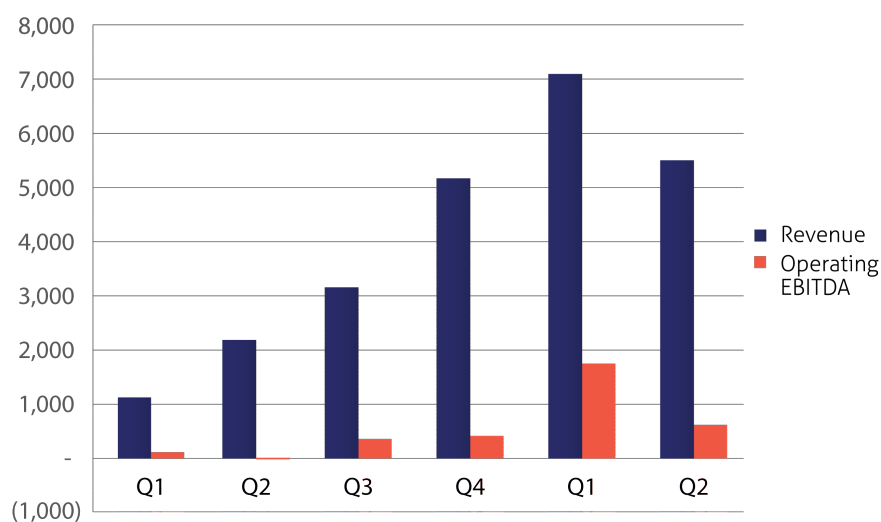


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Margin growth

Operating EBITDA for the second quarter was \$0.61m with an EBITDA to sales margin of almost 11 per cent and YTD 19%, which compares favourably to the same period in FY10, which was 2%.

Quarterly Revenue Vs Operating EBITDA FY 10 -11



NB. There were some one-off project revenue from existing customers in Q1.

In line with previous announcements, CXN continues to cull non-profitable contracts in its quest for building and achieving margin growth. All contracts related to the Connexion Data and Sonnet acquisitions have been under review and those that are more onerous, and provide insufficient margin, will be exited from. This will increase the long term profitability, and will provide margin improvements for the organisation, however there may be a short to medium term impact on turnover.

As part of CXN's normal half yearly review process, and based upon the published Q2 results plus the above profitable contract focus, the company will advise the market accordingly if there is any material change to previously advised guidance.

Australia

Two of CXN's key operational imperatives are:

1. Cull low margin service contracts and replace with higher margin contracts
2. Build scale and further its e-communications and e-billing solutions.

Therefore in Australia there is a decided focus on Data Services, and in particular Electronic Bill Presentment & Payment (EBPP) and data analytics. Q2 saw 3 new customers signed and a further 3 customers add new services to their existing contracts.

This amount of new business & organic growth clearly shows that CXN's core capability of Data Services will successfully underpin the company's future growth plans.

An example of the culling of onerous, low margin contracts is where CXN will cease the provision of Managed Services to Jetstar in February in line with adopting a, low margin and low manpower, services strategy.

The company has entered a litigation case for warranty claims with the vendors of Sonnet involving the Sonnet acquisition.

It is expected that the matter will be dealt with this year could result in reducing the original purchase price paid for Sonnet. If successful, the result would be set off against retained monies being held by CXN for such potential claims.

Singapore

Singapore, as the regional operations hub, will underpin the core of the Company's growth and business strategy, as a low cost, high efficiency platform. Accordingly Singapore continues to evolve this way, allowing the other operations around the region ie. Australia, Hong Kong and China, to focus on sales and business development.

Singapore, and other South-East Asian countries, represent a very large and timely opportunity for CXN's industry based eBilling and associated value-add solutions, for 3 main reasons:

1. Scale – the population size and by default, related market size
2. Internet savvy – the majority of the population are native Internet users. The related market demographics are people who now prefer digital communication rather than paper based communication
3. Reduction in usage of paper in communication is universally in line with Government's environmental responsibilities

Because of these factors, the remainder of 2011 will see a big push into the Telco & Utilities vertical markets across South East Asia.

GDS JV final terms & go-to-market strategy

CXN recently signed a JV Umbrella Agreement, a precursor to the formal signing of the JV and has now received its operating licenses. This simply means CXN remains on track for it's JV to be fully operational by April.

An overview and key rationale for this JV are:

1. CXN needs a strong local partner in China who is aligned in some way with our business
2. CXN is committing 10m RMB (AUD\$1.5 m) to building Connexion China over the next 2-3 years
3. Connexion China will be 90% owned by Connexion Limited and 10% owned by GDS
4. GDS has a good brand, some well established relationships, is well respected and has a client base that CXN can leverage
5. Connexion China will offer a range of CXN's data & transaction services and these will naturally be extended to include the range of our JV Partner's services where possible
6. GDS has been chosen as that partner since they meet the above criteria
7. The JV doesn't oblige CXN to use GDS' data centres unless there is the need to, and then preferential rates will be received at such times
8. The 2 companies will jointly promote the JV. GDS will publicise both the JV and Connexion when they go public in the 2nd half of 2011.

Hotel Services

Q2 saw much focus given to new Loyalty and Rewards product creation that would differentiate CXN's offering in this space and would enable CXN to get away from the time-old discount food and beverage programs.

These efforts have seen 'My Community portal' developed and a transition to a savvy, modern points and rewards system, resulting in this business segment writing as much revenue to the end of Q2, as was written in all of FY10, but at a greatly increased profit.

2H - FY2011

Macro strategy and Objectives

CXN will continue to implement its core strategy and objectives in the second half of the year, which will guide the Company's macro decision making process as indicated below.

CXN's 2H macro objectives comprise both strategic and operational objectives, and are as follows:

Strategic Objectives

1. Expand the regional Data Services platform across Asia and China
2. Broaden the Data & Transaction product offering through industry specific solutions

Operational Objectives

1. Cull low margin service contracts and replace with higher margin contracts
2. Offer value-add data and transaction related services to existing & prospective clients
3. Build bundled industry specific solutions suitable for high volume industries
4. Aggressively drive Asian expansion and so, sales/revenue
5. Establish China operation and implement a channel sales go-to-market model
6. Continue to increase scale and operating efficiency to result in margin growth.

Acquisition Strategy and Update

CXN has a very focused acquisition strategy and is continuing to look at potential acquisition and/or partnerships that will assist in the implementation and broaden the overall capability within its core product, end-to-end data and transactions services strategy.

Acquisition or partnerships must meet the following criteria and be within the data and related transaction services sector:

- assist in broadening CXN's end to end data service offering
- assist in growing CXN's Asian based, regional platform
- provide entry to a target industry where CXN can further add to it's data services in a specific industry based solution.

CXN is also using its acquisition strategy to help drive another of its core objectives of reducing the impact of low margin, manpower provision service contracts to higher margin and scalable solutions based contracts.

CXN is currently reviewing potential acquisitions that will provide additional data marketing and analytics capability, plus those with payment processing capability that have the capacity for expansion across a regional foot print.

CXN will keep the market informed as these potential acquisitions develop further.

Disclosure and Reporting

The Company generally provides operating reports to shareholders each quarter. The Company may also announce other material events as they are required or deemed necessary. The Company will generally review and give guidance on its financial performance in Q1, for the half year, in Q3 and for the full year.