

ZETEX plc

**Power Efficient Analog Solutions for the
Digital Age**

2005 Preliminary Results

The end of 2005 heralds a new year of significant changes for Zetex plc

- New senior executive team
 - Hans Rohrer appointed CEO, February 2006
 - Nick Hawkins will take over as CFO, April 2006
- Strategic direction confirmed

Driving forward Zetex as a leading specialist analog semiconductor solutions provider

Income Statement

	2005		2004	
Sales - US dollars	\$103.8m		\$116.7m	
	£m	% of sales	£m	% of sales
Sales	<u>57.5</u>		<u>63.8</u>	
Gross margin	<u>20.9</u>	36.3%	<u>25.8</u>	40.4%
Non-direct overheads	<u>(15.4)</u>		<u>(15.5)</u>	
Operating profit from Semiconductors	<u>5.5</u>	9.6%	<u>10.3</u>	16.1%
Corporate Head Office costs	<u>(1.8)</u>		<u>(2.0)</u>	
Group Operating Profit pre adjusted items	<u>3.7</u>	6.4%	<u>8.3</u>	13.0%
Adjusted items	<u>(3.2)</u>		<u>(2.4)</u>	
Group operating profit	<u>0.5</u>	0.1%	<u>5.9</u>	9.2%
Net finance income	<u>0.3</u>		<u>0.9</u>	
Taxation	<u>(0.3)</u>		<u>(4.5)</u>	
Retained profit	<u>0.5</u>	0.1%	<u>2.3</u>	3.6%
Depreciation	5.8		5.7	
Amortisation and impairment of intangibles	1.9		3.0	
Basic EPS	0.54p		2.37p	
Adjusted EPS for ongoing business	3.69p		4.88p	

- Sales stated in US\$ down by 12%, impact on gross margin from lower volume
- Overheads contained, with some reduction in CHO costs
- Adjusted items include £1.7m severance and £1.6m rationalisation

Foreign Currency

	2005	2004
Av. Prevailing Exchange Rate	1.82	1.83
Av. Effective Exchange Rate	1.785	1.70
Exchange Gain achieved	£0.2m	£2.4m

- Flexible protective hedging cover is in place for 2006, not expected to generate gain with \$US rate of ~\$1.75
- For 2006 the company holds a range of hedging instruments:
 - Forward contracts, with an average rate of \$1.806
 - Options which provide protection at \$1.90, and provide participation at prevailing exchange rates to \$1.59

NB: Hedging instruments are used to cover anticipated unmatched \$, Euro or Yen cash flows, however, the reported value of sales in sterling is dependent on the actual average currency rates which occur in the reporting period.

Balance sheet

	£m	£m
Intangible Assets	10.8	4.3
Property, Plant & Equipment	35.7	35.1
Investment in Associate	-	0.1
Financial Assets	-	1.4
Working Capital	18.6	6.9
Current Tax Liabilities	(0.8)	(2.9)
Net Cash	6.0	24.0
Deferred Tax	(2.3)	(1.1)
Provisions & Long Term Liabilities	(14.0)	(10.7)
Net Assets	54.0	57.1

- Intangible assets increased largely due to mikron AG acquisition
- Provisions include £11.1m for pensions (£9.6m 2004)

Cash Flow

	2005 £m
Opening net cash	24.4
Acquisition of mikron AG (net)	(3.8)
Net operating cash flow before working capital	8.2
Increase in working capital	(11.2)
Capital expenditure	(5.5)
Investment in intangible assets	(3.2)
Net financing and other cash flows	(2.9)
Closing net cash	<u>6.0</u>

Working capital increase comprises:

Receivables	0.6
Payables	(5.5)
Inventories	(6.3)
	<u>(11.2)</u>

- Managed increase in inventory maintained overhead recovery and enabled high service levels
- Reduced payables due to conclusion of capital expenditure stage payments re ZTP

Zetex is positioned for growth

- Executive team in place with right expertise
- Corrective measures
 - Aligning cost base – well underway
- Opportunity for exploitation of current portfolio
- Target markets present significant growth opportunities
- Strong balance sheet
- Operational imperatives
 - Sales growth, inventory and cash management
- Results for 2006 weighted to second half