INTELEK

Preliminary Results

for year ended 31st March 2002

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- Acquisition of Sierra Networks satellite communications division (Sierra Satcom)
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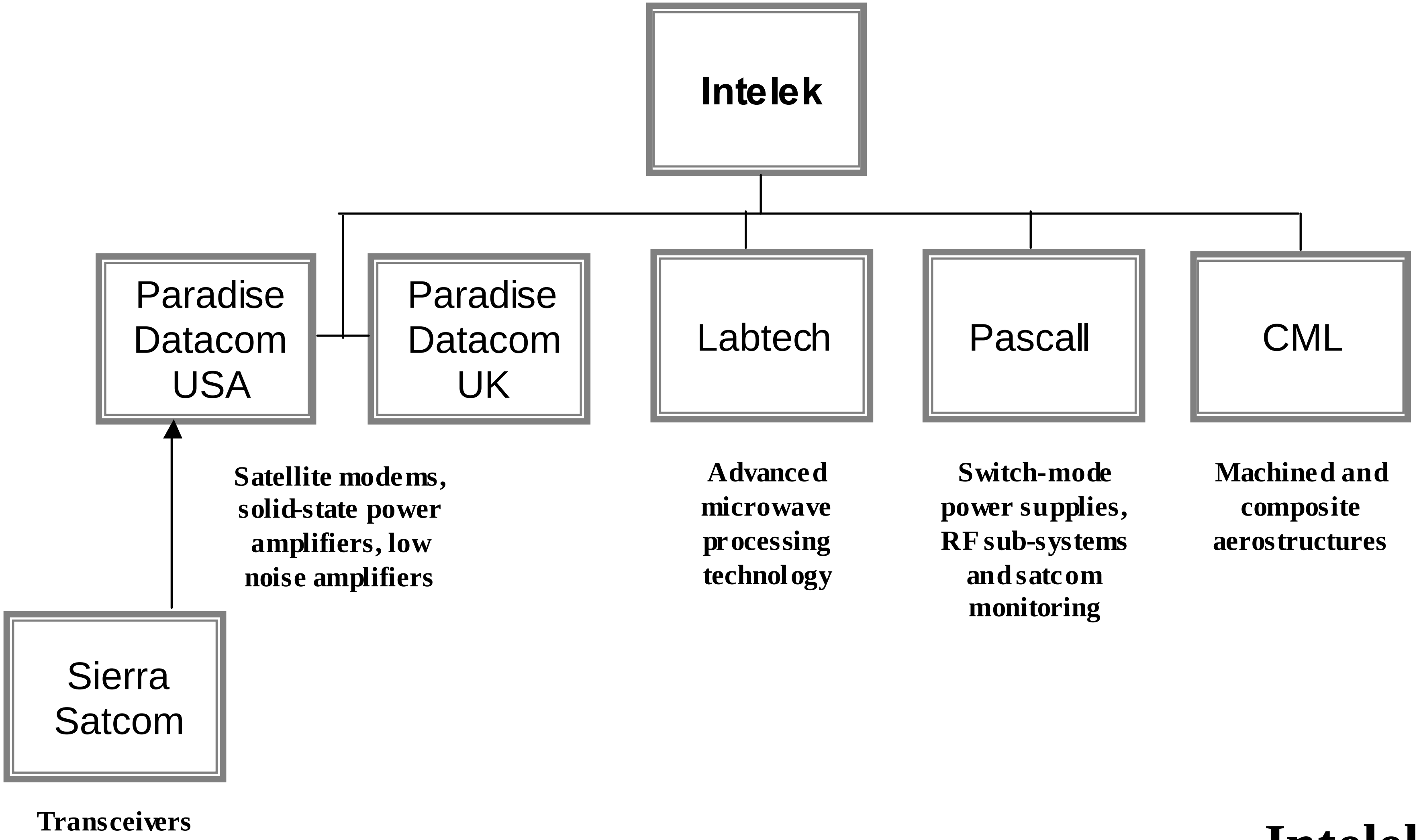
Responding to Market Changes

- **Period of turbulence in all our markets**
  - **Dramatic downturn in wireless communications market**
  - **Reduction in aircraft build rates and cancellation of projects**
- **Intelek adjusted rapidly to changes in market to optimise performance**
  - **Redundancies of 25% at Labtech and 30% at CML**
- **Product development strategy remains unchanged**
  - **First shipments of L-band modems and phase combined power amplifiers**
- **Corporate strategy remains on track**
  - **Paradise Datacom now fully integrated**
  - **Acquisition of Sierra Satcom**

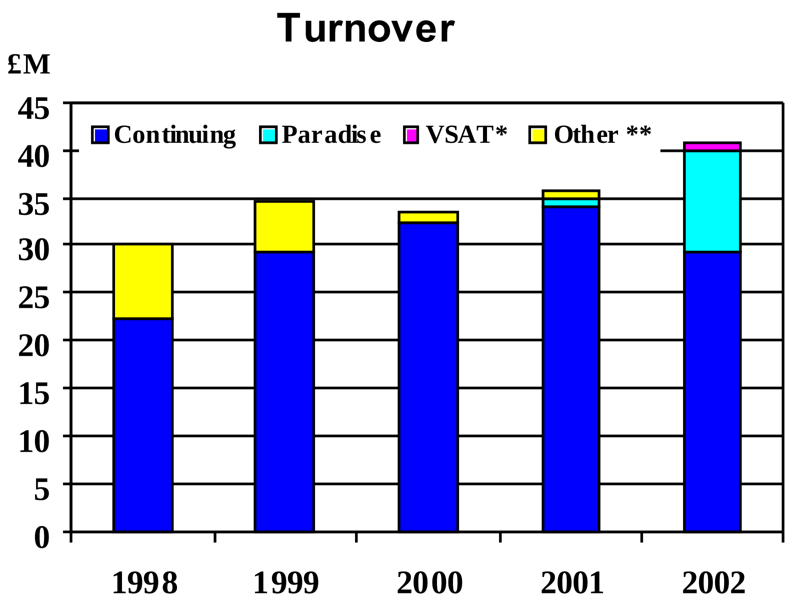
Intelek Structure



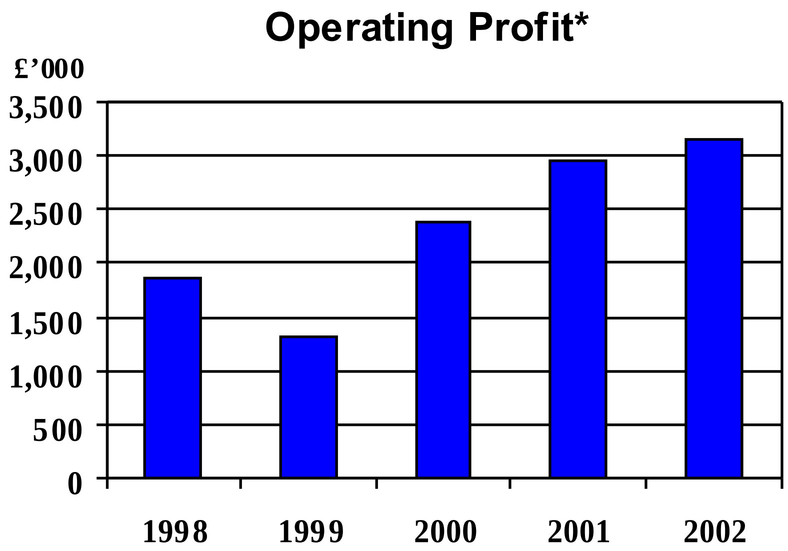
Headline Results

- **Sales up 13% to £40.7m**
- **Headline profit before tax slightly ahead at £2.43m**
- **Headline EPS down to 2.37p on 74% increased share capital**
- **Total dividend unchanged at 0.9p**
- **Net cash inflow of £0.9m before acquisitions**

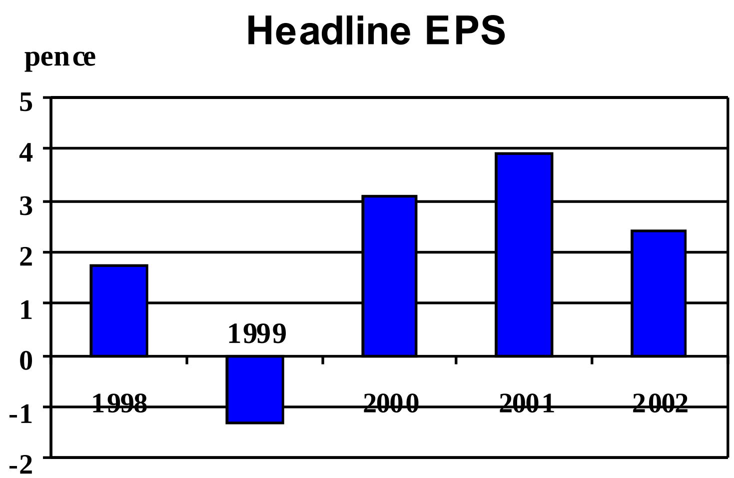
Financial Performance

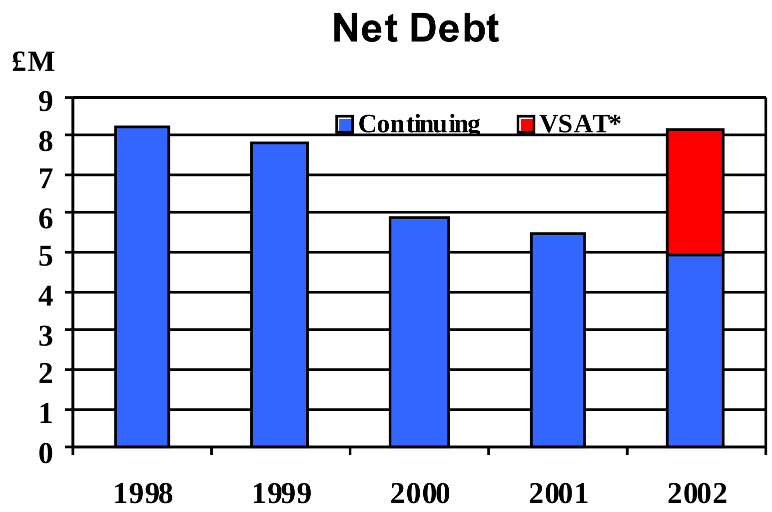


*VSAT refers to Sierra Satcom product line
** Other discontinued operations



* Before amortisation





Group Profit and Loss Account

£'000	2002	2001
Turnover	**29,431**	35,151
Paradise Datacom	**10,689**	769
Sierra Satcom	**620**	
	40,740	35,920
Trading Profit	**3,452**	2,960
Sierra Satcom	**163**	
	3,615	2,960
Trading Margin %	**8.9%**	8.2%
Sierra Satcom relocation	**(105)**	
Redundancy	**(360)**	
Interest	**(716)**	(558)
Headline Profit before Tax	**2,434**	2,402
Exceptional items:		
Property disposal (USA)	**208**	
ACE Tooling disposal	**23**	(203)
Closure of Pascall Microwave	**(397)**	
Costs re: discontinued businesses	**(63)**	(70)
Goodwill Amortisation	**(696)**	(57)
Profit before Tax	**1,509**	2,072
Headline EPS	**2.37p**	3.87p
FRS17 Headline EPS *(estimated)*	**2.52p**	4.91p
Dividends per share	**0.90p**	0.90p

- **Sales up 13%**
- **Trading margin up from 8.2% to 8.9%**
- **97 redundancies, headcount reduced to 505**
- **Interest cover 4.1 (4.8) times**
- **Headline EPS down 39% on 74% increased share capital**
- **Estimated headline EPS under FRS 17 of 2.52p**
- **Total dividend held**

Group Balance Sheet

£'000	Sierra Satcom	2002	2001
Balance Sheet			
Tangible fixed assets	559	**9,649**	9,094
Stock and work in progress	524	**6,570**	6,666
Debtors		**7,182**	9,260
Creditors	(105)	**(9,108)**	(11,244)
Investments		**326**	398
Goodwill	2,757	**15,689**	16,430
Net Debt		**(8,123)**	(5,494)
Net Assets/Shareholders funds	3,735	**22,185**	25,110
Cashflow			
Net cash flow from continuing operating activities		**4,536**	3,477
Capital expenditure		**(1,652)**	(1,654)
Tax, interest and dividend		**(2,083)**	(1,414)
		801	409
Being : Normal operations		**1,161**	409
Restructuring		**(360)**	
Disposals (mainly ACE property)		**450**	59
Exceptionals : Pascall Microwave and Microtech		**(354)**	
		897	468
Acquisitions and disposals		**(3,491)**	(10,064)
Financing		**(35)**	9,984
		(2,629)	388

- **Purchase of Sierra Satcom with net assets £1.0m and goodwill £2.7m, including estimated £0.2m deferred consideration**
- **Paradise Datacom deferred consideration estimate now £2.5m (was capped at £5.5m)**
- **Capital spend £1.7m, £0.2m above depreciation**
- **£1.2m cash generated before exceptionals and restructuring (2001 : £0.4m)**

Pensions

- **Many UK companies facing pension deficit**
- **FRS 17 net deficit £5.6m**
- **Minimum Funding Requirement (MFR) net deficit up from £2.6m to £5.7m**
  - **Deficit required to be made good by 2012**
- **Action taken to limit exposure**
  - **Scheme closed to new employees January 2000**
  - **Closure of current scheme for future service**
- **Additional injection of £0.8m (net of tax) in 2002/3**
  - **Will have negligible effect on EPS under FRS 17**

Acquisition of Sierra Networks Satcomms Division

- **Benefits of acquisition**
  - **Fills key gap in Paradise Datacom's product line**
  - **Creates market for additional power amplifier sales for Paradise Datacom**
  - **Increased exposure of Sierra Satcom's products through Paradise Datacom's extensive world-wide sales network**
  - **Margin improvements identified**
  - **Current order book of $4.2m (was $1.1m at acquisition)**
- **Initial consideration of $4.3m with potential $0.7m earn-out based on 2002 trading**
- **Historic performance – 9 months to 30/9/2001 turnover $5.37m and PBIT $0.46m**
- **Completed 8th February 2002**
  - **Transfer of production to Paradise Datacom's US facility in April 2002**

Trading Performance - Paradise Datacom

- **Sales of £11.3m and operating profit of 15%**
- **US sales and profit hit by weakened US economy in first half**
- **UK achieved budgeted profit**
- **New modem types now shipping**
- **$1m order from Dow-Jones for power amplifiers**
- **BT two year modem frame agreement worth estimated £1m**
- **Phased-combined power amplifiers now shipping**
- **Sierra Satcom product line had to be transferred to Paradise Datacom US one month ahead of schedule**
  - **Temporary disruption to output**
  - **Order inflow of $4.1m since acquisition for Sierra Satcom product line**

Trading Performance - Labtech

- 25% reduction in sales to £10.2m for the year resulting from downturn in global telecommunications market
- Substantial downturn in orders from major infrastructure customers from late June onwards (end Q1)
  - Cost base reduction completed by September 2001
- Significant improvement in trading performance in fourth quarter
  - Prototyping work maintained with programmes for next generation telecomms products moving into volume production
  - Capital investment sustained to meet capacity requirements of next generation programmes
- Order book 31st May 2002 substantially higher than 31st May 2001

Trading Performance - Pascall Electronics

- **Pascall returns to profit, achieving operating profit in excess of 10% on sales of £9.2m**
- **Breakeven point reduced by 25% following prior year restructuring**
- **Lean manufacturing programme driving further costs out of the business**
- **Strong forward order book**
  - **First power supply production order for new Rockwell Collins In-Flight Entertainment System**
  - **Success with military power supplies and RF components**

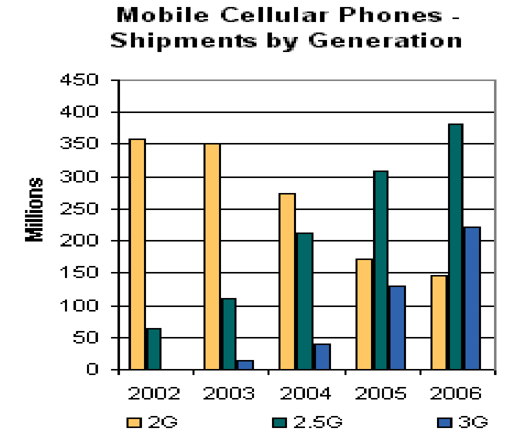
Trading Performance - CML

INVESTOR IN PEOPLE

- **Sales down by 8% to £10.2m, operating profit margins reduced after redundancy costs of £135k**
- **30% downsizing in second half responding to accelerating downturn**
  - **Full effect of downturn on production schedules to be borne in first half 2002/3**
- **Increased share of Airbus business**
  - **Shipments of A320 wing ribs commenced November 2001**
  - **Growing supplier of spares**
- **Further expansion of Treatments division completed, resulting in 28% increase in external sales**
  - **Development of new accounts in aerospace and commercial markets**

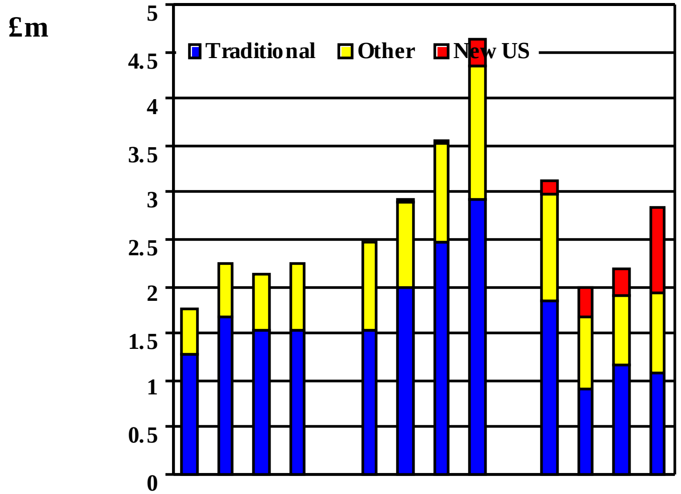
Market Dynamics –
Wireless Communications Infrastructure

- **Ericsson “*mobile systems market is now expected to be down by more than 10% this year.” 24/4/2002***
- **Alcatel “*Established operator capex reductions and alternative carriers financial difficulties ….. not seen any meaningful external signs of a rebound… lower field inventories of our customers …… increasing capacity utilisation rates.” 25/4/2002***
- **Nokia “*transition to 3G is expected to positively impact sales as we go into the second half of the year” 19/4/2002***
- **GPRS handsets shipping in volume**
- **3G networks fully operational in Japan**
- **Labtech gaining market share worldwide through superior product performance**
- **Labtech’s prototype circuits for GPRS entering volume production**



Communications Today
March 2002

Labtech Quarterly Sales 3 years to March 2002



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Market Dynamics – Satellite Communications

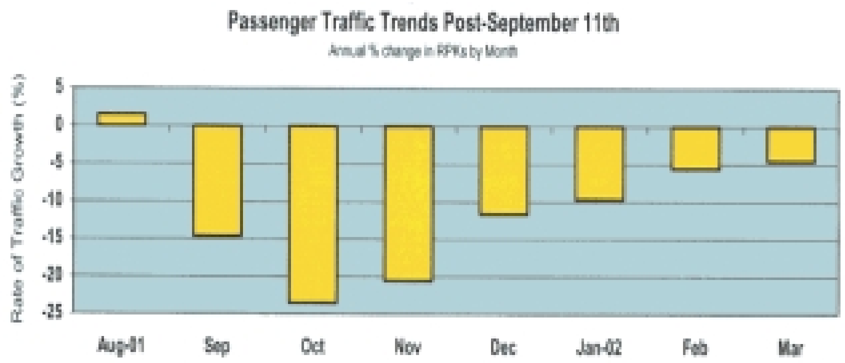
- **Cable & Wireless "Further reductions in capital spending" 15/5/2002**
- **New Skies "Revenues for full year 2001 grew by 17% …….increased average yield per transponder & fill-rate of satellite fleet … 3 new spacecraft under construction… double transponder capacity"** ***7/2/2002***
- **ND Satcom** ***"selected by Netherlands Ministry of Defence …. turnkey satellite communications network to the Dutch armed forces ….. worth more than 35 million Euro" 13/5/2002***
  "current participation of the German Armed Forces in international crisis management task forces shows the growing need for long-range telecommunications. This can only be achieved using satellite communications" 5/4/2002

- Telcos continue to experience financing difficulties therefore squeezing more from existing networks
  - Paradise Datacom and Pascall developing new products to meet demands
- Increased demand for satellite communications for disaster recovery links
- Satellite often a cheaper alternative for businesses and organisations
- Satellite capacity continues to increase
  - 25-30 new communications satellites to be launched each year between 2003 and 2005

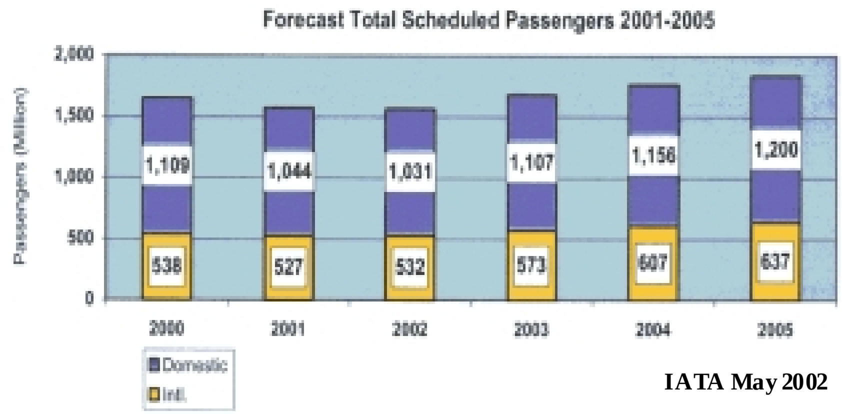
Market Dynamics -Aerospace

Number of aircraft	2000	2001	2002 forecast	2003 forecast
Airbus	311	325	300	< 300
Boeing	489	527	380	275-300

- **Air passenger traffic recovery faster than expected**
- **Aircraft deliveries into low-cost carriers**
- **CML and Pascall adjusted for reduced market-place**
- **IFES market slowed-down 7% in 2001, “flat or declining” for 2002-2003 but**
  - Live TV and Internet services rolling out during 2002
  - Developments in modified airborne communications for security
  - IFES penetration to increase from 42% to 50+% over the next 10 years



IATA May 2002



IATA May 2002

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Market Outlook

- **Aerospace Market**
  - **Build rates for IFES systems stabilised at 20-30% lower**
  - **Pascall awarded contracts for new IFES programmes**
  - **Aircraft build rates stabilised**
  - **CML increasing its share of Airbus business**

- **Communications Market**
  - **Labtech benefiting from new customers as GPRS rolls out**
  - **Paradise Datacom experiencing growing interest in IP over satellite and broadband military satcomms**
  - **Sierra Satcom products now transferred to Paradise Datacom site – orders opened strongly and opportunities are encouraging**
  - **Pascall has re-established a profitable base for further growth with strong order book**

Group Outlook

- **Intelek's corporate strategy remains on track, despite current uncertainty within our chosen markets**
  - **Considered response taken in all subsidiaries**
  - **Cash management and cost reduction are group priorities**
- **Balance of financial performance will shift in favour of second half**
  - **Effect of September 11th on CML**
  - **Transfer of Sierra Satcom production facilities to Paradise Datacom, Pennsylvania**

"We expect the outcome for the full year to be satisfactory"