



Intec Telecom Systems 2003 report and update



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Overview

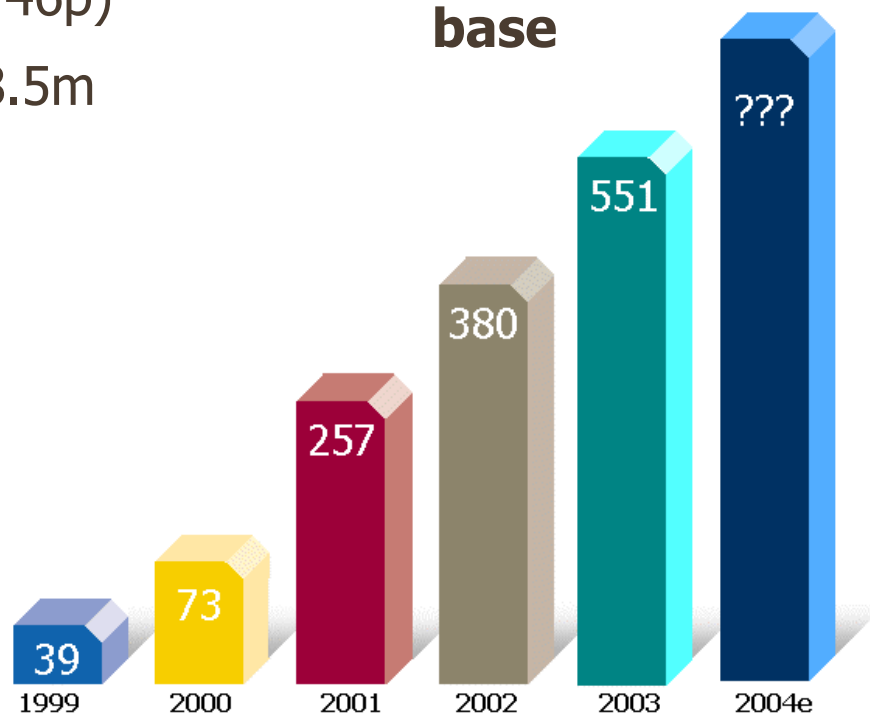
- ➔ Intec develops and markets 'Operations Support Systems' (OSS) software for the global communications industry
- ➔ Since 1997 Intec has become a true market leader in two of the most vital areas of OSS – mediation and interconnect
- ➔ Over half of the world's top 100 carriers now rely on Intec products, including all the Top 5
- ➔ Intec is generating cash, growing market share, launching new products, and investing in its future



2003 Highlights

- Revenue of £50.7 million up 7%
- Adjusted PBT of £5.4 million (2002: £2.2m)
- EPS (adjusted) of 2.17p (2002: 0.46p)
- Positive operating cash flow of £8.5m (2002:£2.8m)
- Cash increased to £15.3 million
- Installed base grown 44% to 551
- Acquisition of leading competitor
- Acquisition of Digiquant
- Release of key new next-generation products

Installed customer base



Operational review

- ➔ Intec won or acquired more than 110 customers in 2003
- ➔ Strong growth performance from EMEA, CALA, A-P regions
- ➔ Revenues increased despite competition, pricing pressure, exchange issues
- ➔ Adjusted PBT grown strongly by cost control, revenue growth
- ➔ Intec grew market share in both interconnect and mediation
- ➔ Greater development efficiency and enlarged portfolio



Intec customers

- Over 550 contracted installations in primarily Tier 1/2 carriers
- Good balance of mobile, fixed line, PTT/RBOC, IP and CLECs
- Customers in 60+ countries, strong in all major regions
- Very low churn rate (<1%) and growing repeat/cross-selling business
- Over 50% of Top 100 carriers, including all Top 5



Some key 2003 wins...

- APBW
- Eircom
- Telenet Belgium
- SOTELMA
- Reach
- Belgacom Mobile
- UMC
- Slovak Telecom
- ChinaSat
- Eurotel
- Swisscom Mobile
- Telecom Egypt
- United Telephone
- China Unicom



Regional overview

- Strong growth across Europe, Africa
 - System updates in developed markets
 - New systems in e.g. African mobile industry
- US market challenging but still good contributor
 - Capex constraints in major carriers, exchange issues
- Asia-Pacific dynamic but competitive
 - Pricing pressure but technically advanced market
- CALA grown well with new management
 - Strong growth in subscribers drives OSS purchases
 - Good contribution from Ericsson acquisition

Revenue analysis

- ➔ Solid performances Q1-Q3
- ➔ Good trading in Q4
 - ➔ Long-term deals finally signed
 - ➔ Good licence revenues
 - ➔ Good project completions
- ➔ Increased customer base feeding through to recurring revenues
- ➔ Good demand for services

Earnings/cost analysis

- Careful cost control across all aspects of the business
- Elimination of low-return opex items
- Staff cost-management initiatives
- Supplier reviews for best value
- Stable headcount and some reorganisation of overhead staff to revenue creation

OSS market segments



- ➔ Intec is active in four of 30+ OSS market segments
- ➔ Digiquant moves us into new, high-growth markets

Ericsson acquisition

- Bought Ericsson's 'Settler' business unit 10/02
 - A major competitor became a Partner
- Acquired good, worldwide customer base
 - Telefonica → Vodafone NZ → Pakistan Mobile
 - Eircom → Telemig → Song Networks
- Acquired additional useful technology above core Settler product:
 - Interconnect Optimised Routing
 - Interconnect Automated Reconciliation
- Revenue contribution of £2m in 2003

Digiquant acquisition

- Acquired Digiquant A/S in September 2003
- Good value deal for revenue-generating business
 - €16m annual run rate
- Gives Intec world-class IP-oriented technology
- Enhances recent Intec developments – DCP, CPM
- Adds approx. 50 customers, e.g:
 - Tiscali
 - Vivodi
 - TDC
 - Telecom Italia

Intec strategy

- ➔ Build profitable market share leadership in core products
 - ➔ Organically, targeting most active markets
 - ➔ By acquisition, removing competition
- ➔ Cross-sell widening product set into customer base
 - ➔ Less than 15% have more than one product
 - ➔ All customers need Intec-type OSS
- ➔ Acquire additional OSS products/companies
 - ➔ Saleable products that can benefit from Intec distribution
 - ➔ Good management and/or technology staff
 - ➔ Sound financials – positive impact on revenues, earnings

Competitive landscape

- ➔ OSS sector had flat growth in 2003, but modest overall growth forecast 2004 onwards*
- ➔ Some markets and regions still developing fast:
 - ➔ Wireless and next-generation services
 - ➔ Under-developed regions – E. Europe, China, India, Africa
- ➔ Many OSS companies in financial difficulties
 - ➔ Good potential for acquisition
 - ➔ Competition impacts pricing
- ➔ Larger players looking for new markets

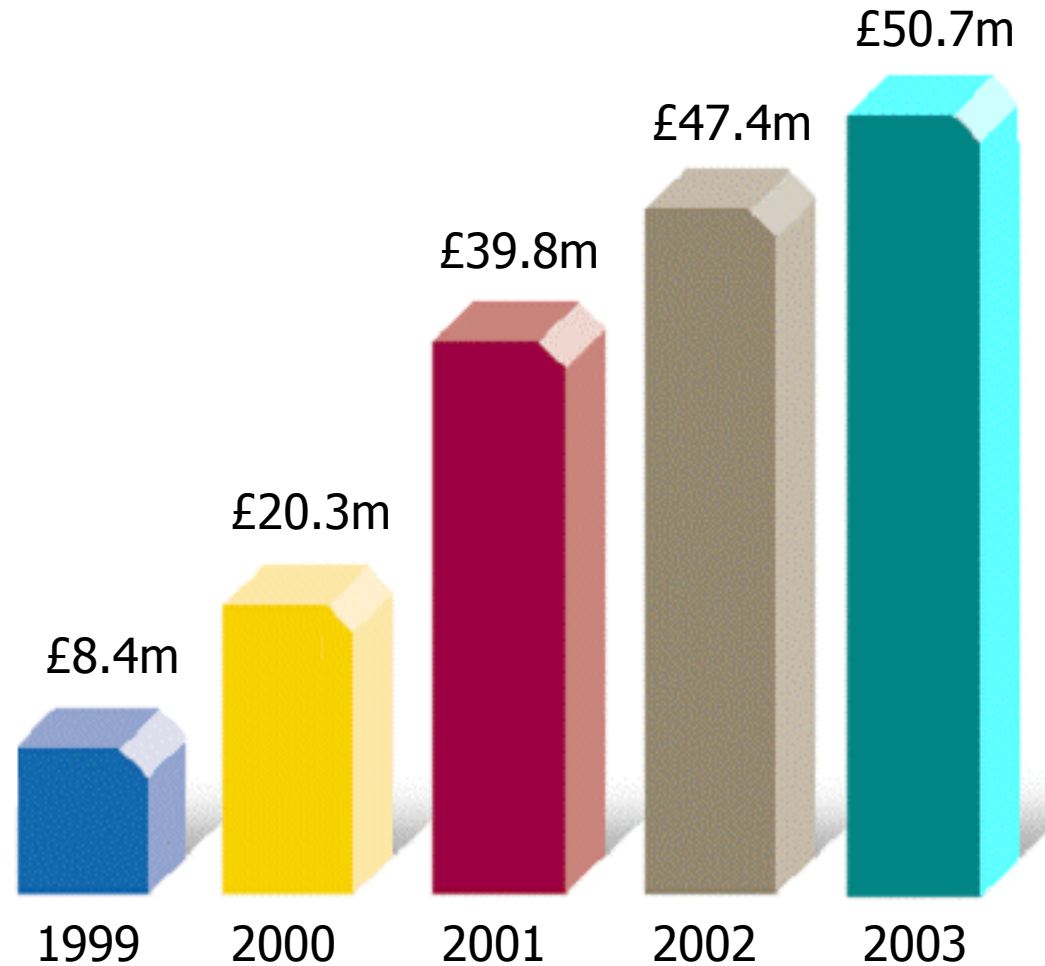
* "2004 Capex budgets are likely to be near 2003 levels. According to the TeleManagement Forum, OSS/BSS investments account for roughly 12% of total carrier CAPEX. We believe software could realize a modest budget improvement next year and potentially increase further in 2005." Source: JMS, August 2003

Summary

- A good year for Intec in a tough market
- Improved all key measures
- Cashflow positive – for last 7 quarters
- Building market share and customer base
- Momentum in contract success vs. competition
- Ongoing investment in products and business



2003 Financial Report

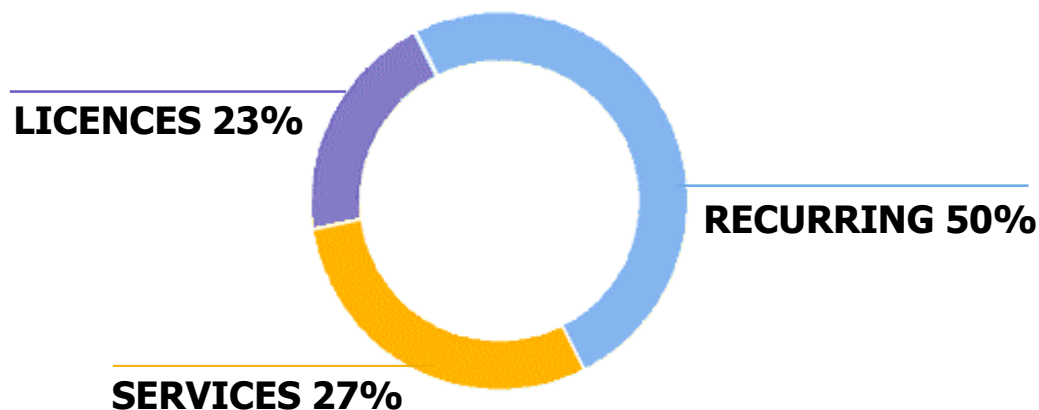


One-stop network profitability™



Revenue and Earnings

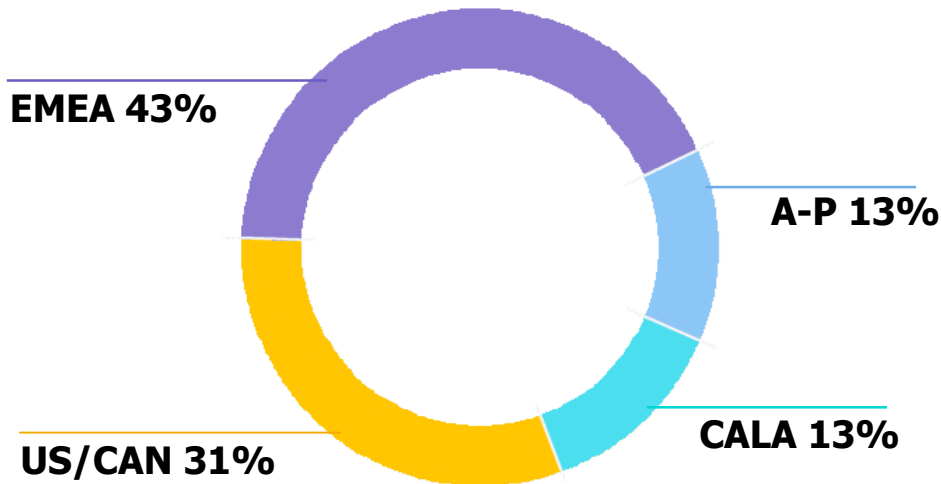
- ➔ Revenue of £50.7 million (2002: £47.5m)
 - ➔ Good performance given Capex constraints, currency impact
- ➔ Adjusted PBT £5.4 million and cash-flow £8.5 million positive
 - ➔ Reduced Opex and good collections
- ➔ Licence sales: £11.6m (23%)
- ➔ Recurring revenue: £25.3m (50%)
- ➔ Services revenue: £13.8m (27%)





Revenue by region

- ➔ US\$ weakness affected revenue by approx £1.6m
- ➔ Solid performance in difficult conditions
- ➔ Substantial contracts still available



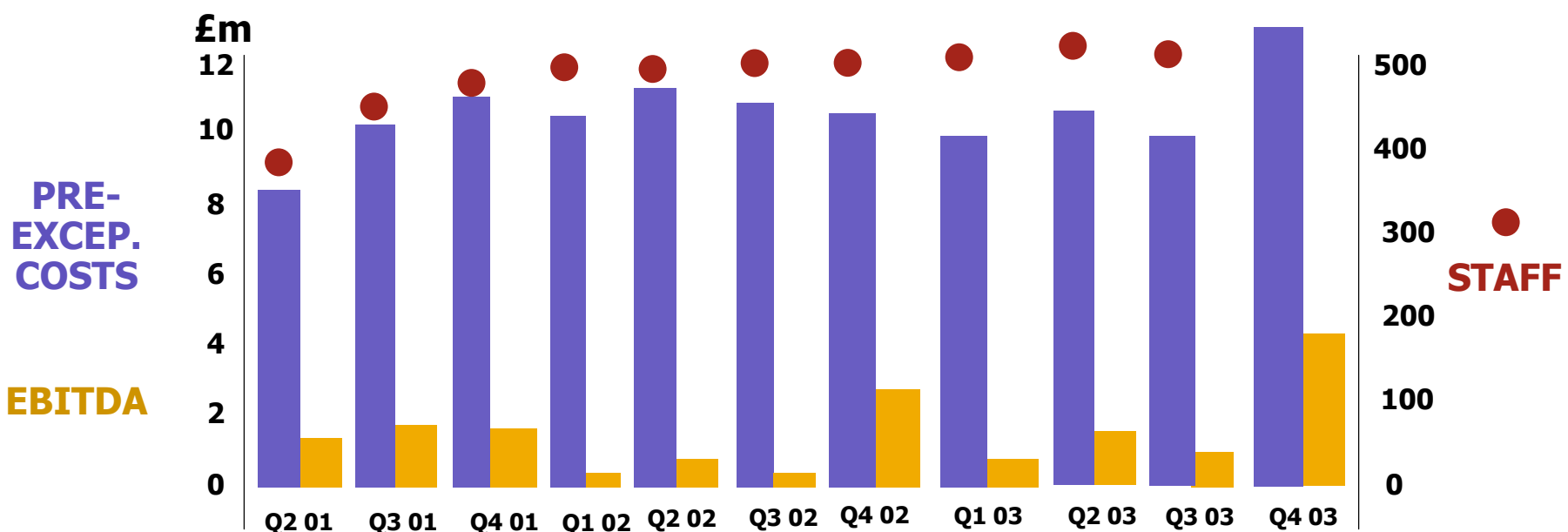
	£m	% of total	2002
US/CAN	15.5	31%	44%
EMEA	21.8	43%	36%
A-P	6.6	13%	12%
CALA	6.8	13%	8%

- ➔ **EMEA** includes UK, Europe, Middle-East, Africa
- ➔ **CALA** includes Caribbean and Latin/South America



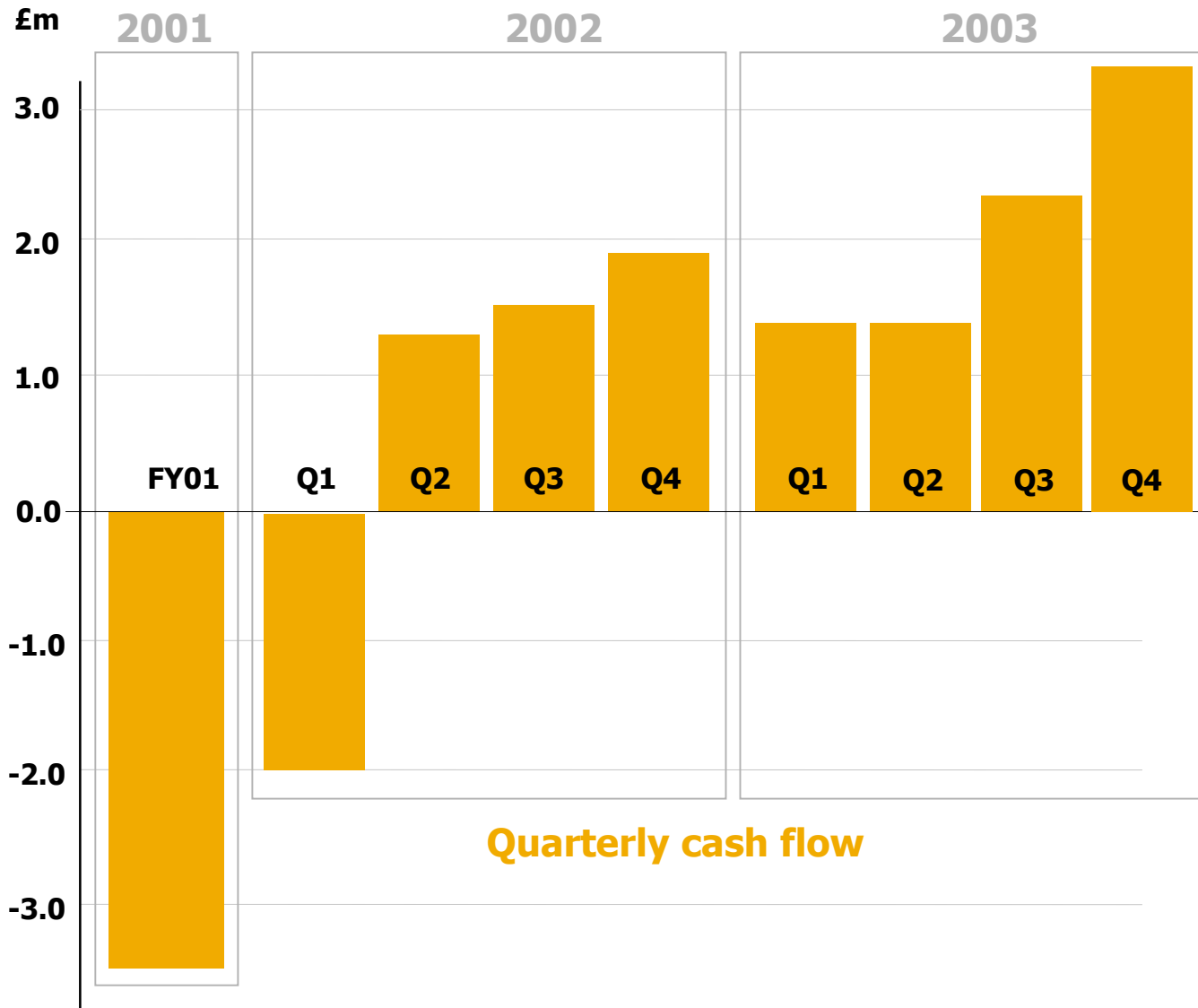
Cost management

- ➔ Lower operating costs in key areas:
 - ➔ Distribution down 18%, admin down 14%, CoS down 8%
- ➔ Internal staff focus on cost initiatives – 630 post-acq.
- ➔ EBITDA positive in last 10 quarters





Net operating cash flow



Quarterly cash flow

- £8.5m operating cash inflow for first nine months
- Effective at translating revenue into cash
- Focus on cash collection and good debt management

Profit and Loss Account

£000s	2003	2002
Revenue	50,673	47,474
Cost of sales	(15,172)	(15,430)
Gross profit	35,501	32,044
Development	(10,073)	(8,026)
Distribution	(8,784)	(9,945)
Administration (before depreciation)	(9,422)	(11,110)
EBITDA	7,222	2,963
Depreciation	(1,966)	(1,745)
Amortisation of Goodwill & Intangibles	(7,170)	(7,079)
Impairment of Goodwill	-	(7,464)
Operating Loss	(1,914)	(13,325)
Gross Margin	70.1%	67.5%

Cash Flow and Balance Sheet

Cash Flow Balance Sheet

£000s	2003	2002
Net operating cash inflow/(outflow)	8,537	2,770
Net interest	261	163
Taxation	(898)	(388)
Capital Investment	(2,007)	(1,592)
Acquisitions	(3,189)	(5,216)
Financing	(672)	-
Exchange movement	1	(195)
Net cash inflow/ (outflow)	2,033	(4,458)
Closing cash balance position	15,340	13,307

£000s	2003	2002
Intangible assets	69,106	63,422
Tangible assets	4,400	2,910
Investments	101	101
Total fixed assets	73,607	66,433
Debtors and other current assets	22,651	18,029
Cash and cash equivalents	15,340	13,307
Creditors falling due within one year	(6,996)	(4,126)
Net current assets	30,995	27,210
Total assets less current liabilities	104,602	93,643
Creditors falling due after more than one year	(69)	-
Provisions for liabilities and charges	(2,050)	-
Accruals and deferred income	(12,633)	(7,436)
Total net assets	89,850	86,207

Summary

- Growth in revenues and earnings
- EBITDA positive – for last 11 quarters
- Cashflow positive – for last 7 quarters
- Building market share and customer base
- Momentum in contract success vs. competition
- Ongoing investment in key activities
- Cash increased after acquisitions
- Cautiously optimistic for 2004



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