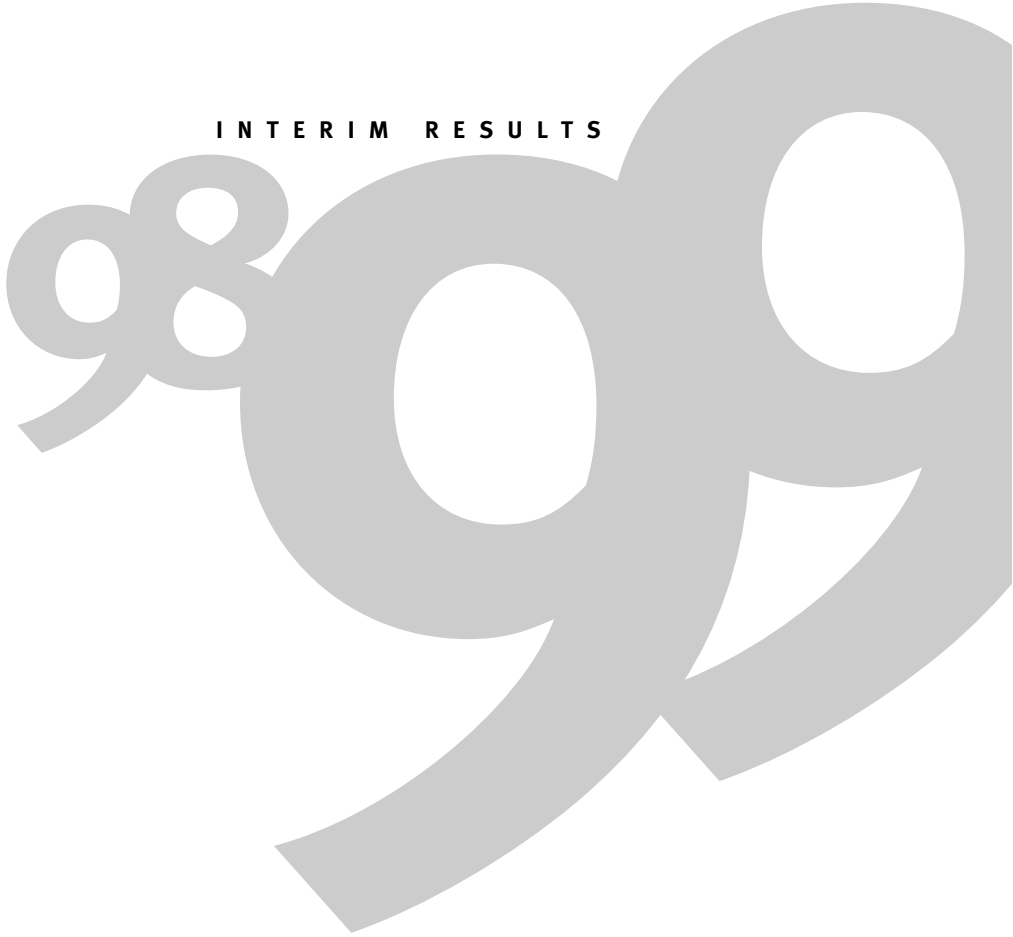


INTERIM RESULTS



CHAIRMAN'S STATEMENT

RESULTS

The Group reports sales for the six months to 31 December 1998 up 34% at £43.8m (1997: £32.6m), with operating profits of £1,221,000 (1997: £84,000 before exceptional items). Sales growth in local currency terms was 31%. Profit before tax for the six months was £1,196,000 (1997: loss £72,000 after exceptional items), giving earnings per share of 7.2p (1997: Nil).

The Group's principal business unit EDMS saw good growth across Europe, while Displays benefited from the move to the new flat screen technology in both Switzerland and Austria. PSAS achieved breakeven in the period.

The Group performed in line with its working capital model and ended the period with net cash balances of £2.9m (£1.0m at 30 June 1998) after financing organic sales growth in excess of 30% and spending £0.5m in cash on investments and minor acquisitions during the period.

OPERATING REVIEW

Electronic Document & Data Storage Management (EDMS) is the Group's largest business unit providing a broad range of products, related services and know-how in electronic document and data storage management, from its position as Europe's largest focused distributor of document imaging and storage products. EDMS saw solid growth across Europe with good performance in most countries. However, trading conditions remained very competitive in the UK and

margins came under pressure in Germany. It is pleasing that the increased emphasis on end-user project involvement, sometimes cross-border, is raising the Group's profile and bringing a range of larger project opportunities. The new alliance with GTE, announced on 11 February, brings an exciting opportunity to add to the product offering an integrated range of leading data security products for the Internet.

Display Systems is the business unit which includes the sole distribution of Samsung displays in Switzerland and Austria. The new flat screen display (TFT) technology has

brought significant growth and the Group has benefited from Samsung's strong manufacturing position in the 14" to 17" market sector. Production shortages continue to hold back growth.

Public Sector Administration Solutions (PSAS) is the business unit which develops and markets public administration solutions

targeted at the administrative requirements of local Swiss municipalities. After the trials of the previous year, the business unit achieved breakeven during the period. To strengthen the Dialog development team the Group acquired from EDS a small team of tax software specialists.

INVESTMENTS & ACQUISITIONS

In September, the Group invested £179,000 in cash to acquire 35% of Base-Net Informatik AG. Base-Net is a Swiss based company providing application software solutions for the banking industry.



In November, the Group took up its rights and invested a further £324,000 in Quadratic SA., increasing its holding to 7.9%. Quadratic, which is based in France, develops and markets data storage software products.

In November, the Group acquired from EDS a small Swiss software development business specialising in tax application products for local Swiss municipalities. The initial consideration was £176,000 in cash with further deferred consideration payable of up to £374,000 dependent on results.

Goodwill amounting to £990,000 has arisen from these acquisitions which is reflected in the balance sheet as an intangible asset.

GTE ALLIANCE

On 11 February, the Group announced a strategic alliance with GTE CyberTrust Solutions Inc to develop jointly the European market for GTE's Internet Security solutions and services. In German speaking countries Oracle Consulting, Germany will also join the alliance. The Group will establish a pan-European division to address the needs of professional users, software developers and system integrators seeking Internet Security solutions.

SHARE OWNERSHIP

The Group has established an Employee Share Ownership Plan in Switzerland, to reward and motivate staff at all levels. It is planned to allocate up to 35,000 shares initially soon after this Interim Announcement.

The Group is exploring ways to broaden the shareholder base on the Continent where most of the business originates.

DIVIDEND

The Board has declared an interim dividend of 0.92p net per share (1997: 0.92p). This will be paid on 4 May 1999 to shareholders registered on the close of 6 April 1999.

PROSPECTS

We are continuing to see good levels of growth in the market, although the medium term impact of the Year 2000 is difficult to assess. After a record second quarter, with a good cash position and the exciting announcement of the GTE alliance, the Group enters the second half of the year well on track and with cautious optimism.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	6 MONTHS TO 31 DECEMBER 1998 UNAUDITED £'000	6 MONTHS TO 31 DECEMBER 1997 UNAUDITED £'000	YEAR TO 30 JUNE 1998 AUDITED £'000
NOTE			
TURNOVER	43,819	32,583	66,295
OPERATING PROFIT/(LOSS) (BEFORE EXCEPTIONAL ITEM)	1,221	84	(255)
Exceptional item	–	(177)	(223)
OPERATING PROFIT/(LOSS) (AFTER EXCEPTIONAL ITEM)	1,221	(93)	(478)
Share of results of associated undertakings	54	–	(45)
Net interest (payable)/receivable and similar charges	(79)	21	(116)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1,196	(72)	(639)
Taxation	(299)	(26)	(183)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	897	(98)	(822)
Minority interests	33	100	152
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	930	2	(670)
Dividends	2 (119)	(119)	(312)
RETAINED PROFIT/(LOSS)	811	(117)	(982)
EARNINGS/(LOSSES) PER ORDINARY SHARE	3		
– basic	7.2p	Nil	(5.2p)
– diluted	7.1p	Nil	(5.1p)
DIVIDEND PER ORDINARY SHARE	0.92p	0.92p	2.4p

CONSOLIDATED BALANCE SHEET

	AT 31 DECEMBER 1998 UNAUDITED £'000	AT 31 DECEMBER 1997 UNAUDITED £'000	AT 30 JUNE 1998 AUDITED £'000
NOTE			
FIXED ASSETS			
Intangible assets	990	–	–
Tangible assets	2,457	1,873	2,169
Investments	654	520	493
	4,101	2,393	2,662
CURRENT ASSETS			
Stocks	6,435	5,017	4,978
Debtors	17,311	13,308	12,625
Investments	140	71	128
Cash at bank and in hand	5,762	4,291	5,031
	29,648	22,687	22,762
CURRENT LIABILITIES			
Bank loans & Overdrafts	(2,433)	(1,861)	(3,688)
Creditors	(19,668)	(11,850)	(12,066)
Tax and Dividends	(552)	(601)	(591)
	(22,653)	(14,312)	(16,345)
NET CURRENT ASSETS	6,995	8,375	6,417
TOTAL ASSETS LESS CURRENT LIABILITIES	11,096	10,768	9,079
LONG TERM LIABILITIES			
Bank loans	(215)	(230)	(208)
Other Creditors	(964)	(686)	(380)
	(1,179)	(916)	(588)
NET ASSETS	9,917	9,852	8,491
CAPITAL AND RESERVES			
Called up share capital	1,299	1,299	1,299
Share premium account	6,382	6,382	6,382
Merger reserve	527	543	527
Profit and loss account	1,844	1,749	381
SHAREHOLDERS' FUNDS – EQUITY	10,052	9,973	8,589
MINORITY INTERESTS – EQUITY	(135)	(121)	(98)
	9,917	9,852	8,491

CONSOLIDATED CASH FLOW STATEMENT

	6 MONTHS TO 31 DECEMBER 1998 UNAUDITED £'000	YEAR TO 30 JUNE 1998 AUDITED £'000
CASH INFLOW FROM OPERATING ACTIVITIES	4,422	922
Returns on investments and servicing of finance	(83)	(119)
Taxation paid	(334)	(882)
Capital expenditure and financial investment	(1,190)	(1,764)
Acquisitions and disposals	(518)	(310)
Equity dividends paid	(192)	(326)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING	2,105	(2,479)
Management of liquid resources	161	1,466
Financing		
(Decrease)/Increase in debt	(1,364)	1,171
INCREASE IN CASH IN THE PERIOD	902	158
 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS		
Increase in cash in the period	902	158
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	1,364	(1,171)
Cash inflow from decrease in liquid resources	(161)	(1,466)
Change in net funds resulting from cash flows	2,105	(2,479)
New finance leases	(115)	(157)
Exchange difference	(104)	18
MOVEMENTS IN NET FUNDS IN THE PERIOD	1,886	(2,618)
Net funds at start of period	972	3,590
NET FUNDS AT END OF PERIOD	2,858	972

NOTES**1 BASIS OF PREPARATION**

The interim financial statement has been prepared in accordance with the accounting policies set out in, and are consistent with, the Group's 1998 financial statement except that the taxation charge for the period is based on the estimated charge for the year to 30 June 1999 and goodwill has been capitalised in according with Financial Reporting Standard 10.

The interim financial information is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The abridged information for the year to 30 June 1998 has been extracted from the Group's statutory accounts for that period which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2 DIVIDENDS

The interim dividend of 0.92p per Ordinary Share (0.92p) is payable on 4 May 1999 to shareholders on the register at the close of business on 6 April 1999.

3 EARNINGS PER SHARE

The Earnings per share calculation is based upon the recently released Financial Reporting Standard 14 and the comparative figures have been re-stated accordingly. Basic Earnings per share 7.2p (Nil) for the six months to 31 December 1998 has been calculated based on the profit attributable to shareholders of £930,000 (£2,000) using the weighted average number of Ordinary Shares in issue 12,987,927 (12,937,016) during the period. Diluted Earnings per share 7.1p (Nil) is based on 13,158,478 (13,177,528), the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential Ordinary shares. There is no material difference to earnings if all the dilutive potential Ordinary shares were converted.

4 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	6 MONTHS TO 31 DECEMBER 1998 £'000	6 MONTHS TO 31 DECEMBER 1997 £'000	YEAR TO 30 JUNE 1998 £'000
Opening shareholders' funds	8,589	10,405	10,405
Retained Profit/(Loss) for the period	811	(117)	(982)
Profit/(Loss) on currency translation	652	(49)	(404)
New share capital issued	–	66	66
Goodwill arising on acquisitions	–	(332)	(653)
Merger reserve arising on acquisitions	–	–	157
Closing shareholders' funds	10,052	9,973	8,589

5 METHOD OF DISTRIBUTION

The Interim Report is being sent to shareholders by post. Copies will also be available from DICOM GROUP plc at its registered address: Andromeda House, Calleva Park, Aldermaston, Berkshire RG7 8AR.

