

Densitron Technologies plc
Unaudited Interim Report
For the Six months ended 30th June 2008

Highlights

- Orders booked in the period £9.9m (2007: £8.4m) an increase of 17.9% on the same period in 2007.
- An increase in the orderbook of £1.6m since 31st December 2007 from £7.4m to £9.0m.
- Major contract wins in the UK and Germany.
- Two new distributors signed in the UK.
- A representative appointed in Brazil.
- A number of new product offerings introduced in the period.

Financial Highlights on continuing operations

	6 months to 30 th June 2008 Continuing Unaudited £m	6 months to 30 th June 2007 Continuing Unaudited £m
Revenue	8.29	7.00
Profit from operations	0.16	0.13
Profit/(loss) before taxation	0.08	(0.02)
Earnings/(loss) per share	0.01p	(0.07)p
Orderbook	9.00	6.70

Chairman's Statement

This is my first statement as Chairman, following Ralph Baber's decision to step down at the Annual General Meeting and it is with some pleasure that I can announce that the Group has performed ahead of its internal budgets and ahead of the results achieved for the same period in 2007. The profit before tax is £80,000 compared with a loss of £18,000 for the same period in 2007.

The emphasis of the Group over the last two years has been to reduce debt to a level whereby the business can sustain it, divest of loss making businesses and focus on growing the remaining displays business. The Group has achieved on all fronts and the displays business, which is discussed in more detail below, has made some significant progress and has opportunities to grow further.

In total Group revenues have increased from £7.0m in 2007 to £8.3m in 2008 and gross profit has increased from £2.2m to £2.6m. In the same period the orderbook has continued to grow and now stands at £9.0m compared with £6.7m at 30th June 2007. It should be noted that part of these increases have been due to the weakening of the pound against the Euro, Taiwanese dollar and Japanese Yen. If the results for 2008 had been converted using similar exchange rates as 2007 the Group revenues would have been £7.9m and the gross profit £2.5m.

Administrative expenses have increased from £2.2m in 2007 to £2.5m in 2008. Converting the administrative expenses incurred in 2008 at the rates used in 2007 the administrative expenses would have been £2.4m. Administrative expenses continue to be tightly monitored and the increase reflects the planned investment made in additional personnel and product development. The impact on the movement in exchange rates on the profit from operations has been immaterial.

The structure of the Group's borrowings have now been aligned to its operations with the emphasis far more on trade finance. During the 6 months to 30th June 2008 the remainder of the loan from AB Bronsstadet was repaid along with the redemption fee and this has resulted in a 48% reduction in the cost of borrowing.

Operational review

The Group's operations are primarily the design, development, marketing and selling of electronic displays, the electronics that drive them and the plastics that house them.

European business – The European business has grown significantly in the 6 months compared with the same period in 2007. Orders were £6.0m compared with £4.6m in 2007 a growth of 28%. Sales were £4.5m compared with £3.4m in 2007 a growth of 32%. Gross profit was £1.4m compared with £1.2m in 2007 a growth of 17%. The margin percentage has reduced in the period but was ahead of the budgeted percentage and reflected the mix of sales made.

During the first six months of the year significant orders have been won in both the UK and Germany. In the UK an order worth £1.03m was received from a long standing customer in the hygiene industry for a complete product solution including the display, motor, PCB and plastic housing. In Germany a multi-million euro contract was received from a leading industrial telecommunications company for one of the company's new ranges of OLED displays. The contract is worth some €600k per annum with the first two years already scheduled for delivery and could have a life span of 7 – 8 years.

The distribution network, which is key to winning business in locations where Densitron does not have a presence, has been further developed with the appointment of two further distributors in the UK. The decision to recruit a dedicated member of staff to manage the relationships and promote Densitron's products is proving to be vital. In addition further investment has been made in the period strengthening the engineering facility in the UK in order to make it a centre of excellence for all European business.

US business – The US business suffered during 2007 as a result of a controller, which was key in a large part of its installed business, becoming end of life. This resulted in a considerable amount of this business being re-designed and re-tendered. Consequently the results for the first 6 months of 2008 are in line with those achieved in 2007. Orders were £3.4m compared with £3.0m in 2007 a growth of 13%. Sales in 2008 were £3.0m, the same as in 2007 and gross profit was £0.8m, the same as in 2007.

During the first 6 months of 2008 a great deal of work has continued to be done to recover the business affected by the end of life issue. In addition work has been done to create a range of touch-screen displays and a representative has been appointed in Brazil to promote the Company's products.

Asian business – The Asian business is made up of Densitron Asia, which provides logistics to the Group in order to source product in the key Taiwanese and Chinese markets, and Densitron Corporation of Japan which sells Densitron's products into the Japanese market. In the 6 months to 30th June 2008 orders were £0.5m compared with £0.8m in 2007 a fall of 37.5%, it should be noted that some of the orders won in 2007 were at extremely low margin. Sales were £0.8m compared with £0.5m in 2007 an increase of 60%. Gross profit was £0.3m compared with £0.2m in 2007, an increase of 50%.

Densitron Asia continues to provide an extremely valuable service to the Group, having people on the ground means that the subsidiaries around the world can react to opportunities and resolve issues quickly and effectively. Densitron Corporation of Japan continues to perform ahead of internal budgets and the results achieved in 2007, in what is a highly competitive market.

Evervision Electronics Corporation

Evervision is the Group's 24.8% investment in a Taiwanese display manufacturing company.

Evervision has performed reasonably well in the 6 months to 30th June 2008 exceeding its budgeted operating profit and showing continuing improvement in production yields in those areas where they have been previously deficient. Cash continues to be strong despite considerable investment in production plant and machinery in the 6 months. We are continuing to build on the relationship that we have built up with the management of Evervision over the last two years, attending all board meetings and having separate meetings with the Chairman. We continue to see this as the most effective way of obtaining a return from this investment.

Land at Blackheath

The land is a 1.25 acre strip of land in Blackheath, south east London, for which the Board is seeking to gain planning permission for residential housing.

The first half of 2008 has been spent working to ensure that the planning application, when it is submitted, is as comprehensive as it can possibly be. Surveys have been carried out and architects plans have been drawn up. It will be important to ensure that the application is made at the most appropriate time and we are working with a Chartered Surveyor to ensure that we are in a position to do this. As in previous Chairman's Statements I would caution Shareholders that we believe that planning permission will take between 2 and 3 years to achieve.

Outlook

The marketplace in which the Company operates remains competitive but the work that has been done and the investment that has been made to differentiate the Company from its competitors has been successful and gives reason for cautious optimism. The orderbook continues to grow and the opportunities remain undiminished. Your Board is continuing to work to realize returns on the investment in Evervision and the land at Blackheath and consider the approach currently being taken for them both is the correct approach and we will keep Shareholders informed of any significant developments.

Jan Holmstrom
4th September 2008

Unaudited Condensed Consolidated Income statement
For the six months ended 30th June 2008

	6 months to 30th June 2008 £000	6 months to 30th June 2007 £000	Year to 31st December 2007 Audited £000
Continuing operations			
Revenue	8,289	6,996	14,043
Cost of sales	<u>(5,717)</u>	<u>(4,767)</u>	<u>(9,727)</u>
Gross profit	2,572	2,229	4,316
Other operating income	59	124	1,024
Distribution costs	(19)	(15)	(30)
Administrative expenses	<u>(2,455)</u>	<u>(2,209)</u>	<u>(4,198)</u>
Profit from operations	157	129	1,112
Financial income	26	2	96
Financial expenses	<u>(103)</u>	<u>(149)</u>	<u>(390)</u>
Profit/(loss) before tax	80	(18)	818
Income tax expense	<u>(63)</u>	<u>(15)</u>	<u>(161)</u>
Profit/(loss) for the period from continuing Operations	17	(33)	657
Discontinued operations			
Profit on disposal and loss for the period on discontinued operations, net of tax	-	414	437
Profit for the period	<u>17</u>	<u>381</u>	<u>1,094</u>
Attributable to:			
Equity holders of the parent	4	366	1,081
Minority interests	<u>13</u>	<u>15</u>	<u>13</u>
	<u>17</u>	<u>381</u>	<u>1,094</u>
Basic earnings per share			
Earnings per share from continuing and discontinued operations	<u>0.01p</u>	<u>0.57p</u>	<u>1.67p</u>
Earnings/(loss) per share on continuing operations	<u>0.01p</u>	<u>(0.07)p</u>	<u>0.99p</u>
Diluted earnings per share			
Earnings per share from continuing and discontinued operations	<u>0.01p</u>	<u>0.55p</u>	<u>1.63p</u>
Earnings/(loss) per share on continuing operations	<u>0.01p</u>	<u>(0.07)p</u>	<u>0.97p</u>

**Unaudited Condensed Statement of recognised income and expense
For the six months to 30th June 2008**

	6 months to 30th June 2008 £000	6 months to 30th June 2007 £000	Year to 31st December 2007 Audited £000
Foreign exchange adjustments	(72)	(12)	(17)
Fair value adjustment of financial assets	-	-	(508)
Income and expense directly recognised in equity	(72)	(12)	(525)
Profit for the financial period	17	381	1,094
Total recognised income and expense for the period	(55)	369	569
Attributable to:			
Equity holders of the parent	(68)	354	556
Minority interests	13	15	13
	(55)	369	569

Unaudited Condensed Consolidated Balance Sheet
As at 30th June 2008

	30th June 2008	30th June 2007	31st December 2007 Audited
	£000	£000	£000
Non current assets			
Property, plant and equipment	211	134	208
Goodwill	143	143	143
Financial assets	6,331	7,711	6,589
Deferred tax assets	23	44	44
	<u>6,708</u>	<u>8,032</u>	<u>6,984</u>
Current assets			
Inventories	799	614	641
Trade and other receivables	3,959	3,257	2,457
Financial assets	589	384	765
Income tax recoverable	60	122	56
Cash and cash equivalents	1,446	1,447	1,397
	<u>6,853</u>	<u>5,824</u>	<u>5,316</u>
Non current assets classified as held for sale	-	218	-
Total assets	<u>13,561</u>	<u>14,074</u>	<u>12,300</u>
Current liabilities			
Borrowings	3,374	4,144	2,861
Trade and other payables	2,607	2,632	1,863
Current tax payable	3	38	72
Provisions	-	11	-
	<u>5,984</u>	<u>6,825</u>	<u>4,796</u>
Non current liabilities			
Borrowings	271	211	94
Provisions	283	260	328
Deferred tax liabilities	8	17	7
	<u>562</u>	<u>488</u>	<u>429</u>
Total liabilities	<u>6,546</u>	<u>7,313</u>	<u>5,225</u>
	<u>7,015</u>	<u>6,761</u>	<u>7,075</u>
Equity			
Share Capital	3,483	3,233	3,483
Share premium account	-	21,204	-
Retained earnings	3,953	(17,603)	3,838
Available for sale reserve	(648)	-	(648)
Special reserve	367	-	478
Translation reserve	(200)	(123)	(128)
Equity attributable to shareholders of Densitron	<u>6,955</u>	<u>6,711</u>	<u>7,023</u>
Minority interests	60	50	52
Total equity	<u>7,015</u>	<u>6,761</u>	<u>7,075</u>

**Unaudited Condensed Consolidated Cash flow Statement
For the 6 months ended 30th June 2008**

	6 months to 30th June 2008 £000	6 months to 30th June 2007 £000	Year to 31st December 2007 Audited £000
Cash flows from operating activities			
Profit/(loss) before taxation	80	(18)	818
Loss for the period from discontinued activities	-	(66)	(46)
Adjustments for:			
Depreciation	23	29	43
Profit on disposal of plant, property and equipment	-	-	(848)
Loss on write off of investment	-	-	12
Net finance expense	77	147	294
Exchange adjustments	(69)	6	(279)
	<u>111</u>	<u>98</u>	<u>(6)</u>
Change in inventories	(139)	(14)	89
Change in trade and other receivables	(1,431)	(205)	672
Change in trade and other payables	664	(130)	(187)
Change in provisions	5	(64)	(7)
	<u>(790)</u>	<u>(315)</u>	<u>561</u>
Income tax paid	(110)	37	(17)
Net cash (used in)/from operating activities	<u>(900)</u>	<u>(278)</u>	<u>544</u>
Cash flows from investing activities			
Interest received	26	2	66
Proceeds from sale of plant, property and equipment	-	-	1,016
Disposal of discontinued operation	434	843	933
Acquisition of plant, property and equipment	(22)	(18)	(55)
	<u>438</u>	<u>827</u>	<u>1,960</u>
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	250
Inception of new loans	250	-	-
Repayment of borrowings	(394)	(243)	(1,587)
Interest paid	(132)	(149)	(380)
Payment of finance leases	(10)	(11)	(21)
Change in trade finance creditor	154	15	(196)
Change in letters of credit	80	(66)	95
Dividends paid to minorities	(10)	(17)	(13)
Net cash used in financing activities	<u>(62)</u>	<u>(471)</u>	<u>(1,852)</u>
Net (decrease)/increase in cash and cash equivalents	(524)	78	652
Cash and cash equivalents at 1st January	872	192	192
Effect of exchange rate fluctuation on cash held	49	1	28
Cash and cash equivalents at the end of the period	<u>397</u>	<u>271</u>	<u>872</u>

**Notes to the Unaudited Condensed Financial Statements
For the six months ended 30th June 2008**

1. General information

Densitron Technologies plc is a public limited company ("the Company") incorporated in the United Kingdom under the Companies Act 1985 (registration number 1962726).

The Company is domiciled in the United Kingdom and its registered address is 5th Floor, 145 Cannon Street, London, EC4N 5BP. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"). The Group's principal activities are the design, development and delivery of electronic display and display related technologies.

2. Basis of preparation

This unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union collectively EU IFRSs). The principal accounting policies used in preparing the interim results are those it expects to apply in its financial statement for the year ended 31 December 2008 and are unchanged from those disclosed in the group's Annual Report for the year ended 31 December 2007.

The financial information for the six months ended 30 June 2008 and 30 June 2007 is unreviewed and unaudited and does not constitute the group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2007 has, however, been derived from the audited statutory financial statement for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The financial information in the Interim Report is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

3. Revenue

	6 months to 30th June 2008 Unaudited £000	6 months to 30th June 2007 Unaudited £000	Year to 31st December 2007 Audited £000
Revenue by location of reporting entity			
Europe	4,503	3,378	6,658
USA	3,006	2,965	5,994
Asia	780	653	1,391
	8,289	6,996	14,043
Gross profit by location of reporting entity			
Europe	1,428	1,167	2,230
USA	802	802	1,605
Asia	342	260	481
	2,572	2,229	4,316

4. Segmental analysis

	Continuing Displays division	Discontinued Gaming division	Eliminations	Head office	Total
	6 months to 30 th June 2008	6 months to 30 th June 2008	6 months to 30 th June 2008	6 months to 30 th June 2008	6 months to 30 th June 2008
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
<i>Revenue</i>					
Total	10,447	-	-	-	10,447
Intercompany	(2,158)	-	-	-	(2,158)
External	8,289	-	-	-	8,289
<i>Profit/(loss) before tax</i>					
Continuing operations	371	-	-	(291)	80
Discontinued operations	-	-	-	-	-
Total	371	-	-	(291)	80
	6 months to 30 th June 2007	6 months to 30 th June 2007	6 months to 30 th June 2007	6 months to 30 th June 2007	6 months to 30 th June 2007
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
<i>Revenue</i>					
Total	8,111	244	(244)	-	8,111
Intercompany	(1,115)	(182)	182	-	(1,115)
External	6,996	62	(62)	-	6,996
<i>Profit/(loss) before tax</i>					
Continuing operations	384	-	-	(402)	(18)
Discontinued operations	-	414	-	-	414
Total	384	414	-	(402)	396
	Year to 31 st December 2007	Year to 31 st December 2007	Year to 31 st December 2007	Year to 31 st December 2007	Year to 31 st December 2007
	Audited £000	Audited £000	Audited £000	Audited £000	Audited £000
<i>Revenue</i>					
Total	16,695	244	(244)	-	16,695
Intercompany	(2,652)	(182)	182	-	(2,652)
External	14,043	62	(62)	-	14,043
<i>Profit/(loss) before tax</i>					
Continuing operations	522	-	-	296	818
Discontinued operations	-	437	-	-	437
Total	522	437	-	296	1,255

5. Taxation

Taxation for the 6 months ended 30th June 2008 has been calculated by applying the estimated tax rate for the current financial year ending 31st December 2008.

6. Dividend

No dividend is to be paid in the period (2007: Nil).

7. Earnings per share

	6 months to 30th June 2008 Unaudited £000	6 months to 30th June 2007 Unaudited £000	Year to 31st December 2007 Audited £000
Profit attributable to ordinary shareholders			
Continuing operations	4	(48)	644
Discontinued operations	-	414	437
Profit attributable to ordinary shareholders	4	366	1,081
Weighted average number of ordinary shares			
Issued at 1 January	69,669,106	64,669,106	64,669,106
Effect of shares issued on 21 st December 2007	-	-	150,685
Weighted average number of ordinary shares at 30 th June 2008	69,669,106	64,669,106	64,819,791
Dilutive effect of warrants	-	1,488,764	1,375,734
Diluted weighted average number of ordinary shares at 30 th June 2008	69,669,106	66,157,870	66,195,525

8. Related party transactions

Loan from Bronsstädet AB – On 9th June 2008 the Company repaid the balance of a loan outstanding from Bronsstädet AB, a company owned by the Company's largest shareholder, Peter Gyllenhammar, together with a 2% redemption fee.

9. Copies of Interim report

The Interim report is available to view and download from the Company's website at www.densitron.com. If shareholders would like a hardcopy of the interim report they should contact the Company Secretary, Tim Pearson.