



Abacus Group plc

Interim Results

Abacus Group plc (LSE: ABU), a leading European electronic components distributor, is pleased to announce its Interim Results for the six months ended 31 March 2006.

Financial Highlights

- 21% increase in Turnover to £105.3m (2005: £87.3m)
- 21% increase in Operating profit to £5.1m (2005: £4.2m), before intangible amortisation and exceptional items of £4.3m (2005: £nil)
- 14% increase in Profit before tax, intangible amortisation and exceptional items to £4.1m (2005: £3.6m) – reflecting interest charges due to Deltron borrowings
- £3.3m restructuring and transaction costs and £1.0m intangible amortisation, following acquisition of Deltron (2005: £nil)
- Loss of £0.5m after tax, intangible amortisation and exceptional items (profit of £2.4m in 2005)
- Gross margin at 24.7% increased from 24.2% : reflecting Deltron acquisition
- £0.3m of integration savings from Deltron – integration process ahead of schedule and £5m in annual savings remains target
- Dividend unchanged at 3.6p per share. Dividend expected to increase in future years as benefits from integration of recent acquisitions materialise.

Operational Highlights

- Deltron Electronics plc acquired in January 2006 for £34.5m in an all share deal: has provided geographic expansion & integration savings.

Post Period End Highlights

- Axess Technology acquired in April for €23m (£16m). Integration will reduce Trident's dependence on large projects and will give Deltron France critical mass.

Market and Prospects

- Core distribution business has seen an improvement in recent months
- Current trading in line with Board's expectations.

Commenting on the results, Chairman, Harry Westropp, said:

“The acquisitions of Deltron and Axess have brought substantial benefits operationally and in terms of margins. Current conditions in our core distribution business are encouraging. Current trading is in line with our expectations and we are confident in our prospects for 2006 and beyond.”

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CHAIRMAN'S STATEMENT

Abacus Group sales in the six months to 31 March 2006 were £105.3 million with profit before tax, intangible amortisation and exceptional items of £4.1 million (intangible amortisation and exceptionals were £4.3 million (2005: £nil)). This compares with £87.3 million and £3.6 million respectively for the same period last year. Further financial information and comparisons are given in the Financial Results Section.

The past six months has been a busy period for Abacus Group. In January, Deltron Electronics plc was acquired and the management team is ahead of schedule with the integration. There are further steps to be taken in the second half and we are confident that the operational savings planned at the time of the transaction will be achieved. The Group will see the main benefits of these coming through next year and beyond.

In April, we announced the purchase of Axess Technology Group. This French based Group comprises two distributors; Axess specialises in display and wireless communication products and RDI in passive components. We identified some time ago the display and wireless products as areas of growth and the acquisition of Axess strengthens our position, specifically the core business of our Displays Division. As a consequence, Trident, our display and systems build business will refocus on its distribution activities and on low to medium volume "value add" opportunities, thereby becoming less dependent on the large project business which has produced uneven results in the past. RDI will be merged with Deltron France to create a business with significant critical mass. Deltron and Axess combined had 5.6% of the French market in 2004 (Europartners).

Financial Results

The Group has adopted International Financial Reporting Standards (IFRS) with effect from 1 October 2005, and has restated its comparatives accordingly.

Revenues of £105.3 million in the six months ended 31 March 2006, included £19.6 million from Deltron since it was acquired in January 2006, compared to £87.3 million in the first half of last year. Gross profit of £26.0 million in the period compared to £21.1 million last year, the improvement in margin to 24.7% from 24.2% reflecting the higher margins in Deltron. Operating expenses of £20.9 million (before exceptionals and intangible amortisation of £4.3 million), compared to £16.9 million in 2005, are net of integration savings of £0.3 million in the period. The Board remains confident that £5 million annual savings will be achieved from the integration of Deltron.

Operating profit, before intangible amortisation and exceptional items, increased 21% to £5.1 million in the six months to 31 March 2006 compared to £4.2 million in 2005. Profit, before tax, intangibles and exceptionals, increased from £3.6 million in 2005 to £4.1 million in 2006 (profit of £2.4 million to loss of £0.5 million for the same periods but after tax, intangibles and exceptionals), reflecting the increase in interest costs to £1.0 million (£0.6 million in 2005) as a result of taking on £12.1 million of Deltron borrowings.

The acquisition of Deltron has led to £3.3 million of restructuring and transaction costs expensed in the three months to 31 March 2006. At the time of the Deltron acquisition, the Board estimated that the integration costs would be £6.0 million. Combined with transaction fees of £1.1 million, it is expected that total restructuring and transaction costs expensed in connection with the Deltron acquisition will be £7.1 million, predominantly incurred this

financial year. It is expected that Axess/RDI integration costs will be an additional £1.2 million and transaction costs expensed at £0.2 million.

In addition, £1.0 million of intangibles was amortised in the six month period (2005: £0.1 million), the £0.9 million increase relating to the charge on intangibles arising on the Deltron acquisition.

Interim Dividend and Cash Flow

An interim dividend of 3.6p per share will be paid to shareholders on the share register at 2 June 2006. Following the reappraisal of the dividend policy in 2005, the Board expects to pay the same dividend in 2006 as 2005 (7.2p total) subject to trading remaining in line with current expectations. It is expected that when the integration process, currently underway, starts to have a positive impact on Group profit, future dividends will be increased.

The acquisition of Deltron has had a significant impact on the Balance Sheet of the Group, adding £40.0 million of goodwill and intangible assets at 31 March 2006. Debtors, stock and creditors have all increased materially as a result of the acquisition. The Group borrowings at 31 March 2006 have also increased to £44.8 million reflecting in particular the absorption of £12.1 million Deltron debt by the Group.

A detailed review of the impact that IFRS has had on the Group's comparative periods is included in the financial statements.

Board

It was announced on 25th May 2006 that Graham Grover, Managing Director, Trident, will leave the Company at the end of June. Patrick Journo will replace him on the Board as Managing Director, Displays. Patrick joined the Group in April this year when Axess Technology Group, where he was President, was acquired. The Board would like to thank Graham Grover for the contribution he has made during his five years with the Group. At the same time, it was announced that Martin Brooks will join the Board as Technical Director. Martin has been with Abacus since August 1998 in senior Sales and Marketing positions in the electronic component distribution business. Martin has a Degree in Physics and Electronics and a strong engineering background; he will bring significant skills and knowledge to the Board.

Outlook

The calendar year of 2005 was characterised by a sluggish market for our core distribution business. In recent months there have been signs of improvement and our daily bookings are now showing an upward trend. This is particularly encouraging for the Group in the second half of this year while we are undergoing the reorganisation programmes following the two acquisitions. The opportunities presented by Deltron and the contribution which Axess will make in due course to the Displays Division give the Board confidence for the future particularly looking forward to 2007 and beyond. Meanwhile the current year's trading remains in line with our expectations.

Harry Westropp
31 May 2006