

Consolidated Cash Flow Statement

6 months to 30 June 2005

	Unaudited 6 months to 30 June 2005 £'000's	Unaudited 6 months to 30 June 2004 £'000's
OPERATING PROFIT	785	604
Adjustments for		
Depreciation	303	285
Amortisation of goodwill	41	8
Release of Government grants	(7)	(32)
Decrease/(increase) in stocks	13	(56)
(Increase)/decrease in debtors	(374)	117
(Decrease) in creditors	(275)	(19)
NET CASH FLOW FROM OPERATING ACTIVITIES	486	907
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(25)	(17)
TAXATION PAID	(102)	(70)
EQUITY DIVIDENDS PAID	(183)	(169)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT	(2,252)	(322)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING	(2,076)	329
FINANCING	555	(220)
(DECREASE)/INCREASE IN CASH IN THE PERIOD	(1,521)	109
ANALYSIS OF CASH MOVEMENT		
Cash in hand and at bank	(385)	349
Bank overdraft	(1,136)	(240)
	(1,521)	109

Notes

- Due to the adoption of FRS21, the interim dividend cannot be accrued but the Board has approved an interim dividend as per the Chairman's Statement.
- On 21 March 2005 the Company acquired US-based CAM software specialists Engineering Geometry Systems (FeatureCAM) for £1.7 million, with attributable goodwill being £1.4 million.
- Included within cash at bank and creditors (less than one year) is £1.5 million (2004 — £nil) that relates to monies received by the Company and held on behalf of third parties involved in a European R & D project.
- Basic earnings per share have been calculated on the weighted average share capital of 6,096,210 (2004 — 6,074,442) Ordinary shares of 10p each and on the profit after tax and minority interests.
- 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 2004. The figures for the year to 31 December 2004 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 2005

Interim Results for the six months to 30 June 2005

- Record first half sales of £11.8 million against £10.6 million in 2004 first half
- Record first half pre-tax profit of £0.8 million, up 21% on first half of 2004
- Interim dividend increased to 1.1p, up 10%
- Continued high level of investment in R&D and in sales and marketing
- Winner of Queen's Award for Enterprise for third year in succession
- Acquisition of FeatureCAM business in March
- Position as leading global supplier of specialist NC software confirmed by CIMdata

Chairman's Statement

Financial Highlights

I am very pleased to report that, during the first half of 2005, Delcam has continued the growth in sales that has been seen in recent years. Sales for the half-year to 30 June 2005 were at the record level for a first half at £11.8 million compared with £10.6 million during the first half of 2004, an increase of 11%.

Profit before tax of £0.80 million for the first half was 21% above the £0.66 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 product development and in sales and marketing. Basic earnings per share were 11.0p compared with 8.6p in the equivalent period last year, an increase of 28%.

Dividend

With improved profitability to that in the first half of 2004, the Board proposes to pay an interim dividend of 1.1p per ordinary share (2004 — 1p per ordinary share), which will be paid on 16 September 2005.

Chairman's Statement continued

Review

In July we were formally presented with our fourth Queen's Award for Enterprise. We were particularly pleased to become one of very few companies to win a Queen's Award for Enterprise for the third year in succession. Our 2005 Award was in the International Trade category in recognition of the continuing growth in worldwide sales of our Power Solution software. This latest recognition of the Company's successful development and commercialisation strategies follows our receipt of Queen's Awards in the Innovation category in 2003 for the ArtCAM engraving and routing software and in 2004 for the PowerINSPECT inspection software. Sales partners from 35 countries attended the presentation.

In March we were very pleased to welcome the staff of Engineering Geometry Systems from Salt Lake City to Delcam. The company, now renamed Delcam USA, is the developer of the FeatureCAM range of CAD/CAM software. This has expanded the variety of software available from our Company and so made us better able to meet the needs of a wider range of customers, it will also give Delcam a much stronger presence in the large North American market. The FeatureCAM software has little overlap with our established Power Solution range and will continue to be developed in Salt Lake City. While there will be some opportunities to improve both sets of products by sharing technology, the more significant benefits to future profitability will come through being able to expand FeatureCAM's international presence by offering the software through a number of Delcam's established resellers.

2005 has also seen an increase in the volume of business with Original Equipment Manufacturers; new contracts have been signed that enable our engraving, routing and inspection software programs to be supplied by manufacturers of related equipment. These contracts typically involve much larger volumes of software than we would supply in our normal relationships.

Outlook

The first half of the year saw improved sales in most of our overseas markets. North and South America, and the Asian countries continued to do well. European sales grew despite the ongoing movement of manufacturing to countries in Eastern Europe and Asia. Our business in the aerospace sector continues to show potential. We expect similar positive trends in the second half of the year, which should allow us to continue our improved performance.

T R M KINSEY

Chairman

9 August 2005

Consolidated Profit and Loss Account

6 months to 30 June 2005

	Unaudited 6 months to 30 June 2005 £'000's	Unaudited 6 months to 30 June 2004 £'000's	Audited Year to 31 Dec 2004 £'000's
TURNOVER			
Group and share of joint venture	11,835	10,554	21,503
Less share of joint venture	(235)	(248)	(496)
Total turnover	11,600	10,306	21,007
Cost of sales	(3,723)	(3,303)	(6,651)
GROSS PROFIT	7,877	7,003	14,356
Distribution costs	(2,999)	(2,519)	(5,250)
Administration expenses	(4,227)	(3,977)	(8,131)
Other operating income	134	97	148
OPERATING PROFIT — continuing operations	785	604	1,123
Share of associates' operating profit	43	75	89
Share of joint venture's operating profit	—	—	—
Total operating profit	828	679	1,212
Interest receivable	6	5	31
Interest payable	(31)	(22)	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	803	662	1,196
Tax on profit on ordinary activities	(133)	(138)	(64)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	670	524	1,132
Equity minority interests	—	(1)	13
PROFIT FOR THE PERIOD	670	523	1,145
Dividends proposed (Note 1)	—	(61)	(244)
RETAINED PROFIT FOR THE PERIOD	670	462	901
BASIC EARNINGS PER SHARE	11.0p	8.6p	18.85p

Consolidated Balance Sheet

As at 30 June 2005

	Unaudited 30 June 2005 £'000's	Unaudited 30 June 2004 £'000's	Audited 31 Dec 2004 £'000's
FIXED ASSETS			
Intangible assets	1,450	58	61
Tangible assets	5,801	6,277	5,807
Investments	951	914	756
	8,202	7,249	6,624
CURRENT ASSETS			
Stocks	307	233	320
Debtors	6,885	5,346	6,511
Cash at bank and in hand (Note 3)	2,828	1,394	3,213
	10,020	6,973	10,044
CREDITORS: amounts falling due within one year	(5,775)	(3,357)	(5,913)
NET CURRENT ASSETS	4,245	3,616	4,131
TOTAL ASSETS LESS CURRENT LIABILITIES	12,447	10,865	10,755
CREDITORS: amounts falling due after more than one year	(668)	(139)	(74)
DEFERRED INCOME	(1,613)	(1,525)	(1,269)
EQUITY MINORITY INTERESTS	—	11	27
	10,166	9,212	9,439
CAPITAL AND RESERVES			
Called up share capital	618	618	617
Share premium account	1,984	1,971	1,983
Investment in own shares	(230)	—	(230)
Revaluation reserve	2,203	2,253	2,225
Other reserves	15	(10)	(8)
Profit and loss account	5,576	4,380	4,852
EQUITY SHAREHOLDERS' FUNDS	10,166	9,212	9,439