



Inteltek designs and manufactures electronic systems for satellite communications, defence and telecommunications, and provides specialist manufacturing services for aerospace and microwave communications

Interim results for the six months ended 30 September 2004

www.intelek.plc.uk

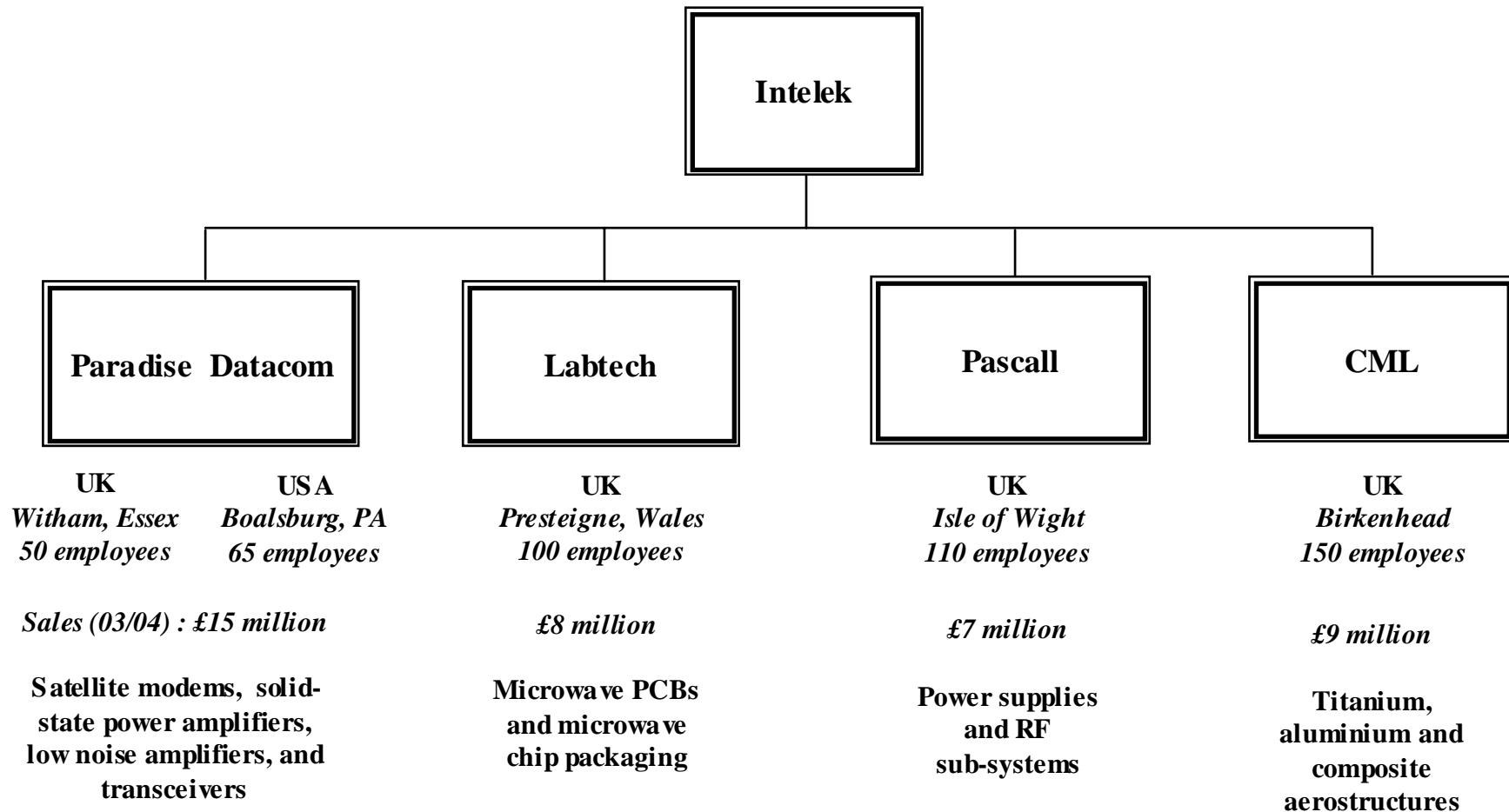
Overview

- **Above budget Headline profit £0.81m (2003: £0.91m)**
 - **2003 bonus of US homeland security programme**
 - **Year on year £0.2m negative currency effect**
 - **Recovery in most of our markets**
- **Sales £18.3m (2003: £18.9m)**
- **Order book up 5% to £9.4m**
- **Headline EPS 0.65p (0.70p)**
- **Interim dividend unchanged at 0.12p**
 - **Payment brought forward to January**
- **Net debt reduction of £0.4m since year-end**

Directors

- **Chairman** **Nigel Mills**
- **Chief Executive** **Ian Brodie**
- **Finance Director** **Kevin Edwards**
- **Non-Executives**
Donald Wilson
David Bramwell
(appointed 1 October '04)

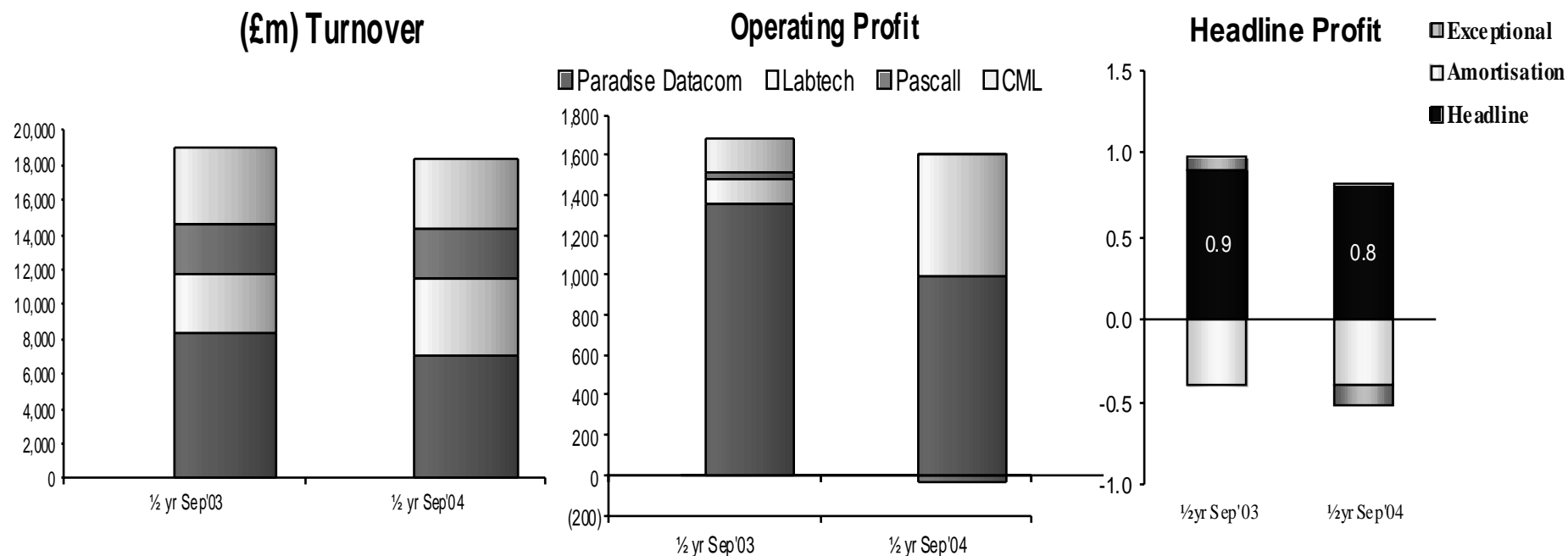
Group Structure



Business Highlights

- **Paradise Datacom**
 - **important contract win with US Government dept**
 - **extends amplifier power range and continues investment in advanced high data rate modem**
- **Labtech**
 - **sales increase 32% as market recovers and reputation spreads into new sectors**
- **Pascall**
 - **secures £4.2m orders supporting growth in second half after expected quiet first half**
- **CML**
 - **slow start to the year, but growth expected through rest of year, as commercial aircraft business picks up**

Turnover and Profit



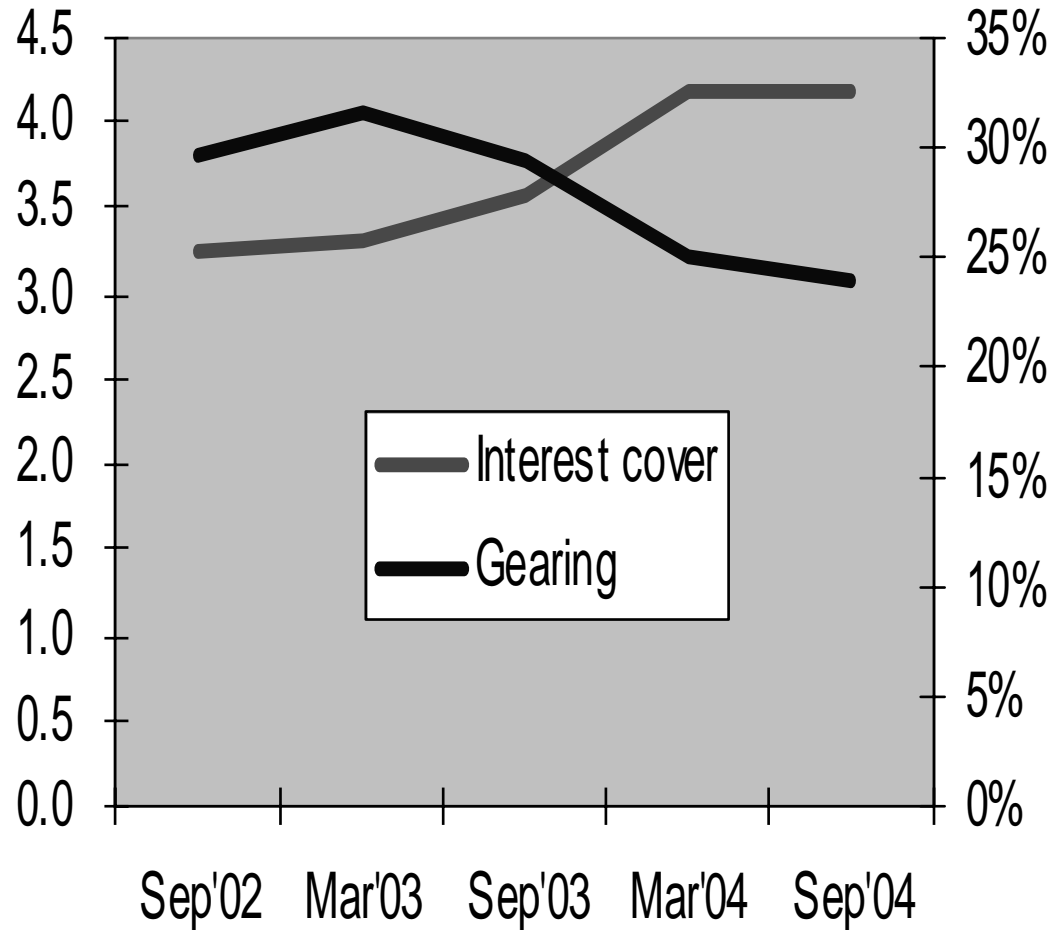
- **Operating profit margin 7.0% (6.7%) before US\$ currency effect, 5.8% after**
- **R&D unchanged at £1.2 million, 12.4% of turnover for Paradise Datacom and Pascall**
- **Property sale in 03/04 reduced rental income, causing increase in central costs**
- **Interest cover improves from 3.6 to 4.2 times**
- **Headline effective tax rate reduced from 35% to 32%**

Currency Effect

	US\$ rates		
	<u>2004</u>	<u>2003</u>	
Translation (not hedged)	1.81	1.63	-10%
Transaction (hedged) (main contracts)	1.69	1.58	-7%

	2004		2004 at	2003	
<u>£'million</u>	<u>Reported</u>	<u>\$ effect</u>	<u>2003 rates</u>		
Turnover	18.29	0.65	18.94	18.94	+0%
Headline PBT	0.81	0.21	1.02	0.91	+12%

Cash Flow



- **Continuing to generate cash:
Debt reduced £0.4m to £6.3m**
- **Additional net £0.5m capital investment**
- **Extended and improved bank facilities**
- **Stable pension contribution programme agreed over next 12 years**

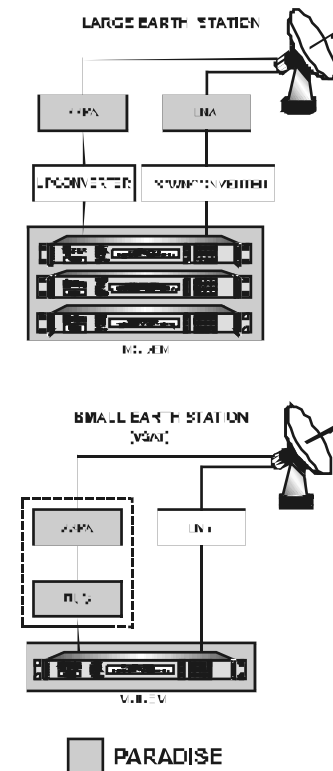
Paradise Datacom

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**
- **Government agencies and contractors**
- **News gathering services**
- **Large international groups for own use**
- **International service providers**



Paradise Datacom

Sales £7.0m (2003: £8.4m); Operating Profit £1.0m (2003: £1.4m)

Performance

- **Adverse \$ effect on profit of £0.1m**
- **Last year benefited from US homeland security**
- **New worldwide CEO –organisational change and refocus; benefits evident**
- **Solid State Power Amplifiers (SSPAs) – sales up 28%:**
 - **fresh focus of marketing on extensive product line**
 - **power range further extended**
 - **significant US Govt order; telecom frame agreement**
- **Modems – stable pending high margin model upgrade early 2005/06**
- **Planned withdrawal from low power, low margin sectors**

Market Outlook

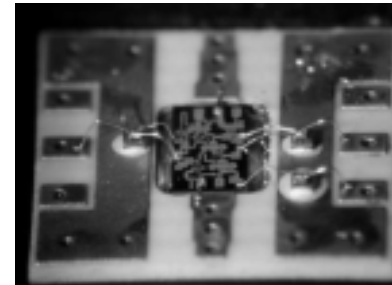
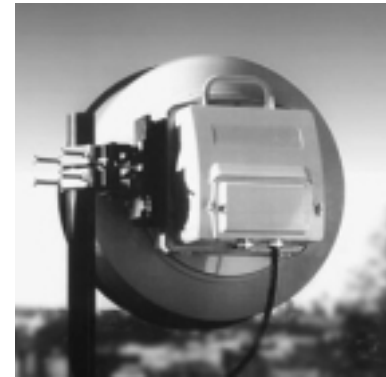
- **Government/Military major growth sector**
- **Commercial sector stable**
- **Modem and amplifier technology continues to develop rapidly**
- **Opportunities for growth in Europe, Africa and Asia**



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

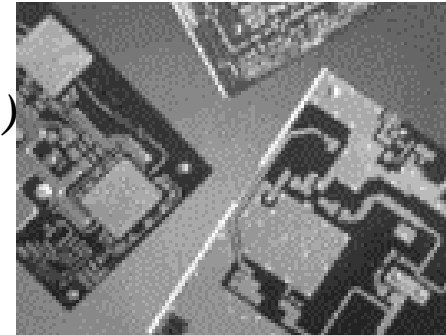
Sales £4.5m (2003: £3.4m); Operating Profit £0.61m (2003: £0.12m)

Performance

- Profit up fivefold - sales up 32%
- Continued recovery of mobile phone infrastructure market
- Keeping ahead of Far East competition through ability to produce increasingly complex circuits
- Reputation and market coverage increasing
- Production efficiencies and improved product mix

Market Outlook

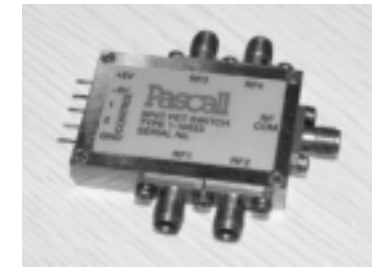
- Roll out of 3G continues, market expanding, e.g. China
- Part of long term programme nearing completion
 - being addressed by new products and customers



Pascal

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, oscillators and discriminators**
 - **Airfield radar sub-systems**
 - **Radio navigation beacons**



Pascal

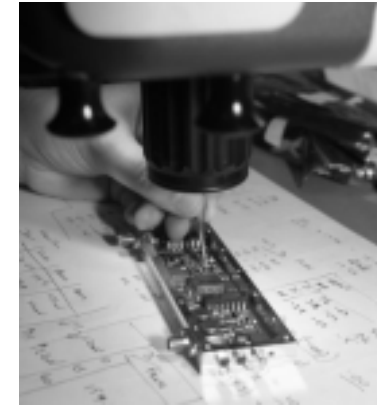
Sales £2.8m (2003: £2.8m); Operating Loss £40k (2003: Profit £37k)

Performance

- **Traditional slow H1, expected growth in H2, order cover of £3m**
- **Order intake £4.2m, book to bill 1.5**
- **68% of sales in \$ - profit impact £0.15m**
- **New management team - benefits already evident**
- **Follow-on IFES power supply order received – cover through to Jan'06**
- **Developing standard product range**
- **First orders received for RF in IFES sector**

Market Outlook

- **Air travel increasing; Boeing/Airbus expect strong growth 2004-2006**
- **Financial pressure for Airlines, but IFE/Communications a key differentiator**
- **Global defence spend dominated by US - Potential for growth in Asia-Pacific**



CML

Total aerostructure solutions

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



CML

Sales £4.0m (2003: £4.4m); Operating Profit £6k (2003: £166k)

Performance

- **2003/04 included one-off £0.8m programme**
- **Sales of main runners picking up as Airbus and other major customers increase build rate: Q2 sales up 20% on Q1**
- **H1 deliveries affected by global shortage of aluminium**
- **Reorganisation of manufacturing to improve productivity and reduce costs**
- **Pursuing alliances with complementary aerospace businesses**

Market Outlook

- **Airbus build rates increasing**
- **Potential pressure on UK capacity with introduction of A380 and increasing build rates**
- **Prospects in helicopter sector and spares/repairs improving**



Outlook for 2004/05

- **Paradise Datacom**
 - **amplifier sales growing rapidly**
 - **modems stable, next generation near release**
- **Labtech's full year expected to show good growth on last year; new prospects in North American market**
- **Pascall's order book supports strong second half**
- **CML expects quarter on quarter growth as build rate increases**

“After better than budget performance in the first six months ... We are confident of maintaining steady progress for the full year”

Strategy

- **Focus on Satellite Communications**
- **Dispose of non-core assets**
- **Selective acquisitions**
- **Increase market penetration**
- **Product development**