



DICOM Group plc

3rd Quarter Results for the Financial Year 2002/2003
1 July 2002 – 31 March 2003



**DICOM Group plc
Results FY 2003 – Nine Months to 31 March 2003
Record Pre-Tax Profits and EDC Division Turnover**

13 May 2003 - DICOM Group plc ("DICOM Group"), a global leader in the Electronic Document Capture ("EDC") market, a growing segment of the Office Automation software industry, announces record results for the nine months to 31 March 2003 despite continuing adverse trading conditions in the IT sector.

Financial Highlights of the Nine Month Results (UK GAAP):

- Group turnover up 7% to £119.3m (2002: £111.8m)
- Turnover growth of 9% in local currency terms in EDC Division contributes 71% (2002: 69%) of total revenues
- Operating profits before goodwill amortisation (EBITA) down 1% to £8.6m (2002: £8.7m), in local currency terms up 3%
- EBITA at EDC Division, up 9% in local currency terms, contributes 83% (2002: 80%) of total EBITA
- Pre-tax profits up 308% to £6.4m (2002: £1.6m, after exceptional item)
- Adjusted Earnings per share (EPS) up 4% to 28.8p (2002: 27.7p)
- Adjusted EPS in local currency terms up 8%
- R&D spending of £5.3m
- Operating activities generated positive cash flow of £9.0m (2002: £7.4m)

Recent Developments

- US\$6.4m cash acquisition, in April 2003, of Mohomine Software Inc, a leader in the text categorisation and extraction market, extends DICOM Group's addressable market substantially
- New product launch of VirtualReScan (VRS) 3.0, a significant upgrade to award-winning image enhancement software
- First ever OEM agreement with Hewlett Packard
- "Best Technology" award for achievements in company growth and product innovation
- Increased market share for Ascent Capture product; 40,400 licenses sold to date (2002: 29,900)

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

"The Group is well positioned in its core EDC market and has continued to gain market share in all major product lines and territories. Our R&D spending, which remains at planned levels, allows us to maintain a high rate of product innovation. This should be further accelerated by the recent acquisition of Mohomine, which will add new products based on leading text classification and extraction technology. First joint customer projects have been identified."

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

"The global IT market continues to be challenging as corporate IT spending on software and services, especially in larger projects, remains under close scrutiny at a time of ongoing political and economic uncertainty. Even so, we continue to see rising future order prospects for our EDC products and services on a global scale. Despite the current weakness of the US dollar, which reduces the reported sterling value of our US operating profits, our EDC Division's current trading performance and future prospects enable the Directors to view the Group's outlook with optimism."



About DICOM Group plc

DICOM Group plc ("DICOM Group") is the global leader in the Electronic Document Capture ("EDC") market, a growth sector of the Office Automation industry. EDC improves the performance of many business applications such as document and content management and converts non-digital and digital documents into structured data streams. Its implementation allows substantial increases in office efficiency and offers high returns on investment.

DICOM Group's core competence is consulting, development and provision of EDC products and services. More than 10,000 organisations world-wide have implemented DICOM Group developed products, supported by 800 employees in 25 countries in Europe, the US, South East Asia and Australia.

US-based Kofax Image Products, DICOM Group's software development centre, designs solutions to capture, transform and deliver large volumes of documents, which result in accelerated efficiency in a broad range of business applications.

The Ascent Capture product platform captures scanned document images, text, forms, industry-standard XML data and Microsoft Office® documents. Web-based components and server products enable organisations to capture information wherever it enters the organisation – eliminating shipping costs and accelerating access to that information. Its patented and award-winning VirtualReScan™ (VRS) product improves document image quality and the scanning process in real time.

DICOM Group's European and Asian sales and service organisation offers a broad range of services and complementary third party EDC products. Its network of pre-sales, after-sales and consulting organisation addresses the increasing demand for internationally deployed EDC solutions, project management and professional support.

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

Christoph Löslein Executive Director
Dr. Bettina Moschner Investor Relations Manager
Tel: +44 (0) 800 6520 616 or
+49 (0) 761 45269 36
Fax: +44 (0) 1189 820 102
+49 (0) 761 45269 936
E-mail: christoph_loeslein@dicomgroup.com
bettina_moschner@dicomgroup.com
Internet: <http://www.dicomgroup.com>

Binns & Co Public Relations 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.com>

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report a record set of results despite continuing adverse trading conditions in the IT sector and the global economy. Group turnover for the nine months to 31 March 2003 was up 7% to £119.3m (2002: £111.8m). Organic growth (excluding acquisitions and divestments) in local currency terms was up 6%. Operating profit of £6.5m (2002: £1.9m after exceptional items), increased by 247%. Operating profit before goodwill amortisation (EBITA) decreased by 1% to £8.6m (2002: £8.7m). Growth of EBITA in local currency terms was 3%. Profit before tax was £6.4m (2002: £1.6m after exceptional items), an increase of 308%. After tax and minority interests basic earnings per share is calculated at 18.9p (2002: loss of 2.9p after exceptional items). Adjusted earnings per share, earnings being adjusted for goodwill amortisation and exceptional items, rose 4% to 28.8p (2002: 27.7p). Adjusted EPS in local currency terms was up by 8%. The results in the third quarter of the previous financial year were affected by exceptional charges amounting to £5.2m.

The nine months proved to be successful for DICOM Group's core Electronic Document Capture (EDC) Division as it further expanded and improved its role as industry leader by developing and providing its own products and services. As reported at the half year, however, the continuing weakness of the US dollar (on average 10% lower in the nine months) has adversely affected the reported sterling results of our US operations where over half the Group's operating profits are generated.

The Samsung General Agency (SGA) Division achieved good results both in turnover and operating profit contribution.

FINANCIAL POSITION

DICOM Group generated cash flow from operations of £9.0m and ended the period with net cash of £1.5m (net cash of £3.8m at 30 June 2002), after financing organic sales growth during the period and spending £5.0m in cash on acquisitions and other investments.

OPERATING REVIEW

Electronic Document Capture (EDC), DICOM Group's largest division, accounted for 71% (2002: 69%) of turnover and 83% (2002: 80%) of operating profits before goodwill amortisation in the nine months to 31 March 2003. It develops software and electronic components, provides consulting and integration services and sells key related products to over 1,000 system integrators and software houses world-wide. The implementation of EDC technology allows document intensive organisations to reduce business transaction costs substantially, improve customer service and hence achieve high returns on investment.

EDC achieved organic sales growth in local currency terms of 3%; acquisitions contributed an additional 6% in turnover. DICOM Group's own product sales grew by 4% in local currency terms and now account for 33% of EDC sales. The slower rate of growth of sales of own products in the third quarter is primarily attributable to delays in some of the larger US project opportunities. Service income was up by 23% in local currency terms, contributing 19% to EDC sales. Operating profit before goodwill amortisation contributed by the EDC Division increased to £7.1m, up 3% and in local currency terms 9%.

The **Ascent** product family continues to grow through its broad adoption by the world's leading system integrators and software houses. We were able to win a significant number of small to mid sized EDC projects. Despite a strong pipeline we have seen a slower conversion rate of larger US projects in the third quarter, which we understand to be the result of delayed decision making rather than cancellation. The number of Ascent Capture software licenses sold to date has increased to over 40,400 (31 March 2002: 29,900).

Our award winning **VirtualReScan** (VRS) product line, which optimises both image quality and the scan process, continues to do well. In April 2003 we announced that Hewlett-Packard Co. ("HP") had signed

an OEM agreement for Software VRS. This is DICOM Group's first ever OEM agreement with HP and in the mid-range scanner segment, regarded as the fastest growing area in the document scanner market. The agreement provides for HP to integrate VRS document image enhancement technology with their new line of business scanners for workgroups.

DICOM Group's European sales and services organisation showed growth both in turnover and profits during the reporting period. It also continued to increase rapidly the contribution of EDC related services, which provide the Group with recurring business.

DICOM Group continued to increase its investment into development of application software and algorithms. R&D spending amounted to £5.3m, representing 19% of DICOM Group developed product turnover.

The **Samsung General Agency** (SGA) contributed 29% (2002: 31%) to DICOM Group turnover and 17% (2002: 20%) to operating profits before goodwill amortisation. The agency continued to be a distributor of Samsung flat-panel displays. These results include 3 months of the business of Elsat, the Group's former SGA operation in Austria, which was sold in October 2002. Organic growth of the Swiss SGA Division was 17% in local currency terms.

STAFF

As a result primarily of the ScanOptic acquisition in October 2002 Group staff numbers grew slightly to 818 (30 June 2002: 773). Our future prosperity is largely dependent on the ability, energy and loyalty of our staff, whose specialist knowledge, training and experience is key to the successful provision of the Group's value-added services and products. Staff turnover remained at low levels and we continue to attract high calibre people.

ACQUISITION OF MOHOMINE INC. (POST PERIOD END)

On 8 April 2003 DICOM Group announced the acquisition of Mohomine Inc. ("Mohomine"), a San Diego based software developer specialising in automated text categorisation and extraction, for an initial consideration of US\$6.4m in cash. An additional payment of up to US\$1.0m may be payable depending on the performance of Mohomine for the period to 31 December 2003.

Mohomine develops software that automatically classifies and extracts text from unstructured documents, in which the location of salient information cannot be easily predicted. Examples include e-mails, web pages, PDF files and paper documents. According to research firm Gartner Group, approximately 80% of all business documents are unstructured. Mohomine's algorithms and solutions are based upon pattern recognition techniques that are language independent and have been applied to many European languages as well as Chinese and Arabic.

Since its inception in 1999, Mohomine had primarily licensed its technologies to enterprise software vendors such as IBM, Oracle, Peoplesoft and to security agencies. The new integrated products will be marketed in DICOM Group's 25 operating territories throughout Europe, the US, South East Asia and Australia.

For the financial year to 31 December 2002 Mohomine reported revenues of US\$1.0m and a negative EBITDA of US\$2.0m. As at 31 December 2002 the company had net assets of US\$0.1m. Mohomine is expected to contribute positively at the operating profit level in DICOM Group's forthcoming financial year.

We are excited about the acquisition as it will extend our current addressable market estimated at £1.2bn, by £1.5bn for non-paper based capture and information extraction applications. Additionally it will accelerate growth in the existing EDC market by offering solutions that have not been economically feasible without the use of Mohomine's automatic classification and extraction features.

The integration of Mohomine into our software development and sales organisations is progressing well and first joint customer prospects have been identified.

PROSPECTS

The global IT market continues to be challenging as corporate IT spending on software and services, especially in larger projects, remains under close scrutiny at a time of ongoing political and economic uncertainty. Even so, we continue to see rising future order prospects for our EDC products and services on a global scale. Despite the current weakness of the US dollar, which reduces the reported sterling value of our US operating profits, our EDC Division's current trading performance and future prospects enable the Directors to view the Group's outlook with optimism.

Otto Schmid
Chairman

13 May 2003

DICOM Group plc
Preliminary Announcement of Unaudited Results
Consolidated Profit and Loss Account (UK GAAP)

	9 months to 31 March 2003 unaudited £'000	9 months to 31 March 2002 unaudited £'000	Year to 30 June 2002 audited £'000
Note			
Turnover	119,300	111,839	149,527
Cost of sales	<u>(76,167)</u>	<u>(71,255)</u>	<u>(95,158)</u>
Gross profit	43,133	40,584	54,369
Operating expenses			
Goodwill amortisation	(2,023)	(1,547)	(2,058)
Exceptional items	-	(5,223)	(5,237)
Other	<u>(34,570)</u>	<u>(31,928)</u>	<u>(43,107)</u>
Total operating expenses	(36,593)	(38,698)	(50,402)
Operating profit before goodwill amortisation	4 8,563	8,656	11,262
Goodwill amortisation	(2,023)	(1,547)	(2,058)
Exceptional items	-	(5,223)	(5,237)
Operating profit	6,540	1,886	3,967
Share of results of associated undertakings	(54)	(165)	(288)
Net interest and similar charges	<u>(99)</u>	<u>(156)</u>	<u>(158)</u>
Profit on ordinary activities before taxation	6,387	1,565	3,521
Taxation	<u>(2,522)</u>	<u>(2,054)</u>	<u>(2,780)</u>
Profit/(loss) on ordinary activities after taxation	3,865	(489)	741
Minority interests	<u>76</u>	<u>(110)</u>	<u>(8)</u>
Profit/(loss) attributable to ordinary shareholders	3,941	(599)	733
Dividends - equity	<u>(332)</u>	<u>(289)</u>	<u>(870)</u>
Retained profit/(loss)	3,609	(888)	(137)
Earnings per ordinary share	2		
- basic	18.9p	(2.9p)	3.5p
- adjusted	28.8p	27.7p	36.9p
- diluted	<u>18.8p</u>	<u>(2.9p)</u>	<u>3.5p</u>
Dividend per ordinary share	1.61p	1.40p	4.2p
Statement of total recognised gains and losses			
Profit/(loss) for financial year	3,941	(599)	733
(Loss)/Gain on currency translation	<u>(872)</u>	<u>1,103</u>	<u>596</u>
Total recognised gains and losses relating to the year	3,069	504	1,329
Prior year adjustment	-	-	1,030
Total gains and losses recognised since last annual report	3,069	504	2,359

DICOM Group plc
Preliminary Announcement of Unaudited Results
Consolidated Balance Sheet (UK GAAP)

	At 31 March 2003 unaudited £'000	At 31 March 2002 unaudited £'000	At 30 June 2002 audited £'000
Note			
Fixed assets			
Intangible assets	39,870	34,183	35,186
Tangible assets	5,021	4,494	4,716
Investments	10,412	10,961	10,428
	<u>55,303</u>	<u>49,638</u>	<u>50,330</u>
Current assets			
Stocks	12,480	12,168	11,438
Debtors	34,353	31,959	33,965
Investments	89	195	254
Cash at bank and in hand	7,949	4,989	7,265
	<u>54,871</u>	<u>49,311</u>	<u>52,922</u>
Creditors:			
Amounts falling due within one year	(37,450)	(31,958)	(34,985)
Net current assets	<u>17,421</u>	<u>17,353</u>	<u>17,937</u>
Total assets less current liabilities	<u>72,724</u>	<u>66,991</u>	<u>68,267</u>
Creditors:			
Amounts falling due after more than one year	(2,550)	(2,003)	(1,882)
Provisions for liabilities and charges	(768)	(504)	(724)
Net assets	<u>69,406</u>	<u>64,484</u>	<u>65,661</u>
Capital and reserves			
Called up share capital	2,085	2,082	2,083
Share premium account	51,792	51,739	51,762
Merger reserve	1,717	527	527
Profit and loss account	13,823	9,812	11,086
Shareholders' funds - Equity	<u>69,417</u>	<u>64,160</u>	<u>65,458</u>
Minority interests - Equity	<u>(11)</u>	<u>324</u>	<u>203</u>
	<u>69,406</u>	<u>64,484</u>	<u>65,661</u>

DICOM Group plc
Preliminary Announcement of Unaudited Results
Consolidated Cash Flow Statement (UK GAAP)

	Note	9 months to 31 March 2003 unaudited £'000	9 months to 31 March 2002 unaudited £'000	Year to 30 June 2002 audited £'000
Cash inflow from operating activities	5	9,034	7,421	14,022
Returns on investments and servicing of finance		(89)	(128)	(311)
Taxation paid		(3,151)	(2,614)	(3,770)
Capital expenditure and financial investment		(2,358)	(2,126)	(3,080)
Acquisitions and disposals		(5,041)	(317)	(1,284)
Equity dividends paid		(577)	(503)	(791)
Cash (outflow)/inflow before use of liquid resources and financing		(2,182)	1,733	4,786
Management of liquid resources		(2)	531	564
Financing				
Issue of Ordinary Shares		30	11	28
Increase/(Decrease) in debt		3,600	(2,711)	(3,395)
		3,630	(2,700)	(3,367)
Increase/(Decrease) in cash in the period		1,446	(436)	1,983
Reconciliation of net cash flow to movement in net funds				
Increase/(Decrease) in cash in the year		1,446	(436)	1,983
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(3,600)	2,711	3,395
Cash outflow/(inflow) from increase/(decrease) in liquid resources		2	(531)	(564)
Change in net funds resulting from cash flows		(2,152)	1,744	4,814
Loans and finance leases acquired with subsidiaries		(54)	-	(8)
New finance leases		(105)	(161)	(176)
Exchange difference		49	(86)	(217)
Movements in net funds in the period		(2,262)	1,497	4,413
Net funds/(debt) at start of period		3,750	(663)	(663)
Net funds at end of period		1,488	834	3,750

DICOM Group plc
Q3 2002/2003
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 2002 financial statement except that the taxation charge for the period is based on the estimated charge for the year to 30 June 2003.

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 2002 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 Earnings per share

The Earnings per share calculation is based upon Financial Reporting Standard 14. Basic Earnings per share 18.9p (loss of 2.9p) for the nine months to 31 March 2003 has been calculated based on the profit attributable to shareholders of £3,941,000 (loss of £599,000) using the weighted average number of Ordinary Shares in issue 20,847,495 (20,817,949) during the period.

Adjusted Earnings per share 28.8p (27.7p) for the nine months to 31 March 2003 is based on profit of £6,010,000 (£5,765,000), being adjusted by the amortisation of goodwill in subsidiaries of £2,023,000 (£1,547,000) and amortisation of goodwill in associates of £46,000 (£40,000) using the weighted average number of Ordinary Shares in issue 20,847,495 (20,817,495) during the period. The results for the previous year were adjusted for exceptional items amounting to £5,223,000. The exceptional items have been taking into account net of tax benefits of £446,000.

Diluted Earnings per share 18.8p (loss of 2.9p) for the nine months to 31 March 2003 is based on 21,003,738 (20,962,038) Ordinary Shares, 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.

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

	9 months to 31 March 2003 £'000	9 months to 31 March 2002 £'000	Year to 30 June 2002 £'000
Opening shareholders' funds	65,458	63,934	63,934
Prior year adjustment	-	-	1,030
Opening shareholders' funds as restated	65,458	63,934	64,964
Retained profit/(loss) for the period	3,609	(888)	(137)
(Loss)/profit on currency translation	(872)	1,103	596
New share capital issued	32	11	35
Reinstitution of merger reserve	1,190	-	-
Closing shareholders' funds	69,417	64,160	65,458

4 Segmental Reporting

	9 months to 31 March 2003 £'000	9 months to 31 March 2002 £'000	Year to 30 June 2002 £'000
Sales by divisions			
EDC			
Own products	27,685	29,072	39,385
Services	16,225	12,996	17,482
3 rd party products	40,447	35,542	45,118
Total EDC	84,357	77,610	101,985
SGA	34,943	34,229	47,542
Group	119,300	111,839	149,527
Gross profit by divisions			
EDC	37,806	34,825	46,869
SGA	5,327	5,759	7,500
Group	43,133	40,584	54,369
Operating profit before goodwill amortisation and exceptional items by divisions			
EDC	7,141	6,962	9,286
SGA	1,422	1,694	1,976
Group	8,563	8,656	11,262

5 Reconciliation of operating profit to operating cash flows

	9 months to 31 March 2003 £'000	9 months to 31 March 2002 £'000	Year to 30 June 2002 £'000
Operating profit	6,540	1,886	3,967
Depreciation and amortisation	3,796	3,665	4,636
Profit on sale of fixed asset investment	(170)	-	(16)
Loss on sale of tangible fixed assets	-	-	9
Increase in stocks	(1,595)	(3,050)	(1,562)
(Increase)/decrease in debtors	(536)	748	3,570
Increase in creditors	1,026	4,070	4,066
Foreign exchange differences	(27)	102	(648)
Net cash inflow from operating activities	9,034	7,421	14,022

6 Exchange rate fluctuations

DICOM Group transacts its businesses in many currencies other than sterling. On average during the nine months to March 2003 sterling was significantly stronger against the US dollar as compared to the previous period. This adversely affected the reported sterling results of our US operation where over half the Group's operating profits are generated.

The table below outlines the sales and operating profit growth for the Group as reported in sterling and sets out the growth rates in local currency terms.

Growth and currency contribution	Local currencies 9 months to 31 March 2003	£ 9 months to 31 March 2003	Local currencies 9 months to 31 March 2002	£ 9 months to 31 March 2002
Sales	5%	7%	4%	6%
Operating profit before goodwill and exceptional items	3%	(1%)	12%	15%