

19 January 2009

Vislink plc

Pre-close trading update

Vislink plc ("The Group"), a leading supplier of microwave radio and satellite transmission products for the broadcast and security markets and of CCTV systems for the marine safety market, today publishes its pre-close trading update for the year ended 31 December 2008 and outlines the new strategic direction for Vislink following a review of the business by the new CEO, Duncan Lewis.

Trading Update

Group revenue for the year ended 31 December 2008 was ahead of expectations at £100.9 million (2007: £98.6 million). The Board expects the Group's adjusted operating profit (note 1) for 2008 to be in line with market expectations.

The Group closed the year with net cash of £0.8 million (2008: £3.5 million), having made two acquisitions during the year with a total cash outflow of \$11.0 million (£7.6 million).

The Group enters 2009 with an order backlog of £34.5 million (2008: £34.7 million).

Strategic Direction

The Company also announces today the future direction of the Company following the review commissioned by the Board on the appointment of Duncan Lewis as Chief Executive on 1st October 2008.

The review established that each of Vislink's businesses share common technologies in providing secure communications systems to its customers. For example, these might be designed to get video pictures of a cargo hold back to the bridge of a ship (as in the case of Hernis), or news back to the studio (as in the case of Advent and MRC), or the results of surveillance to security authorities (as in the case of PMR), or the view of a motor race from the driver's cockpit (Link).

This powerful technology base binds the Group's companies together, but rather than act in concert, the companies have historically stood alone, each trying to develop products and services for their customers without sharing customer knowledge, technology, manufacturing processes or systems. This has led to fragmentation and duplication of investment in technology; duplicated and therefore excess overhead, and inefficient manufacturing and distribution.

The Group is therefore going to be reorganised with immediate effect, to address these weaknesses and to build on its strengths.

Vislink will now be positioned to be a strategically focused company which will provide secure communications systems to selected markets.

The company will be organised into four international Business Units, each of which will be focused on the customers we serve. These will be:

- News and Entertainment (which will comprise the electronic newsgathering and entertainment activities of Link, Advent and MRC);
- Law Enforcement and Public Safety (which will combine the surveillance systems activities of PMR which was acquired in 2008, with those of Link, MRC and Advent)
- Marine and Energy (which will build on the current Hernis business)
- Services (which will combine the services businesses of MRC and Advent with WTS which was acquired in 2007).

Each of these sectors represents attractive markets experiencing steady and sustainable growth with a degree of resilience to the economic cycle.

Research, Development and Engineering of the different Group companies will be brought together into one organisation ('Vislink Technology'), and led by a newly appointed Chief Technology Officer from within the existing management team.

Manufacturing and Distribution will be similarly integrated under one organisation across the existing locations, whose remit will be to ensure the Business Units benefit from low-cost, flexible manufacturing and improved customer delivery and support.

The new organisation will therefore:

- Accelerate growth and market penetration as each Business Unit is organised around its customers;
- Reduce overheads through the elimination of duplicated costs and the investment in common systems for the Group;
- Improve manufacturing efficiency and thereby improve gross margins and customer service, through better use of resources, manufacturing plant and advanced logistics systems.

It is expected that the costs of the reorganisation will be circa £1.0 million in cash which will be charged as a non-recurring cost in 2009. Part of the cash costs include a ten per cent reduction in the US workforce which was implemented last week. Additionally, the Group will be taking a non-cash impairment charge against the goodwill associated with the satellite business of Advent of circa £5.0 million in the 2008 financial results.

Tim Trotter, Chairman, commented: "Duncan has taken rapid steps to review Vislink's strategic direction, and building on the assets of the Group, has carved a way forward which is fully supported by the Board.

"The Group performed satisfactorily in 2008 given the current economic environment. Improving the operational efficiency combined with cost reductions from the rationalisation will underpin the Group's underlying performance for 2009. Certain parts of the Group are already growing faster than the markets they address, and we are confident that the customer-focus of the new organisation will provide further impetus to this performance.

"The Group remains cash generative, and therefore has the capacity both to invest in organic growth and where appropriate, to make tactical acquisitions building on the Group's excellent track record of acquisitions.

"The new management team is already showing that it can act cohesively and is focused now on the implementation of the Group's strategy for which it has proven operational skills."

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Enquiries

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Notes to Editors

Note 1: Adjusted operating profit is defined as operating profit before the amortisation and impairment of goodwill and acquired intangibles, share based payments and non-recurring costs. Non-recurring costs amount to £0.97 million as referred to in the Interim Report for the six months ended 30 June 2008.

Note 2: Average exchange rates used to translate the 2008 financial results are US\$1.85 (2007: US\$2.00) and Norwegian Krone 10.33 (2007: Norwegian Krone 11.72)