



*Inteltek designs and manufactures electronic components and equipment for satellite and wireless communications and advanced military applications. Inteltek also provides specialist manufacturing services for the aerospace market.*

## **Preliminary results for the year ended 31 March 2005**

# Highlights

*Intelek made substantial positive progress in 2004/05*

- **Disposal of non-core business (Pascall) for £4.8m**
  - **Completed 18<sup>th</sup> March; trading loss of £(0.1)m for period**
  - **Closed with strong order book (£3.9m), but sales hit by delays in customer programmes**
  - **Profit on disposal of £1.8m**
- **Acquired microwave design & build operation for £0.4m in March '05**
- **Paradise Datacom**
  - **Market position strengthened in high power amplifiers, with sales up 33%**
  - **New Evolution Series modem launched March 05, capable of speeds up to 52 mega-bits per second (previous limit 5 mbps)**
- **Labtech**
  - **Sales up 14%, profit up 41%**
  - **Acquisition takes Labtech into new added value areas**
- **CML**
  - **Growth through the year, as aerospace market recovers**

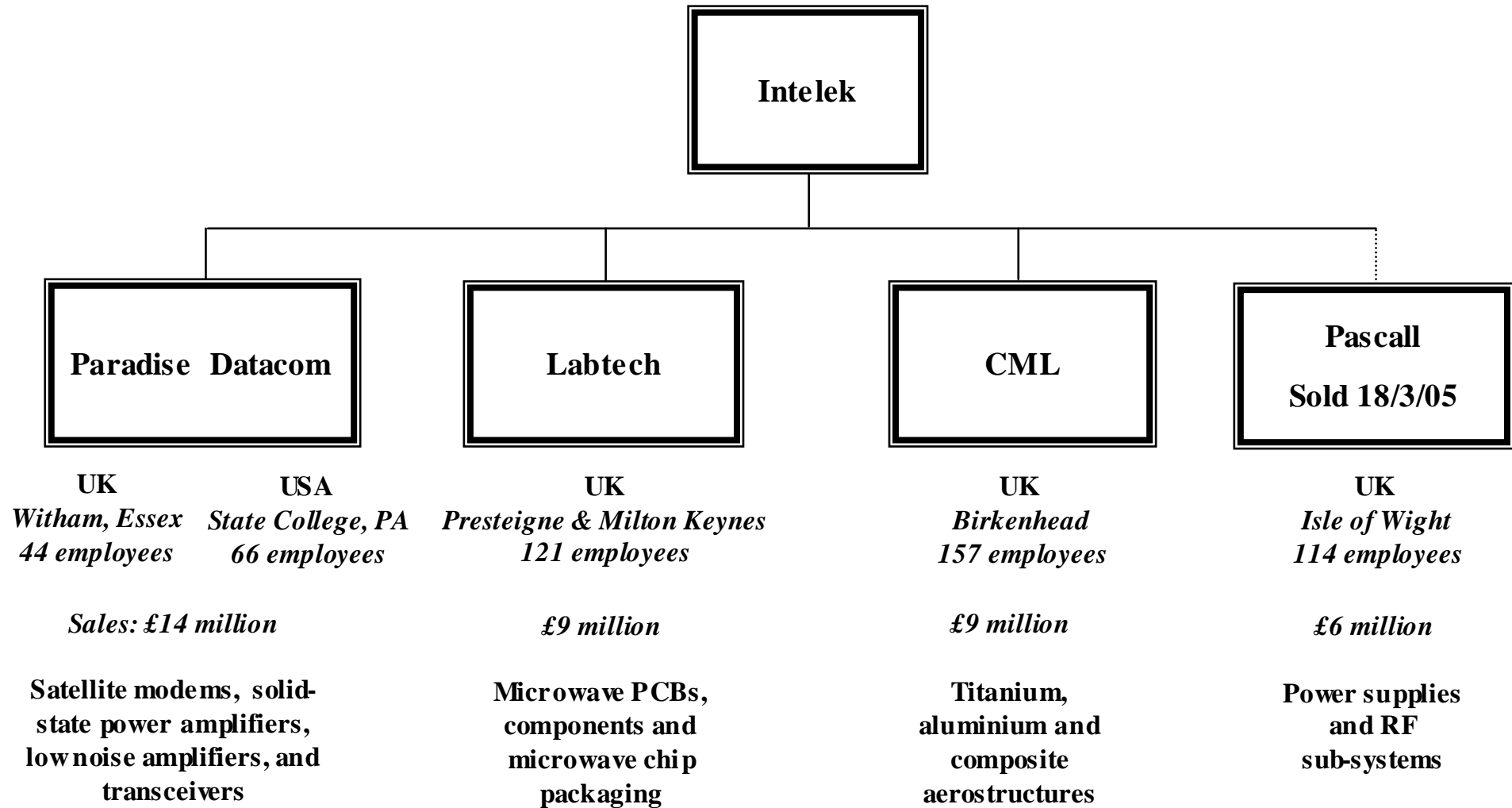
# Financial Summary

- **Headline profit on continuing businesses up 27% at £1.9m on sales unchanged, despite £0.1m drop due to weak \$**
- **Headline EPS on continuing businesses 1.49p (2004:1.47p); 2004 benefited from US tax credit**
- **Dividend - 0.36p (2004 – 0.36p)**
- **Schedule of pension deficit funding agreed with trustee to 2016**
- **Net debt reduced by 65% to £2.3m (2004: £6.6m)**

# Directors

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

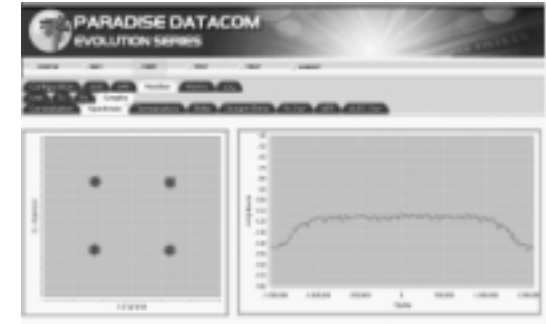
# Group Structure



# Paradise Datacom

*Design and manufacture of an extensive line of RF and modem products for the satcoms industry*

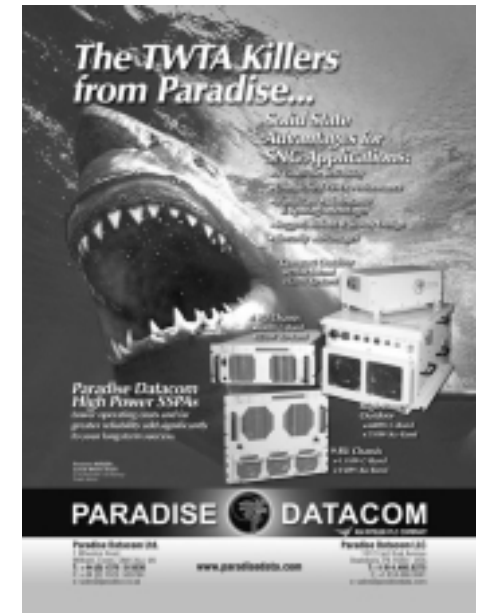
- **Modems, solid state power amplifiers, block up-converters, transceivers and low noise amplifiers**
- **Estimated market size and Paradise share:**
  - **Modems     £70 m, 9 %**
  - **Amplifiers  £100 m, 8 %**
- **Customers include :**
  - **Satellite systems manufacturers and integrators**
  - **Satellite 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 £13.7m (2004: £15.5m); Operating Profit £2.0m (2004: £2.0m)*

- **Profit maintained at £2m**
  - **Planned reduction on sales of low margin BUCs**
  - **Weak \$ effect – reducing sales by £0.6m ; profit by £0.1m**
  - **Last year benefited from £1m US homeland security contract**
  - **Modem sales down 17%, ahead of new product release**
  - **SSPA's sales growth of 33%**
- **Successful new management team**
  - **Restructuring of operations; focused on more profitable medium to high-power RF products**
  - **Extending SSPA range, taking market share from tube amplifiers**
  - **Launch of exciting new high data rate modem, creating platform to enable continual roll-out of new features**
  - **Awarded first tranche of important multi-year programme for US Government (NOAA)**
- **US operation relocated to Penn State University's Innovation Park**

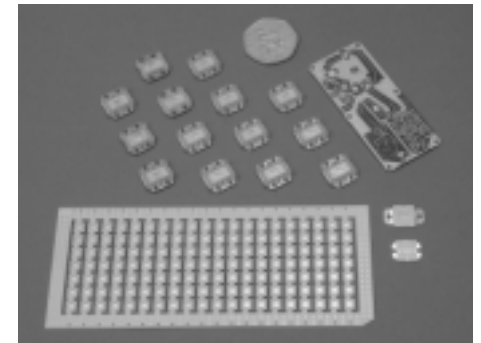
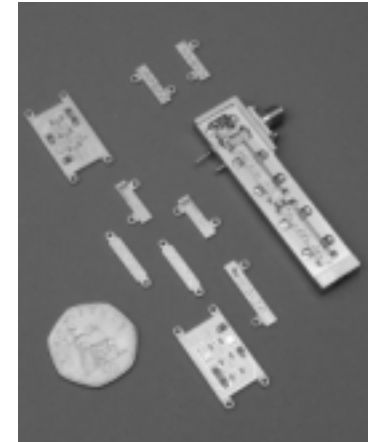


# Labtech

*Labtech Circuits: a world leader in advanced microwave PCB processing and MMIC packaging*

*Labtech Microwave: designs and manufactures a range of high-performance broadband microwave components*

- **Metal-backed, softboard and multi-layer PTFE circuits, monolithic microwave integrated circuit (MMIC) packaging and interconnect**
- **Multi-octave microwave amplifiers, switches and detector log video amplifiers**
- **Market sectors**
  - **Mobile telephone base stations**
  - **Point-to-point radio links**
  - **Defence projects**
  - **Space and ground station satcom**
- **Estimated microwave circuits market size £90m, Labtech share 10%**
- **Purpose built, highly equipped facilities, including extensive clean room capacity**



# Labtech

*Sales £9.1m (2004: £7.9m); Operating Profit £1.2m (2004: £0.8m)*

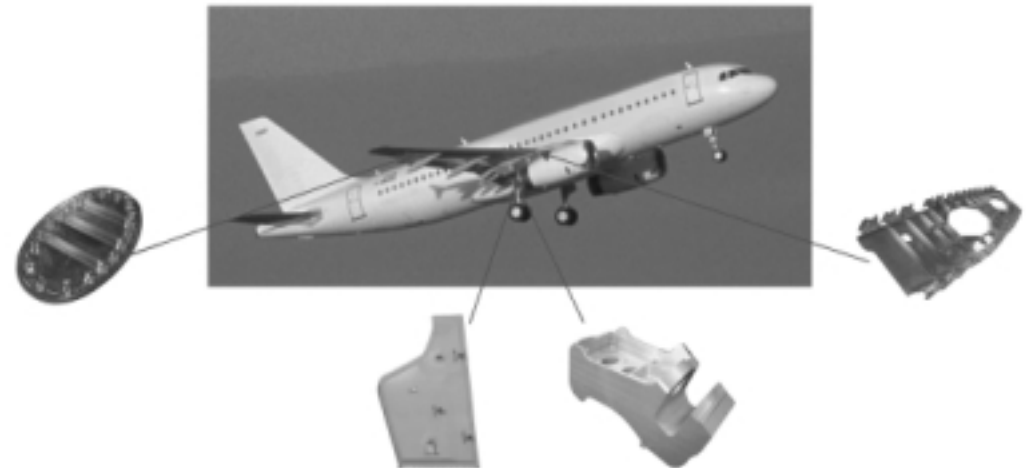
- **Operating profit up 41% on sales up 14%**
- **Higher than forecast demand from largest customer for radiolink PCBs**
- **Increasing complexity of PCBs, leading to higher margins and differentiation**
- **Demand for high-precision laser profiling expands rapidly**
- **Further investment in capital (£0.5m)**
- **Extension of marketing presence: sales offices in US and Sweden**
- **Acquisition of Filtronic Components' (FCL) MK facility**
  - **Labtech now incorporates product design, assembly and test**
  - **3 year supply agreement with FCL; initial order £0.8m**
  - **FCL now Labtech's 2<sup>nd</sup> largest customer**
  - **Synergy with Labtech customer base and technology**



# CML

*Comprehensive service in the manufacture of aircraft structures and sub-assemblies*

- **4& 5-axis precision machining of structural parts in titanium and aluminium:**  
e.g. Interspar ribs, sidestays, wing access panels, landing gear ribs
- **Composite components and assemblies**  
e.g. Wing and fuselage fairings, nose and tail cones
- **Sheet detail facility**  
e.g. fuselage and wing stringers
- **Treatment facilities**
- **Repairs and spares service**
- **Programmes include Airbus (all aircraft), Hawker, C27, Nimrod, Lynx and Sea King**



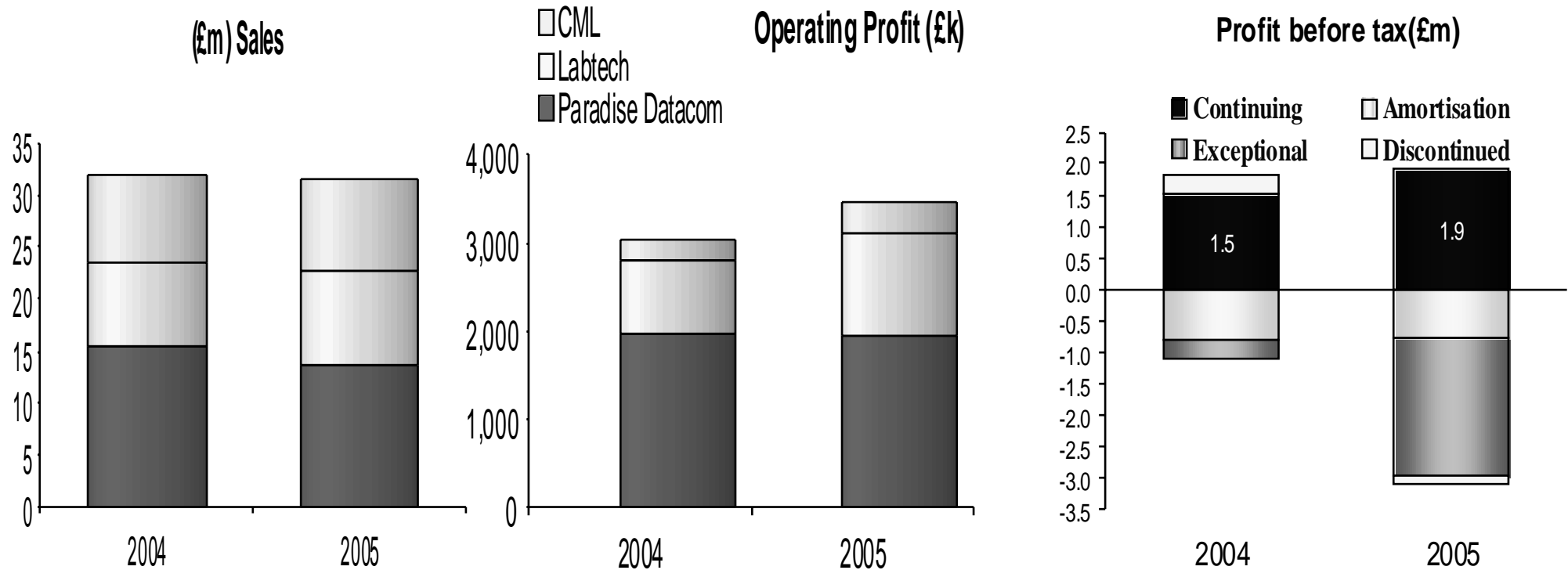
# CML

*Sales £8.8m (2004: £8.6m); Operating Profit £0.4m (2004: £0.2m)*

- **Operating profit increased 47% on sales up 3%**
- **Benefiting from strong track record**
- **Growth in Airbus sales and increase in Hawker rate**
- **Market growth hampered by severe shortages in global supply of aluminium and limited UK capacity**
- **Reshaping of operations concluded:**
  - **Withdrawal from short-term property lease**
  - **Sale of under-utilised plant**
  - **Investment to relieve bottlenecks**
- **Market recovery now impacting CML**



# Sales and Profit (Continuing businesses)



- **Gross margins improved in all 3 companies**
- **Headline profit up 27%, sales reduced 1%**
- **R&D at Paradise Datacom maintained at £1.6 million, 11.4% of sales**
- **£1.9m of exceptionals (£2.2m) relate to disposal**
- **Restructuring for growth at CML and Paradise, cost in year £0.3m**
- **Headline effective tax rate increased from 18% to 34%**

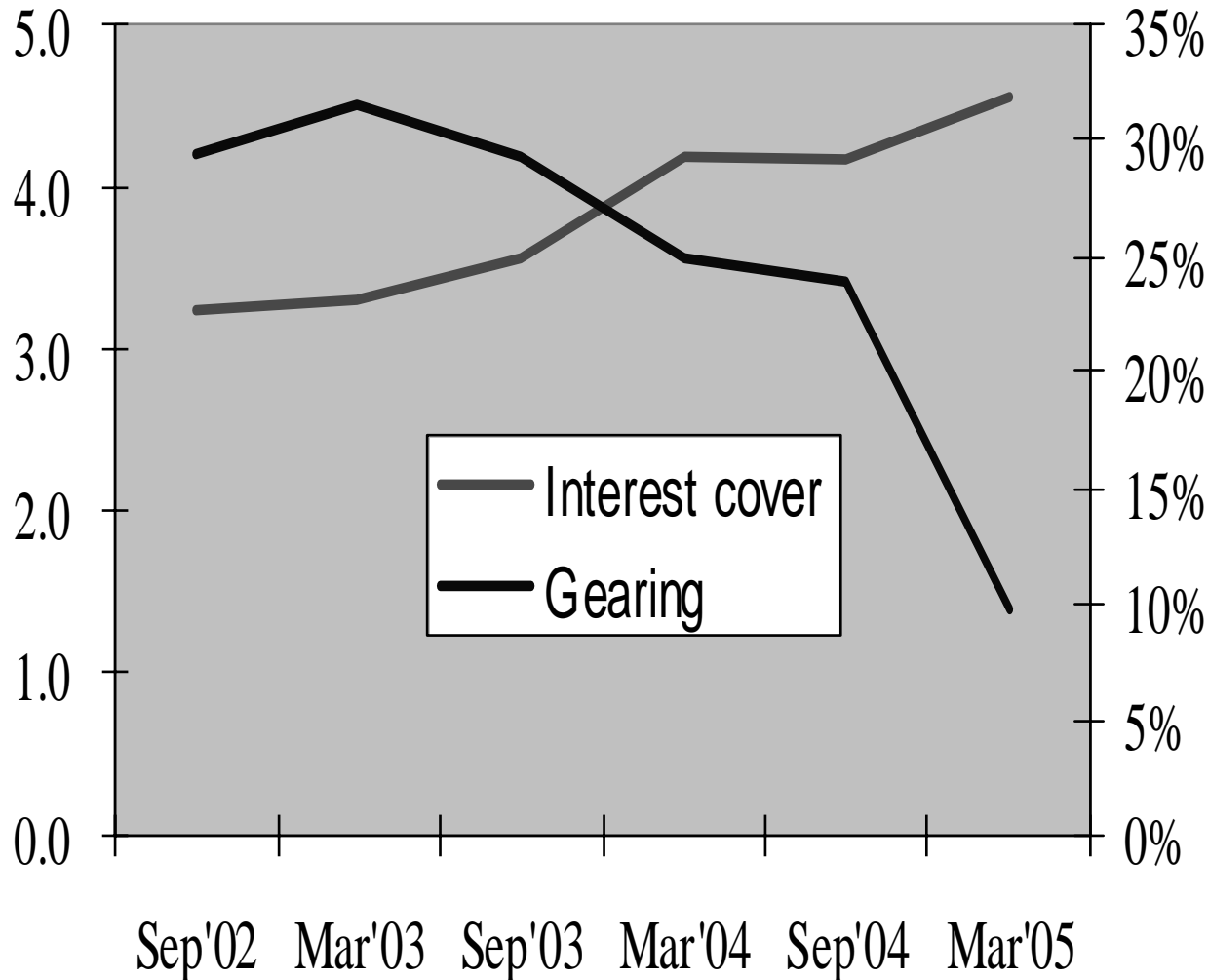
# Currency Effect (Continuing businesses)

			US\$ rates		
			<u>2005</u>	<u>2004</u>	
Translation			1.85	1.71	-8%
	<b>2005</b>		<b>2005 at</b>	<b>2004</b>	
<u>£'million</u>	<u>Reported</u>	<u>\$ effect</u>	<u>2004 rates</u>		
Turnover	31.52	0.64	32.16	31.97	+1%
Headline PBT	1.91	0.11	2.02	1.51	+34%

# Cash Flow

Interest Cover

Gearing



- Debt reduced £4.3m to £2.3m
- Pascall disposal net cash inflow £3.8m after £0.8m pension contribution
- Operating cash inflow £3.2m from continuing businesses (2004: £2.3m), net of £1.4m pension payment
- Additional £1.5m capital investment
- FRS 17 pension deficit £9.0m (2004 - £8.7m), asset/liability ratio up 3% at 48%

# **International Standards (1)**

**Intelek plc will adopt International Standards first for Interim 2005**

**Our preliminary conclusion, subject to further review, is that the main impact will be:**

- 1. IAS 19: Employment Benefits – will bring net pension deficit onto Balance Sheet, similar to FRS 17**
- 2. IAS 38: Intangible Assets – will require capitalisation of R&D at Paradise Datacom (& with new acquisition, at Labtech)**
- 3. IAS 17: Leases – *may* require some property lease elements to be capitalised, as for finance leases**
- 4. IFRS 3: Business Combinations - Goodwill will no longer be amortised**

# International Standards (2)

**Our preliminary calculations suggest the following impact on 2004/05:**

<b>£'million</b>		<b>Net Assets</b>	<b>Headline Earnings</b>
<b>IAS 19</b>	<b>Pension</b>	<b>(11.2)</b>	<b>(0.1)</b>
<b>IAS 38</b>	<b>R&amp;D</b>	<b>1.3</b>	<b>0.6</b>
<b>IAS 17</b>	<b>Leases</b>	<b>Nil</b>	<b>Nil</b>
<b>IFRS 3</b>	<b>Goodwill</b>	<b>0.8</b>	<b>Nil</b>
<b>Estimated total outcome:</b>		<b>(9.1)</b>	<b>0.5</b>

# Outlook for 2005/06

- **Paradise Datacom**
  - **Government sector the main area of market growth**
  - **Increased market penetration**
  - **SSPAs continuing to win market share from tubes**
  - **Modem recovery in 2<sup>nd</sup> half as new range becomes established**
- **Labtech**
  - **Older programmes expected to decline, replaced by more complex circuits in smaller volumes**
  - **New projects being developed in USA and Scandinavia**
  - **Opportunities for new business for Labtech Microwave**
- **CML**
  - **High level of confidence in the aerospace industry**
  - **CML build rates continue to increase**

# Strategy

- **Focus on Satellite and Wireless Communications and dispose of non-core assets** - *sale of Pascall - 18 Mar 05*
- **Selective acquisitions** - *purchase of Filtronic's microwave components division - 11 Mar 05*
- **Increase market penetration** - *SSPAs continuing to take market share from tubes*  
- *NOAA contract win – 8 Dec 04*
- **Product development** - *launch of new high speed modem – 23 Mar 05*  
- *extended SSPA power range to 1,100 watts*

*“Our strategy remains firm and our performance is on track. I am confident that our new products will find favour in the market place and expect to see an overall improvement in performance for the year 2005/06.”*