



DICOM Group plc
Results Nine Months for the Financial Year 2003/2004
1 July 2003 - 31 March 2004



DICOM Group plc
Results Nine Months to 31 March 2004
Record adjusted Pre-tax Profits; Optimistic Full Year Outlook

11 May 2004 - DICOM Group plc ("DICOM Group"), the global leader in the Electronic Document Capture ("EDC") market, announces strong operating results for the nine months to 31 March 2004.

Financial Highlights of the Nine Months Results

Results of EDC Division, representing 90% (83%) of operating profits

- Turnover up 6% to £89.4m (£84.4m)
- EDC own products and services grew in local currency terms by 19% and 22% respectively; now account for 56% (52%) of EDC sales
- Gross profit margins increased to 48.0% (44.8%)
- Operating profits up 24% to £8.8m (£7.1m); margins increased from 8.5% to 9.9%
- Operating profits in local currency terms up 30%

Group results

- Turnover down 1% to £117.6 m (£119.3 m)
- Gross profit margins up from 36.2% to 40.1%
- Operating profits before exceptional item and goodwill amortisation up 15% to £9.9m (£8.6m); margins increased from 7.2% to 8.4%
- Operating profits in local currency terms up 20%
- Profits before tax, exceptional item and goodwill amortisation up 19% to £10.1m (£8.5m)
- Adjusted earnings per share up 20% to 34.7p (28.8p)
- Operating activities generated positive cash flow of £12.1m (£9.0m)

Other Highlights

- US Social Security Administration placed an order for Kofax technology amounting to more than US\$3m
- Successful product launch of Capiro, a new professional-strength document capture solution for desktop information management
- Multiple awards at AIIM 2004 Conference and Exhibition, the world's leading Content Management and EDC event
- Further product launches scheduled for the current calendar year

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

"We are pleased to announce strong results, particularly driven by the continuous shift of our revenue mix towards the more profitable EDC own products and services. With the recently launched Capiro product, we have now made our industry-leading capture technology available also for individual use. We now address the full range of information capture needs, from complex enterprise-wide business processes down to simple desktop information management. DICOM Group is able to leverage its leading position in the EDC market and continues to see increased demand for its own EDC software products and related services."

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

"The Group is well positioned as the global industry leader in the EDC market. The balance sheet is strong and the business continues to be highly cash generative. The US\$3m order from the US Social Security Administration shows that we are having success in winning higher value EDC software contracts. This kind of business can be difficult to predict as it is characterised by long lead times and can be lumpy in nature. We continue to look forward to further planned major own product launches scheduled for the current calendar year. We believe that our customer base, superior products, and our channel relationships are the key for further enhancement of our market leadership. The US



Dollar remains weak, reducing the sterling value of our US operating profits. However, the EDC Division's current trading performance, particularly in own products and services, and good growth prospects enable the directors to view the Group's outlook for the full year with optimism.

About DICOM Group plc

DICOM Group plc ("DICOM Group", London Stock Exchange: DCM) 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. Through authorised partners, 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 EDC specialists, being directly present in 25 countries in Europe, the USA, South East Asia and Australia.

The Ascent Capture platform captures scanned document images, text, forms, 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.

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DICOM Group plc
Results Nine Months to 31 March 2004
Chairman's Statement

RESULTS

I am pleased to report strong operational results for the nine months to 31 March 2004. Group turnover was down 1% to £117.6m (£119.3m). Excluding disposals turnover grew by 1%. Operating profits before exceptional item and goodwill amortisation were £9.9m (£8.6m), up 15% with margins increased from 7.2% to 8.4%. In local currency terms operating profit before exceptional item and goodwill amortisation grew 20%. Profit before tax, exceptional item and goodwill amortisation was £10.1m (£8.5m), an increase of 19%. After tax and minority interests basic earnings per share is calculated at 12.2p (18.9p), down 35%. Earnings per share, adjusted for exceptional item and goodwill amortisation, was 34.7p (28.8p), up 20%.

The Group ended the period with net funds of £11.5m (£2.1m at 30 June 2003). Operating cash flow amounted to £12.1m (£9.0m) and the Group realised a net £1.6m cash inflow from acquisitions and disposals.

OPERATING REVIEW

The **Electronic Document Capture (EDC) Division** is DICOM Group's largest division and represented 90% (83%) of operating profits in the nine months to 31 March 2004. The EDC 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. EDC 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 EDC Division achieved sales growth of 6% in the first nine months and contributed 76% (71%) of the Group's turnover. The provision of services and sales of products developed by the Group, primarily Ascent Capture, VirtualReScan and Adrenaline, account for 56% (52%) of EDC turnover. Own product sales grew by 19% in local currency terms and accounted for 34% of EDC sales reflecting DICOM Group's shift in revenue mix towards its more profitable own products. During the quarter to 31 March 2004 the US Social Security Administration (SSA) placed an order for Kofax technology amounting to more than US\$3m. The Ascent platform and other Kofax technologies enable the SSA to capture and process vast amounts of paperwork associated with millions of social security benefit claims. Service income was up 22% in local currency terms, contributing 22% to EDC sales. Sales in 3rd party EDC products decreased by 10% in local currency terms. Operating Profit before goodwill amortisation increased to £8.8m, up 24% and in local currency terms 30%, with margins increased from 8.5% to 9.9%.

The **Samsung General Agency (SGA) Division**, the representative of Samsung Electronics in Switzerland, continued to perform in line with expectations and was able to contribute 10% (17%) of Group operating profits and 24% (29%) of Group turnover in the nine months to 31 March 2004. The SGA division has experienced problems of product availability and is continuing to face tougher trading conditions.

CARDIFF SOFTWARE INC. INVESTMENT

As announced on 5 February 2004, Verity Inc. signed a definitive agreement to acquire Cardiff Software Inc. ("Cardiff"). DICOM Group had a 19% stake in Cardiff following its investments carried out in September 2000 and March 2001. In total DICOM Group had invested US\$14.4m.

The acquisition of Cardiff has now been completed. On 2 April 2004 DICOM Group received a



payment in the order of US\$9.1m, with a further US\$1.2m withheld in escrow for a period of up to two years. A write-off of £2.3m has been reflected as an exceptional charge in the Profit and Loss Account. The exceptional charge is calculated based on the £/US\$ exchange rate at 31 December 2003 and assumes complete release of the amount withheld in escrow. The Group does not expect any material adverse effect on its continuing trading. The proceeds will be applied to develop DICOM Group's core EDC business.

BOARD APPOINTMENT

On 29 March 2004 we announced the appointment of Richard Murphy as Executive Director with immediate effect. Richard Murphy (age 57), a US citizen, has been President and Chief Executive Officer of Kofax, a wholly owned subsidiary of DICOM Group, since July 2002. He has 35 years experience working in the computer industry. Before joining Kofax in 1989, he was Vice President of North American Sales for Emulex Corporation.

NEW PRODUCTS

The EDC Division announced in February the launch of Capio, a new professional-strength, personal capture solution for desktop information management. Designed specially for the personal productivity of business users, Capio improves the management of work files by capturing and organising paper documents as high quality PDF files. Capio enables individuals to manage better the paper documents that can clutter their desks by quickly and easily scanning, storing, searching and retrieving them. Capio uses the patented VRS technology to deliver unmatched image quality and eliminate the need to rescan the documents.

PROSPECTS

The Group is well positioned as the global industry leader in the EDC market. The balance sheet is strong and the business continues to be highly cash generative. The US\$3m order from the US Social Security Administration shows that we are having success in winning higher value EDC software contracts. This kind of business can be difficult to predict as it is characterised by long lead times and can be lumpy in nature. We continue to look forward to further planned major own product launches scheduled for the current calendar year. We believe that our customer base, superior products, and our channel relationships are the key for further enhancement of our market leadership.

The US Dollar remains weak, reducing the sterling value of our US operating profits. However, the EDC Division's current trading performance, particularly in own products and services, and good growth prospects enable the directors 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 | 9 months to 31 March 2004 unaudited £'000 | 9 months to 31 March 2003 unaudited £'000 | Year to 30 June 2003 audited £'000 |
|---|------|--|--|---|
| Turnover | 4 | 117,595 | 119,300 | 156,432 |
| Cost of sales | | (70,443) | (76,167) | (97,386) |
| Gross profit | 4 | 47,152 | 43,133 | 59,046 |
| Operating expenses | | | | |
| Goodwill amortisation | | (2,351) | (2,023) | (2,869) |
| Exceptional item | | (2,300) | - | - |
| Other operating expenses | | (37,285) | (34,570) | (47,250) |
| Total operating expenses | | (41,936) | (36,593) | (50,119) |
| Operating profit before goodwill amortisation and exceptional item | 4 | 9,867 | 8,563 | 11,796 |
| Exceptional item | 5 | (2,300) | - | - |
| Goodwill amortisation | | (2,351) | (2,023) | (2,869) |
| Operating profit | | 5,216 | 6,540 | 8,927 |
| Share of results of associated undertakings | | 49 | (54) | 41 |
| Net interest receivable/(payable) and similar charges | | 94 | (99) | (167) |
| Profit on ordinary activities before taxation | | 5,359 | 6,387 | 8,801 |
| Taxation | | (2,903) | (2,522) | (3,407) |
| Profit on ordinary activities after taxation | | 2,456 | 3,865 | 5,394 |
| Minority interests | | 94 | 76 | 58 |
| Profit attributable to ordinary shareholders | | 2,550 | 3,941 | 5,452 |
| Dividends – equity | | (386) | (332) | (1,001) |
| Retained profit | | 2,164 | 3,609 | 4,451 |
| Earnings per ordinary share | 2 | | | |
| - basic | | 12.2p | 18.9p | 26.2p |
| - adjusted | | 34.7p | 28.8p | 40.2p |
| - diluted | | 12.0p | 18.8p | 26.0p |
| Dividend per ordinary share | | 1.85p | 1.61p | 4.83p |
| Statement of total recognised gains and losses | | | | |
| Profit for financial year | | 2,550 | 3,941 | 5,452 |
| Loss on currency translation | | (2,086) | (872) | (1,206) |
| Total recognised gains and losses relating to the year | | 464 | 3,069 | 4,246 |



DICOM Group plc
Announcement of Unaudited Results
Consolidated Balance Sheet

| | At 31 March 2004 unaudited £'000 | At 31 March 2003 unaudited £'000 | At 30 June 2003 audited £'000 |
|--|--|--|---|
| Note | | | |
| Fixed assets | | | |
| Intangible assets | 41,987 | 39,870 | 43,785 |
| Tangible assets | 4,890 | 5,021 | 4,978 |
| Investments | 659 | 9,887 | 9,303 |
| | <u>47,536</u> | <u>54,778</u> | <u>58,066</u> |
| Current assets | | | |
| Stocks | 11,502 | 12,480 | 11,050 |
| Debtors | 39,995 | 34,353 | 34,409 |
| Investments | 105 | 89 | 110 |
| Cash at bank and in hand | 18,297 | 7,949 | 6,758 |
| | <u>69,899</u> | <u>54,871</u> | <u>52,327</u> |
| Creditors: | | | |
| Amounts falling due within one year | <u>(44,479)</u> | <u>(37,450)</u> | <u>(37,448)</u> |
| Net current assets | <u>25,420</u> | <u>17,421</u> | <u>14,879</u> |
| Total assets less current liabilities | <u>72,956</u> | <u>72,199</u> | <u>72,945</u> |
| Creditors: | | | |
| Amounts falling due after more than one year | (2,112) | (2,550) | (2,732) |
| Provisions for deferred taxation | (638) | (768) | (699) |
| Net assets | <u>70,206</u> | <u>68,881</u> | <u>69,514</u> |
| Capital and reserves | | | |
| Called up share capital | 2,108 | 2,085 | 2,088 |
| Share premium account | 52,578 | 51,792 | 51,868 |
| Merger reserve | 1,717 | 1,717 | 1,717 |
| ESOP shares | (497) | (525) | (502) |
| Profit and loss account | 14,409 | 13,823 | 14,331 |
| Shareholders' funds - Equity | <u>70,315</u> | <u>68,892</u> | <u>69,502</u> |
| Minority interests - Equity | <u>(109)</u> | <u>(11)</u> | <u>12</u> |
| | <u>70,206</u> | <u>68,881</u> | <u>69,514</u> |



DICOM Group plc
Announcement of Unaudited Results
Consolidated Cash Flow Statement

| | Note | 9 months to 31 March 2004 unaudited £'000 | 9 months to 31 March 2003 unaudited £'000 | Year to 30 June 2003 audited £'000 |
|--|------|--|--|---|
| Cash inflow from operating activities | 6 | 12,127 | 9,034 | 15,453 |
| Returns on investments and servicing of finance | | (1) | (89) | (163) |
| Taxation paid | | (2,515) | (3,151) | (3,580) |
| Capital expenditure and financial investment | | (1,463) | (2,358) | (2,592) |
| Acquisitions and disposals | | 1,578 | (5,041) | (9,116) |
| Equity dividends paid | | (668) | (577) | (910) |
| Cash inflow/(outflow) before use of liquid resources and financing | | 9,058 | (2,182) | (908) |
| Management of liquid resources | | (5,644) | (2) | (849) |
| Financing | | | | |
| Issue of Ordinary Shares | | 731 | 30 | 147 |
| (Decrease)/increase in debt | | (1,064) | 3,600 | 1,319 |
| | | (333) | 3,630 | 1,466 |
| Increase/(Decrease) in cash in the period | | 3,081 | 1,446 | (291) |
| Reconciliation of net cash flow to movement in net funds | | | | |
| Increase/(Decrease) in cash in the year | | 3,081 | 1,446 | (291) |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | | 1,064 | (3,600) | (1,319) |
| Cash outflow from increase in liquid resources | | 5,644 | 2 | 849 |
| Change in net funds resulting from cash flows | | 9,789 | (2,152) | (761) |
| Loans and finance leases acquired with subsidiaries | | - | (54) | (113) |
| New finance leases | | (297) | (105) | (558) |
| Exchange difference | | (126) | 49 | (183) |
| Movements in net funds in the period | | 9,366 | (2,262) | (1,615) |
| Net funds at start of period | | 2,135 | 3,750 | 3,750 |
| Net funds at end of period | | 11,501 | 1,488 | 2,135 |



DICOM Group plc
Announcement of Unaudited Results
Notes

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 2003 financial statement except that the taxation charge for the period is based on the estimated charge for the year to 30 June 2004.

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 2003 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

Earnings per share calculation is based upon Financial Reporting Standard 14. Basic Earnings per share 12.2p (18.9p) for the nine months to 31 March 2004 has been calculated based on the profit attributable to shareholders of £2,550,000 (£3,941,000) using the weighted average number of ordinary shares in issue 20,912,838 (20,847,495) during the period.

Adjusted earnings per share 34.7p (28.8p) for the nine months to 31 March 2004 is based on profit of £7,247,000 (£6,010,000), being adjusted by the exceptional item of £2,300,000, amortisation of goodwill in subsidiaries of £2,351,000 (£2,023,000) and amortisation of goodwill in associates of £46,000 (£46,000) using the weighted average number of ordinary shares in issue 20,912,838 (20,847,495) during the period.

Diluted earnings per share 12.0p (18.8p) for the nine months to 31 March 2004 is based on 21,194,251 (21,003,738), 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

| | 9 months to 31 March 2004 £'000 | 9 months to 31 March 2003 £'000 | Year to 30 June 2003 £'000 |
|--|--|---------------------------------------|----------------------------------|
| Opening shareholders' funds before reclassification of ESOP shares | | 65,458 | 65,458 |
| Reclassification of ESOP shares | | (525) | (502) |
| Opening shareholders' funds | 69,502 | 64,933 | 64,956 |
| Reinstatement of goodwill previously charged against reserves | - | 1,190 | 1,190 |
| Retained profit for the period | 2,164 | 3,609 | 4,451 |
| Currency exchange movements | (2,086) | (872) | (1,206) |
| Changes in ESOP shares | 5 | - | - |
| New share capital issued | 730 | 32 | 111 |
| Closing shareholders' funds | 70,315 | 68,892 | 69,502 |



4 Segmental Reporting

| | 9 months to 31 March 2004 £'000 | 9 months to 31 March 2003 £'000 | Year to 30 June 2003 £'000 |
|---|---------------------------------------|---------------------------------------|----------------------------------|
| Sales by divisions | | | |
| EDC | | | |
| Own products | 30,340 | 27,685 | 38,006 |
| Services | 19,992 | 16,225 | 23,200 |
| 3 rd party products | 39,025 | 40,447 | 53,623 |
| Total EDC | 89,357 | 84,357 | 114,829 |
| SGA | 28,238 | 34,943 | 41,603 |
| Group | 117,595 | 119,300 | 156,432 |
| Gross profit by divisions | | | |
| EDC | 42,915 | 37,806 | 52,735 |
| SGA | 4,237 | 5,327 | 6,311 |
| Group | 47,152 | 43,133 | 59,046 |
| Operating profit before goodwill amortisation by divisions | | | |
| EDC | 8,833 | 7,141 | 10,333 |
| SGA | 1,034 | 1,422 | 1,463 |
| Group | 9,867 | 8,563 | 11,796 |

5 Exceptional item

As announced on 5 February 2004, Verity Inc, signed a definitive agreement to acquire Cardiff Software Inc. ("Cardiff"), based in San Diego, US. DICOM Group had a 19% stake in Cardiff following its investments carried out in September 2000 and March 2001. In total DICOM Group had invested US\$14.4m. The acquisition of Cardiff by Verity has now been completed. On 2 April 2004 DICOM Group received a payment of US\$9.1m, with a further US\$1.2m withheld in escrow for a period up to two years. A write-off of £2.3m has been reflected as an exceptional charge in the Profit and Loss Account. The exceptional charge is calculated based on the £/US\$ exchange rate at 31 December 2003 and assumes complete release of the amount withheld in escrow.

6 Reconciliation of operating profit to operating cash flows

| | 9 months to 31 March 2004 £'000 | 9 months to 31 March 2003 £'000 | Year to 30 June 2003 £'000 |
|---|---------------------------------------|---------------------------------------|----------------------------------|
| Operating profit | 5,216 | 6,540 | 8,927 |
| Depreciation | 4,153 | 1,773 | 2,165 |
| Amortisation | 2,351 | 2,023 | 2,869 |
| Profit on sale of subsidiary undertaking | - | (170) | (170) |
| Loss on sale of tangible fixed assets | - | - | 2 |
| Increase in stocks | (352) | (1,595) | (107) |
| Increase in debtors | (2,772) | (536) | (555) |
| Increase in creditors | 3,582 | 1,026 | 2,410 |
| Foreign exchange differences | (51) | (27) | (88) |
| Net cash inflow from operating activities | <u>12,127</u> | <u>9,034</u> | <u>15,453</u> |