



*Intelek builds on its specialist design and manufacturing skills to take advantage of niche opportunities in the global communications and aerospace markets*

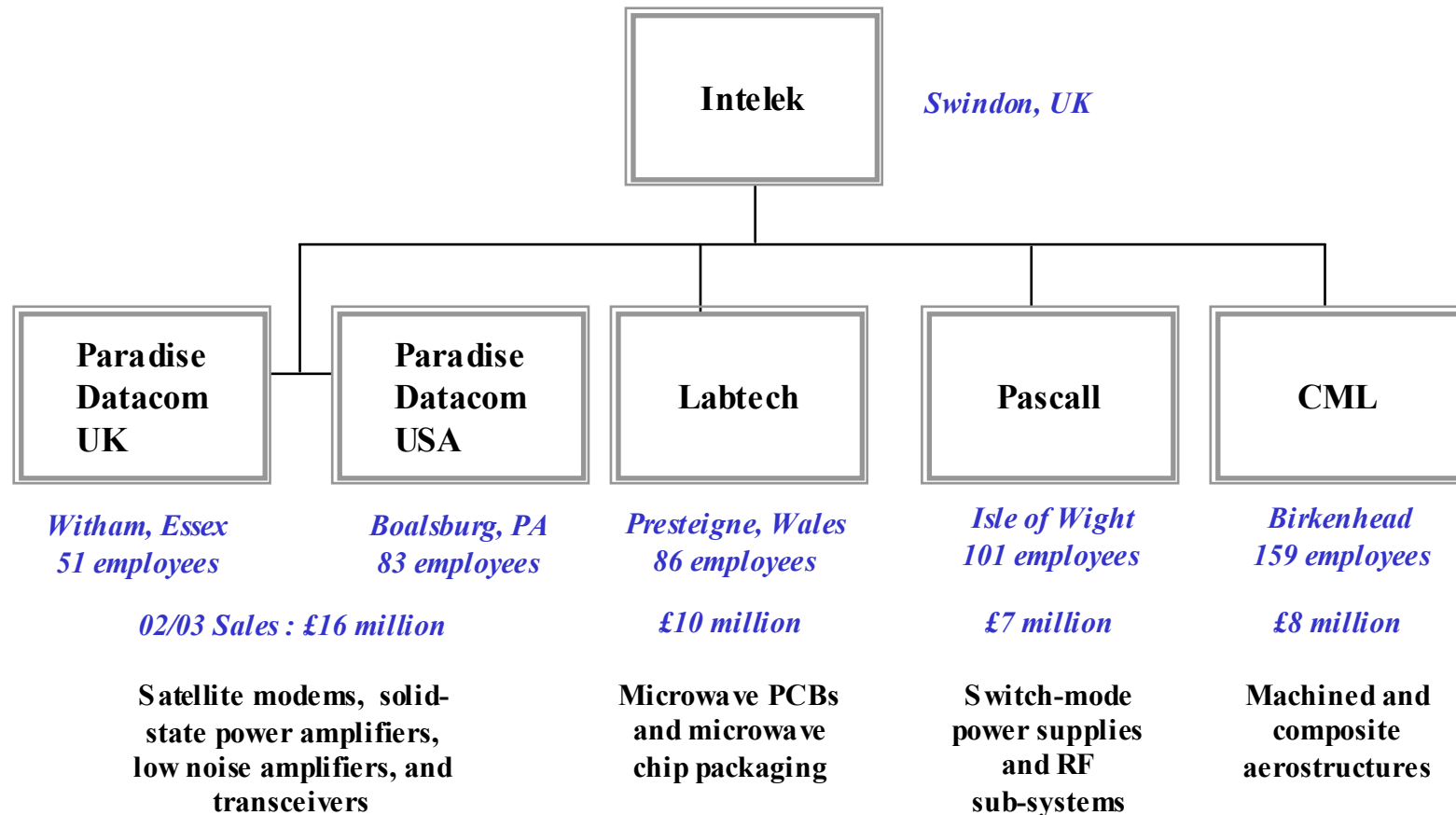
**Interim results for the half year  
ended 30 September 2003**

*[www.intelek.plc.uk](http://www.intelek.plc.uk)*

# Intelek Group Structure



INVESTOR IN PEOPLE

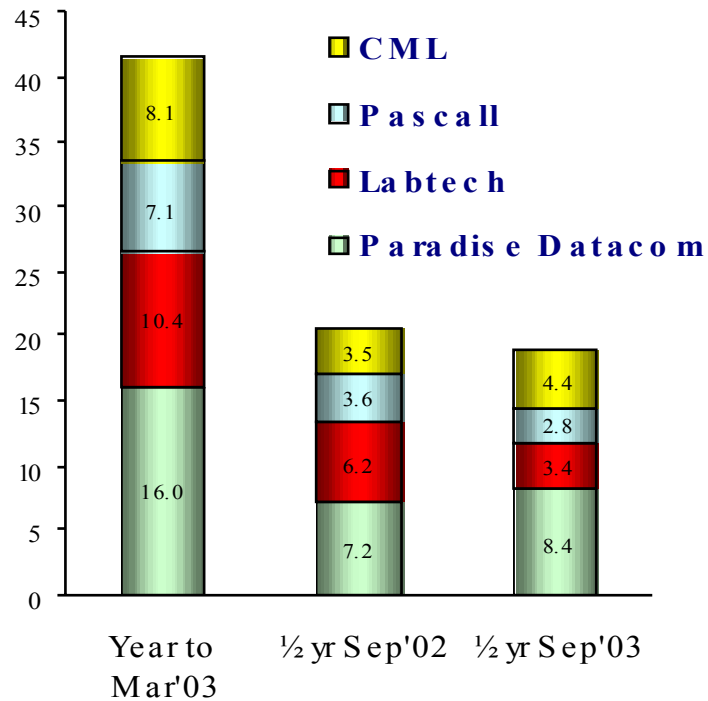


# Highlights

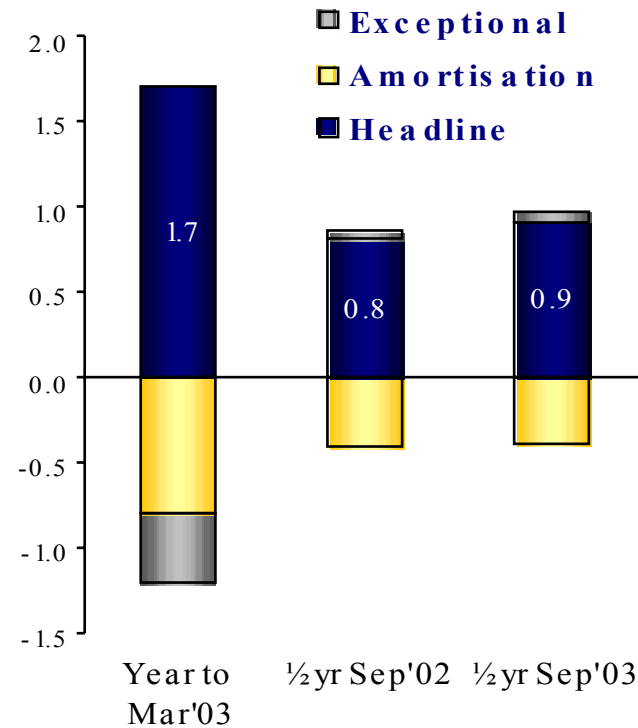
- **Sales £18.9m (2002: £20.6m)**
- **Profit before tax and amortisation £0.98m, up 14%**
  - Focus on higher margin products
  - Continued cost efficiencies
- **Satcoms growth continues**
  - Sales up 16% and profits up 49% on last year
- **Other activities – one at breakeven; two in profit; prospects improving**
  - Difficult markets
  - Cost bases managed carefully
- **Headline EPS maintained at 0.7p on 10% higher shares in issue**
- **Interim dividend 0.12p (2002: 0.24p interim, 0.10p final)**
- **Net debt reduced significantly**

# Turnover and Profit

Turnover (£m)

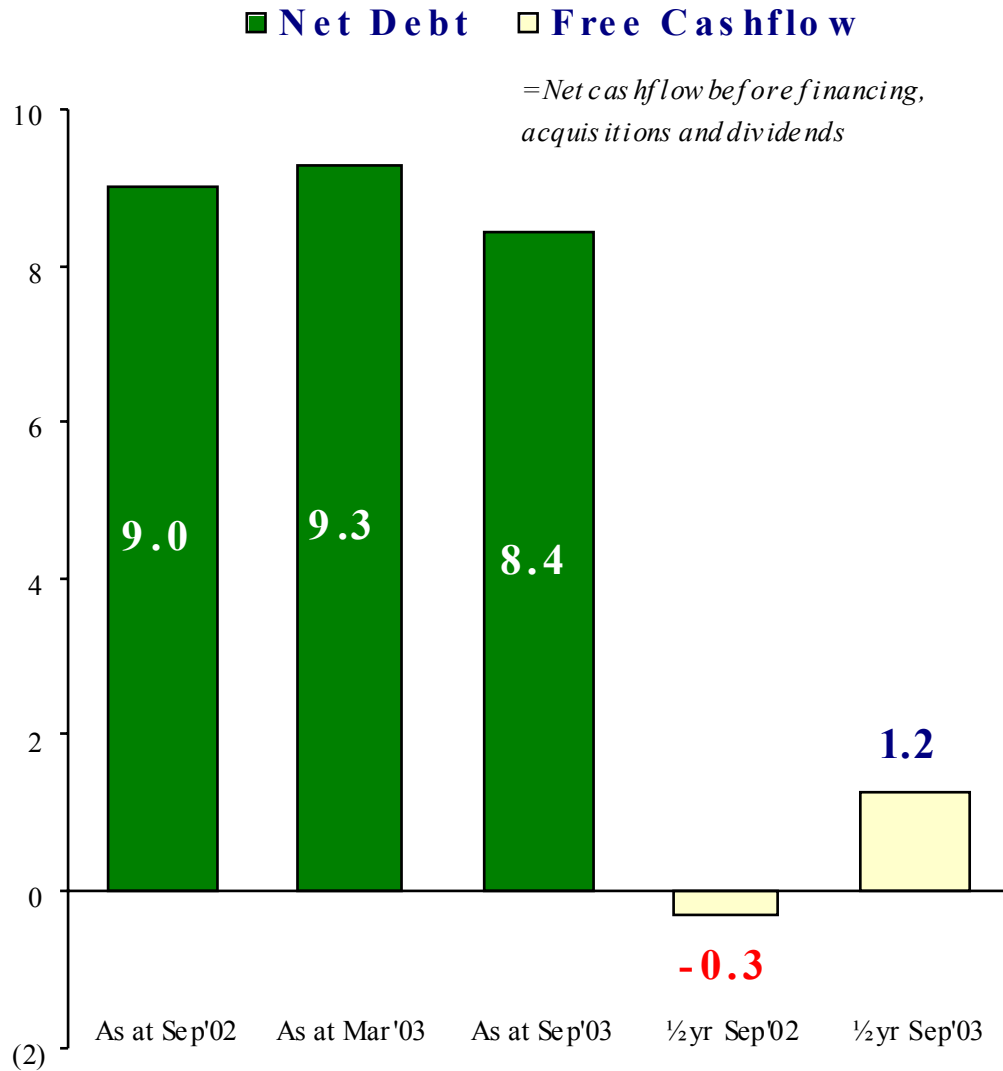


Profit (£m)

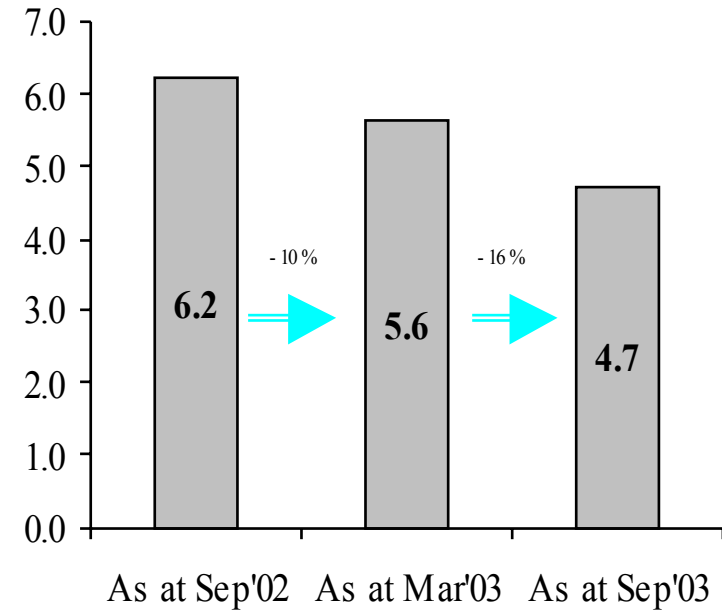


- Operating profit margins up from 5.8% to 6.7%
- R&D spend maintained at £1.2 million, 6.3% of Group Turnover – 10.6% for Paradise Datacom and Pascall
- Headline PBT up 10% to £0.9 million after £0.3 million impact of weakening US\$

# Cash Flow



## Inventory (£m)



- **£0.2 million raised on sale/leaseback of Labtech property**
- **Pension : in discussion with trustees on longer term contribution plan**

# Paradise Datacom

*Design and manufacture of electronic equipment for the terrestrial segment of satcoms market*

- **Modems, microwave amplifiers, block up-converters, transceivers and low noise amplifiers**

**Customers include :**

- **Satellite systems manufacturers and integrators**
- **Satellite earth station operators including major international telcos**
- **Satcom service providers**
- **Government agencies and contractors**
- **News gathering services**
- **Global manufacturers and distributors**

# Paradise Datacom

*Sales £8.4m (2002: £7.2m); Operating Profit £1.4m (2002: £0.9m)*

## *Performance*

- **Order intake up 40% year on year at £7.8 million**
- **Deliveries include roll-out of major contracts received in Q4, 02/03**
- **Worldwide Head of Sales and Marketing appointed with wide experience of satcoms industry**
- **Operating Profit includes benefit of fully integrated VSAT line and material cost reductions**
- **New product release - amplifiers up to 1.1KW output**
  - **P300 vmux modem**

## *Market Outlook*

- **Government/Military showing growth, Commercial sector flat**
- **Opportunities for growth in Europe, Africa, Asia and US Defence Sector**

# Labtech

## *Leading edge microwave printed circuit boards and packaged microwave chip solutions*

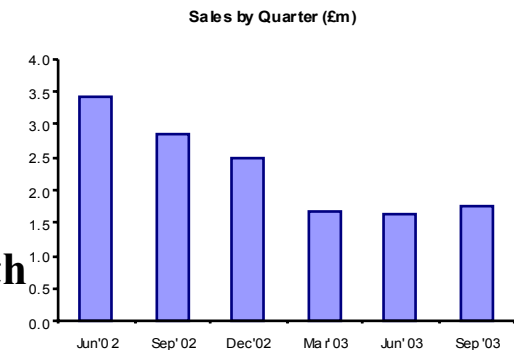
- **Metal-backed, softboard and multi-layer PTFE circuits and microwave chip packaging and interconnect**
- **Prototyping and volume production**
- **Market sectors**
  - **Mobile telephone base stations**
  - **Point-to-point radio links**
  - **European defence projects**
  - **Space and ground station satcom**
- **Purpose built facility including “Chip & Wire” assembly clean room**

# Labtech

*Sales £3.4m (2002: £6.2m); Operating Profit £0.1m (2002: £0.5m)*

## *Performance*

- **Market reduction leads to 30% drop in main product line**
- **Labtech refocused on higher complexity/higher margin opportunities across broader customer base**
- **Growth in new Military and Space projects**
- **Average headcount 25% down on previous year**
- **Despite 46% drop in Sales, half year finishes in profit and with encouraging progress in 2<sup>nd</sup> Quarter**



## *Market Outlook*

- **Mobile Telephone infrastructure market significantly down on last year, but showing signs of recovery in recent months**
- **Market consolidation presents opportunities for growth for the remaining few cost-effective suppliers**

# Pascall Electronics

## *RF and power conversion design skills*

- **Specialist power supplies for demanding environments**
  - **In-flight entertainment systems (IFES)**
  - **Space**
  - **Airborne and mobile terrestrial defence**
  - **Oil fields**
- **RF sub-systems and components**
  - **Logarithmic amplifiers and discriminators**
  - **Airfield radar sub-systems**
  - **Radio navigation beacons**

# Pascall

*Sales £2.8m (2002: £3.6m); Operating Profit £0.0m (2002: £0.1m)*

## *Performance*

- **As expected, Pascall sales decreased - delayed military projects/customer destocking**
- **Breakeven achieved through cost control**
- **New product introductions well received**
- **£4 million orders received in Half Year (2002: £2.6 million)**
- **Strong order book to support growth in second half sales**

## *Market Outlook*

- **Low cost European airlines generally not investing in IFES - this may be changing**
- **New technology (internet access, etc) creating renewed IFES interest**
- **US defence contractors restricting market access; conversely creating new openings in Europe**
- **Military emphasis swinging back towards new systems development from operational expenditure**

# CML Group

## *Total aerostructures solution*

- **Precision machining of structural parts**
- **Composite components**
- **Sheet detail facility**
- **Treatment facilities**
- **Structural sub-assemblies**
- **Programmes include Airbus (all aircraft), Hawker, C27, Nimrod, Lynx and Sea King**

# CML

*Sales £4.4m (2002: £3.5m); Operating Profit £0.1m (2002: £0.0m)*

## *Performance*

- Sales grew 25% in flat market
- Volume deliveries commenced on major landing gear components for A330/340 (July) and A320 (August)
- Return to profit

## *Market Outlook*

- Aerospace market remains fragile
- Airbus aspirations continue to be flat at 300 aircraft deliveries in 2003
- Further consolidation of sector

# Group Strategy and Outlook

## Strategy

- **Focus on niche markets in wireless communications, particularly satcoms**
- **Organic growth via increased market penetration and new products**
- **Continued focus on cash generation**

## Outlook

- **Challenging markets**
- **Expectations for continued growth in satcoms**
- **CML recovery ahead of market but still slow;  
Strong order book supports growth at Pascall;  
Cautious optimism at Labtech where cost structure has been rebased**

*“Taken together, we would expect to see continued steady progress for the full year”*

# **Additional Information**

# Intelek's History

- **1949 Company founded**
- **1983 Listed on London Stock Exchange**
- **1990 Acquisition of Labtech**
- **1995 Acquisition of Pascall Electronics**
- **2001 Acquisition of Paradise Datacom**
- **2002 Acquisition of transceiver product line**

# Directors

- **Roger Fletcher : Non-executive Chairman**
- **Ian Brodie : Chief Executive**
- **Kevin Edwards : Finance Director and Company Secretary**
- **Nigel Mills : Executive Director**
- **James Dixon : Executive Director (US citizen)**
- **Donald Wilson : Non-executive Director**