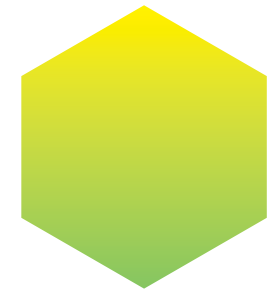




Fast moving engineered products

Half-Year Report 2012-13
Elektron Technology plc



Highlights

£29.9m

Revenue

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- Revenue: £29.9m (2012 H1: £34.4m, H2: £29.9m)
- Operating profit*: £1.6m (2012 H1: £3.5m, H2: £1.5m)
- Non-recurring and special items: £0.7 million, mostly relating to further streamlining of the business
- Adjusted earnings per share*: 1.02p (2012 H1: 2.38p, H2: 0.95p)
- Good cash generation. Net cash inflow from operating activities: £1.7m, up 13% on 2012 H1
- Returned £1.1m cash to shareholders, up 37% on the whole of the previous financial year, via payment in August of final dividend for 2012 and purchase of 2.4 million shares. No interim dividend declared
- Bulgin and Queensgate new products launched. NPD pipeline and processes continue to strengthen

* Before non-recurring and special items



Chairman's and Chief Executive's statement

Keith Daley Chairman



John Wilson Chief Executive Officer



Elektron Technology is a global group, managing, exploiting and developing technologies within the fast moving engineered products sector in business to business markets.

Introduction

Elektron Technology (Elektron or the Group) is a global designer and manufacturer of fast moving engineered products, the precision engineered components that enable two of the most important technology areas of the always-on, networked economy: Connectivity and Instrumentation, Monitoring & Control (IMC).

The Group has a broad portfolio of products that are recognised leaders in their markets, playing a critical role in many industries from underwater construction to food preparation, semiconductor manufacture to emergency vehicle systems. The Group's products are sold worldwide to over 7,000 customers, around 100,000 end-users, and used in all seven continents and in space.

Further information on the Group is available at www.elektron-technology.com.

Financial performance

Elektron has seen the trends from 2012 H2 continue throughout the first half of the financial year, with the on-going downturn in European economies and reduced UK Government spending making for difficult trading conditions.

In these circumstances, sales of £29.9m and operating profit before non-recurring and special items ('trading profit') of £1.6m held up well compared with the preceding six months to 31 January 2012 (2012 H2: sales £29.9m and trading profit £1.5m), but were down compared with the six months to 31 July 2011 (2012 H1: sales £34.4m and trading profit £3.5m). Gross margin has been maintained close to the level of 2012 H1.

Benefitting from reductions in overheads, the Group's trading margin of 5.4% was slightly better than the 5.0% in 2012 H2, though below the margin achieved in 2012 H1 of 10.2%, with the decline directly attributable to the loss of contribution from reduced sales.

The interest expense of £0.1m was unchanged from the prior year and the effective tax rate for the period was also unchanged at 24%.

Basic earnings per share were 0.56p, compared with a loss of 0.15p per share in 2012 H2 and a profit of 1.97p per share in 2012 H1. Adjusted earnings per share (excluding non-recurring or special items) were 1.02p, up 7% compared with 2012 H2 (0.95p) but below the level of 2012 H1 (2.38p).

Investments, including exceptional charges

The Group continues to invest in New Product Development (NPD), IT systems and in developing a robust and efficient infrastructure:

- Capitalised development costs increased to £0.4m, equivalent to the investment from the whole of the preceding two years, as the Group's Technology Centre in Cambridge has gained scale and several new products approach commercialisation. Further information is provided under New Product Development on page 4.
- 70% of Elektron is now live on the Group's new ERP system, which is delivering better information faster and at lower cost. Further transitions are planned for the next few months and the programme is expected to conclude in the first half of 2013.



Chairman's and Chief Executive's statement

continued

£1.7m

Net cash inflow from operations

During the period the Group recorded exceptional charges of £0.4m in relation to the previously announced programme to streamline the business in the UK, bringing the total charges incurred in relation to this programme since its inception last year to £2.3m. A further £1.2m such costs are expected over the next 12-18 months. Preparations for the consolidation of the Group's UK-based high tech manufacturing into the Torquay site continue and are scheduled to be substantially completed in 2013 H2, while the West Molesey site is scheduled for closure in 2013-14.

Other non-recurring or special items in the period relate to the amortisation of acquisition-related intangibles (£0.1m), non-cash costs of share-based incentive plans (£0.1m) and restructuring the Group's operations in the Asia Pacific Region (£0.1m). This includes the rebalancing of production between China and Tunisia, consolidating our Arcoelectric switch production in the latter to reduce logistics and other costs by better matching the geographic mix of sales.

Cash generation and net debt

Elektron remains cash generative, despite the general economic environment. Net cash inflow from operations was £1.7m, a 13% increase on the equivalent period of the prior year. Net debt at 31 July 2012 was £4.6m (31 January 2012: £4.4m) and is more than covered by the Group's medium term financing arrangements.

Dividends and purchase of shares

During July and August 2012, the Group has returned £1.1m in cash to shareholders, via the purchase of 2.4 million shares by the Employee Benefit Trust (£0.5m) and the payment of the final dividend for last year (£0.6m). This represents a 37% increase in cash returns to shareholders, compared with the whole of the previous financial year.

In these circumstances, and recognising the continued investment required for New Product Development (NPD) and the UK streamlining programme, the Board has decided that an interim dividend will not be declared. The Board will decide on the proposed final dividend for approval by shareholders at the Annual General Meeting (AGM) in the light of trading in 2013 H2, the outlook for 2013-14 and plans for investment in new product development to strengthen the Group.

Sales performance by segment

UK sales overall were below 2012 H2 and 2012 H1, while sales in the **Rest of the EMEA** region showed improvement over H2 2012 but fell short of 2012 H1. Conditions for our Connectivity business in EMEA remained difficult, with independent market data showing double digit year-on-year declines in the European market. In IMC in this Region, the QADOS and Carnation brands have been significantly affected by the slowdown in UK public sector spending, particularly investment in capital equipment in the NHS and related sectors, although our share of key niche markets remains strong; prior year comparatives were also strong, due to a £1.3m electronic control systems contract for prisoner transport vehicles which was shipped in 2012 H1. The Group has seen improved sales for its Agar business supplying to the microscopy market.

Sales in the **Asia Pacific** region have been affected to some extent by the global slowdown, especially for manufactured products for export. The regional sales organisation has been restructured and refocused to return this business to profitable growth, with early positive results. Sales increased 15% from 2012 H2, but were 18% below 2012 H1.

Our investment in sales and distribution capability in the **Americas** continues to deliver returns, with sales up 11% compared with 2012 H1, though somewhat lower than in 2012 H2; sales in this Region have generally been weighted to H2 in recent years. Our established Connectivity business is serving as a platform for sales activity in IMC, with some significant orders taken for delivery in 2013 H2. We have also expanded our direct sales presence into Mexico, with encouraging early results.

Overall, the **Connectivity** and **Materials** product segments both achieved higher sales compared with 2012 H2, up 9% and 10% respectively, but both were below 2012 H1. **Instrumentation, Monitoring & Control** saw sales fall compared with 2012 H2 and 2012 H1, largely due to the factors described above. Sales were also affected by some products approaching the end of their natural life cycle, which is being addressed via the Group's NPD programme.

Note 2 to the Unaudited Interim Results sets out the Group's sales by segment.



Chairman's and Chief Executive's statement

continued

£1.1m

Returned in cash to shareholders

New product development

NPD is a key element in Elektron's strategy for future development and has been a focus for investment over the last two years. The Group continues to build its Technology capabilities and the first results of this effort are now coming through with a number of new products launched this year.

The Bulgin Buccaneer 6000 Series of connectors for harsh environments features a patent pending locking mechanism and is the first Bulgin range to be available in metal as well as plastic. It has seen an encouraging response from distributors.

The first products in a new range of nanopositioning instruments under the Queensgate brand feature a patent pending technique that provides faster, more accurate control for many applications such as microscopy. As for other developments, the Group has a well-developed roadmap to continue to drive the Queensgate range into the future.

Beyond these launches the NPD pipeline and processes continue to strengthen, with further releases due later in the year.

Outlook

As always we have limited visibility of a few weeks of sales. Beyond that, we anticipate that weak levels of demand may continue into the rest of the financial year. However we are confident that the strategy of geographic expansion, NPD and streamlining is the correct one to drive the Group's longer term success.

Keith Daley

Chairman

John Wilson

Chief Executive Officer



Consolidated statement of comprehensive income

unaudited interim results to 31 July 2012

	Unaudited Half year to 31 July 2012 £m	Unaudited Half year to 31 July 2011 £m	Audited Year to 31 January 2012 £m
Revenue (see Note 2)	29.9	34.4	64.3
Cost of sales	(18.2)	(20.2)	(38.3)
Gross profit	11.7	14.2	26.0
Operating expenses			
Net operating expenses (excluding non-recurring or special items)	(10.1)	(10.7)	(21.0)
Operating profit before non-recurring or special items	1.6	3.5	5.0
Non- recurring or special items	(0.7)	(0.6)	(2.2)
Total operating expenses	(10.8)	(11.3)	(23.2)
Operating profit	0.9	2.9	2.8
Finance costs	(0.1)	(0.1)	(0.3)
Profit before taxation	0.8	2.8	2.5
Taxation (see Note 3)	(0.2)	(0.7)	(0.6)
Profit for the year attributable to equity shareholders	0.6	2.1	1.9
Other comprehensive (expense)/income			
Currency translation differences on foreign currency net investments	(0.3)	–	–
Total other comprehensive (expense)/income	(0.3)	–	–
Total comprehensive income for the period attributable to equity shareholders	0.3	2.1	1.9
Earnings per share (see Note 4)			
– basic	0.56p	1.97p	1.82p
– diluted	0.56p	1.94p	1.82p
Adjusted earnings per share (see Note 4)			
– basic	1.02p	2.38p	3.33p
– diluted	1.01p	2.35p	3.32p

The accompanying Notes form an integral part of this consolidated interim financial information.



Consolidated balance sheet

unaudited interim results to 31 July 2012

	Unaudited 31 July 2012 £m	Unaudited 31 July 2011 £m	Audited 31 January 2012 £m
Assets			
Non-current assets			
Goodwill	1.3	1.3	1.3
Other Intangible assets	4.0	3.4	3.4
Property, plant and equipment	5.1	4.7	5.0
Deferred tax	0.2	0.1	0.3
Total non-current assets	10.6	9.5	10.0
Current assets			
Inventories	9.0	9.3	9.5
Trade and other receivables	11.9	12.8	11.9
Cash and cash equivalents	1.7	0.9	0.8
Total current assets	22.6	23.0	22.2
Total assets	33.2	32.5	32.2
Current liabilities			
Trade and other payables	9.3	9.5	9.2
Dividend payable	0.6	0.6	–
Borrowings	1.3	2.2	2.6
Current portion of long-term borrowings	0.4	1.3	1.3
Current tax payable	0.3	0.3	0.2
Provisions	1.0	0.7	1.0
Total current liabilities	12.9	14.6	14.3
Non-current liabilities			
Long-term borrowings	4.6	1.4	1.3
Accruals and deferred income	–	0.1	0.1
Long-term provisions	0.6	0.3	0.7
Total non-current liabilities	5.2	1.8	2.1
Total liabilities	18.1	16.4	16.4
Net assets	15.1	16.1	15.8
Equity attributable to equity holders of the parent			
Called-up share capital	6.0	5.3	6.0
Share premium	5.4	2.9	5.4
Merger reserve	1.1	1.1	1.1
Capital redemption reserve	0.2	0.2	0.2
Own shares	(3.5)	–	(3.0)
Other reserves	(0.1)	0.1	0.1
Retained earnings	6.0	6.5	6.0
Total equity	15.1	16.1	15.8

The accompanying Notes form an integral part of this consolidated interim financial information.



Consolidated statement of changes in equity

unaudited interim results to 31 July 2012

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total £m
At 1 February 2011	5.3	2.9	1.1	0.2	–	0.1	5.0	14.6
Profit for the period	–	–	–	–	–	–	2.1	2.1
Total comprehensive income for the period	–	–	–	–	–	–	2.1	2.1
Dividends on ordinary shares	–	–	–	–	–	–	(0.6)	(0.6)
At 31 July 2011	5.3	2.9	1.1	0.2	–	0.1	6.5	16.1
Profit for the period	–	–	–	–	–	–	(0.2)	(0.2)
Total comprehensive expense for the period	–	–	–	–	–	–	(0.2)	(0.2)
Share issues	0.7	2.4	–	–	–	–	–	3.1
Purchase of treasury shares	–	–	–	–	(3.0)	–	–	(3.0)
Dividends paid on ordinary shares	–	–	–	–	–	–	(0.3)	(0.3)
Adjustment for scrip dividend element	–	0.1	–	–	–	–	–	0.1
At 1 February 2012	6.0	5.4	1.1	0.2	(3.0)	0.1	6.0	15.8
Profit for the period	–	–	–	–	–	–	0.6	0.6
Currency translation differences on foreign currency net investments	–	–	–	–	–	(0.3)	–	(0.3)
Total comprehensive (expense)/income for the period	–	–	–	–	–	(0.3)	0.6	0.3
Dividends on ordinary shares	–	–	–	–	–	–	(0.6)	(0.6)
Purchase of treasury shares	–	–	–	–	(0.5)	–	–	(0.5)
Credit in respect of share based payments	–	–	–	–	–	0.1	–	0.1
At 31 July 2012	6.0	5.4	1.1	0.2	(3.5)	(0.1)	6.0	15.1

Amounts in relation to foreign currency translation differences and share based payments for the year ended 31 January 2012 have been accounted appropriately in the above statement and amount to less than £0.1m.

The Treasury shares are held by the Elektron Technology 2012 Employee Benefit Trust.

The accompanying Notes form an integral part of this consolidated interim financial information.



Consolidated statement of cash flows

unaudited interim results to 31 July 2012

	Unaudited Half year to 31 July 2012	Unaudited Half year to 31 July 2011	Audited Year to 31 January 2012
	£m	£m	£m
Net cash flows from operating activities			
Profit before taxation	0.8	2.8	2.5
Adjustments for:			
Depreciation charge	0.6	0.6	1.0
Restructuring or other special items	0.7	0.6	2.2
Amortisation of intangible assets	0.1	0.1	0.2
Interest payable	0.1	0.1	0.3
Operating cash flow before working capital changes and non-recurring or special items	2.3	4.2	6.2
(Increase)/decrease in trade and other receivables	(0.4)	(1.0)	(0.1)
Decrease/(increase) in inventories	0.5	(0.2)	(0.3)
Increase/(decrease) in trade payables	0.2	(0.6)	(0.9)
Payments for restructuring and other special items	(0.5)	(0.3)	(1.0)
Other non-cash movements	(0.3)	–	(0.1)
Cash generated from operations	1.8	2.1	3.8
Interest paid	(0.1)	(0.1)	(0.3)
Taxation paid	–	(0.5)	(0.8)
Net cash inflow from operating activities	1.7	1.5	2.7
Investing activities			
Purchase of property, plant and equipment	(0.6)	(1.1)	(1.9)
Purchase of other intangible assets	(0.8)	(0.1)	(0.3)
Proceeds of sale of property, plant and equipment	–	–	0.1
Net cash used in investing activities	(1.4)	(1.2)	(2.1)
Cash flows from financing activities			
Increase in/(repayment of) bank loans	1.1	(0.4)	(0.4)
New finance leases	0.3	–	0.6
Payment of hire purchase and finance liabilities	(0.3)	(0.2)	(0.5)
Proceeds on issue of shares	–	–	0.1
Purchase of treasury shares	(0.5)	–	–
Dividends paid	–	–	(0.8)
Net cash generated from/(used in) financing activities	0.6	(0.6)	(1.0)
Net increase/(decrease) in cash and cash equivalents	0.9	(0.3)	(0.4)
Cash and cash equivalents at the beginning of period	0.8	1.2	1.2
Cash and cash equivalents at the end of period	1.7	0.9	0.8

The accompanying Notes form an integral part of this consolidated interim financial information.



Notes to the unaudited interim results

to 31 July 2012

1. Accounting policies

The interim financial information has been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union. Full details of accounting policies are included in the Annual Report for the year ended 31 January 2012. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups, in the preparation of these interim financial statements.

2. Segmental sales information

Geographic	Half year to	Half year to	Half year to	Year to
	31 July 2012	31 January 2012	31 July 2011	
	2013 H1	2012 H1	2012 H2	2012 H1
	£m	£m	£m	£m
United Kingdom	12.0	15.0	12.9	27.9
Rest of Europe, Middle East & Africa	7.7	8.3	7.3	15.6
Asia Pacific	6.0	7.3	5.2	12.5
Americas	4.2	3.8	4.5	8.3
Total	29.9	34.4	29.9	64.3

Product segment	Half year to	Half year to	Half year to	Year to
	31 July 2012	31 January 2012	31 July 2011	
	2013 H1	2012 H1	2012 H2	2012 H1
	£m	£m	£m	£m
Connectivity	14.7	15.7	13.5	29.2
Instrumentation, Monitoring & Control	11.9	15.3	13.4	28.7
Materials	3.3	3.4	3.0	6.4
Total	29.9	34.4	29.9	64.3

3. Taxation

The tax expense on underlying earnings has been estimated at a rate of 24% (July 2011 and January 2012: 24%).

4. Earnings per share

The calculation of the basic, adjusted and diluted earnings per share is based on the following data:

	31 July 2012	31 July 2011	31 January 2012
	£m	£m	£m
Earnings			
Earnings for the purposes of the basic earnings per share being net profit attributable to the owners of the Company	0.6	2.1	1.9
Adjustment in respect of non-recurring or special items net of taxation of £0.2m (July 2011: £0.2m, January 2012: £0.6m)	0.5	0.4	1.6
Earning for the purposes of adjusted earnings per share	1.1	2.5	3.5
Number of shares	31 July 2012	31 July 2011	31 January 2012
Weighted average number of ordinary shares for the purposes of basic earnings per share	106,339,518	106,408,259	106,444,780
Effect of dilutive potential ordinary shares: Share options	275,000	1,650,000	275,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	106,614,518	108,058,259	106,719,780
Earnings per share	31 July 2012	31 July 2011	31 January 2012
Earnings per share – basic	0.56p	1.97p	1.82p
Earnings per share – diluted	0.56p	1.94p	1.82p
Adjusted earnings per share – basic	1.02p	2.38p	3.33p
Adjusted earnings per share – diluted	1.01p	2.35p	3.32p



Notes to the unaudited interim results

to 31 July 2012 continued

5. Cautionary Statement

This interim financial information has been prepared only for the shareholders of Elektron as a whole and its sole purpose and use is to assist shareholders to exercise their governance rights. Elektron and its directors and employees are not responsible for any other purpose or use or to any other person in relation to this report.

The report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. Key risks and their mitigation have not changed materially in the period from those disclosed on pages 17 to 18 of the annual financial statements for the year ended 31 January 2012.

These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward looking statements, whether as a result of new information, future events or otherwise.

6. Other information

The financial information in this statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information in respect of the year ended 31 January 2012 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Copies of the interim results are available to download from the Group's website www.elektron-technology.com. Hard copies are available free of charge from the Group's registered office at Broers Building, J J Thomson Avenue, Cambridge CB3 0FA.



Directors, management and advisers

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Chairman

John Wilson

Chief Executive Officer

Noah Franklin

Chief Financial Officer

Simon Acland

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Ric Piper

Senior Independent Non-Executive Director

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