

DENSITRON TECHNOLOGIES PLC

('Densitron' or the 'Group')

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTH PERIOD TO 30 JUNE 2005

Highlights

The Group has continued with its strategy of concentrating on its core products and disposing of non core assets. Trading in the first half has proved difficult but orders in the core business have grown and some important contracts have been signed with major Customers.

- * Significant investment made in product development and marketing.
- * New order intake on continuing business increased by £2m over second half of 2004.
- * Significant new orders deliverable in 2006.
- * Hitech sold in the half generating a book profit of £1.6m. A further share is due in 2006 based on Hitech's 2005 net profit.
- * Substantially all of the minority interests eliminated in the period.
- * Earnings per share 0.94p (0.22p loss per share in second half of 2004).

Financial highlights on continuing operations

	6 months to 30th June 2005 Continuing Unaudited	6 months to 30th June 2004 Continuing Unaudited
	£m	£m
Revenue	9.2	10.4
Operating loss	(0.9)	(0.3)
Profit before taxation	0.6	-
Earnings/(loss) per share	0.89p	(0.19)p
Order book	9.8	7.9

Chairman's Statement

The first half of 2005 has been a particularly challenging period for the Group with a number of changes to the Board, the sale of Hitech Electronics Corporation and ongoing trading issues.

The Group's continuing operations made an operating loss in the first half of 2005 amounting to £857,000 contrasting with a loss in the first half of 2004 of £257,000 and profit in the second half of 2004 of £255,000. The increased operating losses are attributable to the fall off in Densitron Gaming Computer shipments.

New orders booked by the continuing operations amounted to £11.5m compared with £8.1m in the first half of 2004 and £9.5m in the second half of 2004. The order book for continuing operations has grown by £2.3m in the first half of the year. However, the margins on these orders have been significantly less than 2004.

Management Structure

In April Phil Lawler resigned as Executive Chairman and Director of the Company along with Steve Wells and Colin Bonsey. I joined the Board as the interim Chairman on 24th May 2005 and Richard Lane was appointed, as non-executive Director, on 1st July 2005. It is my intention to refocus management's attention to the scope and requirements of a smaller company where entrepreneurial flair in marketing and technology are paramount and strict cash management and accountability with fast execution are critical.

Densitron will in future be organised on a divisional basis covering the three product groups of Densitron Display Solutions, Densitron Gaming (previously known as Display Computers) and Ferrograph Public Information Displays. Each division will be led by a Managing Director who will be responsible for all aspects of the business. The divisional managing directors will report to the Chief Executive Officer who will be responsible for the overall development of the Group. I am in the final stages of appointing a CEO and am pleased to confirm that there is a rich talent pool within Densitron from whom the divisional managing directors will be appointed.

Densitron Gaming

The Densitron Gaming division benefited from the sale of legacy products to a customer in Japan in 2004. 2005 has suffered from the late introduction of new products. The lack of an effective Head for this business has hindered the development of this exciting product group. This represents a significant missed opportunity. As a result of this sales have reduced by 66% compared with the same period in 2004 and 45% on the second half of 2004.

The appointment of a new Managing Director will allow this business to attain its obvious potential. A new product, DPX116, has been developed using a new fast track process and will be released in the second half of 2005. This product is significantly more advanced than any other product aimed at this market and has received a favourable reception from potential customers.

Densitron Display Solutions

The Densitron Display Solutions business has become de-focussed in the recent past. The UK has concentrated on providing complete solutions for customers; other locations have pursued different strategies ranging from distribution of branded displays to the sale of customised displays to niche markets. The new MD for this division will be charged with rationalising strategy to focus on business where Densitron can excel and deliver long term margin improvement.

Sales in the period have increased by 3% compared with the same period in 2004 but have fallen by 8% in comparison with the second half of 2004. As a result of the sale of Hitech Electronics Corporation the margin percentage achieved has fallen from 44% for 2004 to 35%.

Ferrograph Public Information Displays

Sales for the period are up on the first half of 2004 by 2% and up on the second half of 2004 by 50%. This business is cyclical and 2005 will be no different.

We remain a leader in the Bus Sector but have seen a contraction in the Call Centre sector. A number of marketing initiatives have been carried out but we are unlikely to see a return on these this year. The rail sector has continued to be a difficult sector for Ferrograph to penetrate but to that end we have recruited an experienced sales manager from a competitor with a wealth of experience in the industry.

Although much progress has been made with this business there is still a significant gap to be bridged before it attains profitability. The new Managing Director for Ferrograph will be charged with developing top line growth, at good margins, through offering excellent products, service and delivery.

VBest Electronics Ltd

As announced in the 2004 Annual Report we are treating the investment in and

our relationship with VBest separately. VBest has continued to struggle with achieving the quality required for displays in the West and has experienced considerable yield problems that have impacted on deliveries to Densitron. This has resulted in considerable stock write offs at VBest and consequently Densitron's share of VBest's profits in the first half of 2005 has been minimal. During the first half of 2005 VBest changed its senior management and the new management is far more focussed on trying to improve the quality of product manufactured. Due to the ongoing problems within manufacturing it is unlikely that VBest will proceed to a full Taiwanese Stock Exchange listing in the near future.

Hitech Electronics Corporation

Densitron announced on 22 March 2005 the sale of its share in Hitech Electronics Corporation to Beijer Electronics AB for an initial payment of £4.1m with a further payment of 22.5% of 2005 net profit due in 2006. This generated a book profit of £1.6m. Hitech remains as a valued supplier to the Group under an exclusive agreement to sell Hitech Liquid Crystal Displays in Europe, Japan and North and South America. The funds generated by the sale have enabled the Group to reduce its borrowings and provide funds for development of new products.

Outlook

Market conditions remain challenging but the order book has improved. The new focus and the continued investment in marketing and technology will form the basis to bring the Company back to operating profitability. The Company benefits from a strong asset base in its Balance Sheet and the Board is mindful of its obligation to maximise value for shareholders.

Ralph Baber
Chairman
30 September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 30 June 2005

	6 months to 30 June 2005 Continuing Unaudited £'000	6 months to 30 June 2005 Discontinued Unaudited £'000	6 months to 30 June 2005 Total Unaudited £'000	6 months to 30 June 2004 Total Unaudited £'000	Year to 31 December 2004 Total Audited £'000
TURNOVER	9,195	1,221	10,416	13,588	26,085
Cost of sales	(6,229)	(538)	(6,767)	(7,862)	(15,161)
GROSS PROFIT	2,966	683	3,649	5,726	10,924
Distribution costs	(56)	-	(56)	(58)	(138)
Administrative expenses	(3,776)	(534)	(4,310)	(5,092)	(9,648)
Other operating income	9	10	19	52	228

GROUP OPERATING

(LOSS)/PROFIT	(857)	159	698	628	1,366
Share of associates' operating profit	44	-	44	409	372
Profit on disposal of shares in associate	-	-	-	96	94
	44	-	44	505	466
Profit/(loss) on sale of subsidiary	1,608	-	1,608	-	(28)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	795	159	954	1,133	1,804
Interest receivable and similar income	26	-	26	1	33
Interest payable and similar charges	(189)	(1)	(190)	(218)	(515)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	632	158	790	916	1,322
Tax on profit on ordinary activities	(28)	(39)	(67)	(349)	(522)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	604	119	723	567	800
Minority interests - equity	(29)	(87)	(116)	(427)	(797)
PROFIT FOR THE FINANCIAL PERIOD	575	32	607	140	3
Basic and diluted earnings per share	0.89p	0.05p	0.94p	0.22p	0.00p

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the 6 months ended 30 June 2005

6 months to 30 June 2005 Unaudited	6 months to 30 June 2004 Unaudited	Year to 31 December 2004 Audited
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	£000	£000	£000
Profit/(loss) for the period	569	(147)	(142)
Associated undertakings' profit for the financial period	38	287	145
Dilution of shareholding in associate	-	-	(8)
Foreign exchange adjustments	230	(109)	(226)
	837	31	(231)

SUMMARISED CONSOLIDATED BALANCE SHEET

as at 30 June 2005

	30 June 2005 Unaudited £000	30 June 2004 Unaudited £000	31 December 2004 Audited £000
FIXED ASSETS			
Intangible assets	197	191	178
Tangible assets	486	1,859	1,904
Investments	6,917	6,784	6,448
	7,600	8,834	8,530
CURRENT ASSETS			
Stocks	1,505	3,618	4,318
Debtors - due in more than one year	567	451	657
Debtors - due in less than one year	3,489	6,977	5,337
	4,056	7,428	5,994
Cash at bank and in hand	2,158	2,846	2,565
	7,719	13,892	12,877
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(7,050)	(10,943)	(10,193)
NET CURRENT ASSETS	669	2,949	2,684
TOTAL ASSETS LESS CURRENT LIABILITIES	8,269	11,783	11,214

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(623)	(1,156)	(865)
PROVISIONS FOR LIABILITIES AND CHARGES	(432)	(1,023)	(950)
NET ASSETS	7,214	9,604	9,399
CAPITAL AND RESERVES (EQUITY SHAREHOLDERS' FUNDS)	7,171	6,707	6,466
EQUITY MINORITY INTERESTS	43	2,897	2,933
	7,214	9,604	9,399

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2005

	Notes	6 months to 30 June 2005 Unaudited £'000	6 months to 30 June 2004 Unaudited £'000	Year to 31 December 2004 Audited £'000
Net cash outflow from operating activities	a	(1,312)	(1,372)	(355)
Dividends received from associated undertakings		-	-	96
Returns on investment and servicing of finance		(221)	(670)	(1,203)
Tax paid		(334)	(197)	(156)
Capital expenditure and financial investment		(74)	(18)	(242)
Acquisitions and disposals		3,987	208	206
Financing	b	(443)	280	(411)
Increase/(decrease) in cash	b,c	1,603	(1,769)	(2,065)

NOTES TO THE CONSOLIDATED CASH FLOW

for the 6 months ended 30 June 2005

A. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
	Unaudited	Unaudited	Audited
	£000	£000	£000
Operating (loss)/profit	(698)	628	1,366
Depreciation and impairment of tangible fixed assets	79	148	278
Amortisation and impairment of intangible assets	12	13	30
Loss on sale of fixed assets	-	-	48
Loss on disposal and impairment of investments	-	36	-
Decrease/(Increase) in stock	115	(842)	(1,550)
Decrease/(Increase) in debtors	281	(1,226)	(169)
Decrease in creditors	(829)	(460)	(613)
Increase in provisions for liabilities and charges	18	260	187
Currency adjustments	(290)	71	68
Net cash outflow from operating activities	(1,312)	(1,372)	(355)

B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Change in cash	1,603	(1,769)	(2,065)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	443	(280)	433

Change in net debt from cash flows	2,046	(2,049)	(1,632)
Disposal of subsidiary	(765)	-	-
Exchange movements	(18)	(47)	(14)
Change in net debt	1,263	(2,096)	(1,646)
Opening net debt	(3,569)	(1,923)	(1,923)
Closing net debt	(2,306)	(4,019)	(3,569)

C. ANALYSIS OF NET DEBT

	1 January 2005 £'000	Cash Flow £'000	Disposal of Subsidiary £'000	Exchange movements £'000	30 June 2005 £'000
Cash at bank and in hand	2,565	596	(907)	(96)	2,158
Bank overdraft	(3,997)	1,007	142	77	(2,771)
NET CASH	(1,432)	1,603	(765)	(19)	(613)
Loans	(1,248)	213	-	-	(1,035)
Finance leases	(39)	18	-	-	(21)
Advances from factors	(2)	2	-	-	-
Letter of credit and Bills of exchange	(848)	210	-	1	(637)
BORROWINGS	(2,137)	443	-	1	(1,693)
NET DEBT	(3,569)	2,046	(765)	(18)	(2,306)

NOTES

1. Basis of preparation

This interim report was approved by the Board on 30 September 2005. The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the year ended 31st December 2004.

The results for the year ended 31st December 2004 are taken from the full accounts on which the Group's Auditors made an unqualified report which did not contain statements under s.237 (2) or (3) of the Companies Act 1985, and which have been delivered to the Registrar of Companies.

2. Taxation

The charge to taxation is an estimate based on the anticipated effective rate of tax for the year ended 31st December 2005.

3. Earnings per Share

	6 months to 30 June 2005 Unaudited £000	6 months to 30 June 2004 Unaudited £000	Year to 31 December 2004 Audited £000
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These have been calculated on profits of:	607	140	3
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The weighted average number of shares used was:

Basic and diluted	64,669,106	64,669,106	64,669,106
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4. Segmental analysis

Turnover by class of business

Display related products	6,752	6,533	13,873
Computer products	608	1,792	2,901
Human machine interfaces	1,096	2,759	5,076
Public information displays	1,893	1,849	3,115
Electro-mechanical products	67	655	1,120
	10,416	13,588	26,085

Gross profit by class of business

Display related products	2,348	2,917	6,168
Computer products	142	936	1,451

Human machine interfaces	371	1,067	1,912
Public information displays	764	555	1,086
Electro-mechanical products	24	251	307
	3,649	5,726	10,924

For further information please contact:

Rob Smith

Densitron Technologies plc

020 7648 4200

Chris Roberts/Andrew Tan

Hansard Communications

020 7245 1100

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