

DEL CAM PLC

INTERIM REPORT 2006

Interim Results for the six months to 30 June 2006

- Record half-year sales of £13.5 million against £11.8 million in 2005 first half
- First half pre-tax profit of £1.2 million, up 11% on first half of 2005
- Interim dividend increased to 1.2p
- Continued high level of investment in R&D and in sales and marketing
- Position as leading specialist supplier of Numerical Control ("NC") software and services confirmed by CIMdata
- Strong growth in sales of PowerINSPECT inspection software
- Acquisition of PartMaker business in July

Chairman's Statement

Financial Highlights

I am very pleased to report that, during the first half of 2006, Delcam has again continued the growth in sales that has been seen in recent years. Sales for the six months to 30 June 2006 were at the record level for a half-year at £13.5 million compared with £11.8 million during the first half of 2005, an increase of 14%. This growth has been achieved partly through the addition of the FeatureCAM family of software and partly through increased sales of our Power Solution range of programs.

Profit before tax of £1.2 million for the first half was 11% above that achieved for the first half of last year. This result has been achieved even though the company has continued to increase its investment in product development and in sales and marketing. During the period £3.7 million was spent on R & D (2005: £3.1 million). Basic earnings per share were 16.6p compared with 15.6p in the equivalent period last year, an increase of 6%.

Dividend

With improved profitability to that in the first half of 2005, the Board proposes to pay an interim dividend of 1.2p per ordinary share. This will be paid on 18 September 2006 to shareholders on the Register as at 1 September 2006.

Review

As mentioned above, the growth in sales has been the result of both the addition of the FeatureCAM software range and increased demand for Delcam's established products. The FeatureCAM range is now available in most of the 60 countries in which we are represented, with further growth expected as the products become better established in the international market place.

The most successful of our established products, in growth terms, has been the inspection program, PowerINSPECT. This has seen an increase in sales of more than 80% compared to the first six months of 2005. Increases have also been seen for our four other key products, the design software PowerSHAPE, the PowerMILL and FeatureCAM CAM systems and the artistic CAD/CAM program, ArtCAM.

In July 2006, we acquired the PartMaker range of software, the industry-leading programs for the programming of multi-axis turning equipment. The addition of the PartMaker range enhances our comprehensive family of machining software. This latest expansion will follow a similar pattern to the addition of FeatureCAM last year, in that the software will continue to be developed as an independent product line in the USA but will be marketed worldwide through the Delcam network. It is expected to contribute to future sales and profit growth as well as further strengthening Delcam's position in the important North American market.

Our increased sales, together with the addition of FeatureCAM and PartMaker, have consolidated our position as the world's number one specialist supplier of NC software and services in the rankings published by the US analyst CIMdata. Further recognition came in May, when PowerMILL was presented with the "Best Software" award at the Metalworking Production Awards during the MACH exhibition.

Outlook

The normal business pattern for Delcam is to achieve higher sales and profits in the second half of the year. With the addition of the PartMaker business, the Directors expect this pattern to continue. However, with the majority of Delcam's international business being undertaken in US\$, any further decline of the US\$ could marginally affect our level of profitability.

T R M KINSEY
Chairman

DELCAM plc
Consolidated Profit and Loss Account
6 months to 30 June 2006

	Unaudited 6 months to 30 June 2006 £'000's	Unaudited 6 months to 30 June 2005 £'000's	Audited Year to 31 Dec 2005 £'000's
TURNOVER- Continuing operations			
Group and share of joint venture	13,466	11,835	24,011
Less share of joint venture	(279)	(235)	(537)
Total Turnover	<u>13,187</u>	<u>11,600</u>	<u>23,474</u>
Cost of sales	(4,268)	(3,723)	(7,724)
GROSS PROFIT	<u>8,919</u>	<u>7,877</u>	<u>15,750</u>
Distribution costs	(3,242)	(2,999)	(5,654)
Administrative expenses	(4,753)	(4,001)	(8,181)
Other operating income	122	134	252
OPERATING PROFIT – Continuing operations	<u>1,046</u>	<u>1,011</u>	<u>2,167</u>
Share of associates' operating profit	132	43	102
Share of joint venture's operating profit	0	0	0
Total operating profit	<u>1,178</u>	<u>1,054</u>	<u>2,269</u>
Interest receivable	457	454	914
Interest payable	(427)	(424)	(846)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1,208</u>	<u>1,084</u>	<u>2,337</u>
Tax on profit on ordinary activities	(197)	(133)	(370)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>1,011</u>	<u>951</u>	<u>1,967</u>
BASIC EARNINGS PER SHARE	16.6p	15.6p	32.3p
DILUTED EARNINGS PER SHARE	16.4p	15.5p	32.2p

Consolidated Balance Sheet
As at 30 June 2006

	Unaudited 30 June 2006 £'000's	Unaudited 30 June 2005 £'000's	Audited 31 Dec 2005 £'000's
FIXED ASSETS			
Intangible assets	1,384	1,450	1,459
Tangible assets	6,079	5,801	6,263
Investments	930	951	856
	<u>8,393</u>	<u>8,202</u>	<u>8,578</u>
CURRENT ASSETS			
Stocks	160	307	168
Debtors	6,630	6,798	6,051
Cash at bank and in hand	1,719	2,828	1,910
	<u>8,509</u>	<u>9,933</u>	<u>8,129</u>
CREDITORS: amounts falling due within one year	(4,970)	(5,776)	(5,276)
	<u>3,539</u>	<u>4,157</u>	<u>2,853</u>
NET CURRENT ASSETS			
	3,539	4,157	2,853
TOTAL ASSETS LESS CURRENT LIABILITIES	11,932	12,359	11,431
CREDITORS: amounts falling due after more than one year	(521)	(668)	(596)
DEFERRED INCOME	(1,568)	(1,613)	(1,670)
NET ASSETS EXCLUDING PENSION DEFICIT	9,843	10,078	9,165
Pension deficit	(1,439)	(3,245)	(1,715)
NET ASSETS INCLUDING PENSION DEFICIT	<u>8,404</u>	<u>6,833</u>	<u>7,450</u>
CAPITAL AND RESERVES			
Called up share capital	617	617	617
Share premium account	1,983	1,983	1,983
Investment in own shares	(179)	(230)	(254)
Revaluation reserve	2,157	2,203	2,180
Other reserves	2	15	5
Profit and loss account	3,824	2,245	2,919
	<u>8,404</u>	<u>6,833</u>	<u>7,450</u>
TOTAL SHAREHOLDERS' FUNDS			
	8,404	6,833	7,450
NON – EQUITY SHAREHOLDERS' FUNDS	8	8	8
EQUITY SHAREHOLDERS' FUNDS	<u>8,396</u>	<u>6,825</u>	<u>7,442</u>
	<u>8,404</u>	<u>6,833</u>	<u>7,450</u>

Consolidated Cashflow Statement
6 months to 30 June 2006

	Unaudited 6 months to 30 June 2006 £'000's	Unaudited 6 months to 30 June 2005 £'000's	Audited Year to 31 Dec 2005 £'000's
OPERATING PROFIT	1,046	1,011	2,167
Adjustments for:			
Depreciation	278	303	595
Amortisation of goodwill	76	41	118
Release of Government grants	(4)	(7)	(14)
Decrease in stocks	8	13	152
(Increase) in debtors	(579)	(374)	(301)
Increase / (Decrease) in creditors	914	(329)	613
NET CASHFLOW FROM OPERATING ACTIVITIES	1,739	658	3,330
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	30	30	(43)
TAXATION PAID	(103)	(102)	(148)
EQUITY DIVIDENDS PAID	(203)	(183)	(250)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(355)	(2,479)	(3,968)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING	1,108	(2,076)	(1,079)
LOAN AND LEASE REPAYMENTS / FINANCING	(176)	555	500
RESTRICTED CASH MOVEMENT – EURO GRANT	(624)	(910)	(1,597)
INCREASE /(DECREASE) IN CASH IN THE PERIOD	308	(2,431)	(2,176)
ANALYSIS OF CASH MOVEMENT			
Cash in hand and at bank	433	(385)	268
Restricted cash	(624)	(910)	(1,597)
Bank overdraft	499	(1,136)	(847)
	308	(2,431)	(2,176)

Notes

1. Restricted Cash - included within cash at bank and creditors (less than one year) is £0.2 million (31 December 2005 - £0.8 million) that relates to monies received by the Company and held on behalf of third parties involved in a European R & D project.
2. Basic earnings per share have been calculated on the weighted average issued share capital of 6,096,210 (2005 - 6,096,210) Ordinary shares of 10p each and on profit after tax.
3. 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.
4. The taxation charge is based on the estimated effective rate of tax for the full year.
5. The financial information set out above does not comprise full accounts within the meaning of Section 240 of the Companies Act 1985.
6. 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 2005. The figures for the year to 31 December 2005 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.