

RS2 Software p.l.c.
COMPANY ANNOUNCEMENT

The following is a company announcement issued by RS2 Software p.l.c. in compliance with Chapter 9 of the Listing Rules.

Quote

During the second half of the financial year, the company has managed to successfully conclude two new significant contracts. The benefits of both contracts are expected to commence during the final months of 2008 and continue over the next few years.

As previously anticipated, the company is continuing in its strategy of changing its focus from engaging in separate licence and service contracts to comprehensive licence package (CLP) agreements. The nature of such CLP agreements assures a more constant stream of revenue and cash generation throughout their term. This has the effect of smoothing revenue recognition over the relevant number of years as opposed to *spikes* generated from the recognition of licence revenue in the first year of a contract. As a result, the company is anticipating a possible slow-down of revenue during the second half of 2008, this being the transitional period.

The company had achieved the higher portion of its projected revenue during the first half of the year and as a result the Board of Directors is expecting that the results for the second half of the current financial year will be below those achieved for the first half of the year ending 30 June 2008

In order to maintain its competitive edge in terms of the effectiveness and efficiency of services provided, the company has during the period initiated an exercise of reorganising its operations aimed at achieving cost savings and intends to optimise resource allocation by the setting up of two offices in cost effective countries.

During the period, the management and the board of directors of the company have been particularly attentive to the prevailing international economic conditions and to the potential effects these might have on the performance of the company. To date the company has not witnessed any adverse repercussions from its clients. The directors point out that the portion of company's revenue which is derived from the banking sector is related to the card and payment industry which is not expected to experience any significant declines. Moreover, the company's client portfolio includes major service providers that continue to bring business to the company as their own client base increase.

Except for the effect of the transitional adjustments explained above, the company's performance and cash generation from operations remain in line with expectations.

Unquote



Dr. Ivan Gatt

Company Secretary