

Consolidated Cash Flow Statement

6 months to 30 June 2004

	Unaudited 6 months to 30 June 2004 £'000's	Unaudited 6 months to 30 June 2003 £'000's
OPERATING PROFIT	604	481
Adjustments for		
Depreciation	285	311
Release of Government grants	(32)	(32)
Profit on disposal of tangible assets	—	(10)
(Increase) in stocks	(56)	(115)
Decrease/(Increase) in debtors	117	(154)
(Decrease)/Increase in creditors	(11)	185
NET CASHFLOW FROM OPERATING ACTIVITIES	907	666
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(17)	(60)
TAXATION PAID	(70)	(73)
EQUITY DIVIDENDS PAID	(169)	(154)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT	(322)	(131)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING	329	248
LOAN AND LEASE REPAYMENTS /FINANCING	(220)	(158)
INCREASE IN CASH IN THE PERIOD	109	90
ANALYSIS OF CASH MOVEMENT		
Cash in hand and at bank	349	(59)
Bank overdraft	(240)	149
	109	90

Notes

- Basic earnings per share have been calculated on the weighted average number of shares in issue during the period of 6,052,554 (2003 — 6,044,478) Ordinary shares of 10p each.
- Copies of this interim statement are being sent to all shareholders and will be available from the Registered Office of the Company, Small Heath Business Park, Birmingham, B10 0HJ, for a period of 14 days from the date of this statement.
- The taxation charge is based on the estimated effective rate of tax for the full year.
- The financial information set out above does not comprise full accounts within the meaning of Section 240 of the Companies Act 1985.
- The interim figures set out in this statement are unaudited but have been prepared on a basis consistent with the statutory financial statements for the year to 31 December 2003. The figures for the year to 31 December 2003 have been extracted from the statutory financial statements for that year which have been filed with the Registrar of Companies and carry an unqualified audit report.



Delcam Plc

INTERIM REPORT 2004

Interim Results for the six months to 30 June 2004

- Record first half sales of £10.3 million against £9.8 million in 2003 first half, despite weak dollar
- First half pre-tax profit of £0.66 million, up 31% on first half of 2003
- Interim dividend increased to 1.0p
- Continued high level of investment in R&D of £2.9 million in the period
- Winner of Queen's Award for Enterprise in the Innovation category for second year in succession
- Position as world's leading global supplier of specialist NC software and associated services confirmed by CIMdata
- Successful launch of new Professional Services Group to undertake larger consultancy projects

Chairman's Statement

Financial Highlights

I am very pleased to report that, during the first half of 2004, Delcam has continued the growth in sales that was seen last year. Sales for the half year to 30 June 2004 were at a record level of £10.3 million compared with £9.8 million during the first half of 2003, an increase of 5.0%, despite the US\$/£ exchange rate weakening by 11% over the same period last year.

Profit before tax of £0.66 million for the first half was 31% above the £0.50 million achieved during the first half of last year. This result has been achieved even though the Company has continued to increase its investment in research and in sales and marketing. Basic earnings per share were 8.6p compared with 6.4p in the equivalent period last year, an increase of 34%.

Dividend

With improved profitability to that in the first half of 2003, the Board proposes to pay an interim dividend of 1.0p per ordinary share. It will be paid on 7 September 2004 to shareholders on the Register as at 20 August 2004. The shares are expected to be quoted ex dividend on 18 August 2004.

Review

The first half of the year has seen the release of improved versions of all of our main software products and these have been well received by our customers. We have also undertaken further expansion of our international distribution network, both through the appointment of additional resellers and through the enlargement of our established offices. These two factors have contributed in achieving our record results.

We continue to believe that it is essential to maintain and enhance our development activity as we seek to further increase sales by having the best products in all of the sectors in which we operate. This philosophy is being welcomed by our customers, with an increasing number of our users

Chairman's Statement continued

taking out maintenance contracts to ensure that they receive regular enhancements to their software.

We plan to increase sales during the second half of the year with the same three main strategies. We are developing closer relationships with providers of machine tools, inspection equipment and other related technology so that we can act as a supplier of product development solutions. We are growing our business outside the mould and die area, both in other areas of toolmaking, in particular press tool manufacture, and in other industries such as the production of aerospace components. We are also increasing our sales to larger organisations as well as to smaller and medium-sized companies.

We were pleased to see that the latest NC Software and Related Services Market Assessment from renowned US consulting and market research firm, CIMdata, showed that Delcam was the fastest-growing of the ten leading suppliers of CAM software during 2003. As a result, the Company retained its position as the leading global supplier of specialist machining software and associated services during the year.

At the start of the year, we formed a new Professional Services Group to undertake larger consultancy projects for users of our software. The primary focus of the Group will be working with clients to improve their design and manufacturing processes, and then defining procedures for using Delcam's products to implement those improvements. The Group has already won some significant contracts and has submitted tenders for several additional large projects.

We were very pleased to win the Queen's Award for Enterprise in the Innovation category for the second year in succession. This was awarded in recognition of the continuing innovation in our PowerINSPECT inspection software, following a similar success with our ArtCAM artistic CAD/CAM program last year. In addition, our PowerMILL CAM system was the outright winner in the "Best software" category, at the Metalworking Production International Machine Tool Industry Awards.

Pension provision

Like many other companies, Delcam has had to review the pension arrangements for its staff in the light of poor stock market performance, changes to the tax regulations on pension schemes and the potential for increased liabilities. Following this review, we have restructured the pension scheme to reduce the risks and the ongoing liabilities. The 1/60th scheme will be replaced by a 1/80th scheme for future accrual by current members from 1 September 2004. £1 million will be injected into the pension fund during September 2004, to significantly reduce the current deficit. In addition, a Money Purchase scheme has been set up for new employees from 1 July, following the closure of the existing scheme to new entrants in December 2003. We believe that these steps reflect a reasonable compromise by continuing to give a valuable benefit to our staff while also protecting shareholder value for the future. We estimate that the annual additional cost of these changes will be around £200,000. We consider that the reduction of uncertainty will strengthen the Company's position.

Outlook

The general outlook for the second half of the year remains promising, provided the positive trends for the manufacturing industry being seen in some of our key markets are maintained. We are reasonably confident that we can continue to achieve improved results provided the US dollar does not continue to deteriorate.

T R M KINSEY

Chairman

3 August 2004

Consolidated Profit and Loss Account

6 months to 30 June 2004

	Unaudited 6 months to 30 June 2004 £'000's	Unaudited 6 months to 30 June 2003 £'000's	Audited Year to 31 Dec 2003 £'000's
TURNOVER —			
continuing operations	10,306	9,816	20,451
Cost of sales	(3,303)	(3,193)	(6,339)
GROSS PROFIT	7,003	6,623	14,112
Distribution costs	(2,519)	(2,449)	(5,200)
Administration expenses	(3,977)	(3,720)	(7,697)
Other operating income	97	27	31
OPERATING PROFIT —			
continuing operations	604	481	1,246
Income from interest in associates	75	83	154
Interest receivable	5	7	30
Interest payable	(22)	(67)	(82)
PROFIT ON ORDINARY			
ACTIVITIES BEFORE			
TAXATION	662	504	1,348
Tax on profit on ordinary activities	(138)	(125)	(110)
PROFIT ON ORDINARY			
ACTIVITIES AFTER			
TAXATION	524	379	1,238
Equity minority interests	(1)	9	2
PROFIT FOR THE PERIOD	523	388	1,240
Dividends proposed	(61)	(57)	(227)
RETAINED PROFIT			
FOR THE PERIOD	462	331	1,013
BASIC EARNINGS PER SHARE	8.6p	6.4p	20.5p

Consolidated Balance Sheet

As at 30 June 2004

	Unaudited 30 June 2004 £'000's	Unaudited 30 June 2003 £'000's	Audited 31 Dec 2003 £'000's
FIXED ASSETS			
Intangible assets	58	56	77
Tangible assets	6,277	6,281	6,237
Investments	914	782	803
	7,249	7,119	7,117
CURRENT ASSETS			
Stocks	233	228	177
Debtors	5,346	5,537	5,463
Cash at bank and in hand	1,394	534	1,045
	6,973	6,299	6,685
CREDITORS:			
amounts falling due			
within one year	(3,357)	(3,605)	(3,514)
NET CURRENT ASSETS	3,616	2,694	3,171
TOTAL ASSETS LESS			
CURRENT LIABILITIES	10,865	9,813	10,288
CREDITORS:			
amounts falling due			
after more than one year	(139)	(353)	(312)
DEFERRED INCOME	(1,525)	(1,442)	(1,293)
EQUITY MINORITY			
INTERESTS	11	20	14
	9,212	8,038	8,697
CAPITAL AND RESERVES			
Called up share capital	618	612	612
Share premium account	1,971	1,920	1,920
Revaluation reserve	2,253	2,278	2,270
Other reserves	(10)	2	(1)
Profit and loss account	4,380	3,226	3,896
EQUITY SHAREHOLDERS'			
FUNDS	9,212	8,038	8,697