



DICOM Group plc

First Quarter Results for the Financial Year 2004/2005
1 July 2004 – 30 September 2004



DICOM Group plc

First Quarter Results 2004/2005 – Three Months to 30 September 2004

Good Results in Historically Slow Q1: Record Pre-tax Profits; Optimistic Outlook

Basingstoke, 9 November 2004 - DICOM Group plc ("DICOM Group"), the global leader in the Information Capture ("IC") market, announces good operating results for the three months to 30 September 2004.

Financial Highlights of the First Quarter Results

Results of IC Division, representing 94% (90%) of operating profits

- Turnover up 8% to £28.5m (£26.4m), 14% in local currency terms
- IC own products and services now account for 63% of IC sales, up 14% and 34% respectively in local currency terms
- Gross profit margins increased to 51.9% (48.6%)
- Operating profits up 24% to £2.5m (£2.0m); margins increased from 7.6% to 8.8%
- Operating profits in local currency terms up 41%

Group results

- Turnover up 12% to £37.6m (£33.6m), up 18% in local currency terms
- Gross profit margins up from 41.9% to 42.2%
- Operating profits before goodwill amortisation up 19% to £2.7m (£2.2m); margins up from 6.7% to 7.1%
- Operating profits in local currency terms up 34%
- Profits before tax and goodwill amortisation up 24% to £2.9m (£2.3m)
- Adjusted earnings per share up 19% to 9.5p (8.0p)
- Operating activities generated positive cash flow of £1.8m (£4.0m)
- Net funds of £21.7m (£20.9m at 30 June 2004)

Other Highlights

- Global leading market position in revenue, licenses and installations (65,000+ Ascent software licenses shipped, 49,000+ installations for VRS)
- Continuing revenue mix shift towards higher margin own products and services
- Good progress maintained in small-to-mid-sized IC deals, with increased interest in enterprise-wide deals
- Acquisition of Neurascript strengthens position in the enterprise solutions business
- Tender offer for TOPCALL International AG
- Ascent Capture and Mohomine technology honoured by KMWorld as trend-setting products 2004

Commenting, Arnold von Büren, Chief Executive Officer of DICOM Group said:

"DICOM Group generated another good financial performance during the first quarter, particularly driven by the continuous shift of our revenue mix towards the more profitable IC own products and services. We completed the acquisition of Neurascript, which further strengthens our leadership position in the Information Capture market by providing significant expertise in the development of enterprise solutions. The tender offer for TOPCALL ends 12 November 2004. We are confident that more than 75% of the shares will be tendered."



Regarding Prospects, Otto Schmid, Chairman of DICOM Group said:

“The Group is well positioned as the global industry leader in the Information Capture market. The balance sheet is strong and the Group continues to be highly cash generative. Our continuing investment in technology, our well-known and industry leading products, our customer base and our channel relationships are key for further enhancement of our market leadership in Information Capture. The USD remains weak, reducing the sterling value of our US operating profits. However, current trading and good growth prospects enable us to view the Group’s outlook for the full year with optimism.”

For further information, please contact:

DICOM Group plc

Urs Niederberger COO and Finance Director
Gabriele Rosenbusch Group Communications Manager

Tel: +44 (0) 800 6520 616 or

Tel: +49 (0) 761 45269 192

Fax: +44 (0) 1189 820 102 or

+49 (0) 761 45269 8192

E-mail: urs_niederberger@dicomgroup.com
gabriele_rosenbusch@dicomgroup.com

Internet: <http://www.dicomgroup.com>

Binns & Co PR Ltd

Peter Binns

Paul McManus

Tel : +44 (0) 20 7786 9600

Mob: +44 (0) 7980 541 893

paul.mcmanus@binnspr.co.uk

<http://www.binnspr.co.uk>

About DICOM Group plc

DICOM Group plc (“DICOM Group”, London Stock Exchange, DCM) is the global leader in the Information Capture market. Information Capture comprises products and services that enhance professional applications by collecting paper documents, forms and e-documents, transforming them into accurate, retrievable information, and delivering it into business applications and databases. It is primarily used to increase office efficiency and to improve customer satisfaction.

DICOM Group's core competence is development and marketing of Information Capture products and services. Through authorised partners and its own sales and service organisation, DICOM Group has helped blue-chip enterprises in more than 60 countries to accomplish superior office efficiency. DICOM Group supports its channels and customers with some 800 information capture specialists, being directly present in 27 countries in Europe, the USA, Asia and Australia.

The Group's Samsung General Agency (SGA) Division focuses on multimedia visualisation products for the IT, POI and Entertainment market in Switzerland. It operates as sole agency of Samsung's high performance flat screen display.



DICOM Group plc
Results Three Months to 30 September 2004
Chairman's Statement

RESULTS

I am pleased to report good operational results for the three months to 30 September 2004. Group turnover was up 12% to £37.6m (£33.6m). Growth in local currency terms is reported at 18%. Operating profits before goodwill amortisation were £2.7m (£2.2m), up 19% with margins increased from 6.7% to 7.1%. In local currency terms operating profit before goodwill amortisation grew 34%. Profit before tax and goodwill amortisation was £2.9m (£2.3m), an increase of 24%. After tax and minority interests basic earnings per share increased to 4.8p (4.2p), up 14%. Earnings per share, adjusted for goodwill amortisation, was 9.5p (8.0p), up 19%.

The Group ended the period with net funds of £21.7m (£20.9m at 30 June 2004) after spending £1.2m on capital expenditure and acquisitions. Operating cash inflow amounted to £1.8m (£4.0m).

OPERATING REVIEW

The **Information Capture (IC) Division** is DICOM Group's largest division and represented 94% (90%) of operating profits in the first quarter to 30 September 2004. The IC Division develops application software and electronic components, provides a comprehensive range of services and sells key related products to over 1,200 system integrators and software houses in more than 60 countries world-wide. IC solutions offer users high returns on investment by allowing document intensive organisations to reduce business transaction costs and improve their level of customer service.

The IC Division achieved sales growth of 8% in the first three months and contributed 76% (79%) of the Group's turnover. Revenue increased 14% in local currency terms. The provision of services and sales of products developed by the Group, primarily Ascent Capture, VirtualReScan and Adrenaline, account for 63% (60%) of IC turnover. Own product sales grew by 14% in local currency terms and accounted for 36% (37%) of IC sales. Service income was up 34% in local currency terms, contributing 27% (23%) to IC sales. Sales in 3rd party IC products grew 4% in local currency terms. Operating Profit before goodwill amortisation increased to £2.5m, up 24% and in local currency terms 41%, with margins increased from 7.6% to 8.8%.

The **Samsung General Agency (SGA) Division**, the representative of Samsung Electronics in Switzerland, was able to contribute 6% (10%) of Group operating profits and 24% (21%) of Group turnover in the three months to 30 September 2004. The SGA division continues to face tough trading conditions with increased pressure on margins.

TENDER OFFER FOR TOPCALL INTERNATIONAL AG

On 1 September 2004, DICOM Group made a voluntary public tender offer to acquire the entire issued share capital of TOPCALL International AG ("TOPCALL"), based in Vienna, Austria. EDC Investment Limited, a wholly owned DICOM Group subsidiary, offered €4.00 per TOPCALL share, payable in cash following the successful completion of the offer. On 29



October 2004 the offer was increased to €4.28 per share. The amended offer values TOPCALL at €43.3m (£30.1m) or €26.2m (£18.3m) net of cash acquired with TOPCALL. The acceptance period of the tender offer has been extended and now ends on 12 November 2004. The transaction remains subject, inter alia, to the receipt of valid acceptances for at least 75% of the issued share capital of TOPCALL and other closing conditions. Following the announcement of the offer DICOM Group has received very positive responses: Equity analysts at Bank Austria Creditanstalt, Erste Bank and Raiffeisen Centrobank have strongly recommended acceptance of the offer. A sizable number of share blocks have already been tendered including, amongst others, the two largest single shareholders. We are confident that by 12 November 2004 more than 75% of the shares will have tendered and we are aiming to get to an acceptance level of more than 90% which would facilitate the purchase of any remaining shareholdings as well as a delisting from the Vienna Stock Exchange.

PROSPECTS

The Group is well positioned as the global industry leader in the Information Capture market. The balance sheet is strong and the Group continues to be highly cash generative.

Our continuing investment in technology, our well-known and industry leading products, our customer base and our channel relationships are key for further enhancement of our market leadership in Information Capture. The US Dollar remains weak, reducing the sterling value of our US operating profits. However, current trading and good growth prospects enable us to view the Group's outlook for the full year with optimism.

Otto Schmid
Chairman



DICOM Group plc
Announcement of Unaudited Results
Consolidated Profit and Loss Account

	Note	3 months to 30 September 2004 unaudited £'000	3 months to 30 September 2003 unaudited £'000	Year to 30 June 2004 audited £'000
Turnover	4	37,569	33,567	156,197
Cost of sales		(21,708)	(19,504)	(93,291)
Gross profit		15,861	14,063	62,906
Operating expenses		(14,176)	(12,602)	(53,205)
Operating profit before goodwill amortisation	4	2,667	2,239	12,922
Goodwill amortisation		(982)	(778)	(3,221)
Operating profit		1,685	1,461	9,701
Share of results of associated undertakings		37	13	91
Loss on disposal of fixed asset investment		-	-	(2,218)
Net interest receivable		136	43	183
Profit on ordinary activities before taxation		1,858	1,517	7,757
Taxation		(824)	(689)	(3,885)
Profit on ordinary activities after taxation		1,034	828	3,872
Minority interests		(34)	41	24
Profit attributable to ordinary shareholders		1,000	869	3,896
Dividends - equity		-	-	(1,164)
Retained profit		1,000	869	2,732
Earnings per ordinary share				
- basic	2	4.8p	4.2p	18.7p
- adjusted		9.5p	8.0p	45.0p
- diluted		4.6p	4.1p	18.2p
Dividend per ordinary share		-	-	5.55p

**Statement of total recognised gains and
losses**

Profit for financial year	1,000	869	3,896
Gain/(loss) on currency translation	332	192	(1,916)
Total recognised gains and losses relating to the year	1,332	1,061	1,980
Restatement due to reclassification of ESOP shares			(503)
Total recognised gains and losses relating to the year			1,477



DICOM Group plc
Announcement of Unaudited Results
Consolidated Balance Sheet

	At 30 September 2004 unaudited £'000	At 30 September 2003 unaudited £'000	At 30 June 2004 audited £'000
Note			
Fixed assets			
Intangible assets	41,390	43,040	41,432
Tangible assets	5,305	4,851	5,135
Investments	398	9,298	398
	<u>47,093</u>	<u>57,189</u>	<u>46,965</u>
Current assets			
Stocks	11,487	11,073	10,864
Debtors	32,454	30,415	33,791
Investments	128	111	126
Cash at bank and in hand	25,363	12,074	23,273
	<u>69,432</u>	<u>53,673</u>	<u>68,054</u>
Creditors:			
Amounts falling due within one year	<u>(38,260)</u>	<u>(37,155)</u>	<u>(38,615)</u>
Net current assets	<u>31,172</u>	<u>16,518</u>	<u>29,439</u>
Total assets less current liabilities	<u>78,265</u>	<u>73,707</u>	<u>76,404</u>
Creditors:			
Amounts falling due after more than one year	(5,181)	(2,248)	(4,628)
Provisions for deferred taxation	(619)	(678)	(631)
Net assets	<u>72,465</u>	<u>70,781</u>	<u>71,145</u>
Capital and reserves			
Called up share capital	2,113	2,095	2,112
Share premium account	52,791	52,112	52,730
Merger reserve	1,717	1,717	1,717
ESOP shares	(512)	(506)	(503)
Profit and loss account	16,479	15,392	15,147
Shareholders' funds - Equity	<u>72,588</u>	<u>70,810</u>	<u>71,203</u>
Minority interests - Equity	<u>(123)</u>	<u>(29)</u>	<u>(58)</u>
	<u>72,465</u>	<u>70,781</u>	<u>71,145</u>



DICOM Group plc
Announcement of Unaudited Results
Consolidated Cash Flow Statement

	Note	3 months to 30 September 2004 unaudited £'000	3 months to 30 September 2003 unaudited £'000	Year to 30 June 2004 audited £'000
Cash inflow from operating activities	5	1,750	3,955	18,643
Returns on investments and servicing of finance		152	10	156
Taxation paid		33	(173)	(3,705)
Capital expenditure and financial investment		(826)	(547)	2,649
Acquisitions and disposals		(408)	2,219	1,824
Equity dividends paid		-	-	(1,061)
Cash inflow before use of liquid resources and financing		701	5,464	18,506
Management of liquid resources		(1,347)	(3,359)	(13,001)
Financing				
Issue of Ordinary Shares		62	251	886
Increase/(decrease) in debt		1,053	(783)	(2,566)
		1,115	(532)	(1,680)
Increase in cash in the period		469	1,573	3,825
Reconciliation of net cash flow to movement in net funds				
Increase in cash in the year		469	1,573	3,825
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(1,053)	783	2,566
Cash outflow from increase in liquid resources		1,347	3,359	13,001
Change in net funds resulting from cash flows		763	5,715	19,392
Loans and finance leases acquired with subsidiaries		-	-	(83)
New finance leases		(108)	(66)	(401)
Exchange difference		123	(15)	(149)
Movements in net funds in the period		778	5,634	18,759
Net funds at start of period		20,894	2,135	2,135
Net funds at end of period		21,672	7,769	20,894

DICOM Group plc
Interim Report Q1 2004/2005
Notes (UK GAAP)

1 Basis of preparation

The interim financial statement in accordance with UK GAAP has been prepared in accordance with the accounting policies set out in, and is consistent with, the Group's 2004 financial statements except that the taxation charge for the period is based on the estimated charge for the year to 30 June 2005.

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 2004 has been extracted from the Group's statutory accounts for that period which will be 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 Earnings per share

The Earnings per share calculation is based upon Financial Reporting Standard 14. Basic Earnings per share 4.8p (4.2p) for the three months to 30 September 2004 has been calculated based on the profit attributable to shareholders of £1,000,000 (£869,000) using the weighted average number of Ordinary Shares in issue of 20,964,784 (20,905,044) during the period.

Adjusted Earnings per share 9.5p (8.0p) for the three months to 30 September 2004 is based on profit of £1,995,000 (£1,662,000), being adjusted by the amortisation of goodwill in subsidiaries of £982,000 (£778,000) and amortisation of goodwill in associates of £13,000 (£15,000) using the weighted average number of Ordinary Shares in issue of 20,964,784 (20,905,044) during the period.

Diluted Earnings per share 4.6p (4.1p) for the three months to 30 September 2004 is based on 21,636,574 (21,265,688), the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential Ordinary Shares.

3 Reconciliation of movements in shareholders' funds (UK GAAP)

	3 months to 30 September 2004 £'000	3 months to 30 September 2003 £'000	Year to 30 June 2004 £'000
Opening shareholders' funds	71,203	69,502	69,502
Retained profit for the period	1,000	869	2,732
Currency exchange movements	332	192	(1,916)
Changes in ESOP shares	(9)	(4)	(1)
New share capital issued	62	251	886
Closing shareholders' funds	72,588	70,810	71,203

4 Segmental Reporting

	3 months to 30 September 2004 £'000	3 months to 30 September 2003 £'000	Year to 30 June 2004 £'000
Sales by divisions			
IC			
Own products	10,204	9,822	39,722
Services	7,628	6,006	27,819
3 rd party products	10,645	10,598	51,991
Total IC	28,477	26,426	119,532
SGA	9,092	7,141	36,665
Group	37,569	33,567	156,197
Gross profit by divisions			
IC	14,775	12,838	57,703
SGA	1,086	1,225	5,203
Group	15,861	14,063	62,906
Operating profit before goodwill amortisation by divisions			
IC	2,500	2,013	11,844
SGA	167	226	1,078
Group	2,667	2,239	12,922

5 Reconciliation of operating profit to operating cash flows

	3 months to 30 September 2004 £'000	3 months to 30 September 2003 £'000	Year to 30 June 2004 £'000
Operating profit	1,685	1,461	9,701
Depreciation and amortisation	1,539	1,300	5,948
Loss on sale of tangible fixed assets	7	3	7
(Increase)/decrease in stocks	(623)	(23)	285
Decrease/(increase) in debtors	1,454	1,291	(1,684)
(Decrease)/increase in creditors	(2,113)	(45)	4,702
Foreign exchange differences	(199)	(32)	(316)
Net cash inflow from operating activities	1,750	3,955	18,643