

SECURITIES AND EXCHANGE COMMISSION

FORM S-4/A

Registration of securities issued in business combination transactions [amend]

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FILER

REMEC INC

CIK: **769874** | IRS No.: **953814301** | State of Incorpor.: **CA** | Fiscal Year End: **0131**
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SIC: **3674** Semiconductors & related devices

Business Address
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SAN DIEGO CA 92123
6195601301

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 1999

REGISTRATION STATEMENT NO. 333-74085

 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO
 FORM S-4
 REGISTRATION STATEMENT
 UNDER THE
 SECURITIES ACT OF 1933

REMEC, INC.

(Exact Name of Registrant as Specified in Its Charter)

<TABLE>		
<S>	<C>	<C>
CALIFORNIA	73812	95-3814301
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)
</TABLE>		

9404 CHESAPEAKE DRIVE, SAN DIEGO, CALIFORNIA 92123, (619) 560-1301
 (Address, including zip code, and telephone number, including area code, of
 registrant's principal executive offices)

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 9404 CHESAPEAKE DRIVE, SAN DIEGO, CALIFORNIA 92123, (619) 560-1301
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COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after
 the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered in
 connection with the formation of a holding company and there is compliance with
 General Instruction G, check the following box. []

If this form is filed to register additional securities for an offering
 pursuant to Rule 462(b) under the Securities Act, check the following box and
 list the Securities Act registration statement number of the earlier effective
 registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d)
 under the Securities Act, check the following box and list the Securities Act
 registration number of the earlier effective registration statement for the same

offering. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION DATED MARCH , 1999

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering whether to accept the Offer described in this document, you should seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services Act 1986.

Neither the United States Securities and Exchange Commission nor any securities commission of any state of the United States has approved or disapproved of the securities offered on behalf of REMEC, Inc. or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

The information in this document is not complete and may be changed. The securities offered on behalf of REMEC may not be sold until the registration statement filed with the United States Securities and Exchange Commission is effective. This document is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state of the United States or any other country where the offer or sale is not permitted.

If you have sold or transferred all your holding of Airtech Shares, please forward this document and the accompanying Form of Acceptance and reply-paid envelope to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in, into or from Canada, Australia or Japan.

RECOMMENDED OFFER
BY
QUARTZ CAPITAL PARTNERS LIMITED
ON BEHALF OF
REMEC, INC.
FOR
AIRTECH PLC

On behalf of REMEC, Quartz Capital Partners Limited is offering to acquire all the issued share capital of Airtech plc on the terms described in this document.

The shareholders of Airtech are strongly urged to read and consider carefully

this document in its entirety, including the matters referred to under "Information Regarding REMEC -- Risk Factors" beginning on page 23.

The procedures for acceptance of the Offer are set out on pages 14 to 17 of this document and in the accompanying Form of Acceptance. To accept the Offer, you should complete and return the Form of Acceptance as soon as possible. To ensure that your acceptance is valid, it must be received no later than 3:00 p.m. (UK time) on 1999.

An Extraordinary General Meeting of Airtech Shareholders also has been called to consider and vote on a proposal regarding the proposed purchase of property described in this document. This meeting is scheduled to be held at the offices of Airtech's advisers, Albert E Sharp, on 1999 at . The notice for this meeting is set out at the end of this document.

March 1999

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Quartz Capital is regulated in the United Kingdom by The Securities and Futures Authority Limited. Quartz Capital and Needham & Company are acting for REMEC and no-one else in connection with the Offer. Quartz Capital and Needham & Company will not be responsible to anyone other than REMEC for providing the protections afforded to their customers or for giving advice regarding the Offer.

Albert E Sharp Securities is regulated in the United Kingdom by The Securities and Futures Authority Limited. Albert E Sharp Securities and Dain Rauscher Wessels are acting for Airtech and no-one else in connection with the Offer. Albert E Sharp Securities and Dain Rauscher Wessels will not be responsible to anyone other than Airtech for providing the protections afforded to their customers or for giving advice regarding the Offer.

REMEC has been granted an exemption from Rule 10b-13 under the Securities Exchange Act of 1934, as amended, by the United States Securities and Exchange Commission which permits REMEC to purchase Airtech Shares, subject to certain conditions, in any period during which the Offer remains open, but after REMEC shall have become entitled to apply the provisions of Sections 428-430F of the Companies Act to acquire compulsorily any outstanding Airtech Shares.

The extracts from the consolidated financial statements of, and other information about, REMEC appearing in this Offer Document are presented in US dollars (\$) and have been prepared in accordance with US generally acceptable accounting principles ("GAAP"). The extracts from the consolidated financial statements of, and other information about, Airtech appearing in this Offer Document are presented in pounds sterling (£) and have been prepared in accordance with UK GAAP. US GAAP and UK GAAP differ in certain significant respects. As a result, and for the convenience of the reader, the financial information of Airtech used in the preparation of the pro forma information appearing in this Offer Document has been adjusted to comply with US GAAP.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

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SUMMARY

- The Boards of REMEC and Airtech announced on 26 February 1999 the terms of a proposed offer to be made by Quartz Capital on behalf of REMEC to acquire all of the issued share capital of Airtech.

- Subject to the satisfaction or, to the extent permitted, waiver of the conditions referred to below, and set out in full in Appendix I, the Offer will be made on the following basis:

FOR EACH AIRTECH SHARE OF A SHARE OF REMEC COMMON STOCK

- Based on the Nasdaq National Market closing price of \$ per share of REMEC Common Stock on March 1999, the Offer values each Airtech Share at approximately \$ or L using the Illustrative Exchange Rate for the sterling equivalent (L1 : \$1.).

- The Offer represents a premium of approximately per cent. over the closing middle market price of 27.5 per Airtech Share on 11 January 1999, the last dealing day before the announcement by Airtech that it had been approached with a proposal that might lead to an offer for the acquisition of Airtech or its outstanding share capital.

- The Offer values the entire issued share capital of Airtech, diluted for the exercise of all outstanding options the exercise price of which is below the per share value of the Offer described above, at approximately \$ or L using the Illustrative Exchange Rate for the sterling equivalent.

- The shares of REMEC Common Stock to be issued under the Offer will be validly issued and fully paid and non-assessable and will rank equally in all respects with the existing issued shares of REMEC Common Stock.

- The Directors of Airtech have unanimously recommended the acceptance of the Offer.

- Airtech is a leading supplier of coverage enhancement products for commercial wireless communications markets in the United Kingdom, Europe and the United States. REMEC is a leader in the design and manufacture of microwave multi-fuction modules and sub-systems used in defence and commercial wireless communications markets primarily in the United States. Both companies offer a range of products and services that are technologically compatible.

- REMEC believes that this combination should strengthen both companies and help expand the manufacture and sale of Airtech's products and services in the United States and both companies' products and services into Europe. The combination will also provide Airtech with access to REMEC's significant cash resources for the development of new products by Airtech.

- The Offer is conditional, among other things, on the receipt by REMEC of a letter from its auditors confirming, on the date the Offer becomes or is declared unconditional, that the acquisition of Airtech may be accounted for as a pooling of interests under US GAAP.

- The Offer is also conditional on the approval for listing of the REMEC Common Stock to be issued in exchange for the Airtech Shares on the Nasdaq National Market. If the Offer is declared unconditional, the shares of REMEC Common

Stock issued to Airtech Shareholders will be traded on the Nasdaq National Market (and not the London Stock Exchange).

- The full conditions and further terms of the Offer are set out in Appendix I to this Offer Document. Capitalized terms used in this Offer Document have the meaning given those terms in the attached Appendix VIII.

This summary highlights some of the information from this Offer Document and Airtech Shareholders are strongly encouraged to read the full text of the Offer Document and the attached Appendices.

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[LOGO OF AIRTECH PLC APPEARS HERE]

AIRTECH PLC
(REGISTERED IN ENGLAND NO. 3193039)

N.J.S. Randall (Executive Chairman)	Registered Office:
Dr. B.J. Mulady (Chief Executive Officer)	Coldharbour Way
M.J. White (Finance Director)	Aylesbury
D.S. Haggett (Non Executive Director)	Buckinghamshire HP19 3SU
G.F. Hardyman (Non Executive Director)	
R.A.F. Heath (Non Executive Director)	March 1999

To Airtech Shareholders and, for information only, to option holders under the Airtech Share Option Schemes

Dear Shareholder,

RECOMMENDED SHARE FOR SHARE OFFER BY REMEC FOR AIRTECH

It was announced on 12 January 1999 that your Board had held a number of preliminary discussions with several potential partners or trade investors with a view to technical collaboration and the provision of additional funding for the Company. It was also announced that one of the companies approached by Airtech had expressed an interest in merging with Airtech and that discussions were at a very early stage and might or might not lead to an offer for the Company.

On 26 February 1999, the Boards of REMEC and Airtech announced the terms of a recommended share for share offer to be made by Quartz Capital on behalf of REMEC to acquire the whole of the share capital of Airtech. This letter sets out the background to the Offer and the reasons why your Board is recommending all Airtech Shareholders to accept the Offer.

The formal Offer is set out in the letter from Quartz Capital on pages 9 to 22 of this document.

TERMS OF THE OFFER

The Offer is being made on the following basis:

FOR EACH AIRTECH SHARE OF A SHARE OF REMEC COMMON STOCK

Based on the closing REMEC Common Stock price on the Nasdaq National Market on March 1999 (the latest practicable date prior to the posting of this document) and the Illustrative Exchange Rate, the sterling equivalent value of the Offer would be p per Airtech Share. On this basis, the Offer values the issued share capital of Airtech at approximately L million. This represents a premium of per cent. over the closing middle market price of 27.5p per Airtech share on 11 January 1999, the last dealing day before the announcement by Airtech that it had received an approach that might lead to an offer being made for the Company. It also represents a premium of per cent. to the price of 19.5p per Airtech Share, being the average of the closing middle market prices for the 30 days prior to the announcement by Airtech on 12 January 1999 that it had received an approach that might lead to an offer being made for the company.

BACKGROUND TO AND REASONS FOR RECOMMENDING ACCEPTANCE OF THE OFFER

Since its flotation in September 1996, Airtech has made significant progress in

establishing itself as one of the leading suppliers of mobile communications coverage enhancement products. The company's aim is to be a technological leader in the design of advanced coverage enhancement products and to serve all the major markets for these products throughout the world.

Despite the successes that we have achieved, 1998 has been a very difficult trading year for a variety of reasons. Sales for the year ended on 31st December 1998 were L12.5 million which was substantially below the L21.3 million achieved in 1997. The substantial reduction in sales compared with 1997 resulted in an operating loss before exceptional costs of L4.1 million compared with a profit of L0.7 million for the previous year. In addition to the trading loss, we incurred exceptional costs during the period of L4.95 million. These exceptional costs arose largely as a direct result of the upgrade programme where we decided to increase our upgrade provisions by a further L0.79 million in the second half of the year to insure that we had adequate provisions to

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cover the completion of the programme within our 1998 accounts. Internally, our upgrade programme for mast-head amplifiers has proved costly, although the problems are being addressed. We were also affected by a number of external factors in 1998 which included continued slippage in PCS orders in the US, coupled with financial instability in the Far East. On a more positive note, our Generation 3 series of mast-head amplifiers, and booster products have been well received by the market.

In the light of our difficulties, your Board has given very careful consideration to the strategic and financing alternatives open to Airtech in view of the company's need for short and medium term working capital. The Directors of Airtech have assessed the prospects for the business as an independent entity, having regard to our cash position, the debt facilities available to us and the likelihood of obtaining significant further equity finance from the market. Having considered these alternatives, your Board believes that it is in the best interests of the business, and its shareholders and employees to be part of a larger group committed, to and with the resources to achieve, further expansion.

Your Board believes that the merger with REMEC represents an excellent opportunity for Airtech and REMEC to work in partnership with Airtech's existing customer base in order to offer a range of complementary products and services to those customers. The merger with REMEC will also assist Airtech in the sale of its products in the US, as REMEC's products are technologically compatible with Airtech's. The Board anticipates that the merger will also provide Airtech with access to REMEC's significant cash resources to increase its market base by developing new products. The merger should strengthen Airtech and help us offer highly integrated solutions to our customers.

It is intended that the merger of Airtech and REMEC will be accounted for as a pooling of interests under US GAAP. REMEC has received advice from Ernst & Young LLP confirming that they concur with the conclusion of REMEC management that this accounting treatment is permissible. If for any reason it proves impossible or impracticable to achieve this accounting treatment prior to the Offer becoming or being declared wholly unconditional, however, REMEC has agreed that it will, subject to the requisite Airtech shareholder and regulatory approvals and the satisfaction of certain other conditions, subscribe for 11.2 million new Airtech ordinary shares at 40p per share.

PRELIMINARY ANNOUNCEMENT OF AIRTECH RESULTS

We issued the full text of our preliminary results statement for the year ended 31 December 1998 to the London Stock Exchange on Thursday, 25 March 1999. The audited financial statements for the year ended 31 December 1998 are included in Appendix III of this document.

MANAGEMENT AND EMPLOYEES

REMEC has given assurances to the Directors of Airtech that the existing employment rights, including pension rights, of employees of the Airtech Group will be fully safeguarded.

If the Offer becomes unconditional in all respects, I will enter into an agreement with REMEC to continue to serve as Chairman of the Board of Airtech and to take up a position with REMEC as an Executive Vice President. Details of the agreement are described in paragraph 5 of Appendix IV. This agreement is subject to the approval of the Airtech Shareholders.

AIRTECH SHARE OPTION SCHEMES

The Offer will extend to any Airtech Shares which are issued or unconditionally allotted while the Offer remains open for acceptance as a result of the exercise of options granted under the Airtech Share Options Schemes. Appropriate proposals reflecting the terms of the Offer will be made in due course to participants of the Airtech Share Option Schemes if the Offer becomes or is declared unconditional in all respects.

PURCHASE OF THE NEW AIRTECH FACTORY AND ADJOINING LAND

It has been agreed, subject to the approval of Airtech Shareholders in general meeting and upon the Offer becoming wholly unconditional, that REMEC will also purchase the long leasehold interest in the New

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Airtech Factory and adjoining land suitable for expansion purposes from a company owned and controlled by me, for a consideration of L3.8 million less the mortgage outstanding on the property in exchange for the issue of New REMEC Common Stock which will be valued at the average of the closing price on the Nasdaq National Market for each of the 10 Trading Days ending on the day before completion of the purchase of the New Airtech Factory. It is anticipated that the attached mortgage on the New Airtech Factory will be L3.4 million and accordingly New REMEC Common Stock with a value of some L400,000 will be issued.

As part of these arrangements, REMEC will also be granted pre-emption rights over some 2.3 acres of land adjacent to the New Airtech Factory currently on a long leasehold by a company owned and controlled by me.

Further details of the agreement relating to the New Airtech Factory are set out at paragraph 12 of the letter from Quartz Capital and a copy of an independent valuation of the New Airtech Factory is set out in Appendix VI.

EXTRAORDINARY GENERAL MEETING

The proposed disposal of the New Airtech Factory and my entering into the service agreement with REMEC require shareholder approval and a notice to Airtech Shareholders convening the requisite Extraordinary General Meeting of Airtech and seeking such approvals of this transaction, as required by the Panel, is set out at the end of this document. As a result of the requirements of the Panel, neither I nor any parties connected with me may vote on the resolutions to approve the property transaction and the service agreement. Accordingly I will and will procure that such parties abstain from voting at the Extraordinary General Meeting. The Panel require that the votes at the Extraordinary General Meeting must be taken on a poll. Polling forms will be available at the Meeting.

WHETHER OR NOT YOU INTEND TO ATTEND THE MEETING IN PERSON YOU ARE URGED TO COMPLETE AND RETURN THE FORM OF PROXY. TO BE VALID, THIS MUST BE RETURNED SO AS TO BE RECEIVED BY THE COMPANY'S REGISTRARS NOT LATER THAN 48 HOURS BEFORE THE TIME OF THE MEETING.

IRREVOCABLE UNDERTAKINGS

REMEC has received irrevocable undertakings to accept the Offer in respect of 23,682,428 Airtech Shares representing a total of 52.0 per cent. of Airtech's issued share capital. The Directors of Airtech and their associates have given irrevocable undertakings to accept the Offer in respect of their entire holdings

amounting in total to 20,669,597 Airtech Shares, representing 45.4 per cent. of Airtech's issued share capital. In addition, funds managed by Bessemer Venture Partners have irrevocably undertaken to accept the Offer in respect of their holdings amounting to 3,012,831 Airtech Shares, representing 6.6 per cent of Airtech's issued share capital.

Further information on the irrevocable undertakings is contained in paragraph 2 of the letter from Quartz Capital and in Appendix IV of this document.

ACTION TO BE TAKEN TO ACCEPT THE OFFER

To accept the Offer you should ensure that you return your completed Form of Acceptance in the reply paid envelope as soon as possible and in any event so as to be received by no later than 3:00 p.m. on 1999.

The procedure for acceptance is set out on pages 14 to 17 of this document and in the Form of Acceptance. The attention of Airtech Shareholders who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraph 14(g) of the letter from Quartz Capital.

RECOMMENDATION

Your Board, which has been so advised by Albert E Sharp Securities and Dain Rauscher Wessels, considers the terms of the Offer to be fair and reasonable. The independent members of your Board, who have been so advised by Albert E Sharp Securities, also consider the arrangements for the purchase of the New Airtech Factory and the new service agreement to be entered into between myself and REMEC, described above, to be fair and reasonable. In providing advice to the Board, Albert E Sharp Securities and Dain Rauscher Wessels have taken into account the commercial assessments of the directors of Airtech.

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THE DIRECTORS OF AIRTECH UNANIMOUSLY RECOMMEND ALL AIRTECH SHAREHOLDERS TO ACCEPT THE OFFER AS THEY HAVE UNDERTAKEN TO DO IN RESPECT OF THEIR AGGREGATE HOLDINGS OF AIRTECH SHARES, WHICH TOGETHER WITH THOSE OF THEIR FAMILIES, ASSOCIATES AND RELATED TRUSTS, TOTAL 20,669,597 AIRTECH SHARES REPRESENTING 45.4 PER CENT OF THE ISSUED SHARE CAPITAL OF AIRTECH.

THE DIRECTORS OF AIRTECH (OTHER THAN ME FOR THE REASON SET OUT ABOVE) ARE ALSO RECOMMENDING ALL AIRTECH SHAREHOLDERS TO VOTE IN FAVOUR OF THE RESOLUTIONS AT THE EXTRAORDINARY GENERAL MEETING, AS THEY HAVE UNDERTAKEN TO DO IN RESPECT OF THEIR AGGREGATE HOLDINGS OF AIRTECH SHARES WHICH, TOGETHER WITH THOSE OF THEIR FAMILIES AND ASSOCIATES, TOTAL 567,512 AIRTECH SHARES REPRESENTING 1.2 PER CENT. OF THE ISSUED SHARE CAPITAL OF AIRTECH.

Yours sincerely,

N.J.S. RANDALL
Executive Chairman

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[LOGO OF QUARTZ CAPITAL APPEARS HERE]

To Airtech Shareholders and, for information only, to participants in the Airtech Share Option Schemes

March 1999

Dear Sir/Madam,

RECOMMENDED SHARE FOR SHARE OFFER BY REMEC FOR AIRTECH

1. INTRODUCTION

The Boards of REMEC and Airtech announced on 26 February 1999 that they had reached agreement on the terms of a recommended share for share

The Offer extends to any Airtech Shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as, with the Panel's consent or in accordance with the Code, REMEC may decide) as a result of the exercise of options under the Airtech Share Option Schemes or otherwise.

The conditions and further terms of the Offer are set out in Appendix I to this document and in the Form of Acceptance.

4. FRACTIONS

If the Offer becomes or is declared unconditional in all respects, fractions of REMEC shares of Common Stock will not be issued to accepting Airtech Shareholders who will instead receive from REMEC an amount in cash in lieu of any entitlements to a fraction of a share of REMEC Common Stock. However, individual entitlements of less than L3.00 will not be paid to Airtech Shareholders but will be retained for the benefit of the Enlarged REMEC Group.

5. REMEC COMMON STOCK

The New REMEC Common Stock will be issued credited as fully paid and will rank pari passu in all respects with the existing REMEC Common Stock, including the right to any dividends and other distributions declared, paid or made after 26 February 1999. The New REMEC Common Stock will be issued free from all liens, equities, charges, encumbrances and other interests.

Airtech Shareholders should bear in mind that the sterling value of any investment in REMEC Common Stock and any dividend income from that investment (payable in US dollars and subject to US withholding tax) will be affected by the dollar to sterling exchange rate.

6. INFORMATION ON REMEC

REMEC is a leader in the design and manufacture of microwave multi-function modules ("MFMs") and sub-systems for microwave transmission systems used in defence and commercial wireless applications. The company believes that its expertise in microwave transmission systems components such as filters, amplifiers, mixers, switches and oscillators and its expertise in integrating these components into MFMs and sub-systems give it a strong competitive position in the growing commercial wireless infrastructure equipment market. REMEC's capabilities enable it to develop and manufacture MFMs and sub-systems with reduced size, weight, parts count and cost and increased reliability and performance.

REMEC comprises an expanding family of companies that provide components, MFMs and sub-systems across the total functionality of a microwave transmission system. Corporate offices are located in San Diego, California with engineering and manufacturing facilities located in the San Diego and San Jose areas of California; Etobicoke, Ontario, Canada; and Palm Bay, Florida. Manufacturing operations are established in San Jose, Costa Rica and in Tijuana, Mexico, supporting high volume component fabrication and electronic assembly and test functions. REMEC's customer base consists primarily of US based wireless infrastructure original equipment manufacturers ("OEM"s) and prime defence contractors.

The company's products operate at radio (300 MHz to 1 GHz), microwave (1 GHz to 20 GHz) and millimetre wave (20 GHz to 50 GHz) frequencies. Modern wireless telecommunications systems

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employ microwave transmission technology pioneered in the defence industry. Microwave frequency bands have been used for emerging wireless telecommunications applications because they are less congested and have more available bandwidth, affording greater voice, data and video transmission capacity than lower frequency bands. Driven by technological advances and regulatory changes, demand for wireless telecommunications products has increased in recent years for applications such as mobile telephony (cellular and personal communication systems "PCS"), rural telephony, very small aperture terminals (VSAT), paging, wireless cable, interactive television and wireless local loop. These emerging wireless applications require a large infrastructure of microwave transmission equipment such as base-stations and point-to-point radios. The company believes that the evolution of cellular and PCS infrastructure, as well as other wireless telecommunications systems, will require increased integration in order to reduce size, weight and cost and to increase reliability and productibility of base-station equipment.

REMEC also designs and manufactures precision instruments for guidance, control and measurement systems used by the defence, aerospace, petroleum and mining industries.

For the year ended 31 January 1999, REMEC generated income before taxes of \$12.4 million on revenues of \$158.4 million. As at 31 January 1999, REMEC had total stockholders' equity of \$188.9 million. REMEC had a market capitalisation of approximately \$ million at the close of business on March 1999, the last practicable date before the issue of this document, based on the closing market price of REMEC Common Stock of \$.

7. INFORMATION ON AIRTECH

Airtech is a leading supplier of coverage enhancement products for wireless mobile communications networks. Airtech's corporate office and principal engineering and manufacturing facilities are located in the UK, with sales and service offices located in the US and Malaysia. Airtech's customers include a number of the world's leading base-station OEMs and wireless mobile communication service providers.

The company believes that as the number of wireless subscribers and service providers continues to grow, service providers must improve and expand their service offerings in order to remain competitive. The company has identified and developed a number of products to extend the coverage capabilities of wireless network base-station equipment. Tower top amplifier products, which extend the receive range of the base-station, are currently in production. Tower top booster products, which extend both the receive and transmit range of the base-station, are currently entering production. In addition, the company offers custom radio frequency sub-system solutions that integrate the filtering, combining, multiplexing and amplification functionality found in its standard products for base-station OEMs, the Private Mobile Radio (PMR) market and the Royal Navy for various ship bound communications systems.

In the year ended 31 December 1998, Airtech made a loss before tax of approximately £9.2 million on turnover of £12.5 million. At that date, the Airtech Group had shareholders' funds of £1.5 million.

8. BACKGROUND TO AND REASONS FOR THE OFFER

REMEC has developed a strong position in a range of complementary markets within the US wireless telecommunications arena. REMEC has identified a number of strategic goals, including expansion into Europe, which represents a significant portion of the worldwide wireless infrastructure OEM and service provider market, and extension of the company's product offerings in the mobile communications market with a higher level integrated product.

On 11 November 1998, Ronald Ragland, Chairman and Chief Executive Officer, and Jon Opalski, Senior Vice President of Business Development, and other representatives of REMEC met with Nick Randall, Chairman. Mr Randall indicated that he was looking for a strategic partner to collaborate on new product development and make an investment in Airtech to help fund new product development and continued operations. Subsequent to 11 November 1998, Mr Ragland and

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Mr Randall spoke on several other occasions regarding such possible business collaborations and combinations.

On 4 December 1998, REMEC's Board met and authorised REMEC management to pursue discussions concerning a potential offer to acquire Airtech. On 16 December 1998, Mr Randall presented a summary of the discussions with REMEC regarding REMEC's interest in acquiring Airtech and the Airtech Board authorised its management to proceed with such discussions with REMEC.

On 12 January 1999, REMEC and Airtech each commenced a due diligence review of the other's business, financial and legal affairs as negotiations continued.

On 12 January 1999, Airtech issued a press release which noted the recent

movement in the company's share price and announced that it had had preliminary discussions with several potential partners or trade investors relating to technical collaboration and procuring additional funding, including negotiations with a company interested in merging with Airtech.

On 13 January 1999, terms of a formal offer were tentatively agreed to by REMEC and Airtech for the merger of the two companies, subject to further negotiations between the parties.

On 22 January 1999, REMEC's Board met and unanimously resolved to authorise Needham & Company, Inc., REMEC's US financial adviser and Quartz Capital, to make the Offer on behalf of REMEC and to approve the issuance of REMEC Common Stock pursuant to the Offer. In evaluating the Offer, REMEC's Board reviewed its strategic positioning and plans, the past performance and further potential of Airtech, Airtech's line of business and its existing and planned products, and the alternatives available to REMEC in carrying out its strategic objectives.

The Board of REMEC believes that the acquisition of Airtech represents an excellent opportunity to bring a range of highly complementary products and services into its family of companies and at the same time establishes a base for the expansion of both Airtech's and its own existing products into Europe and the rest of the world. The REMEC Board believes that it will be able to assist Airtech in the manufacture and sale of its products in the US as Airtech's products are technologically compatible. REMEC will also provide Airtech with the resources required to increase its market base by developing new products.

The acquisition of Airtech by REMEC should strengthen both companies and help them offer highly integrated solutions to their customer base whose operations are expanding on a global scale. REMEC believes that the acquisition of Airtech will significantly enhance its strategic position in the wireless telecommunications market.

9. FINANCIAL EFFECTS OF ACCEPTANCE

(a) CAPITAL VALUE

The following tables set out, for illustrative purposes only and on the bases and assumptions set out below, the financial effects of acceptance on capital value and income for a holder of 1000 Airtech Shares accepting the Offer if the Offer becomes or is declared unconditional in all respects:-

<TABLE>

<S>	<C>
-- Compared to the day before the Offer period:	
Sterling equivalent value of New REMEC Common Stock issued in exchange for 1000 Airtech Shares under the Offer (i)...	L
Market value of 1000 Airtech Shares (ii).....	L275 -----
Increase in value (iii).....	L =====
Percentage increase (iii).....	percent. =====
-- Compared to the average of the 30 dealing days prior to the Offer period:	
Sterling equivalent value of New REMEC Common Stock issued in exchange for 1000 Airtech Shares under the Offer (i)...	L
Market value of 1000 Airtech Shares (iv).....	L195 -----
Increase in value (iii).....	L =====
Percentage increase (iii).....	percent. =====

</TABLE>

Notes:

- (i) The sterling equivalent value of New REMEC Common Stock is based on the closing sales price of REMEC Common Stock as quoted on the Nasdaq National Market of \$18 on March 1999, the last practicable date prior to the issue of this document, and the Illustrative Exchange Rate.
- (ii) The market value attributed to one Airtech Share is based on the closing middle market price of 27.5p as derived from SEDOL on 11 January 1999, the last dealing day prior to the announcement by Airtech that it had received an approach that might lead to an offer being made for the company.
- (iii) No account has been taken of any liability to taxation or for the treatment of fractional entitlements to REMEC Common Stock.
- (iv) The average of the closing middle market prices of Airtech Shares for the 30 days prior to the announcement by Airtech on 12 January 1999 that it had received an approach that might lead to an offer being made for the company.

(b) INCOME

REMEC intends to continue its policy of retaining earnings for use in its operations and in the expansion of its business and therefore does not anticipate paying any cash dividends or making any other form of distribution of income for the foreseeable future. Neither REMEC nor Airtech have paid a cash dividend during the last 12 months.

10. MANAGEMENT AND EMPLOYEES

The existing employment rights, including pension rights, of employees of the Airtech Group will be fully safeguarded. If the Offer becomes or is declared wholly unconditional, REMEC and Mr Nick Randall, Chairman of Airtech, will enter into a service agreement pursuant to which Mr Randall will continue to serve as Chairman of the Board of Airtech and also will take up a position with REMEC as an Executive Vice President. Details of the agreement are described in paragraph 5 of Appendix IV.

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11. AIRTECH SHARE OPTION SCHEMES

The Offer will extend to any Airtech Shares which are issued or unconditionally allotted while the Offer remains open for acceptance as a result of the exercise of options granted under the Airtech Share Option Schemes. Appropriate proposals reflecting the terms of the Offer will be made in due course to participants of the Airtech Share Option Schemes if the Offer becomes or is declared unconditional in all respects.

12. THE NEW AIRTECH FACTORY

REMEC has agreed to purchase the long leasehold interest in the New Airtech Factory from a company owned and controlled by Mr Nick Randall, the Chairman of Airtech, for a consideration of L3.8 million, less any mortgage outstanding on the property. A copy of the valuation report prepared by Haslams is set out at Appendix VI. REMEC will acquire the New Airtech Factory, following the Offer becoming wholly unconditional, including the attached debt, in exchange for the issue of REMEC Common Stock which will be valued at the average of the closing price on the Nasdaq National Market for each of the 10 Trading Days ending on the day before completion of the purchase of the New Airtech Factory. It is anticipated that the attached debt will be L3.4 million and accordingly New REMEC Common Stock with a value of some L400,000 would be issued.

As part of these arrangements, REMEC will also be granted pre-emption rights over 2.3 acres of land adjacent to the New Airtech Factory currently owned by a company owned and controlled by Mr Randall. REMEC can then acquire this land at the price agreed between that company and any other bona fide third party wishing to acquire it. These arrangements are subject to the approval of Airtech shareholders and the

Offer is conditional on such approval. The independent members of the Board of Airtech, consider the arrangements for the purchase of the New Airtech Factory, described above, to be fair and reasonable and are recommending Airtech Shareholders to vote in favour of the proposals.

13. ACCOUNTING TREATMENT

It is a condition of the Offer that REMEC receives a letter from Ernst & Young LLP, REMEC's auditors, dated as of the date on which the Offer becomes or is declared unconditional in all respects, confirming that they continue to concur with REMEC management's conclusion that the acquisition of Airtech may be accounted for as a pooling of interests under US GAAP.

In order that the acquisition of Airtech may be treated as a pooling of interests under US GAAP, the directors of Airtech and certain persons associated with them have entered into agreements with REMEC in respect of a total of 21,180,557 Airtech Shares (representing approximately 46.5 per cent of Airtech's issued share capital), under which they have agreed, unless certain conditions set out in these agreements are satisfied, not to deal in their Airtech Shares (other than to accept the Offer) or their New REMEC Common Stock until REMEC has published financial statements incorporating at least 30 days of combined operations of REMEC and Airtech.

If it proves impossible or impracticable to achieve this accounting treatment prior to the Offer becoming or being declared wholly unconditional however, the Offer will lapse and REMEC has agreed that it will, subject to the requisite Airtech shareholder and or regulatory approvals and the satisfaction of certain other conditions, subscribe for 11.2 million new Airtech ordinary shares at 40p per share.

14. PROCEDURE FOR ACCEPTANCE OF THE OFFER

This section should be read together with the notes on the Form of Acceptance.

(a) COMPLETION OF THE FORM OF ACCEPTANCE

If you hold Airtech Shares in both certificated and uncertificated form (that is to say, in CREST), you should complete a separate Form of Acceptance for each holding. In addition, you should complete separate Forms of Acceptance for Airtech Shares held in uncertificated form but under different member account IDs and for Airtech Shares held in certificated form but under different designations. Additional Forms of Acceptance are available from New Issues Department, IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ (telephone number 0181-639-2000).

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To accept the Offer in respect of all your Airtech Shares, you must complete Boxes 1 and 3 and, where appropriate, Boxes 5 and/or 6 and, if your Airtech Shares are in CREST, Box 4 on the Form of Acceptance. In all cases you must sign Box 2 on the Form of Acceptance IN THE PRESENCE OF A WITNESS, WHO SHOULD ALSO SIGN IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED THEREON.

(b) RETURN OF FORM OF ACCEPTANCE

To accept the Offer, the completed Form of Acceptance should be returned (whether or not your Airtech Shares are in CREST) signed and witnessed by post or by hand to New Issues Department, IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ together (subject to paragraphs (c) and (d) below) with the relevant share certificate(s) and/or other document(s) of title as soon as possible, BUT IN ANY EVENT SO AS TO ARRIVE NO LATER THAN 3.00 P.M. ON 1999. A reply-paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given by or on behalf of REMEC. The instructions printed on the Form of Acceptance are deemed to form part of the terms of the Offer.

Any Form of Acceptance received in an envelope postmarked in Canada, Australia or Japan or otherwise appearing to REMEC or its agents to have been sent from Canada, Australia or Japan may be rejected as an invalid acceptance of the Offer. For further information on overseas shareholders, see paragraph (g) below.

(c) DOCUMENTS OF TITLE

If your Airtech Shares are in certificated form, a completed, signed and witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are lost or not readily available, you should nevertheless complete, sign and return the Form of Acceptance, as stated above, so as to be received by IRG plc by no later than 3.00pm on 1999. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available and a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. No acknowledgement of receipt of documents will be given. If you have lost your share certificate(s) and/or other document(s) of title, you should contact Mr Matthew White, Company Secretary of Airtech, Coldharbour Way, Aylesbury, Buckinghamshire HP19 3SU, for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post to IRG plc.

(d) ADDITIONAL PROCEDURES FOR AIRTECH SHARES IN UNCERTIFICATED FORM (THAT IS, IN CREST)

If your Airtech Shares are in uncertificated form, you should insert in Box 4 of the Form of Acceptance the participant ID and member account ID under which such Airtech Shares are held by you in CREST and otherwise complete and return the Form of Acceptance as described above. In addition, you should take (or procure to be taken) the action set out below to transfer the Airtech Shares in respect of which you wish to accept the Offer to an escrow balance (that is, a TTE instruction) specifying IRG plc (in its capacity as a CREST participant under its participant ID referred to below) as the escrow agent, as soon as possible AND IN ANY EVENT SO THAT THE TRANSFER TO ESCROW SETTLES NO LATER THAN 3.00 P.M. ON 1999.

IF YOU ARE A CREST SPONSORED MEMBER, YOU SHOULD REFER TO YOUR CREST SPONSOR BEFORE TAKING ANY ACTION. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Airtech Shares are held. In addition, only your CREST sponsor will be able to send the required TTE instruction to CRESTCo in relation to your Airtech Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in

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accordance with CRESTCo's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details

- the number of Airtech Shares to be transferred to an escrow balance;
- your member account ID. This must be the same member account ID as that inserted in Box 4 of the Form of Acceptance;
- your participant ID. This must be the same participant ID as that inserted in Box 4 of the Form of Acceptance;
- the member account ID of the escrow agent. This is AIRT;
- the participant ID of the escrow agent, IRG plc, in its capacity as CREST receiving agent. This is RA06;
- the Form of Acceptance reference number. This is the reference number that appears next to Box 4 on page 3 of the Form of Acceptance. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable IRG plc to match the TTE to your Form of Acceptance. You should keep a separate record of this reference number for future reference;

- the intended settlement date. This should be as soon as possible and in any event not later than 3.00 p.m. on 1999; and
- Corporate Action Number. This is allocated by CRESTCo and can be found by viewing the relevant corporation action details in CREST.

After settlement of the TTE instruction, you will not be able to access the Airtech Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the escrow agent will transfer the Airtech Shares concerned to itself.

You are recommended to refer to the CREST manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that a Form of Acceptance relates to only one TTE instruction.

If no Form of Acceptance reference number, or an incorrect Form of Acceptance reference number, is included in the TTE instruction, REMEC may treat any amount of Airtech Shares transferred to an escrow balance in favour of the escrow agent specified above from the participant ID and member account ID identified in the TTE instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of Airtech Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

YOU SHOULD NOTE THAT CRESTCO DOES NOT MAKE AVAILABLE SPECIAL PROCEDURES IN CREST FOR ANY PARTICULAR CORPORATE ACTION. NORMAL SYSTEM TIMINGS AND LIMITATIONS WILL THEREFORE APPLY IN CONNECTION WITH A TTE INSTRUCTION AND ITS SETTLEMENT. YOU SHOULD THEREFORE ENSURE THAT ALL NECESSARY ACTION IS TAKEN BY YOU (OR BY YOUR CREST SPONSOR) TO ENABLE A TTE INSTRUCTION RELATING TO YOUR AIRTECH SHARES TO SETTLE PRIOR TO 3.00 P.M. ON 1999. IN THIS REGARD, YOU ARE REFERRED IN PARTICULAR TO THOSE SECTIONS OF THE CREST MANUAL CONCERNING PRACTICAL LIMITATIONS OF THE CREST SYSTEM AND TIMINGS.

REMEC will make an appropriate announcement if any of the details contained in this paragraph (d) alter for any reason in any respect that is material to Airtech Shareholders.

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(e) DEPOSITS OF AIRTECH SHARES INTO, AND WITHDRAWALS OF AIRTECH SHARES FROM, CREST

Normal CREST procedures (including timings) apply in relation to any Airtech Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Airtech Shares or otherwise). Holders of Airtech Shares who are proposing so to convert any such Airtech Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Airtech Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other document(s) of title or transfers to an escrow balance as described above) prior to 3.00 p.m. on 1999.

(f) VALIDITY OF ACCEPTANCE

Without prejudice to Part B of Appendix I, REMEC reserves the right (subject to the terms of the Offer and the Code) to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant TTE instruction or (as applicable) the relevant share certificate(s) and/or other document(s) of title. In that event, no shares of REMEC Common Stock will be issued under the Offer until after the relevant TTE instruction has settled or (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to REMEC have been received.

(g) OVERSEAS SHAREHOLDERS

The attention of Airtech Shareholders who are citizens or residents of jurisdictions outside the United Kingdom is drawn to paragraphs 6 and 7 of Part B of Appendix I and to the relevant provisions of

the Form of Acceptance.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements.

All Airtech Shareholders (including nominees, trustees or custodians) who would, or otherwise intend to, forward this document and/or the Form of Acceptance, should read the further details in this regard which are contained in paragraphs 6 and 7(c) of Part B of Appendix I before taking any action.

IF YOU ARE IN ANY DOUBT AS TO THE PROCEDURE FOR ACCEPTANCE, PLEASE CONTACT IRG PLC BY TELEPHONE ON 0181 639-2000. YOU ARE REMINDED THAT, IF YOU ARE A CREST SPONSORED MEMBER IN RESPECT OF YOUR AIRTECH SHARES, YOU SHOULD CONTACT YOUR CREST SPONSOR BEFORE TAKING ANY ACTION.

15. SETTLEMENT

Subject to the Offer becoming or being declared unconditional in all respects, settlement of the consideration to which any Airtech Shareholder is entitled under the Offer (except as provided in paragraph 6 of Part B of Appendix I in the case of certain overseas Airtech Shareholders), will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date, or (ii) in the case of acceptances received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects but while the Offer remains open for acceptance, within 14 days of such receipt. Certificates for New REMEC Common Stock and, where applicable, cheques representing fractional entitlements, will be despatched to Airtech Shareholders. In the case of joint holders of Airtech Shares, these will be despatched to the joint holder whose name appears first in the register of members. All documents will be sent by pre-paid post at the risk of the person entitled thereto. Accepting Airtech Shareholders will receive their New REMEC Common Stock certificates without having to take any further action. Dealings in REMEC Common Stock are expected to commence on the Nasdaq National Market shortly after the Offer becomes or is declared unconditional in all respects. Pending despatch of certificates, transfers of New REMEC Common Stock will be certified against the register of members of REMEC.

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If the Offer does not become or is not declared unconditional in all respects (i) share certificate(s) and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel) within 14 days of the Offer lapsing, to the person or agent whose name and address is set out in the appropriate box of the Form of Acceptance or, if none is set out, to the first named holder at his or her registered address and (ii) IRG plc will, immediately after the lapsing of the Offer (or within such longer period, not exceeding 14 days after the Offer lapsing, as the Panel may approve), give TTE instructions to CRESTCo to transfer all relevant Airtech Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the Airtech Shareholders concerned. All documents and remittances sent by, to or from Airtech Shareholders or their appointed agents will be sent at their own risk.

16. TAXATION

The following discussion of taxation is included for general information and relates only to the position of a person who is either a UK Resident or a US Resident and who is the absolute beneficial owner of Airtech Shares and accepts the Offer as to all such Airtech Shares. In particular, the following does not discuss all of the tax consequences that may be relevant to an Airtech Shareholder in light of such shareholder's particular circumstances or to holders subject to special rules, such as life insurance companies, dealers in securities, financial institutions, tax-exempt entities, persons who have acquired or acquire Airtech Shares pursuant to the exercise of options under the Airtech Share Option Schemes or otherwise (or otherwise as compensation), persons whose REMEC Common Stock will form part of the business property of a permanent establishment of an enterprise in the US within the meaning of Article 7(1) of the UK-US estate tax treaty presently in force, persons who are UK Residents and US Residents, certain US non-resident alien individuals who were US citizens or US

lawful permanent residents within the past ten years, or US Residents whose functional currency is not the US dollar. The explanation of US and UK tax laws set out below is based on laws and, in the case of the UK, practice at present in effect, including the Treaty, and, in the case of both the US and the UK, judicial and administrative precedent as of March 1999. This explanation is subject to any changes in those laws, practice (in the case of the UK) and precedent occurring after that date, possibly with retroactive effect, and does not discuss any tax laws other than those of the US and the UK. No US state or local tax considerations are discussed. All Airtech Shareholders are urged to consult their professional tax advisers regarding the specific tax consequences of the Offer to them, including the applicability of UK tax laws, US federal, state and local tax laws and the tax laws of any other jurisdiction to which they may be subject.

The comments on US tax consequences are based upon an opinion provided by Heller Ehrman White & McAuliffe, REMEC's US counsel. This opinion is subject to certain assumptions and qualifications and is based on the accuracy of representations made by Airtech, Mr Randall and REMEC. In addition, the opinion is not binding on the IRS or the courts and represents only Heller Ehrman White & McAuliffe's judgment as to the likely outcome if the federal income tax issues discussed herein were properly presented to a court of competent jurisdiction. No assurance can be given that future legislative, judicial or administrative changes or interpretations will not adversely affect the accuracy of the federal income tax conclusions herein. No advance ruling from the IRS has been or will be sought with respect to any of the tax matters discussed herein. The comments on UK tax consequences have been reviewed by Ashurst Morris Crisp, REMEC's UK counsel, and assume that REMEC is not tax resident in the UK.

16.1 TAXATION OF UK RESIDENTS

UK Taxation

The following discussion summarises for an Airtech Shareholder who is a UK Resident and who holds Airtech Shares as an investment the principal UK tax consequences associated with the exchange of securities pursuant to the Offer.

(a) TAXATION OF CAPITAL GAINS

The exchange of Airtech Shares by an Airtech Shareholder in return for New REMEC Common Stock will not be treated as a disposal of Airtech Shares for the purposes of UK taxation of capital gains, provided that either the Airtech Shareholder, together with persons

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connected with him, owns not more than five per cent. of, or of any class of, the shares in or debentures of Airtech or the clearance from the UK Inland Revenue referred to below is granted. The New REMEC Common Stock will instead be treated as the same asset as the Airtech Shares, acquired as and when the Airtech Shares were acquired.

REMEC and Airtech applied and on 4 March 1999 received from the UK Inland Revenue a tax clearance under section 138 of the Taxation of Chargeable Gains Act 1992 confirming that the Inland Revenue is satisfied that the exchange of securities pursuant to the Offer is being effected for the bona fide commercial reasons and not for tax avoidance purposes.

The Directors of REMEC and of Airtech believe that this tax clearance should be forthcoming, but the Offer is not conditional upon this tax clearance being granted.

An Airtech Shareholder will, to the extent that he receives cash in lieu of a fraction of a share of New REMEC Common Stock, be treated as making a part disposal of his Airtech Shares which may, depending upon his individual circumstances, give rise to a liability to UK taxation of capital gains.

A subsequent disposal of New REMEC Common Stock by a UK Resident may give rise to a liability to UK taxation of capital gains.

(b) STAMP DUTY AND STAMP DUTY RESERVE TAX

No UK stamp duty or stamp duty reserve tax will be payable by an

Airtech Shareholder on the transfer of Airtech Shares to REMEC. Any liability to UK stamp duty or stamp duty reserve tax on the transfer of such Airtech Shares to REMEC will be borne by REMEC. No UK stamp duty or stamp duty reserve tax will be payable on the issue of New REMEC Common Stock.

(c) DIVIDENDS

A UK Resident will generally be liable to income tax or corporation tax in the UK on the aggregate of any dividend received from REMEC and any tax withheld at source in the US (see below under "Taxation of US Residents -- US Taxation") and any tax withheld in the UK (see below). In computing that liability to taxation, credit will be given for any tax withheld in the US and any tax withheld in the UK. No repayment of the US tax credit will be available to a UK Resident. In the case of a corporate UK Resident which controls ten per cent. or more of the voting stock of REMEC, credit will also be available for underlying tax against UK taxes in respect of the dividend.

Special rules apply to UK Residents who are not domiciled in the UK.

An agent in the UK, who on behalf of a UK Resident, collects a dividend paid by REMEC may be required to withhold a sum on account of UK income tax or corporation tax, currently at the rate of 20 per cent. Regulations, however, allow credit to be given for tax withheld in the US, thereby reducing the aggregate withholding to 20 per cent. of the gross dividend.

(d) INHERITANCE TAX

Where REMEC Common Stock is held by an individual who is neither domiciled nor deemed to be domiciled in the UK, no liability to UK inheritance tax will arise. Where REMEC Common Stock is held by an individual who is either domiciled or deemed to be domiciled in the UK, liability to UK inheritance tax may arise on the death of, or on a gift (or disposal at an undervalue) of the REMEC Common Stock by, that individual.

US Taxation

UK persons acquiring New REMEC Common Stock will be subject to US taxation on dividends received from REMEC. Generally, such dividends would be subject to a 30 per cent. withholding tax. However, under the terms of the Treaty, the rate of withholding tax will be reduced to 15 per cent. of the gross dividend or, in the case of any corporate UK resident shareholder of REMEC controlling, directly or indirectly, at least ten per cent. of the voting stock of REMEC, the rate of withholding tax will be reduced to five per cent. of the gross dividend. Such tax will be

withheld by REMEC in its capacity as withholding agent. No withholding taxes will apply if the dividends received are effectively connected with a US trade or business of the shareholder in the US; rather, the dividends will be subject to US tax at the graduated rates applicable to US Residents. A corporate shareholder may also be subject to a US branch profits tax on such effectively connected income, with certain adjustments.

Eligibility for the reduced rate of withholding or exemption from withholding tax is contingent on the UK shareholder complying with certain formal IRS requirements. The requirements to obtain a reduced rate of withholding include, but are not limited to, providing REMEC with valid documentation of UK residency. Under certain circumstances, until 1 January 2000, the UK residency documentation requirement is satisfied by a dividend payment address in the UK.

A person who is not a US Resident generally will not be subject to US federal income tax on a gain on the sale of New REMEC Common Stock. However, if such gain is effectively connected with the conduct of a US trade or business, the gain will be subject to US tax at the graduated rates applicable to US Residents. A corporate shareholder may also be subject to a US branch profits tax on such effectively connected income, with certain adjustments. An individual non-resident alien who is present in the US for 183 days or more during the year of sale and whose gain is not effectively connected with the conduct of a US trade or business will be taxed at a rate of 30 per cent. on the gain.

"Backup" withholding and information reporting requirements apply to certain payments of proceeds from the sale of stock by certain non-corporate UK Residents under certain circumstances. A payment of the proceeds of any such sale to or through the US office of a "broker" (as defined in applicable Treasury regulations) is subject to backup withholding unless the beneficial owner of the stock either provides a Form W-8 (or a suitable substitute form) signed under penalty of perjury that certifies as to the owner's foreign status in compliance with applicable Treasury regulations or otherwise establishes an exemption. The applicability of backup withholding to a payment of the proceeds of any such sale effected outside the US by a foreign office of a broker depends on the broker's connections with the US, if any. Any amounts withheld under the backup withholding rules from a payment to a non-corporate UK Resident would be allowed as a refund or credit against such person's US federal income tax if the required information is furnished to the IRS.

Where REMEC Common Stock is held by an individual who, under the UK-US estate tax treaty presently in force, is either domiciled or deemed to be domiciled in the UK and is neither domiciled nor deemed to be domiciled in the US, no liability for US federal estate or gift tax will arise on the death of, or on a gift (or disposition for less than fair market value) of REMEC Common Stock by, that individual.

16.2 TAXATION OF US RESIDENTS

UK Taxation

The following discussion summarises for an Airtech Shareholder who is a US Resident, but not a UK Resident, the principal UK tax consequences associated with the exchange of securities pursuant to the Offer.

(a) TAXATION OF CAPITAL GAINS

The exchange of Airtech Shares by an Airtech Shareholder in return for New REMEC Common Stock will not be subject to the regime governing UK taxation of capital gains unless, at the time of the disposal, the Airtech Shareholder carries on a business in the UK through a branch or agency, and the Airtech Shares are or have been used, held or acquired for the purposes of such branch or agency, in which event the comments contained in "Taxation of UK Residents -- Taxation of Capital Gains" will apply in the same way as they apply to UK Residents.

(b) STAMP DUTY AND STAMP DUTY RESERVE TAX

No UK stamp duty or stamp duty reserve tax will be payable by an Airtech Shareholder on the transfer of Airtech Shares to REMEC. Any liability to UK stamp duty or stamp duty reserve tax on the transfer of such Airtech Shares to REMEC will be borne by REMEC. No

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UK stamp duty or stamp duty reserve tax will be payable on the issue of New REMEC Common Stock.

(c) DIVIDENDS

Dividends, if any, paid on REMEC Common Stock to a person who is not a UK Resident will not be subject to UK tax unless that person carries on a business in the UK through a branch or agency and the REMEC Common Stock is effectively connected with that branch or agency.

US Taxation

The US federal income tax consequences of the exchange of securities pursuant to the Offer to an Airtech Shareholder who is a US Resident depend on whether the Offer becomes unconditional in all respects after REMEC obtains within the English statutory four-month period acceptances of the Offer as to at least 90 per cent. in value of the Airtech Shares to which the Offer relates.

REMEC has stated that if it obtains acceptances of at least 90 per cent., it intends to acquire compulsorily the remainder of the outstanding Airtech Shares in accordance with English law. In that event, and subject to certain assumptions and qualifications and based on the accuracy of representations made by Airtech, Mr Randall and

REMEC, the exchange by accepting Airtech Shareholders of Airtech Shares for shares of New REMEC Common Stock pursuant to the Offer will be treated as a "reorganization" as described in Section 368(a) of the IRC. As a result, an accepting Airtech Shareholder will not recognise gain or loss on the exchange of Airtech Shares pursuant to the Offer (except to the extent cash is received or deemed received in lieu of a fraction of a share of New REMEC Common Stock). An accepting Airtech Shareholder will have an aggregate basis in the New REMEC Common Stock received in exchange for Airtech Shares equal to such Airtech Shareholder's basis in the Airtech Shares immediately prior to the exchange (less any portion of such basis allocable to any fractional interest in a share of New REMEC Common Stock for which the Airtech Shareholder receives or is deemed to receive cash). Cash received or deemed received in lieu of a fraction of a share of New REMEC Common Stock will result in taxable gain or loss equal to the difference between the amount of such cash and the portion of the Airtech Shareholder's basis in the Airtech Shares immediately prior to the exchange allocable to the fractional share. Individual entitlements that are not paid to an Airtech Shareholder because they are less than £3.00 may be deemed received by the Airtech Shareholder for this purpose. The holding period of shares of New REMEC Common Stock acquired in exchange for Airtech Shares in the Offer will include the accepting Airtech Shareholder's holding period in the Airtech Shares, provided that the Airtech Shares are held as capital assets by the Airtech Shareholder on the date of the exchange. Each Airtech Shareholder who receives New REMEC Common Stock in the exchange pursuant to the Offer will be required to file with such shareholder's federal income tax return a statement setting forth the basis of the Airtech Shares surrendered and the fair market value of the New REMEC Common Stock received in the exchange, and to retain permanent records of these facts relating to the exchange.

However, under English law REMEC may elect to declare the Offer unconditional in all respects at a time when it has obtained within the English statutory four-month period acceptances of the Offer as to more than 50 per cent. but less than 90 per cent. in value of the Airtech Shares to which the Offer relates. If REMEC does so, or otherwise does not acquire compulsorily in accordance with UK law all outstanding Airtech Shares with respect to which acceptances are not received, the conclusions in the immediately preceding paragraph concerning reorganization treatment and various consequences thereof do not apply. Moreover, if, due to the percentage of acceptances of the Offer, the number of outstanding Airtech stock options that are exercised without accepting the Offer, and/or other factors, REMEC is not treated for purposes of Section 368 of the IRC as acquiring and maintaining ownership of Airtech Shares possessing at least 80 per cent. of the total voting power of all of the Airtech Shares, then the exchange by accepting Airtech Shareholders of Airtech Shares for shares of New REMEC Common Stock pursuant to the Offer will not be treated as a reorganization as described in Section 368(a) of the IRC. As a result, an accepting Airtech Shareholder who is a US Resident will recognise taxable gain or loss on the exchange of Airtech Shares pursuant to the Offer. The amount of the gain or loss will be equal to the difference between (i) the sum of the fair market value of the New REMEC Common Stock received and the amount of any cash received or deemed received in lieu of a fraction of a share of New REMEC Common

Stock and (ii) the Airtech Shareholder's adjusted basis in the Airtech Shares. The gain or loss will generally be a capital gain or loss, assuming that the Airtech Shares are held as a capital asset on the date of the exchange. Any capital gain or loss will be a long-term capital gain or loss if the Airtech Shares have been held for more than one year as of the date of the exchange.

"Backup" withholding and information reporting requirements apply to certain payments of dividends to, and of proceeds from the sale of stock by, certain non-corporate US Residents. REMEC, its agent, a broker or any paying agent, as the case may be, will be required to withhold from any payment that is subject to backup withholding a tax equal to 31 per cent. of such payment if the US Resident fails to furnish to the payor in the manner required his taxpayer identification number (social security number or employer identification number), to certify to the payor, under penalty of perjury, that such holder is not subject to backup withholding or to comply otherwise with the applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules from a payment to a US Resident would be allowed as a refund or a credit against such US Resident's US federal income tax if the required information is furnished to the IRS.

17. FURTHER INFORMATION

Your attention is drawn to the further information contained in the appendices.

18. ACTION TO BE TAKEN

To accept the Offer, the Form of Acceptance must be completed and returned in respect of your Airtech Shares, whether or not your Airtech Shares are in CREST. Forms of Acceptance should be returned by post or by hand to IRG plc Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ as soon as possible and in any event so as to be received no later than 3.00 p.m. on 1999.

Yours faithfully,

Guy Innes, Director
QUARTZ CAPITAL PARTNERS LIMITED

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INFORMATION REGARDING REMEC

RISK FACTORS

This Offer Document contains forward-looking statements that involve risks and uncertainties. REMEC's and Airtech's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain risks and uncertainties, including risks relating to: (a) the integration of REMEC and Airtech; (b) the integration by REMEC of other prior acquisitions; (c) the respective businesses of REMEC and Airtech, including risks relating to the timing and magnitude of sales, the timing and scope of technological advances and the overall condition of the wireless telecommunications industry; and (d) other matters set forth in this section and elsewhere in this Offer Document and in the documents incorporated herein by reference. In addition to the other information in this Offer Document, the following risk factors should be considered carefully by Airtech Shareholders in determining whether or not to accept the Offer.

GENERAL RISKS RELATING TO REMEC'S BUSINESS

Dependence on Expansion into the Commercial Wireless Telecommunications Market Could Result in Fluctuations in Revenue

The commercial markets for REMEC's products could fail to grow, or could grow more slowly than anticipated. Lack of growth or slow growth could materially adversely affect REMEC's business, financial condition and results of operations.

Historically, REMEC's business focused almost exclusively on making wireless telecommunication products for the national defence industry. In recent years, REMEC increased its business in the commercial (non-defence) wireless telecommunications market. REMEC believes that its future growth depends on its continued success in the commercial market. Further, REMEC believes that, while the technologies used in the defence and commercial markets are very similar, the two markets differ significantly in a number of areas. These areas include:

- customer base
- manufacturing requirements and lead times
- research and development costs which may not be reimbursed or recovered and
- credit risks associated with customers.

Because REMEC is increasing its business in the commercial market, REMEC is subject to the risks of entering that new market, including risks associated with:

- attracting and servicing a new customer base
- manufacturing products in a cost effective and profitable manner
- managing the expansion of the business and
- attracting and retaining qualified engineering, manufacturing and marketing personnel who have industry experience.

For example, REMEC believes that microwave engineers with the skills necessary to develop products for the wireless telecommunications market currently are in high demand. As a result, it may be difficult for REMEC to attract and retain those engineers.

Some of the commercial markets in which REMEC sells products have only recently begun to develop. Because these markets are relatively new, it is difficult to predict the rate at which these markets will grow, if at all. Existing or

potential applications for REMEC's products may fail to develop or may erode for many different reasons. These reasons include:

- insufficient economic growth to support expensive infrastructure equipment
- insufficient consumer demand for wireless products or services because of pricing or otherwise or
- real or perceived security risks associated with wireless communications, such as eavesdropping.

Dependence on Defence Market May Result in Limited Growth in Revenues

REMEC makes a substantial portion of its sales to the United States defence market. As a result, lower defence spending by the US government could materially adversely impact REMEC's business. Lower defence spending by the US government might occur because of defence budget cuts, general budget cuts or other causes. The US recently has reduced its defence budget and may further reduce it. In addition, the

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US has reduced the number of newly initiated defence industry production programs. In the existing defence programs in which REMEC participates, pricing pressure continues to be exerted on follow-on orders.

REMEC expects to continue to derive a substantial portion of its revenues from defence programs and to develop microwave products for defence applications. If a significant defence program or contract ends, and REMEC fails to replace sales from that program or contract, there could be a material adverse effect on REMEC's business, financial condition and results of operations. In addition, a large portion of REMEC's expenses are fixed and difficult to reduce, thus magnifying the material adverse effect of any shortfall in revenue.

Defence contracts frequently contain provisions that are not standard in private commercial transactions, such as provisions that permit the cancellation of a contract if funding for a program is reduced or cancelled. For example, the government terminated a large defence program in December 1992 for which REMEC had been supplying in excess of \$4.0 million products on an annual basis.

Customer Concentration Could Cause Manufacturing and Supply Delays

REMEC derives significant revenues from a limited group of customers. If any significant customer cancels, reduces or delays orders or shipments, as a result of manufacturing or supply difficulties or otherwise, there could be a material adverse effect on REMEC's business, financial condition and results of operations. Likewise, if any significant customer is unable to finance its purchases of REMEC's products, there could be a similar material adverse effect. REMEC's customers include the following:

- Motorola, Inc.
- Raytheon Company
- P-COM, Inc.
- Northrop Grumman Corporation
- Digital Microwave Corporation
- ITT Industries
- Alcatel Network Systems.
- TRW Inc.
- Lockheed Martin Corporation and
- STM Wireless, Inc.

As of 31 January 1999 these customers comprised approximately 64.7 per cent. of REMEC's year to date revenues, with Motorola and Raytheon Company being the only customers that accounted for more than ten per cent.. of total year to date revenues as of that date. REMEC anticipates that it will continue to sell products to a relatively small group of customers.

Customer Exclusivity May Prevent REMEC from Pursuing Market Activities

REMEC has granted some of its customers exclusivity on certain products, which means that REMEC is only permitted to make the products for them. REMEC expects that in some cases its existing customers and new customers may require REMEC to give them exclusivity on new products that REMEC makes for them. By entering into such exclusive arrangements, REMEC may forego opportunities to supply products to other companies. If REMEC enters into exclusive relationships with customers who prove to be unsuccessful, REMEC's business may be materially adversely affected, and REMEC may be unable to establish relationships with the industry leaders. REMEC can give no assurance that it will be able to establish business relationships with, or negotiate acceptable arrangements with, significant customers. REMEC also can give no assurance that its current or future arrangements with significant customers will continue or will be successful.

Management's Limited Acquisition Experience May Slow the Integration of Acquired Companies

Any difficulties encountered in the integration of companies REMEC has acquired as a group could have a material adverse impact on REMEC's business, financial condition and results of operations. In addition to the proposed acquisition of Airtech, REMEC has acquired the following companies over the last several years:

- C&S Hybrid, Inc.
- Q-bit Corporation
- Magnum Microwave Corporation
- Radian Technology, Inc.

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- Verified Technical Corporation
- Nanowave Technologies Inc.

REMEC's operation as a combined enterprise requires substantial attention from management, which has limited experience in integrating companies the size of REMEC and some of the acquired companies. REMEC can give no assurance that it will successfully complete the integration of these companies or that the consolidated operations of REMEC and its subsidiaries will be profitable. REMEC will face similar risks in the integration of any future acquisitions, including the acquisition of Airtech.

Expanded Product Lines and Customer Base Could Cause Management of Growth Problems

Failure to manage growth could materially adversely affect REMEC's business, financial condition and results of operations. REMEC's business has grown in size and complexity, and REMEC has expanded its product lines and customer base. This growth and expansion has placed significant demands on REMEC's management and operations, and these demands are expected to continue. REMEC's ability to compete effectively and to manage future growth will depend on its ability to implement and improve operating and financial systems on a timely basis. REMEC can give no assurance that it will be able to manage its future growth effectively.

Nature of REMEC's Production and Manufacturing Processes May Cause Fluctuations in Quarterly Results

REMEC's quarterly results have varied significantly in the past, and will likely to continue to vary significantly, due to a number of factors, including the following:

- timing, cancellation or rescheduling of customer orders and shipments;
- the pricing and mix of products sold;
- introductions of new products;
- REMEC's ability to obtain components and subassemblies from contract manufacturers and suppliers; and
- variations in manufacturing efficiencies

Any one of these factors could substantially affect REMEC's results of operations for any particular fiscal quarter.

Reliance on Defence Development Contracts Could Cause Fluctuations in Quarterly Results

Because of the decline in the number of defence industry production programs, REMEC has entered into more defence industry development contracts as a source of defence revenues. Development contracts are contracts for the development of products, rather than the production of products; they tend to be fixed price contracts giving REMEC lower gross profit margins than production contracts. As a result, REMEC's increased reliance on development contracts has led to an increased quarterly fluctuation in sales and gross profit margins. Accordingly, REMEC's comparative performance from any one fiscal quarter to the next is not necessarily an accurate indicator of the direction of future performance.

Order Backlog Fluctuations May Not Necessarily Indicate Future Sales

REMEC can give no assurance that current order backlog will necessarily lead to sales in any future period. REMEC's order backlog as of 31 January 1999 was approximately \$222.8 million. In certain circumstances, customers place purchase orders but request that product be delivered only over a specified period of time as customers' needs may require. At the time a purchase order is placed, REMEC records the entire amount of the purchase order as backlog, even if the customer requests delivery of product against the purchase order over a specified time period. A substantial amount of REMEC's order backlog can be cancelled at any time without penalty. When a cancellation occurs, REMEC

sometimes, but not always, can recover its actual committed costs and make a profit on work performed up to the date of cancellation. Cancellations of pending purchase orders of REMEC's customers or termination or reductions of purchase orders could have a material adverse effect on REMEC's business, financial condition and results of operations.

Dependence on Fixed-Price Contracts May Increase the Risks of Cost Overruns and Product Non-Performance

In the past, REMEC has experienced cost overruns on defence contracts that are on firm fixed price contracts (FFP). REMEC can give no assurance that cost overruns or problems with the performance or reliability of its products will not occur in the future. Any such cost overruns or performance problems may have a material

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adverse effect on REMEC's business, financial condition and results of operations. REMEC's customers establish demanding specifications for product performance, reliability and cost. Certain contracts with REMEC's commercial customers and a significant portion of its defence contracts are firm fixed-price contracts. FFP contracts provide for a predetermined fixed price for the products REMEC makes, regardless of the costs it incurs. REMEC has made pricing commitments to P-COM and STM and to other customers based upon REMEC's expectation that it will achieve more cost effective product designs and automate more of its manufacturing operations. A substantial portion of the P-COM backlog involves REMEC's re-design of a substantial portion of specific radio component, which redesign needs to be successful in order for REMEC to realise the P-COM backlog.

REMEC faces the risk of experiencing cost overruns or order cancellation if it fails to achieve forecasted product design and manufacturing efficiencies or if products cost more to produce than expected. The expense of producing products can rise due to increased cost of materials, components or labour, or other factors. Manufacture of REMEC's products is an extremely complex process.

Certain Customer Relationships May Lead to Loss of Investment in Design and Engineering

REMEC often makes significant investments in the design and engineering of new products for customers without any commitment by the customer for the future purchase of such products. Failure to receive initial or follow-on orders for such products may have a material adverse effect on REMEC's business, financial condition and results of operations.

Increased Reliance on Commercial Market Could Increase the Necessity of Implementing High Volume Manufacturing

Historically, in the defence market, REMEC has not automated its manufacturing processes as fully as REMEC might have because the volume of product orders was not high enough to make automation cost-effective. Product orders in the commercial market tend to be higher in volume. As a result, as REMEC continues to increase its sales to the commercial market, REMEC will need to increase its manufacturing capacity significantly. Higher volume manufacturing generally requires greater automation in order to be cost-effective. REMEC can give no assurance that it will be able to automate sufficiently in order to fulfill high-volume production orders in a cost-effective manner. REMEC also can give no assurance that it will obtain a sufficient amount of high volume orders to absorb the capital costs incurred in increasing its automation.

Competition in Telecommunications Industry May Increase the Technological Obsolescence of REMEC's Products and Decrease Product Prices and REMEC Revenues

Technological innovations in the telecommunications industry could significantly reduce the potential market for REMEC's products. Such innovations could include a wireless telephone system using satellites instead of base stations on the ground, or a device that integrates microwave functionality. The markets for REMEC's telecommunication products are extremely competitive and are characterised by rapid technological change. Specifically, new products are generally developed quickly, products can become obsolete over a short period of time, and industry standards are constantly evolving. In addition, price competition is intense and the market prices of products frequently decline after competitors begin making similar products. REMEC believes that to remain competitive in the future it will need to invest significant financial resources in research and development.

REMEC believes that its primary competitors are the captive manufacturing operations of large wireless telecommunications OEM's (including all of the major telecommunications equipment providers) and defence prime contractors. The OEMs and the defence prime contractors manufacture a substantial majority of the

present worldwide production of MFM's. Some of REMEC's current customers and some large manufacturers of microwave transmission equipment could also enter into the market for microwave products and compete directly with REMEC. REMEC also faces some competition from microwave component manufacturers who have capabilities to integrate their components into MFMs.

REMEC believes that its future success depends largely upon the extent to which the OEMs and defence prime contractors elect to purchase MFMs and components from outside sources such as REMEC. OEMs and defence prime contractors could decide to manufacture these products in-house, rather than outsourcing them, and this would have a material adverse effect on REMEC's business, financial condition and results of operations.

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Many of REMEC's current and potential competitors have substantially greater technical, financial, marketing, distribution and other resources than REMEC does.

Many of them also have greater name recognition and market acceptance of their products and technologies. REMEC's competitors, or the competitors of its customers, may develop new technologies, enhancements to existing products or new products that offer superior price or performance features. Such new products or technologies could render obsolete REMEC's products or the products of REMEC's customers. For example, in its 1996 fiscal year, the cavity oscillator shipments made by REMEC's subsidiary, Magnum, to Harris-Farion were reduced by \$2.3 million due to obsolescence.

Customer Pressure to Reduce Prices May Cause Reductions in Revenues

If REMEC is unable to offset declining average selling prices, REMEC's gross profit margins will decline, and such decline will have a material adverse effect on REMEC's business, financial condition and results of operations. Many of REMEC's customers are under continuous pressure to reduce prices and, therefore, REMEC expects to continue to experience pressure from its customers to reduce the prices on its products. REMEC's customers frequently negotiate supply arrangements with REMEC well in advance of delivery dates, requiring REMEC to commit to price reductions before it can determine whether it can achieve its assumed cost reductions. To offset declining average sales prices, REMEC believes that it must reduce its manufacturing costs and obtain higher volume orders for products.

Environmental Regulations and Risks

REMEC is subject to a variety of environmental regulations by local, state, federal and foreign governments. If REMEC failed to comply with current or future regulations, the following adverse effects could occur:

- it could be forced to alter manufacturing processes
- it could be fined substantial amounts
- its production could be suspended or
- it would be forced to cease operations

The cost of defending such lawsuits or the cost of any judgement against REMEC could have a material adverse effect on REMEC's business, financial condition and results of operations. News reports have asserted that power levels associated with hand held cellular telephones and related infrastructure equipment may pose certain health risks. If wireless telecommunications equipment (or other devices that incorporate REMEC's products) were determined or perceived to create a significant health risk, the market for REMEC's products could be materially adversely affected. This could have a material adverse effect on REMEC's business, financial condition and results of operations. Moreover, if such a health risk were determined or perceived to exist, REMEC might be named as a defendant in product liability lawsuits commenced by individuals alleging that REMEC's products harmed them. REMEC would be required to defend such lawsuits and REMEC might be held liable. These regulations govern the storage, discharge, handling, emission, generation, manufacture and disposal of toxic or other hazardous substances used to manufacture REMEC's products.

New Government Regulation Could Interfere with REMEC's Business Growth

Certain equipment operators incorporate REMEC's products into wireless telecommunications systems that are regulated domestically by the Federal Communications Commission and internationally by other government agencies. The equipment operators and not REMEC are responsible for compliance with such regulations. However, regulatory changes, including changes in the allocation of available frequency spectra, could materially adversely affect REMEC's business, financial condition and results of operations. For example, regulatory changes could restrict development efforts by REMEC's customers, make REMEC's current products obsolete or increase the opportunity for additional competition.

Changes in applicable domestic and international regulations could have a material adverse effect on REMEC's business, financial condition and results of operation. If REMEC manufactured products that failed to comply with such regulations, this could also have a similar material adverse effect.

The delays inherent in this governmental approval process have in the past caused, and may in the future cause, the cancellation, postponement or rescheduling of the installation of communications systems by REMEC's customers. This in turn may have a material adverse effect on the sale of REMEC's products to such customers. In addition, the increasing demand for wireless telecommunications has exerted pressure on regulatory bodies world-wide to adopt new standards for such products. The approval of new standards generally follows extensive investigation of and deliberation over competing technologies.

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Governmental Audits Could Create Significant Expenses for REMEC

Because of REMEC's participation in the defence industry, REMEC is subject to audit from time to time for its compliance with government regulations by various agencies, including the following:

- the Defence Contract Audit Agency
- the Defence Investigative Service and
- the Office of Federal Control Compliance Programs.

These and other governmental agencies may also from time to time conduct inquiries or investigations that cover a broad range of REMEC's activity. Responding to such governmental audits, inquiries or investigations may involve significant expense and divert management attention. Also, an adverse finding in any such audit, inquiry or investigation could involve penalties that could have a material adverse effect on REMEC's business, financial condition or operating results.

Dependence on Suppliers and Contract Manufacturers May Decrease Timeliness of Product Delivery to Customers

REMEC relies on contract manufacturers and suppliers, in some cases sole suppliers or limited groups of suppliers, to provide it with services and materials necessary for the manufacture of its products. REMEC's reliance on contract manufacturers and on sole suppliers involves several risks. These risks include a potential inability to obtain critical materials or services and reduced control over production costs, delivery schedules, reliability and quality of materials. Any inability to obtain timely deliveries of acceptable quality materials, or any other circumstances that would require REMEC to seek alternative contract manufacturers or suppliers, could adversely affect REMEC's ability to deliver products to its customers. This in turn would have a material adverse effect on REMEC's business, financial condition and results of operations. In addition, if costs for its contract manufacturers or suppliers increase, REMEC may suffer losses if it is unable to recover such cost increases under fixed price production commitments to its customers.

Volatility of Stock Price

The market price of REMEC Common Stock, like the stock prices of many companies in the telecommunications industry, is subject to wide fluctuations in response to a variety of factors, including:

- actual or anticipated operating results
- announcements of technological innovations
- announcements of new products or new contracts by REMEC, its competitors or customers
- government regulatory action
- developments with respect to wireless telecommunications and
- general market conditions and other factors.

In addition, the stock market has from time to time experienced significant price and volume fluctuations. These fluctuations have particularly affected the market prices for the stocks of technology companies and have often been unrelated to the operating performance of particular companies. The market price of REMEC Common Stock has been highly volatile and may continue to be highly volatile.

Lack of Patent Protection May Not Prevent Competitors From Developing Similar Proprietary Technology

REMEC does not presently hold any significant patents applicable to its products. In order to protect its intellectual property rights, REMEC relies on a combination of trade secret, copyright and trademark laws and employee and third party nondisclosure agreements, REMEC also limits access to and distribution of proprietary information. REMEC can give no assurance that the

steps it has taken to protect REMEC's intellectual property rights will be adequate to prevent misappropriation of its technology or to preclude competitors from independently developing such technology.

Indemnity Obligations Could Result in Substantial Royalty Damages Obligations in Infringement Claims

If a third party were successful in a claim that one of REMEC products infringed the third party's proprietary rights, REMEC might have to pay substantial royalties or damages or remove that product from the marketplace. REMEC might also have to expend substantial amounts in order to modify the product so that it would no longer infringe such proprietary rights. Any of these results could have a material adverse effect on REMEC's business, financial condition and results of operations. As to certain of its products, REMEC has

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agreed to indemnify its customers against possible claims by third parties that the products infringe their intellectual property rights. REMEC can give no assurance that, in the future, third parties will not assert infringement claims against REMEC or with respect to its products. Asserting REMEC's rights or defending against third party claims could involve substantial costs and diversion of resources and could materially and adversely affect REMEC's business, financial condition and results of operations.

Adverse Economic Conditions in Other Countries May Affect International Sales

As of 31 January 1999 approximately 6 per cent. of REMEC's revenue is derived from sales to international customers. Certain of REMEC's customers may sell products into these markets. Recent adverse international economic developments could affect sales by certain of REMEC's customers into these regions which may in turn, have a material adverse effect on REMEC's business, financial condition and results of operations.

Increased Technological Competition May Create Dependence on Key Personnel

REMEC depends to a great extent on the continued service of its qualified personnel in the areas of management, engineering, manufacturing, quality assurance, marketing and support. REMEC also depends on its ability to attract and retain such personnel. Competition for such personnel is intense, and REMEC can give no assurance that it will be successful in attracting or retaining such personnel. For example, REMEC believes that microwave engineers with the skills necessary to develop products for the wireless telecommunications market currently are in high demand. As a result, REMEC may not be able to attract and retain sufficient engineering expertise.

REMEC does not have "key man" life insurance on its key executive officers. It also does not have employment or non-competition agreements with its key executive officers, except for Tao Chow (Senior Vice President), James Mongillo (Senior Vice President) and Justin Miller (Vice President). It is anticipated that following completion of the Offer, REMEC will enter into a service agreement with Mr Nick Randall, the current Chairman of the Board of Airtech, under which Mr Randall will continue to serve as Chairman of Airtech and will also serve as an Executive Vice President of REMEC.

Control of REMEC by Management May Prevent Change in Control

REMEC's executive officers comprise five of the nine members of the Board of Directors. As a result, such persons have the ability to exercise influence over significant matters regarding the REMEC. Such a high level of influence may have a significant effect in delaying, deferring or preventing a change in control of REMEC.

Year 2000 Compliance Modifications Could Divert Company Resources and Harm Customer Relationships

Many currently installed computer systems and software products are coded to accept only two-digit entries to represent years. For example "98" in some systems and products represents the year "1998". Until they are recorded to accept four-digit year entries, these systems and products will not be able to distinguish years beginning with 2000 from years beginning with 1900. These systems and products will need to be upgraded or replaced in order to comply with "Years 2000" requirements.

REMEC believes that its internal systems either (1) already comply with Year 2000 requirements or (2) will be upgraded or replaced by December 31, 1999 without material cost or expense, in connection with previously planned changes, prior to the need to comply with Year 2000 requirements. REMEC has made an estimate of the costs of necessary Year 2000 modifications which has been estimated to be approximately \$350,000. REMEC's management derived this estimate using numerous assumptions of future events, including the continued

availability of certain resources and other assumptions. REMEC cannot guarantee that these estimates will be achieved, and the actual results could differ materially from those that it anticipate. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in Year 2000 compliance, the ability to locate and correct all relevant computer codes, and other factors. In addition, REMEC can give no assurance that additional Year 2000 compliance problems will not arise in the future. Any such problems could have a material adverse effect on REMEC's business, financial condition and results of operations.

Year 2000 issues may affect many of REMEC's customers and suppliers, and they may need to expend significant resources to modify or replace their existing systems. As a result, REMEC's customers could lack funds to purchase REMEC's products, and REMEC's suppliers could experience difficulties in producing or

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shipping key materials to REMEC on a timely basis or at all. This in turn could materially adversely effect REMEC's business, financial condition and results of operations.

Increased International Market Presence May Increase the Marketing and Sales Costs of Delivering Products in Such Countries

REMEC seeks to expand its presence in international wireless telecommunications and related markets by entering into partnerships or alliances with OEMs and service providers in such countries and acquiring complementary international business. REMEC currently has had limited experience in partnering with and acquiring international entities and managing international operations. The success of REMEC's ability to increase its international market presence is dependent on a number of factors, including, but not limited to, the success of its domestic operations, level of funding, stability of its stock price, ability to produce competitive international products, attraction and retention of key employees at its international locations and its strategic objectives.

RISKS RELATING TO THE OFFER

Inexperience with Integration of International Subsidiaries Could Decrease Effectiveness of European Operation

The Offer involves the integration of two companies that have previously operated independently. Such integration will require significant effort from each company, including the co-ordination of their operations, research and development and sales and marketing efforts. There can be no assurance that REMEC will integrate the operations of Airtech without encountering difficulties or experiencing the loss of Airtech or REMEC personnel or that the benefits expected from such integration will be realised. The difficulties are exacerbated by the fact that the two companies are located on different continents separated by economic, governmental and cultural differences. REMEC has no prior experience integrating a European operation. The diversion of the attention of management and any difficulties encountered in the transition process (including the interruption of, or a loss of momentum in, Airtech's activities, problems associated with integration of management information and reporting systems, and delays in implementation of consolidation plans) could have an adverse impact on REMEC's ability to realise anticipated synergies from the acquisition of Airtech.

Operating Losses of Airtech

For the year ended 31 December, 1998, Airtech reported a pre-tax loss of approximately £9.2 million equivalent to approximately \$15.2 million. REMEC's pre-tax income for the comparable year ended 31 January, 1999 was approximately \$12.4 million. If the operating results of the two companies had been combined on a consolidated basis during this period, the consolidated company would have reported a pre-tax loss of approximately \$2.9 million after UK-US GAAP adjustments. No assurances can be made that the consolidated company will generate income in the future.

Change of Control of Airtech Could Weaken Relationships with Customers and Partners

Certain of Airtech's existing customers or strategic partners may take the opportunity following a change of control of Airtech to review their contractual relationships. Such a review could result in delayed or lost sales to either REMEC or Airtech.

Expansion into International Markets Could Increase Risks of Operating Losses

In such regions, OEMs, suppliers and customers may, on average, present greater

credit risks than for those companies in the United States and Europe and may, on average, be subject to greater market volatility than those companies in the United States and Europe. The Offer will permit REMEC to use Airtech's Far Eastern sales offices to market and distribute REMEC's technology and products into this region. REMEC has limited experience marketing and selling its technology and products into this region and into other similar less developed regions.

Failure to Qualify for Pooling of Interests Accounting Treatment Could Cause Future Reported Operating Losses

The Offer is intended to qualify for pooling of interests treatment under US GAAP. Under pooling of interests treatment, the accounts of REMEC will be combined with those of Airtech at their historical carrying

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amounts and REMEC's financial statements for all prior periods will be restated to reflect the accounts of REMEC as if the two companies had been combined for all periods.

REMEC anticipates that most of the requirements necessary for the transaction to be treated as a pooling of interests will be met at the date that the Offer becomes or is declared unconditional in all respects. Certain requirements will continue after such date, including the requirement that no Affiliate of either company may reduce its risk relative to its shareholdings within the period beginning 30 days prior to the date that the Offer is declared unconditional in all respects and ending when financial results covering at least 30 days of post-combination operations have been published. REMEC has entered into Affiliate Agreements with Airtech's Directors and certain persons associated with them to restrict the disposition of shares by such persons to the extent necessary to preserve pooling of interests treatment. There can be no assurance, however, that the acquisition of Airtech, if consummated, will qualify for pooling of interests treatment.

Should the transaction become or be declared unconditional in all respects and not qualify for pooling of interests treatment, the purchase method of accounting may be applied. Under that method, the fair market value of the New REMEC Common Stock issued to effect the transaction would be recorded as the cost of acquiring Airtech's business. That cost would be allocated to the individual assets acquired and liabilities assumed according to their respective fair values. The fair market value of the New REMEC Common Stock to be issued in the transaction in excess of the amounts at which the net assets are carried in Airtech's accounts would be capitalised as an intangible asset and amortised over a certain period of time. Such treatment could have a material adverse impact on the future reported operating results of the combined companies.

Failure to Qualify for Tax-Free Reorganization Treatment May Lead to Increased Cost of Offer to Airtech Shareholders Who Are US Residents

The Offer is intended to be structured as a tax-free reorganization for US federal income tax purposes. If REMEC does not acquire and maintain ownership of Airtech Shares possessing at least 80 per cent. of the total voting power of all of the Airtech Shares, or if for any other reason the Offer is not treated as a tax-free reorganization for US income tax purposes, then the Airtech Shareholders who are US Residents will recognise taxable gain or loss on the exchange of their Airtech Shares for New REMEC Common Stock.

Future Sales of Shares Issued Under the Offer

Assuming the Offer is successfully completed, up to 2,197,359 shares of New REMEC Common Stock will be issued, 1,305,707 of which shares will be immediately freely tradeable under the Securities Act. Sales of a substantial number of such shares of New REMEC Common Stock could adversely affect the market price of the REMEC Common Stock. The remaining shares, which will be issued to the Directors of Airtech and certain other persons associated with them, will become freely tradeable after REMEC has published financial results covering at least 30 days of combined operations.

Holder of Airtech Shares May Have Less Advantageous Rights After the Offering

Following the Offer, Airtech Shareholders will become holders of REMEC Common Stock. Differences exist between the rights of Airtech Shareholders under Airtech's Articles of Association and the rights of REMEC Stockholders under REMEC's Articles of Incorporation and Bylaws. See Appendix VI -- Description of REMEC Capital Stock and Changes in the Rights of Airtech Shareholders.

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The following selected consolidated financial data should be read in conjunction with the consolidated financial statements for REMEC, Inc. and the notes thereto included elsewhere herein and "REMEC's Management Discussion and Analysis of Financial Condition and Results of Operations" incorporated herein by reference. The following selected financial data for the five years ended January 31, 1999 are derived from the audited consolidated financial statements of REMEC, Inc.

SELECTED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

REMEC

	YEAR ENDED JANUARY 31,				
	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Net Sales.....	\$81,978	\$93,228	\$118,554	\$156,057	\$158,402
Cost of sales.....	57,994	66,172	85,659	108,053	113,013
Gross Profit.....	23,984	27,056	32,895	48,004	45,389
Operating expenses:					
Selling, general and administrative.....	15,646	16,611	19,349	24,773	28,206
Research and development.....	2,067	4,016	4,605	5,108	7,851
Total operating expenses.....	17,713	20,627	23,954	29,881	36,057
Income from operations.....	6,271	6,429	8,941	18,123	9,332
Gain on sale of subsidiary.....	--	--	--	2,833	--
Interest income (expense) and other.....	(590)	(401)	48	2,280	3,111
Income before provision for income taxes.....	5,681	6,028	8,989	23,236	12,443
Provisions for income taxes.....	2,394	2,429	4,017	8,501	2,115
Net income.....	\$ 3,287	\$ 3,599	\$ 4,972	\$ 14,735	\$ 10,328
EARNING PER SHARE:					
Basic.....	\$.25	\$.28	\$.30	\$.71	\$.45
Diluted.....	\$.25	\$.28	\$.30	\$.68	\$.44
SHARES USED IN COMPUTING PER SHARE AMOUNT:					
Basic.....	12,965	12,892	16,517	20,841	23,028
Diluted.....	12,965	13,009	16,828	21,534	23,482

<TABLE>
<CAPTION>

	AT JANUARY 31,				
	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 3,628	\$ 3,828	\$ 63,172	\$ 41,937	\$ 82,314
Working capital.....	15,620	17,575	84,112	84,496	133,681
Total assets.....	42,357	48,558	125,440	153,865	206,585
Long-term debt.....	3,235	4,781	2,462	--	--
Total shareholders' equity.....	24,489	27,247	103,555	128,495	188,934

<TABLE>
<CAPTION>

	AT JANUARY 31,	
	1998	1999
<S>	<C>	<C>
BACKLOG (1) :.....	\$214,855	\$222,787

</TABLE>

 (1) Backlog is not necessarily indicative of future sales and is generally subject to cancellation.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the Acquisition using the pooling of interests method of accounting and are based upon the respective historical financial statements and notes thereto of Airtech and REMEC appearing elsewhere in this Offer Document. To reflect the pooling of interests, the operating results of Airtech for each of its three fiscal years ended December 31, 1998 have been converted into US GAAP and US dollars and combined with the REMEC's operating results for each of its three fiscal years ended January 31, 1999. The unaudited pro forma condensed combined financial statements should be read in conjunction with each of the historical statements referred to above and appearing elsewhere herein. The pro forma condensed combined financial statements are presented for comparative purposes only and do not purport to be indicative of what the actual results of operations or financial position would have been for the periods presented had the transactions occurred on the dates indicated and do not purport to indicate the results of future operations.

REMEC, INC.

PRO FORMA CONDENSED COMBINED BALANCE SHEET

(UNAUDITED, IN THOUSANDS)

ASSETS

<TABLE>
 <CAPTION>

	JANUARY 31, 1999 REMEC	DECEMBER 31, 1998 AIRTECH	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
Current Assets				
Cash and cash equivalents.....	\$ 82,314	\$ 698	\$ --	\$ 83,012
Accounts receivable.....	23,624	3,671	--	27,295
Inventories.....	33,880	4,432	--	38,312
Deferred income taxes.....	4,260	166	--	4,426
Prepaid expenses.....	3,124	472	--	3,596
	-----	-----	-----	-----
Total current assets.....	147,202	9,439	--	156,641
Property, plant and equipment.....	42,159	2,547	--	44,706
Intangible and other assets.....	17,224	--	--	17,224
	-----	-----	-----	-----
	\$206,585	\$11,986	\$ --	\$218,571
	=====	=====	=====	=====

LIABILITIES AND SHAREHOLDERS EQUITY

Current Liabilities				
Working capital facility.....	\$ --	\$ 75	\$ --	\$ 75
Accounts payable.....	5,032	3,126	2,000	10,158
Accrued expenses and other liabilities...	8,487	5,665	--	14,152
Current portion of long-term debt.....	--	406	--	406
	-----	-----	-----	-----
Total current liabilities.....	13,519	9,272	2,000	24,791
Deferred income taxes and other long-term liabilities.....	4,132	43	--	4,175
Shareholders' equity.....	188,934	2,671	(2,000)	189,605
	-----	-----	-----	-----
	\$206,585	\$11,986	\$ --	\$218,571
	=====	=====	=====	=====

</TABLE>

REMEC, INC.

PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE YEAR ENDED JANUARY 31, 1999

(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>

<CAPTION>

	YEAR ENDED		PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	JANUARY 31, 1999 REMEC	DECEMBER 31, 1998 AIRTECH		
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$158,402	\$ 20,813	--	\$179,215
Cost of sales.....	113,013	19,639	--	132,652
Gross profit.....	45,389	1,174	--	46,563
Operating expenses:				
Selling, general and administrative.....	28,206	13,392	--	41,598
Research and development.....	7,851	3,052	--	10,903
Total operating expenses.....	36,057	16,444	--	52,501
Income (loss) from operations.....	9,332	(15,270)	--	(5,938)
Interest income (expense) and other, net...	3,111	(103)	--	3,008
Income (loss) before provision before income taxes.....	12,443	(15,373)	--	(2,930)
Provision (benefit) for income taxes.....	2,115	(214)	--	1,901
Net income (loss).....	\$ 10,328	\$ (15,159)	--	\$ (4,831)
Earnings per share				
Basic.....	\$ 0.45			\$ (.20)
Diluted.....	\$ 0.44			\$ (.20)
Shares used in per share calculation				
Basic.....	23,028			24,722
Diluted.....	23,482			24,722

</TABLE>

See accompanying notes to the Pro Forma Condensed Combined Financial Statements.

REMEC, INC.

PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE YEAR ENDED JANUARY 31, 1998

(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED		PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	JANUARY 31, 1998 REMEC	DECEMBER 31, 1997 AIRTECH		
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$156,057	\$34,951	\$ --	\$191,008
Cost of sales.....	108,053	24,133	--	132,186
	-----	-----	-----	-----
Gross profit.....	48,004	10,818	--	58,822
Operating expenses:				
Selling, general and administrative...	24,773	7,669	--	32,442
Research and development.....	5,108	2,779	--	7,887
	-----	-----	-----	-----
Total operating expenses.....	29,881	10,448	--	40,329
	-----	-----	-----	-----
Income from operations.....	18,123	370	--	18,493
Gain on sale of subsidiary.....	2,833	--	--	2,833
Interest income and other, net.....	2,280	34	--	2,314
	-----	-----	-----	-----
Income before provision for income taxes.....	23,236	404	--	23,640
Provision for income taxes.....	8,501	385	--	8,886
	-----	-----	-----	-----
Net income (loss).....	\$ 14,735	\$ 19	\$ --	\$ 14,754
	=====	=====	=====	=====
Earnings per share:				
Basic.....	\$ 0.71			\$ 0.65
	=====			=====
Diluted.....	\$ 0.68			\$ 0.63
	=====			=====
Shares used in computing per share amounts:				
Basic.....	20,841			22,535
	=====			=====
Diluted.....	21,534			23,393
	=====			=====

</TABLE>

See accompanying notes to Pro Forma Condensed Combined Financial Statements.

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REMEC, INC

PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE YEAR ENDED JANUARY 31, 1997

(UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED		PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	JANUARY 31, 1997 REMEC	DECEMBER 31, 1996 AIRTECH		
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$118,554	\$13,089	\$--	\$131,643
Cost of sales.....	85,659	9,700	--	95,359
	-----	-----	-----	-----
Gross profit.....	32,895	3,389	--	36,284
Operating expense:				

Selling, general and administrative.....	19,350	3,963	--	23,313
Research and development.....	4,605	1,744	--	6,349
	-----	-----		-----
Total operating expenses.....	23,955	5,707	--	29,662
	-----	-----		-----
Income (loss) from operations.....	8,940	(2,318)	--	6,622
Interest income (expense) and other, net...	48	(34)	--	14
	-----	-----		-----
Income (loss) before provision for income taxes.....	8,988	(2,352)	--	6,636
Provision (benefit) for income taxes.....	4,017	(237)	--	3,780
	-----	-----		-----
Net income (loss).....	\$ 4,971	\$ (2,115)	\$--	\$ 2,856
	=====	=====	===	=====
Earnings (loss) per share:				
Basic.....	\$ 0.30			\$ 0.16
	=====			=====
Diluted.....	\$ 0.30			\$ 0.16
	=====			=====
Shares used in computing per share amounts:				
Basic.....	16,517			17,610
	=====			=====
Diluted.....	16,828			17,921
	=====			=====

</TABLE>

See accompanying notes to Pro Forma Condensed Combined Financial Statements.

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REMEC, INC.

NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE A -- MERGER

REMEC anticipates acquiring all of the outstanding Shares of Airtech plc in exchange for approximately 1,700,000 shares of REMEC's common stock except for fractional shares which will be acquired for cash. The transaction will be accounted for as a pooling of interest; accordingly, all of the assets and liabilities of Airtech plc will be carried forward as their historical cost basis, and the operating results of Airtech plc will be combined with those of REMEC for all periods presented.

The unaudited pro forma condensed combined balance sheet as of January 31, 1999 has been adjusted to reflect the accrual of certain estimated costs of the transaction. The actual costs of the transaction will be expensed as incurred. These costs are not reflected in the pro forma statement of income as the costs are not reflective of ongoing operations, but will be included in REMEC's consolidated statement of income for the period in which the merger is consummated.

COMPARATIVE PER SHARE DATA

The following tabulation reflects: (a) the historical diluted income per share of REMEC Common Stock in comparison with the pro forma income per share after giving effect to the Acquisition on a "pooling of interests" accounting method with Airtech; and (b) the historical net income per share of REMEC Common Stock in comparison with the pro forma net income attributable to 0.0372 of a share of REMEC Common Stock which will be received for each share of Airtech Common Stock. The information presented in this tabulation should be read in conjunction with the pro forma combined financial data and the separate financial statements of the respective companies and the notes thereto appearing elsewhere herein. The unaudited pro forma combined condensed financial data are not necessarily indicative of the operating results that would have been achieved had the transaction been in effect as of the beginning of the periods present and should not be construed as representative of future operations.

<TABLE>
<CAPTION>

	YEAR ENDED JANUARY 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
HISTORICAL -- REMEC			
Net income.....	\$.30	\$.68	\$.44
Book value.....	\$5.04	\$6.07	\$8.15
HISTORICAL -- AIRTECH			
Net income (loss).....	\$ (.07)	\$ --	\$ (.33)
Book value.....	\$.40	\$.38	\$.06
PRO FORMA COMBINED(1) (2)			
Net income (loss).....	\$.16	\$.63	\$ (.20)
Book value.....	N/A	N/A	\$7.62
EQUIVALENT PRO FORMA COMBINED(1) (2)			
Net income (loss).....	\$.01	\$.02	\$ (.01)
Book value.....	N/A	N/A	\$.28

(1) The pro forma combined and equivalent pro forma combined per share data as effected for a conversion factor of .0440 is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JANUARY 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
PRO FORMA COMBINED			
Net income.....	\$.16	\$.62	\$ (.19)
Book value.....	N/A	N/A	\$7.53
EQUIVALENT PRO FORMA COMBINED			
Net income (loss).....	\$.01	\$.03	\$ (.01)
Book value.....	N/A	N/A	\$.33

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(2) The pro forma combined and equivalent pro forma combined per share data as effected for a conversion factor of .0331 is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED JANUARY 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
PRO FORMA COMBINED			
Net income (loss).....	\$.16	\$.64	\$ (.19)
Book value.....	N/A	N/A	\$7.68
EQUIVALENT PRO FORMA COMBINED			
Net income (loss).....	\$.01	\$.02	\$ (.01)
Book value.....	N/A	N/A	\$.25

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INFORMATION REGARDING AIRTECH

1. BUSINESS

Airtech is a leading supplier of coverage enhancement products for wireless mobile communications networks. Airtech is now largely involved in the design, manufacture and sale of coverage enhancement products for the global mobile communications market. Airtech's principal products are its family of masthead amplifiers which enhance the coverage of mobile communications networks through advanced filtering and low noise amplifier technology. Airtech's corporate offices and principal engineering manufacturing facility is located in the UK, with sales and

service offices located in the US and Malaysia. Airtech's customers include a number of the world's leading base station OEMs and wireless mobile communication service providers.

Airtech's first orders for masthead amplifiers were received from Orange in June 1995. The Company subsequently received major orders for MHA products from OEMs and service providers in the UK and mainland Europe. In 1996, Airtech established a US subsidiary in Dallas, Texas to address the opportunities in the US market. To better serve the Far East, a sales office was established in Kuala Lumpur in 1997.

In addition, Airtech offers customer RF sub system solutions that integrate the filtering, combining, multiplexing and amplification functionality found in its standard products to base stations OEMs, the Private Mobile Radio market, and the Royal Navy for various ship bound communication systems.

Airtech was floated on the Alternative Investment Market (AIM) of the London Stock Exchange in September 1996 raising L10.5 million and was admitted to the Official List of the London Stock Exchange in December 1997.

2. SELECTED FINANCIAL INFORMATION

SELECTED HISTORICAL FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

AIRTECH

<TABLE>
<CAPTION>

	YEAR ENDED 31 DECEMBER (AUDITED)				
	1994 L'000 <C>	1995 L'000 <C>	1996 L'000 <C>	1997 L'000 <C>	1998 L'000 <C>
PROFIT AND LOSS ACCOUNT DATA:					
Turnover.....	1,585	2,834	8,221	21,315	12,507
Cost of Sales.....	(908)	(1,650)	(5,436)	(14,985)	(14,483)
Gross Profit.....	677	1,184	2,785	6,330	(1,976)
Operating Expenses:					
Selling and distribution costs.....	(241)	(393)	(518)	(1,325)	(2,086)
Administrative expenses.....	(595)	(1,025)	(2,909)	(4,776)	(5,052)
Operating profit/(loss).....	(159)	(234)	(642)	229	(9,114)
Interest (net).....	(1)	(16)	(26)	21	(62)
Profit/(loss) on ordinary activities before taxation....	(160)	(250)	(668)	250	(9,176)
Tax on profit/(loss) on ordinary activities.....	65	--	--	(145)	145
Retained profit/(loss) attributable to shareholders.....	(95)	(250)	(668)	105	(9,031)
Earnings/(loss) per share.....	(0.40)p	(1.00)p	(2.27)p	0.23p	(19.83)p
Shares used in per share calculations.....	23,510,482	24,919,088	29,378,965	45,547,821	45,547,821
BALANCE SHEET DATA:					
Cash and cash equivalents.....	3	1,159	6,990	3,670	420
Working capital.....	108	1,284	9,558	9,233	2,837
Total assets.....	903	3,288	15,038	15,233	7,108
Long term debt.....	1	97	451	285	26
Total shareholders' equity.....	257	563	10,363	10,532	1,508

</TABLE>

The following table shows certain of the above items reconciled to US GAAP.(1)

AIRTECH PLC
US GAAP RECONCILIATION

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----

<S>	<C>	<C>	<C>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY SHAREHOLDERS:			
UK GAAP (L'000).....	(9,031)	105	(668)
Adjustment: Stock compensation charge(1).....			(828)
Adjustment: Services provided by principle stockholder(2)...	(83)		
Recognition of deferred tax(3).....	(17)	(93)	151
US GAAP L'000).....	(9,131)	12	(1,345)
EARNINGS PER SHARE:			
UK GAAP (pence).....	(19.83)	0.21	(2.27)
Adjustment: Stock compensation charge(1).....	--	--	(2.82)
Adjustment: Services provided by principle stockholder(2)...	(0.18)	--	--
Recognition of deferred tax(3).....	(0.03)	(0.19)	0.51
	-----	-----	-----
US GAAP (pence).....	(20.04)	0.02	(4.58)
	=====	=====	=====
TOTAL ASSETS			
UK GAAP (L'000).....	7,108	15,233	15,038
Recognition of deferred tax(3).....	97	118	199
	-----	-----	-----
US GAAP (L'000).....	7,205	15,351	15,237
	=====	=====	=====
SHAREHOLDERS' EQUITY			
UK GAAP (L'000).....	1,508	10,532	10,363
Recognition of deferred tax(3).....	97	118	199
	-----	-----	-----
US GAAP (L'000).....	1,605	10,650	10,562
	=====	=====	=====

</TABLE>

(1) Under U.K. GAAP compensation cost is not recognized when shares are issued to employees. Under U.S. GAAP the group accounts for its share option grants and share awards in accordance with APB Opinion 25, under which compensation cost is recognized to the extent that the exercise price is less than the fair value of the stock at the date of the grant. The adjustment in 1996 relates to shares issued to employees just prior to the companies flotation on the Alternative Investment Market in London. Since the issue price was significantly lower than the market price when the shares were listed, compensation cost has been recognized for the differences on the date the shares were issued.

(2) The group has occupied its main premises since August 1998 under an informal arrangement with the owner, The Air Group Limited, a company of which NJS Randall is the controlling shareholder. No rent or service charges were payable under this arrangement in 1998. The market value of the rent is L250,000 per annum. Under U.K. GAAP no charge has been recognized in the financial statements in respect of the rental on this property.

US GAAP requires services provided by a principal shareholder to be reflected in financial statements based upon the cost of those services. Accordingly, the costs of the rent for the period since August 1998 have been reflected in the financial statements with a corresponding credit to additional paid in capital.

(3) Under UK GAAP no provision is made for deferred tax liabilities which are not expected to crystallize in the foreseeable future. Deferred tax assets in respect of operating losses are generally not recognized unless realization is assured beyond reasonable doubt.

Under US GAAP deferred taxation is provided for all temporary differences on a full liability basis. Deferred tax assets are recognized for deductible temporary differences, reduced by a valuation allowance, to the extent that it is more likely than not that the benefit will not be realized.

Airtech has paid no dividends during the last five years.

3. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Turnover. Turnover decreased 41% from L21.3 million in fiscal 1997 to L12.5 million in fiscal 1998. The decline in sales was attributable to a number of factors including delays to new PCS mobile

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infrastructure "roll-outs" in the US, delays to Motorola's CDMA new product programme, financial instability in the Far East impacting new mobile infrastructure projects in the region and customers delaying orders in the first half of the year pending availability of Airtech's next generation product, the G3 MHA.

Gross Profit/(Loss). Gross profit before exceptional items decreased 54% from L6.3 million in fiscal 1997 to L2.9 million in fiscal 1998. Gross margins before taking into account exceptional items declined from 29.6% to 23.1% for the periods indicated. In addition, non-recurring exceptional costs of L4.9 million were incurred in fiscal 1998 reflecting the costs associated with Airtech's MHA upgrade programme.

Selling and Distribution Costs. Selling and Distribution costs increased 57% from L1.3 million in fiscal 1997 to L2.1 million in fiscal 1998, reflecting the continued development of Airtech's international sales infrastructure, particularly in the Far East.

Administrative Expenses. Administrative expenses before exceptional costs increased 15% from L4.3 million in fiscal 1997 to L5.0 million in fiscal 1998. Administrative expenses also included research and development costs, which increased by 34% from L1.1 million for fiscal 1997 to L1.4 million in fiscal 1998. In addition, a non-recurring exceptional charge of L0.09 million was incurred in fiscal 1998 in respect of the cost of relocating the Group's operations from three sites in the UK to a single new purpose-built factory unit. In 1997 non-recurring exceptional costs of L0.46 million were incurred in relation to the Group's stock exchange listing expenses and associated professional costs.

Net Interest Income (Expense). Net interest income/(expense) declined from L0.02 million net receivable in fiscal 1997 to L0.06 million net payable in fiscal 1998. This swing was reflected by the change in the Group's net cash position over the two periods.

Taxation on Profit (Loss) on Ordinary Activities. The tax charge in fiscal 1997 was L0.15 million, which was wholly written back in fiscal 1998 following a carryback of available tax losses which extinguished the fiscal 1997 charge.

FISCAL YEAR ENDED 31 DECEMBER 1997 VS. FISCAL YEAR ENDED 31 DECEMBER

1996

Turnover. Turnover increased 159% from L8.2 million in fiscal 1996 to L21.3 million in fiscal 1997 following a massive increase in demand for the Group's MHA products underpinned by an expansion of the Group's international sales capability.

Gross Profit. Gross profit increased 127% from L2.8 million in fiscal 1996 to L6.3 million in fiscal 1997, chiefly as a result of the increased trading volume. Gross margin fell from 33.8% in fiscal 1996 to 29.6% in fiscal 1997 due to the mix of products shipped and upgrade costs incurred.

Selling and Distribution Costs. Selling and Distribution costs increased 155% from L0.5 million in fiscal 1996 to L1.3 million in fiscal 1997. This was in line with the increase in turnover and reflected the international expansion of the sales and marketing infrastructure.

Administrative Expenses. Administrative Expenses before exceptional items increased 52% from L2.8 million in fiscal 1996 to L4.3 million in fiscal 1997. This was primarily attributable to the increased personnel and other administrative costs resulting from the Groups' growth in all major areas of activity. In addition, non-recurring exceptional costs of L0.07 million and L0.46 million were incurred in fiscal 1996 and 1997 respectively relating to the Group's stock exchange listing expenses and associated professional costs.

Net Interest Income/Expense. Net interest income/expense improved from L0.03 million net expense in fiscal 1996 to L0.02 million net income in fiscal 1997. This reflected the improvement in the Group's average net cash position over these periods, following its Initial Public Offering in September 1996.

Taxation on Profit/Loss on Ordinary Activities. There was no tax charge in fiscal 1996 due to the availability of tax losses. The tax charge in fiscal 1997 was L0.15 million.

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FISCAL YEAR ENDED 31 DECEMBER 1996 VS. FISCAL YEAR ENDED 31 DECEMBER 1995

Turnover. Turnover increased 190% from L2.8 million in fiscal 1995 to L8.2 million in fiscal 1996. This was attributable to the move into volume production of MHAs following the Initial Public Offering of the Group in September 1996.

Gross Profit. Gross Profit increased 135% from L1.2 million in fiscal 1995 to L2.8 million in fiscal 1996 following the increase in sales volumes. The move towards volume products with lower margins affected the product mix and gross margin fell as a result from 41.8% in fiscal 1995 to 33.8% in fiscal 1996.

Selling & Distribution Costs. Selling and Distribution costs increased 32% from L0.4 million in fiscal 1995 to L0.5 million in fiscal 1996, as a result of the increase in the Group's activity and expansion of sales resource in the US.

Administrative Expenses. Administrative Expenses before exceptional items increased 177% from L1.0 million in fiscal 1995 to L2.8 million in fiscal 1996, although these expenses remained broadly comparable as a percentage of sales at 36.2% and 34.5% respectively.

Net Interest Income/Expense. Net Interest income/expense increased from L0.02 million in fiscal 1995 to L0.03 million in fiscal 1996. This reflected the increased finance charges payable on capital leases following substantial investment in new equipment during fiscal 1996.

Taxation on Profit/Loss on Ordinary Activities. No tax charge arose in either period.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 1998, the Group had cash and cash equivalents of L0.42 million and working capital at the date was L2.84 million. In September 1996, the Group received net proceeds of L10.35 million from the sale of its ordinary shares in the UK (the "UK Offering") and in June 1995 received net proceeds of L1.47 million in a private placement of its

redeemable preference shares and warrants (the "1995 Placement"). The Group generated negative cash flow from operations in fiscal 1995, 1996, 1997 and 1998.

Capital expenditures were approximately L0.13 million, L0.41 million, L0.48 million and L0.60 million in fiscal 1995, 1996, 1997 and 1998 respectively. The Group has utilised lease financing for the equipment used in its manufacturing operations and expects to continue to do so in the future. The Group financed its operations, including net losses and capital expenditures, over the last three years primarily from bank financings and the net proceeds of the UK Offering and the 1995 Placement. As of 31 December 1998 the Group had borrowings under a working capital facility of approximately L0.05 million and liabilities under finance leases of approximately L0.27 million. The working capital facility and loan are secured by substantially all of the assets of the Group.

The Group's future capital requirements will depend on many factors, including the nature and timing of orders from major customers, the working out of the upgrade programme, the progress of research and development efforts, expansion of Airtech's marketing and sales effort and the status of competitive products. Airtech believes that it has access to adequate capital resources to fund its operations for at least twelve months, although it recognizes that this may need to include an injection of equity capital during the year.

IMPACT OF INFLATION

During the periods under review, the business of Airtech was not materially affected by inflation.

4. NATURE OF TRADING MARKET

Airtech's shares have been traded on the London Stock Exchange since 1997. There is no trading market for Airtech Shares in the US.

As at 23 January 1999, there were approximately 27 holders of record of Airtech's Shares with registered addresses in the US, holding an aggregate of 5,250,455 Airtech Shares (approximately 9.9 per cent. of Airtech's then issued share capital). Certain US holdings may be held in nominee accounts with registered addresses outside the US.

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The following table sets out, for the quarters indicated, the reported highest and lowest middle market quotations for Airtech Shares, as derived from SEDOL:

<TABLE>

<CAPTION>

QUARTER	PER ORDINARY SHARE HIGH	PER ORDINARY SHARE LOW
-----	-----	-----
<S>	<C>	<C>
1 January 1997 to 30 March 1997.....	115.5p	101.5p
1 April 1997 to 30 June 1997.....	102.5p	77.5p
1 July 1997 to 30 September 1997.....	90.0p	72.5p
1 October 1997 to 31 December 1997.....	107.5p	61.5p
1 January 1998 to 31 March 1998.....	99.5p	62.5p
1 April 1998 to 30 June 1998.....	69.5p	45.5p
1 July 1998 to 30 September 1998.....	57.5p	15.5p
1 October 1998 to 31 December 1998.....	20.5p	15.0p

</TABLE>

5. MARKET RISK

Airtech is not exposed to any market risk sensitive instruments except its treasury investments. These investments constitute sterling denominated cash bank deposits yielding rates of interest available on London money markets. To the extent that these rates of interest are affected by market conditions, Airtech's interest income will change but this is currently not expected to impact materially on its results.

FURTHER INFORMATION REGARDING REMEC

REMEC files annual, quarterly and special reports, proxy statements and other information with the SEC. Airtech Shareholders may read and copy any reports, statements or other information REMEC files at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Airtech shareholders should telephone the SEC at 1-800-SEC-0330 for further information on the public reference rooms. REMEC's filings with the SEC are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at "http://www.sec.gov."

In addition, REMEC filed a Registration Statement on Form S-4 to register with the SEC the REMEC Common Stock to be issued to Airtech Shareholders in exchange for their Airtech Shares. This Recommended Offer is a part of that Registration Statement and constitutes a prospectus of REMEC. As allowed by SEC rules, this Offer Document does not contain all the information Airtech Shareholders can find in the Registration Statement or the exhibits to the Registration Statement.

Further, all of REMEC's reports and statements filed with the SEC, including the Registration Statement on Form S-4 relating to the Offer, may be inspected at the Nasdaq National Market at Nasdaq Operations, 17th 35th Street NW, Washington D.C. 20006.

The SEC allows REMEC to "incorporate by reference" information into this Offer Document, which means that REMEC can disclose important information to Airtech Shareholders by referring them to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this Offer Document, except for any information superseded by information in this Offer Document. This Offer Document incorporates by reference the documents set forth below that REMEC has previously filed with the SEC. These documents contain important information about REMEC and its finances.

<TABLE>		
<CAPTION>	REMEC SEC FILINGS (FILE NO. 2-7414)	PERIOD
	-----	-----
<S>	Annual Report on Form 10-K.....	<C> Fiscal Year ended 31 January 1999
	Quarterly Reports on Form 10-Q.....	Quarters ended 1 May, 31 July and 30 October 1998
	Definitive Proxy Statement.....	1998 Annual Meeting of Shareholders
	The description of REMEC Common Stock set forth in the	
	Registration Statement on Form 8-A.....	Filed on 13 December 1995
</TABLE>		

REMEC is also incorporating by reference additional documents that it files with the SEC between the date of this Offer Document and the date the Offer becomes or is declared wholly unconditional.

If you are an Airtech Shareholder, you can obtain any of these documents through REMEC or the SEC. Documents incorporated by reference are available from REMEC without charge, excluding all exhibit unless REMEC has specifically incorporated by reference an exhibit in this Offer Document. Airtech Shareholders also may obtain documents incorporated by reference in this Offer Document by either inspecting them during normal business hours on any weekday (public holidays excepted) while the Offer remains open for acceptance or requesting them in writing from REMEC or its legal counsel in the United Kingdom, Ashurst Morris Crisp, at the following addresses:

<TABLE>

<S>
REMEC, Inc.
9494 Chesapeake Drive
San Diego, California 92123
USA
Attention: Investor Relations
Department
Telephone: (619) 560-1301

<C>
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A, England
United Kingdom
Attention: Ms Julie A. Roberts
Telephone: 0171 638 1111

</TABLE>

Airtech Shareholders may rely only on the information concerning REMEC contained or incorporated by reference in this Offer in determining whether to accept the Offer. REMEC has not authorized anyone to provide Airtech Shareholders with information that is different from what is contained in this Offer Document. This Offer Document is dated March 1999. Airtech Shareholders should not assume that the information contained in the Offer Document is accurate as of any date other than such date, and neither the mailing of this Offer Document to Airtech Shareholders nor the issuance of REMEC Common Stock in the exchange for the Airtech Shares will create any implication to the contrary.

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APPENDIX I
CONDITIONS AND FURTHER TERMS OF THE OFFER
PART A -- CONDITIONS

The Offer is subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. on [D + 20 business days] 1999 (or such later time(s) and/or date(s) as REMEC may, subject to the rules of the Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as REMEC may decide) of the Airtech shares to which the Offer relates, provided that, unless agreed by the Panel, this condition will not be satisfied unless REMEC and/or its wholly-owned subsidiaries have acquired or agreed to acquire (pursuant to the Offer or otherwise), directly or indirectly, Airtech shares carrying, in aggregate, over 50 per cent. of the voting rights then normally exercisable at general meetings of Airtech on such basis as may be required by the Panel (including for this purpose, to the extent (if any) required by the Panel, any voting rights attaching to any shares which are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion or subscription rights or otherwise); and for this purpose (i) the expression "Airtech shares to which the Offer relates" shall be construed in accordance with sections 428-430F of the Companies Act 1985; and (ii) shares which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry on issue;
- (b) approval for listing the New REMEC Common Stock on the Nasdaq National Market being granted subject to official notice of issuance;
- (c) the passing at an Extraordinary General Meeting of Airtech (or at any adjournment thereof) of such resolutions as may be necessary to approve the purchase of the New Airtech Factory;
- (d) the Registration Statement, and any post-effective amendments thereto, having become effective under the Securities Act and no stop order suspending the effectiveness of such registration statement or any part thereof having been issued and no proceeding for that purpose having been initiated or threatened by the SEC;
- (e) REMEC having received a letter from Ernst & Young LLP, dated as of the date on which the Offer becomes or is declared unconditional in all respects, confirming their concurrence with REMEC's management's conclusion that the acquisition of Airtech may be accounted for as a pooling of interests under US GAAP;
- (f) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to the generality of the foregoing) any other person or body in any jurisdiction (each, a "Relevant Authority") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation or enquiry or enacted, made or proposed any statute, regulation or order or otherwise taken any other step or done any thing, and there not being outstanding any statute, legislation or order, that would or might:

- (i) restrict, restrain, prohibit, delay, impose additional conditions or obligations with respect to, or otherwise interfere with the implementation of, the acquisition of any Airtech shares by REMEC or any matters arising therefrom;
- (ii) result in a delay in the ability of REMEC, or render REMEC unable, to acquire some or all of the Airtech shares;
- (iii) require, prevent, delay or affect the divestiture by REMEC or any of its subsidiaries, subsidiary undertakings or associated undertakings (including any company of which 20 per cent. or more of the voting capital is held by the REMEC Group) or any partnership, joint venture, firm or company in which any of them may be interested) (together the "wider REMEC Group") or Airtech or any of its subsidiaries, subsidiary undertakings or associated undertakings (including any company of which 20 per cent. or more of the voting capital is held by the Airtech Group) or any partnership, joint venture, firm or company in which any of them may be interested) (together the "wider Airtech Group") of all or any portion of their businesses, assets or property or of any Airtech Shares or other securities in Airtech or impose any limitation on the ability of any of them to conduct their respective businesses or own their respective assets or properties or any part thereof;

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- (iv) impose any limitation on the ability of any member of the wider REMEC Group to acquire or hold or exercise effectively, directly or indirectly, all rights of all or any of the Airtech shares (whether acquired pursuant to the Offer or otherwise);
- (v) require any member of the wider REMEC Group or the wider Airtech Group to offer to acquire any shares or other securities or rights thereover in any member of the wider Airtech Group owned by any third party;
- (vi) make the Offer or its implementation or the proposed acquisition of Airtech or any member of the wider Airtech Group or of any Airtech shares or any other shares or securities in, or control of, Airtech, illegal, void or unenforceable in or under the laws of any jurisdiction;
- (vii) impose any limitation on the ability of any member of the wider REMEC Group or the wider Airtech Group to co-ordinate its business, or any part of it, with the business of any other member of the wider REMEC Group or the wider Airtech Group; or
- (viii) otherwise adversely affect any or all of the businesses, assets, prospects or profits of any member of the wider REMEC Group or the wider Airtech Group or the exercise of rights of shares of any company in the Airtech Group;

and all applicable waiting periods during which such Relevant Authority could institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene, having expired, lapsed or been terminated;

- (g) all authorisations, orders, grants, consents, clearances, licences, permissions and approvals, in any jurisdiction, deemed necessary or appropriate by REMEC for or in respect of the Offer, the proposed acquisition of any shares or securities in, or control of, Airtech or any member of the wider Airtech Group by any member of the wider REMEC Group or the carrying on of the business of any member of the wider Airtech Group or the wider REMEC Group, the issue of the New REMEC Common Stock or any matters arising therefrom being obtained in terms satisfactory to REMEC from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any members of the wider Airtech Group or the wider REMEC Group has entered into contractual arrangements and such authorisations, orders, grants, consents, clearances, licences, permissions and approvals remaining in full force and effect and there being no intimation of any intention to revoke or not to renew the same and all necessary filings having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Offer or the proposed acquisition of Airtech by REMEC or of any Airtech shares or any matters arising therefrom having been complied with;
- (h) appropriate assurances being received, in terms satisfactory to REMEC, from the relevant authorities or any party with whom any member of the wider Airtech Group has any material contractual or other relationship that the

interests held by any member of the wider Airtech Group under any material licences, leases, consents, permits and other rights will not be adversely amended or otherwise affected by the Offer or the proposed acquisition of Airtech or any matters arising therefrom, that such material licences, leases, consents, permits and other rights are in full force and effect and that there is no intention to revoke or amend any of the same;

(i) save as disclosed in writing by Airtech to REMEC prior to 26 February 1999 and accepted by REMEC as such, there being no provision of any agreement, instrument, permit, licence or other arrangement to which any member of the wider Airtech Group is a party or by or to which it or any of its assets may be bound or subject which, as a consequence of the Offer or the acquisition of Airtech or because of a change in the control or management of Airtech or any member of the Airtech Group or any matters arising therefrom or otherwise, could or might have the result that:

(i) any moneys borrowed by, or other indebtedness, actual or contingent, of, or grant available to, any member of the wider Airtech Group becomes or is capable of being declared repayable immediately or earlier than the repayment date stated in such agreement, instrument or other arrangement or the ability of any member of the wider Airtech Group to borrow moneys or incur indebtedness is withdrawn, inhibited or adversely affected;

(ii) any mortgage, charge or other security interest is created over the whole or any part of the business, property or assets of any member of the wider Airtech Group or any such security (whenever arising) becomes enforceable;

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(iii) any such agreement, instrument, permit, licence or other arrangement, or any right, interest, liability or obligation of any member of the wider Airtech Group therein, is terminated or adversely modified or affected or any action is taken or onerous obligation arises thereunder;

(iv) the value of any member of the wider Airtech Group or its financial or trading position is prejudiced or adversely affected;

(v) any material asset or, other than in the ordinary course of business, any asset of the wider Airtech Group being or falling to be charged or disposed of;

(vi) the rights, liabilities, obligations or interests or business of any member of the wider Airtech Group in or with any other person, firm or company (or any arrangement relating to such interest or business) is terminated, modified or adversely affected; or

(vii) any member of the wider Airtech Group ceases to be able to carry on business under any name under which it currently does so;

in each case to an extent which is material in the context of the Airtech Group;

(j) since 31 December 1997 (being the date to which the latest published audited report and accounts of Airtech were made up) and save as disclosed in writing by Airtech to REMEC prior to 26 February 1999 and accepted by REMEC as such, or announced publicly and delivered to the London Stock Exchange prior to 26 February 1999, no member of the Airtech Group having:

(i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class or issued or authorised or proposed the issue of or granted securities convertible into or rights, warrants or options to subscribe for or acquire such shares or convertible securities or redeemed, purchased or reduced or announced any intention to do so or made any other change to any part of its share capital;

(ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any dividend, bonus or other distribution other than dividends lawfully paid to Airtech or wholly-owned subsidiaries of Airtech;

(iii) authorised or proposed or announced its intention to propose any merger or acquisition or disposal or transfer of assets or shares or any change in its share or loan capital;

(iv) issued or authorised or proposed the issue of any debentures or incurred or increased any indebtedness or contingent liability;

- (v) disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset or entered into or varied any contract, commitment or arrangement (whether in respect of capital expenditure or otherwise) which is of a long term or unusual nature or which involves or could involve an obligation of a nature or magnitude which is material or authorised, proposed or announced any intention to do so;
- (vi) entered into or varied or proposed to enter into or vary any contract, reconstruction, amalgamation, arrangement or other transaction which is of a long term or unusual or onerous nature or is otherwise than in the ordinary course of business or announced any intention to do so;
- (vii) entered into, or varied the terms of, any contract or agreement with any of the directors or senior executives of Airtech;
- (viii) taken or proposed any corporate action or had any legal proceedings started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues;
- (ix) waived or compromised any claim other than in the ordinary course of business;
- (x) made any amendment to its memorandum or articles of association;
- (xi) entered into any contract, transaction or arrangement which is or may be restrictive on the business of any member of the wider Airtech Group or the wider REMEC Group;

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- (xii) entered into any contract, commitment or agreement with respect to any of the transactions or events referred to in this condition (i); and
 - (xiii) been unable or admitted that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (k) since 31 December 1997 (being the date to which the latest published audited report and accounts of Airtech were made up) and save as disclosed in writing by Airtech to REMEC prior to 26 February 1999 and accepted by REMEC as such or save as announced publicly and in each case delivered to the London Stock Exchange prior to 26 February 1999:
- (i) no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened or become pending or remained outstanding by or against any member of the wider Airtech Group or to which any member of the wider Airtech Group is or may become a party (whether as plaintiff, defendant or otherwise) to an extent which is material in the context of the Airtech Group;
 - (ii) no material adverse change having occurred in the business, assets, financial or trading position, profits or prospects of any member of the wider Airtech Group;
 - (iii) no investigation by any Relevant Authority having been threatened, announced, implemented or instituted or remaining outstanding;
- (l) REMEC not having discovered that:
- (i) any business, financial or other information concerning any member of the Airtech Group disclosed, publicly or otherwise at any time to REMEC, by or on behalf of any member of the Airtech Group, either contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading to an extent which is material in the context of the information provided; or
 - (ii) any member of the wider Airtech Group is subject to any liability, actual or contingent, which is not disclosed in the annual report and accounts of Airtech for the financial year ended 31 December 1997; and

(m) REMEC not having discovered that:-

- (i) any past or present member of the wider Airtech Group has not complied with all applicable legislation or regulations of any jurisdiction with regard to the storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or to harm human health or otherwise relating to environmental matters (which non-compliance might give rise to any liability (whether actual or contingent) on the part of any member of the wider Airtech Group) or that there has otherwise been any such disposal, discharge, spillage, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations and wherever the same may have taken place) which in any such case might give rise to any liability (whether actual or contingent) on the part of any member of the wider Airtech Group;
- (ii) there is or is likely to be any liability (whether actual or contingent) to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the wider Airtech Group or any controlled waters under any environmental legislation, regulation, notice, circular or order of any Relevant Authority or third party or otherwise;
- (iii) that circumstances exist (whether as a result of the making of the Offer or otherwise) which might lead to any Relevant Authority instituting or any member of the wider Airtech Group or the wider REMEC Group might be required to institute, an environmental audit or take any other steps which in any such case might result in any actual or contingent liability to improve or install new plant or equipment or make good, repair, re-instate or clean up any land or other asset now or previously owned, occupied or made use of by any member of the wider Airtech Group; or
- (iv) circumstances exist whereby a person or class of persons might have any claim or claims in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the wider Airtech Group;

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in each case to an extent which is material in the context of the Airtech Group

REMEC reserves the right to waive all or any of conditions (e) to (m) (inclusive) above, in whole or in part. Conditions (b), (c) and (d) must be fulfilled within 21 days after the later of [D + 20 business days] 1999 and the date on which condition (a) is fulfilled and conditions (e) to (m) (inclusive) must be satisfied as at, or waived on or before, 21 days after the later of [D + 20 business days] and the date on which condition (a) is fulfilled (or in each case such later date as the Panel may agree) provided that REMEC shall be under no obligation to waive or treat as satisfied any of conditions (e) to (m) (inclusive) by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfillment.

If REMEC is required by the Panel to make an offer for Airtech shares under the provisions of Rule 9 of the Code, REMEC may make such alterations to the conditions as are necessary to comply with the provisions of that Rule.

The Offer will lapse if the Offer is referred to the Monopolies and Mergers Commission or if the European Commission in respect thereof either initiates proceedings under article 6(1)(c) of Council Regulation (EEC) 4064/89 or makes a referral to a competent authority of the United Kingdom under article 9(1) of that Regulation, before (in any such case) the later of the first closing date of the Offer and the date when the Offer becomes or is declared unconditional as to acceptances.

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PART B
FURTHER TERMS OF THE OFFER

The following further terms apply, unless the context requires otherwise. Except where the context requires otherwise, any reference in this Part B of Appendix I

and in the Form of Acceptance to:

- (i) "Offer" means the Offer and any revision thereof or extension thereto;
- (ii) "Offer becoming unconditional" includes the Offer being declared unconditional;
- (iii) "Offer becoming unconditional" shall be construed as a reference to the Offer being declared or becoming unconditional as to acceptances whether or not any other condition thereof remains to be fulfilled;
- (iv) "acceptance condition" means the condition as to acceptances set out in paragraph 1(i) of Part A of this Appendix I;
- (v) an extension of the Offer shall include an extension of the date by which the acceptance condition has to be fulfilled;
- (vi) "Offer document" means any document containing an Offer;
- (vii) "Airtech Shareholders" means holders of Airtech Shares; and
- (viii) "Form of Acceptance" means any of the Forms of Acceptance.

1. ACCEPTANCE PERIOD

- (a) The Offer will initially remain open for acceptance until 3.00 p.m. on [D + 20 business days]. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days from the date of posting of written notification of the revision to Airtech Shareholders. Except with the consent of the Panel, no such written notification of the revision of the Offer may be posted to Airtech Shareholders after [D + 46] or, if later, the date falling 14 days prior to the last date on which the Offer can become unconditional.
- (b) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on [D + 60] (or any earlier time and/or date beyond which REMEC has stated that the Offer will not be extended and in respect of which it has not withdrawn that statement) nor of being kept open after that time and/or date unless it has previously become unconditional. However, REMEC reserves the right, with the consent of the Panel, to extend the Offer to (a) later time(s) and/or date(s). Except with the consent of the Panel, REMEC may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received, or purchases of Airtech Shares made, in respect of which relevant documents have been received by IRG plc after 1.00 p.m. on [D + 60] (or on any earlier date beyond which REMEC has stated that the Offer will not be extended and in respect of which it has not withdrawn that statement) or such later time and/or date as REMEC may, with the permission of the Panel, decide. If the Offer is extended beyond midnight on [D + 60], acceptances received and purchases made in respect of which relevant documents have been received by IRG plc after 1.00 p.m. on the relevant date may (except where the Code otherwise permits) only be taken into account with the consent of the Panel.
- (c) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice, then not less than 14 days' notice will be given prior to the closing of the Offer.
- (d) If a competitive situation (as determined by the Panel) arises after REMEC has given a "no extension" statement or a "no increase" statement, REMEC may (if it has specifically reserved the right to do so at the time such statement was made or otherwise with the consent of the Panel) withdraw such statement provided that notice is given to that effect within four business days of the announcement of the competing offer and Airtech Shareholders are informed in writing thereof (or, in the case of

nity thereafter. REMEC may (if it has reserved the right to do so) choose not to be bound by the terms of a "no increase" or "no extension" statement, if it would otherwise prevent the posting of an increased or improved Offer which is recommended for acceptance by the Board of Airtech, or in other circumstances permitted by the Panel.

- (e) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, REMEC shall not be bound (unless otherwise required by the Panel) to take into account any Airtech Shares which have been unconditionally allotted or issued before such determination takes place, unless IRG plc on behalf of REMEC has received written notice of the relevant details of such allotment or issue (including the price thereof) before that time. Telex, e-mail or facsimile transmission will not be sufficient for this purpose.

2. ANNOUNCEMENTS

- (a) By 8.30 a.m. on the business day (the "relevant day") next following the day on which the Offer is due to expire or becomes unconditional or is revised or extended, or such later time and/or date as the Panel may agree, REMEC will make an appropriate announcement and simultaneously inform the London Stock Exchange of the position. Such announcement will (unless otherwise permitted by the Panel) also state (as nearly as practicable) the total number of Airtech Shares and rights over Airtech Shares (i) for which acceptances of the Offer have been received (showing the extent, if any, to which such acceptances have been received from persons acting or deemed to be acting in concert with REMEC), (ii) acquired or agreed to be acquired by or on behalf of REMEC or any person acting or deemed to be acting in concert with REMEC during the Offer Period and (iii) held by or on behalf of REMEC or any person acting or deemed to be acting in concert with REMEC prior to the Offer Period, and will specify the percentage of the share capital of Airtech represented by these figures. Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.30 a.m. on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is unconditional in all respects in which case a statement may be made that the Offer will remain open until further notice). In computing the number of Airtech Shares represented by acceptances and/or purchases there may, at the discretion of REMEC, be included or excluded for announcement purposes acceptances and purchases which are not complete in all respects or are subject to verification where such acceptances or purchases of Airtech Shares could be counted towards fulfilling the acceptance condition in accordance with paragraph 5(i) below.
- (b) References in this Part B of Appendix I to the making of an announcement by REMEC include the release of an announcement by public relations consultants or by Quartz Capital, to the press, and the delivery or telephone, telex or facsimile or other electronic transmission of an announcement to the London Stock Exchange. An announcement made otherwise than to the London Stock Exchange will be notified simultaneously to the London Stock Exchange.

3. RIGHTS OF WITHDRAWAL

- (a) If REMEC, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (or such later time and/or date as the Panel may agree) with any of the other relevant requirements specified in paragraph 2(a) above, an accepting Airtech Shareholder may (unless the Panel agrees otherwise)

immediately thereafter withdraw his acceptance by written notice (signed by the accepting shareholder or his agent duly appointed in writing and evidence of whose appointment in a form reasonably satisfactory to REMEC is produced with the notice) given by post or by hand to IRG plc Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ on behalf of REMEC. Subject to paragraph 1(b) above, this right of withdrawal may be terminated not less than eight days after the relevant day by REMEC confirming, if that be the case, that the Offer is still unconditional and complying with the other requirements specified in paragraph 2(a) above. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) above will run from the date of such confirmation and compliance.

- (b) If by 3.00 p.m. on [D + 48] (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting Airtech Shareholder may withdraw his

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acceptance at any time thereafter at either of the addresses and in the manner referred to in paragraph 3(a) above before the earlier of (i) the time that the Offer becomes unconditional and (ii) the final time for lodgement of acceptances which can be taken into account in accordance with paragraph 1(b) above. If REMEC withdraws a "no extension" statement or a "no increase" statement in accordance with paragraph 1(d) above, any Airtech Shareholder who accepts the Offer after the date of such statement may withdraw his acceptance thereafter at either of the addresses and in the manner referred to in paragraph 3(a) above for a period of eight days after the date of posting of written notice to that effect by REMEC to the relevant Airtech Shareholders.

- (c) Except as provided by this paragraph 3, acceptances and elections shall be irrevocable. In this paragraph 3 "written notice" (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Airtech Shareholders or his/their agent(s) duly appointed in writing (evidence of whose appointment in a form reasonably satisfactory to REMEC is produced with the notice) and telex, e-mail or facsimile transmissions or copies will not be sufficient. No notice which appears to REMEC, its agents or advisers to have been sent from Canada, Australia or Japan will be treated as valid.

4. REVISED OFFER

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or otherwise) and such revision represents on the date on which such revision is announced (on such basis as Quartz Capital may consider appropriate) an improvement or no diminution in the value of the Offer as so revised compared with the value of the consideration previously offered, the benefit of the revised Offer will (subject to this paragraph 4 and paragraph 6 below) be made available to Airtech Shareholders who have accepted the Offer in its original or any previously revised form(s) (hereinafter called "Previous Acceptor(s)"). The acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided in this paragraph 4 and paragraph 6 below, be deemed to be an acceptance of the Offer as so revised and shall also constitute the separate appointment of any director of REMEC as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor.
- (b) Although no such revision is envisaged, if any revised Offer provides for Airtech Shareholders who accept it to elect for (or accept) alternative forms of consideration, the acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided below,

also constitute the separate appointment of any director of REMEC as his attorney and/or agent to make on his behalf elections for and/or to accept such alternative forms of consideration on his behalf as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptance or election, such attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.

- (c) The deemed acceptances referred to in paragraphs 4(a) and (b) above shall not apply and the authorities conferred by paragraphs 4(a) and (b) above shall not be exercised if as a result thereof a Previous Acceptor would (on such basis as the Quartz Capital may consider appropriate) receive less in aggregate than he would have received as a result of his acceptance of the Offer in the form in which it was originally accepted by him unless the Previous Acceptor has previously otherwise agreed in writing.
- (d) The deemed acceptances referred to in paragraphs 4(a) and (b) above shall not apply and the authorities conferred by paragraphs 4(a) and (b) above shall be ineffective to the extent that a Previous Acceptor shall lodge with IRG plc, within 14 days of the posting of the document pursuant to which the revision of the Offer referred to in paragraphs 4(a) and (b) above is made available to Airtech Shareholders (or such later date as REMEC may determine), a form in which he validly elects to receive the consideration receivable by him under that revised Offer in some other manner.

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- (e) The powers of attorney and authorities referred to in this paragraph 4 and any acceptance of a revised Offer and/or election pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 above and duly and validly does so.
- (f) REMEC reserves the right to treat an executed Form of Acceptance relating to the Offer (in its original or any previously revised form(s)) which is received after the announcement or the issue of the Offer in any revised form as a valid acceptance of the revised Offer and/or election thereunder and such acceptance shall constitute an authority and request in the terms of this paragraph 4 mutatis mutandis on behalf of the relevant Airtech Shareholders.

5. GENERAL

- (a) Except with the consent of the Panel, the Offer will lapse unless all the conditions to the Offer have been fulfilled by or (if capable of waiver) waived by or (where appropriate) have been determined by REMEC to be or remain satisfied as at midnight on [D + 48] or within 21 days after the date on which the Offer becomes unconditional (whichever is the later) or such later date as REMEC may, with the consent of the Panel, decide provided that REMEC shall be under no obligation to waive or treat as satisfied any condition by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any such conditions may not be capable of fulfilment. If the Offer lapses, for any reason, it shall cease to be capable of acceptance and REMEC, Quartz Capital and Airtech Shareholders shall thereupon cease to be bound by prior acceptances. If the Offer is referred to the Monopolies and Mergers Commission before [D + 20 business days] or the date when the Offer becomes unconditional (whichever is the later) the Offer will lapse.
- (b) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, share certificate(s) or other documents will be

given. All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or to or sent to or from Airtech Shareholders (or their designated agents) or as otherwise directed will be delivered by or to or sent to or from them (or their designated agents) at their risk.

(c) The expression "Offer Period" when used in this document means the period commencing on 12 January 1999 and ending on whichever of the following dates shall be the latest:

- (i) [D + 20 business days];
- (ii) the date on which the Offer lapses; and
- (iii) the date on which the Offer becomes unconditional.

(d) Except with the consent of the Panel, settlement of the consideration to which any Airtech Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which REMEC may otherwise be, or claim to be, entitled as against such Airtech Shareholder.

(e) The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document shall, unless the context otherwise requires, have the same meanings when used in the Form of Acceptance.

(f) Execution by or on behalf of an Airtech Shareholder of a Form of Acceptance will constitute his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England and the relevant shareholder's agreement that nothing shall limit the right of REMEC to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.

(g) Any accidental omission to despatch this document or the Form of Acceptance or any notice required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.

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(h) Subject to paragraph 5(i) below, REMEC and Quartz Capital reserve the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places or in any manner determined by them otherwise than as stated herein or in the Form of Acceptance.

(i) Notwithstanding the right reserved by REMEC to treat (a) Form(s) of Acceptance as valid even though not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title or not accompanied by the relevant transfer to escrow except with the consent of the Panel an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. Except with the consent of the Panel, a purchase of Airtech Shares by REMEC or its nominee(s) (or, if REMEC is required to make an offer or offers under the provisions of Rule 9 of the Code, by a person acting in concert with REMEC for the purpose of such offer(s) or its nominee(s)) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it. The Offer may not be accepted otherwise than by means of a Form of Acceptance.

(j) Except with the consent of the Panel, the Offer will not become unconditional until IRG plc has issued a certificate to REMEC or Quartz Capital (or their respective agents) which states the number of Airtech Shares in respect of which acceptances have

been received which meet the requirements of Note 4 on Rule 10 of the Code and the number of Airtech Shares otherwise acquired (whether before or during the Offer Period) which meet the requirements of Note 5 on Rule 10 of the Code and, in each case, if applicable, Note 6 on Rule 10 of the Code. Copies of such certificate will be sent to the Panel and to the financial advisers of Airtech as soon as possible after it is issued.

- (k) Due completion of a Form of Acceptance will constitute an instruction to REMEC, on the Offer becoming unconditional in all respects, to cancel all mandates and other instructions entered in the records of Airtech in force relating to holdings of Airtech Shares. Such mandates and other instructions will not continue in force in relation to New REMEC Common Stock issued to such shareholders.
- (l) All powers of attorney and authorities on the terms conferred by or referred to in this Part B of Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the Airtech Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971, except in the circumstances where the donor of such power of attorney or authority is entitled to withdraw his acceptance in accordance with paragraph 3 above and duly does so.
- (m) The Offer extends to any Airtech Shareholders not resident in the United Kingdom to whom this document, the Form of Acceptance and any related documents may not have been despatched or by whom such documents may not have been received and such Airtech Shareholders may collect copies of those documents from IRG plc Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ. REMEC and Quartz Capital reserve the right to notify any matter, including the making of the Offer, to all or any Airtech shareholders with a registered address outside the United Kingdom (or whom REMEC knows to be nominees, trustees or custodians for such persons) by announcement in the United Kingdom or paid advertisement in a daily newspaper published and circulated in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given notwithstanding any failure by an Airtech Shareholder to receive such notice and all references in this document to notice, or the provision of information in writing, by REMEC, Quartz Capital and/or their respective agents and/or public relations consultants shall be construed accordingly.
- (h) Save, in the case of any New REMEC Common Stock to be issued to any Affiliate, as agreed under the terms of the Affiliate Agreements:
 - (i) the New REMEC Common Stock will be issued free from all liens, charges and other encumbrances or other equitable interests; and
 - (ii) the New REMEC Common Stock will rank pari passu in all respects with existing REMEC Common Stock, including the right to receive in full all dividends (which

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are payable in US dollars), if any, and other distributions declared, paid or made on such shares after the date hereof.

- (o) The Offer is made on March 1999 and is capable of acceptance from and after that date. Form(s) of Acceptance are available for collection from IRG plc from that date.
- (p) If the Offer does not become unconditional in all respects:
 - (i) Form(s) of Acceptance, share certificate(s) and other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing to the person or agent whose name and address is set out in the relevant box on the Form of Acceptance or, if none is set out, to the first named holder at his registered address; and

- (ii) IRG plc will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), give instructions to CRESTCo to transfer all Airtech Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the Airtech Shareholders concerned.

- (q) If sufficient acceptances are received, REMEC intends to apply the provisions of sections 428 to 430F of the Companies Act 1985 to acquire compulsorily any outstanding Airtech Shares and to apply for cancellation of Airtech's listing on the London Stock Exchange.

- (r) In relation to any acceptance of the Offer in respect of a holding of Airtech Shares which are in uncertificated form, REMEC reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise provided that such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.

- (s) All references in this Offer Document and in the Form of Acceptance to each of [D+20 business days] 1999 and the First Closing Date of the Offer shall (except in paragraphs 5(c) and the referral date for the MMC described in 5(a) of this Part B and except where the context otherwise requires) be deemed, if the expiry date of the Offer be extended, to refer to the expiry date of the Offer as so extended.

6. AIRTECH OVERSEAS SHAREHOLDERS

- (a) The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom or who are nominees of, or custodians, trustees or guardians for, citizens or nationals of such jurisdictions ("overseas shareholders"), may be affected or prohibited by the laws of the relevant overseas jurisdiction. Such overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties due in such territory. Any overseas shareholder will be responsible for any issue, transfer or other taxes or other requisite payments by whomsoever payable and REMEC, Quartz Capital and any person acting on their behalf shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or other requisite payments as REMEC, Quartz Capital and any person acting on their behalf may be required to pay.

- (b) In particular, the Offer is not being made directly or indirectly in, or into, Canada, Australia or Japan. This includes, but is not limited to, facsimile transmission, telex and telephone. Furthermore, the relevant clearances will not be obtained from the regulatory authority of any province or territory of Canada. No prospectus in relation to the New REMEC Common Stock has been, or will be, lodged with or registered by the Australian Securities Commission and no steps have been, nor will any be taken to enable the New REMEC Common Stock to be offered in compliance with applicable securities laws in Japan. REMEC will not (unless otherwise determined by REMEC in its sole discretion and save as provided for in paragraph 6(c) below) mail or deliver, or authorise the mailing or delivery of, this document,

the Form of Acceptance, or any related offering document in or into Canada, Australia or Japan, including to Airtech Shareholders with registered addresses in Canada, Australia or Japan or to persons whom REMEC knows to be nominees, trustees or custodians holding Airtech Shares for such persons ("Restricted Overseas Person"). Persons receiving such documents (including, without limitation, nominees, trustees or custodians) should not distribute or send them in or into, Canada, Australia or Japan or use such mails or any such means or instrumentality for any purpose directly or indirectly in connection with the Offer and so doing may invalidate any purported acceptance. Persons wishing to accept the Offer should not use such mails or any such means or instrumentality for any purpose directly or indirectly related to acceptance of the Offer. Envelopes containing Form(s) of Acceptance should not be postmarked in Canada, Australia or Japan or otherwise despatched from Canada, Australia or Japan, and all acceptors must provide addresses outside Canada, Australia or Japan for the receipt of the New REMEC Common Stock, or for the return of Form(s) of Acceptance, certificate(s) for Airtech Shares and/or other document(s) of title. Unless an exemption under the relevant securities laws is available and save as aforesaid REMEC will not issue New REMEC Common Stock or authorise the delivery of any document(s) of title in respect of New REMEC Common Stock to (i) any person who is, or who REMEC has reason to believe is, a Restricted Overseas Person or resident in Australia or Japan or (ii) any person who is unable or fails to give the warranty set out in paragraph 7(c) below or (iii) any person with a registered address in Canada, Australia or Japan.

- (c) The provisions of this paragraph 6 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards (a) specific Airtech Shareholder(s) or on a general basis by REMEC in its absolute discretion. Subject as aforesaid the provisions of this paragraph 6 shall have precedence over any terms of the Offer which are inconsistent therewith.

7. FORM OF ACCEPTANCE

Each Airtech Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with REMEC and Quartz Capital and their respective agents (so as to bind him, his personal representatives and his heirs, successors and assigns) that:

- (a) the execution of a Form of Acceptance shall constitute an acceptance of the Offer in respect of the number of Airtech Shares inserted or deemed to be inserted in Box 1 of the Form of Acceptance on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject to the rights of withdrawal set out in paragraph 3 above, each such acceptance and election shall be irrevocable;
- (b) the Airtech Shares in respect of which the Offer is accepted or deemed to be accepted are sold with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights now or hereafter attaching thereto, including the right to receive all dividends or other distributions declared, paid or made after 26 February 1999;
- (c) unless "YES" is put in Box 5 of the Form of Acceptance, such Airtech Shareholder has not received or sent copies of this document, the Form of Acceptance or any related offering documents in, into or from Canada, Australia or Japan.
- (d) the execution of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Airtech Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of REMEC or Quartz Capital and/or any of their respective directors or agents as such shareholder's attorney and/or agent, and an irrevocable instruction to the attorney and/or agent, to complete and execute all or any form(s) of transfer and/or other

document(s) at the discretion of the attorney and/or agent in relation to the Airtech Shares referred to in paragraph 7(a) in favour of REMEC or such other person or persons as REMEC may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent, together with the share certificate(s) and/or other document(s) relating to the Airtech Shares, for registration within six months of the Offer becoming unconditional in all respects and to execute all such documents and to do all such other acts

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and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in REMEC or its nominee(s) or as it may direct such Airtech Shares;

- (e) the execution of the Form of Acceptance constitutes the irrevocable appointment of IRG plc as such shareholder's attorney and/or agent and an irrevocable instruction to the attorney and/or agent (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Airtech Shareholder not having validly withdrawn his acceptance, to transfer to itself (or such other person or persons as REMEC or its agents may direct) by means of CREST all or any of the Relevant Airtech Shares (but not exceeding the number of Airtech Shares in respect of which the Offer is accepted or deemed to be accepted) and (ii), if the Offer does not become unconditional in all respects, to give instructions to CRESTCo immediately after the lapsing of the Offer (or within such longer period as the Panel may permit not exceeding 14 days from the lapsing of the Offer) to transfer all Relevant Airtech Shares to the original available balance of the accepting Airtech Shareholder. As used in this Part B of Appendix I, "Relevant Airtech Shares" means Airtech Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected, and where the transfer(s) to escrow was or were made in respect of Airtech Shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the Form of Acceptance concerned (but irrespective of whether or not any Form of Acceptance Reference Number, or a Form of Acceptance Reference Number corresponding to that appearing on the Form of Acceptance concerned, was included in the TTE instruction concerned);

- (f) the execution and delivery of the Form of Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Airtech Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests;
 - (i) to the Airtech or its agents, to procure the registration of the transfer of the Airtech Shares referred to in paragraph 7(a) in certificated form pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to REMEC or as it may direct;

 - (ii) (subject to the provisions of paragraph 6 of this Part B of Appendix I) to REMEC or its agents, to procure that such Airtech Shareholder's name is entered on the register of stockholders of REMEC in respect of the New REMEC Common Stock (if any) to which such Airtech Shareholder becomes entitled under the Offer (subject to the provisions of REMEC's restated certificate of incorporation and by-laws);

 - (iii) if the Airtech Shares are in certificated form or if either of the provisos to sub-paragraph (iv) applies to REMEC or Quartz Capital or their agents, to procure the despatch by post or by such other method as may be approved by the Panel

of (subject to the provisions of paragraph 6 above) a certificate or other document(s) of title for any REMEC Common Stock to which an accepting Airtech Shareholder becomes entitled pursuant to his acceptance of the Offer (and at the risk of such person) to the person whose name and address is set out in Box 6 of the Form of Acceptance or, if none is set out, to the person whose name and address is set out in Box 3 of the Form of Acceptance or to the first named holder at his registered address;

- (iv) if the Airtech Shares concerned are in uncertificated form, to REMEC or Quartz Capital or their agents to issue any New REMEC Common Stock to which such Airtech Shareholder is entitled in uncertificated form, provided that (a) REMEC may (if, for any reason, it wishes to do so) determine that all or any such New REMEC Common Stock shall be issued in certificated form and (bb) if the Airtech Shareholder concerned is a CREST member and the registered address is in Canada, Australia or Japan, any cash consideration to which such shareholder is entitled shall be paid by cheque despatched by post (or by any such other method as may be approved by the Panel) and any New REMEC Common Stock to which such shareholder is entitled shall be issued in certificated form and, in either of such cases, sub-paragraph (iii) above shall apply;

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- (v) to REMEC or its agents, to record and act, in respect of any REMEC Common Stock to be received by such Airtech Shareholder, upon any instructions with regard to payments or notices which have been recorded in the records of the Airtech in respect of such shareholder's holding(s) of Airtech Shares;

- (g) the execution of the Form of Acceptance constitutes a separate authority to any director of REMEC and to any director of Quartz Capital and/or their respective agents and the irrevocable appointment of any such director and/or agent as such shareholder's attorney and/or agent within the terms of paragraph 4 above;

- (h) after the Offer becomes or is declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent) and pending registration;

- (i) REMEC shall be entitled to direct the exercise of any votes attaching to any Airtech Shares in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such Airtech Shares, including the right to requisition a general meeting or separate class meeting of Airtech, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and

- (ii) the execution of the Form of Acceptance by an Airtech Shareholder constitutes, with regard to the Airtech Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:

- (a) an authority to the Airtech from such Airtech Shareholder to send any notice, warrant, document or other communication which may be required to be sent to him as a member of the Airtech (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Airtech Shares into uncertificated form) to REMEC at its registered office

or such other address nominated by REMEC;

(b) the irrevocable appointment of REMEC or any of its directors or agents to sign such documents and to do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such Airtech Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting on his behalf and/or to execute a form of proxy in respect of such Airtech Shares appointing any person nominated by REMEC to attend general or separate class meetings of the Airtech or its members or any of them and to exercise the votes attaching to such Airtech Shares on his behalf), such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and

(c) the agreement of such Airtech Shareholder not to exercise any of such rights without the consent of REMEC and the irrevocable undertaking of such shareholder not to appoint a proxy or representative for or to attend any such meetings;

(i) he will deliver, or procure the delivery, to IRG plc his share certificate(s) and/or other document(s) of title in respect of the Airtech Shares referred to in subparagraph 7(a) above in certificated form, or an indemnity acceptable to REMEC in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;

(j) he will take (or procure to be taken) the action set out in paragraph 14 of the letter from Quartz Capital set out in this document to transfer all of the Airtech Shares referred to in sub-paragraph 7(a)(i) above in uncertificated form to an escrow balance as soon as possible and in any event so that the transfer to escrow settles within six months of the Offer becoming unconditional in all respects;

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(k) if, for any reason, any Airtech Shares in respect of which a transfer to an escrow balance has been effected in accordance with paragraph 14 of the letter from Quartz Capital contained in this document are converted to certificated form, he will (without prejudice to paragraph (7)(h)(ii)(a) above) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Airtech Shares so converted to IRG plc or to REMEC at its registered office or as REMEC or its agents may direct;

(l) the terms and conditions of the Offer shall be deemed to be incorporated in and form part of the Form of Acceptance, which shall be read and construed accordingly;

(m) if he accepts the Offer, he shall do all such acts and things as shall be necessary or expedient to vest in REMEC or its nominees or such other persons as it may decide the Airtech Shares as aforesaid and all such acts and things as may be necessary to enable IRG plc to perform its function as escrow agent for the purposes of the Offer;

(n) he agrees to ratify each and every act or thing which may be done or effected by REMEC, Quartz Capital or IRG plc or by any of their respective directors or their respective agents or Airtech or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in

this Part B of Appendix I and to indemnify each such person against any losses arising therefrom;

- (o) the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of REMEC or Quartz Capital to bring any action, suit or proceeding arising out of or in connection with the Offer or in any other manner permitted by law or in any court of competent jurisdiction; and
- (p) if any provision of this Part B of Appendix I shall be unenforceable or invalid or shall not operate so as to afford REMEC and Quartz Capital and/or any director of either of them or their agents the full benefit of the authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required or desirable to enable REMEC and Quartz Capital and/or any director of either of them or their agents to secure the full benefit of such authorities and powers of attorney.

On execution the Form of Acceptance shall take effect as a Deed.

References in this Part B of Appendix I to "Airtech Shareholder(s)" shall include reference to the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this Part B of Appendix I shall apply to them jointly and to each of them. References to the masculine gender shall include the feminine.

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APPENDIX II

REMEC FINANCIAL STATEMENTS

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders
REMEC, Inc.

We have audited the accompanying consolidated balance sheets of REMEC, Inc. as of January 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1999. These financial statements are the responsibility of REMEC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Radian Technology, Inc. and Q-bit Corporation, wholly-owned subsidiaries, which statements reflect total assets constituting 8% in 1997, and total revenues constituting 17% in 1997 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for Radian Technology, Inc. and Q-bit Corporation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of REMEC, Inc. at January 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1999 in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

San Diego, California
February 26, 1999

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REMEC, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	JANUARY 31,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 82,314,098	\$ 41,937,101
Accounts receivable, net.....	23,624,034	25,494,474
Inventories, net.....	33,879,801	30,380,941
Deferred income taxes.....	4,259,925	6,241,957
Prepaid expenses and other current assets.....	3,123,687	589,053
	-----	-----
Total current assets.....	147,201,545	104,643,526
Property, plant and equipment, net.....	42,159,384	31,988,934
Intangible and other assets.....	17,224,432	17,232,241
	-----	-----
	\$206,585,361	\$153,864,701
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable.....	\$ 5,031,923	\$ 8,531,756
Accrued salaries, benefits and related taxes.....	5,246,418	5,999,248
Income taxes payable.....	--	2,546,479
Accrued expenses.....	3,241,898	3,070,515
	-----	-----
Total current liabilities.....	13,520,239	20,147,998
Deferred rent.....	--	104,236
Deferred income taxes.....	4,131,534	5,117,933
Commitments		
Shareholders' equity:		
Preferred shares -- \$.01 par value, 5,000,000 shares authorized; none issued and outstanding.....	--	--
Common shares -- \$.01 par value, 70,000,000 shares authorized; issued and outstanding shares -- 23,185,491 and 21,182,663 at January 31, 1999 and 1998.....	231,853	211,828
Paid-in capital.....	145,929,471	95,838,167
Retained earnings.....	42,772,264	32,444,539
	-----	-----
Total shareholders' equity.....	188,933,588	128,494,534
	-----	-----
	\$206,585,361	\$153,864,701
	=====	=====

</TABLE>

See accompanying notes.

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REMEC, INC.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

YEARS ENDED JANUARY 31,

	1999	1998	1997
<S>	<C>	<C>	<C>
Net sales.....	\$158,401,981	\$156,056,929	\$118,553,842
Cost of sales.....	113,012,547	108,052,891	85,658,524
Gross profit.....	45,389,434	48,004,038	32,895,318
Operating expenses:			
Selling, general & administrative.....	28,206,291	24,773,466	19,349,733
Research and development.....	7,850,765	5,107,984	4,605,000
Total operating expenses.....	36,057,056	29,881,450	23,954,733
Income from operations.....	9,332,378	18,122,588	8,940,585
Gain on sale of subsidiary.....	--	2,833,240	--
Interest income and other, net.....	3,110,820	2,280,329	48,405
Income before provision for income taxes.....	12,443,198	23,236,157	8,988,990
Provision for income taxes.....	2,115,473	8,500,799	4,016,667
Net income.....	\$ 10,327,725	\$ 14,735,358	\$ 4,972,323
Earnings per share:			
Basic.....	\$.45	\$.71	\$.30
Diluted.....	\$.44	\$.68	\$.30
Shares used in computing earnings per share:			
Basic.....	23,028,000	20,841,000	16,517,000
Diluted.....	23,482,000	21,534,000	16,828,000

</TABLE>

See accompanying notes.
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REMEC, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	PREFERRED SHARES		COMMON SHARES		PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 31, 1996.....	718,607	\$7,186	11,073,539	\$110,736	\$ 14,404,746	\$12,724,563	\$ 27,247,231
Issuance of common shares in initial public offering.....	--	--	3,397,340	33,973	15,615,236	--	15,649,209
Conversion of preferred shares.....	(718,607)	(7,186)	1,616,864	16,169	(8,983)	--	--
Issuance of common shares for cash....	--	--	443,467	4,435	1,872,140	--	1,876,575
Issuance of common shares under employee stock purchase plan.....	--	--	347,850	3,479	1,670,637	--	1,674,116
Issuance of common shares upon exercise of stock options.....	--	--	37,647	376	88,824	--	89,200
Income tax benefits related to employee stock purchase plan and stock options exercised.....	--	--	--	--	209,399	--	209,399
Issuance of common shares in stock offering.....	--	--	3,618,750	36,188	51,935,687	--	51,971,875
Net income.....	--	--	--	--	--	4,972,323	4,972,323
Adjustment for Magnum activity for the duplicated two months ended March 29, 1996.....	--	--	--	--	--	(135,272)	(135,272)
Balance at January 31, 1997.....	--	--	20,535,457	205,356	85,787,686	17,561,614	103,554,656
Issuance of common shares in acquisitions...	--	--	320,183	3,202	6,620,465	--	6,623,667
Issuance of common shares under employee stock purchase plan.....	--	--	150,023	1,500	2,143,385	--	2,144,885
Issuance of common shares upon exercise of stock options.....	--	--	177,000	1,770	751,618	--	753,388
Income tax benefits related to employee stock purchase plan and stock options exercised.....	--	--	--	--	535,013	--	535,013

Net income.....	--	--	--	--	--	14,735,358	14,735,358
Adjustment for net equity activity of pooled companies.....	--	--	--	--	--	147,567	147,567
Balance at January 31, 1998.....	--	--	21,182,663	211,828	95,838,167	32,444,539	128,494,534
Issuance of common shares in stock offering.....	--	--	1,990,000	19,900	49,543,600	--	49,563,500
Issuance of common shares upon exercise of stock options.....	--	--	93,801	937	452,437	--	453,374
Issuance of common shares under employee stock purchase plan.....	--	--	245,900	2,457	2,300,570	--	2,303,027
Issuance of common shares.....	--	--	39,627	396	355,854	--	356,250
Purchase and retirement of common shares.....	--	--	(366,500)	(3,665)	(2,847,741)	--	(2,851,406)
Income tax benefits related to employee stock purchase plan and stock options exercised.....	--	--	--	--	286,584	--	286,584
Net income.....	--	--	--	--	--	10,327,725	10,327,725
Balance at January 31, 1999.....	--	\$ --	23,185,491	\$231,853	\$145,929,471	\$42,772,264	\$188,933,588

</TABLE>

See accompanying notes.

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REMEC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income.....	\$ 10,327,725	\$ 14,735,358	\$ 4,972,323
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	8,827,248	5,380,811	3,647,507
Gain on sale of Subsidiary.....	--	(2,833,240)	--
Deferred income taxes.....	1,282,214	(2,407,832)	(767,151)
Changes in operating assets and liabilities:			
Accounts receivable.....	1,870,440	(6,525,349)	(4,862,195)
Inventories.....	(3,498,860)	(9,303,804)	(2,539,276)
Prepaid expenses and other current assets.....	(2,534,634)	201,838	(256,477)
Accounts payable.....	(3,499,833)	686,941	78,089
Accrued expenses, income taxes payable and deferred rent.....	(3,232,162)	852,733	556,250
Net cash provided by operating activities...	9,542,138	787,456	829,070
INVESTING ACTIVITIES:			
Additions to property, plant and equipment....	(17,400,506)	(17,351,394)	(7,362,734)
Payment for acquisitions, net of cash acquired.....	--	(5,066,075)	(4,011,735)
Proceeds from sale of subsidiary.....	--	5,000,000	--
Sale of short-term investments.....	--	--	1,482,565
Other assets.....	(1,589,380)	120,637	(133,320)
Net cash used by investing activities.....	(18,989,886)	(17,296,832)	(10,025,224)
FINANCING ACTIVITIES:			
Proceeds from credit facilities and long-term debt.....	--	12,212,858	1,100,000
Repayments on credit facilities and long-term debt.....	--	(19,510,512)	(3,412,956)
Purchase and retirement of common shares.....	(2,851,406)	--	--
Proceeds from issuance of common shares.....	52,676,151	2,898,273	71,260,975
Change in deferred offering costs.....	--	--	1,108,424
Net cash provided (used) by financing activities.....	49,824,745	(4,399,381)	70,056,443
Increase (decrease) in cash and cash equivalents.....	40,376,997	(20,908,757)	60,860,289
Cash and cash equivalents at beginning of year...	41,937,101	63,172,362	2,345,632
Adjustment for net cash activity of pooled companies.....	--	(326,504)	(33,559)

Cash and cash equivalents at end of year.....	\$ 82,314,098	\$ 41,937,101	\$ 63,172,362
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest.....	\$ --	\$ 321,000	\$ 414,000
	=====	=====	=====
Income taxes.....	\$ 4,661,000	\$ 10,162,000	\$ 3,091,000
	=====	=====	=====
Supplemental disclosure of noncash investing and financing activities:			
Assets acquired under capital leases and notes payable obligations.....	\$ --	\$ --	\$ 962,000
	=====	=====	=====
Common shares issued in connection with acquisitions.....	\$ --	\$ 6,623,667	\$ --
	=====	=====	=====

</TABLE>

See accompanying notes.
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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. REMEC AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business and Basis of Presentation

REMEC, Inc. was incorporated in the State of California in January 1983. REMEC is engaged in a single business segment consisting of the research, design, development and manufacture of microwave and radio frequency (RF) components and subsystems and precision instruments for control and measurement systems. Prior to fiscal 1996, the majority of REMEC's sales were to prime contractors to various agencies of the U.S. Department of Defense and to foreign governments. In May 1995, REMEC incorporated REMEC Wireless, Inc. (a wholly owned subsidiary) to research, design, develop and manufacture products based on microwave technologies for commercial customers. In fiscal 1997, REMEC acquired Magnum Microwave Corporation, a manufacturer of microwave components and subsystems, in a transaction accounted for as a pooling of interests. During 1997, REMEC also acquired RF Microsystems, Inc. ("RFM"), a satellite communications engineering company, in a transaction accounted for as a purchase. During fiscal 1998, REMEC acquired Radian Technology, Inc., C&S Hybrid, Inc., and Q-bit Corporation, in a series of transactions accounted for as poolings of interests. REMEC's consolidated financial statements for all periods prior to these acquisitions have been restated to include each of the acquired company's financial position, results of operations and cash flows. During fiscal 1998, REMEC also acquired Verified Technical Corporation and Nanowave Technologies Inc. in transactions which were accounted for as purchases and sold its RFM subsidiary.

Principles of Consolidation

The consolidated financial statements include the accounts of REMEC and its wholly owned subsidiaries REMEC Microwave, Inc., REMEC Wireless, Inc., Humphrey, Inc., RF Microsystems, Inc., REMEC Magnum, Inc., Verified Technical Corporation, C&S Hybrid, Inc., Nanowave Technologies Inc., Q-bit Corporation and REMECINC S.A. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

REMEC considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. REMEC evaluates the financial strength of institutions at which significant investments are made and believes the related credit risk is limited to an acceptable level.

REMEC has adopted Statement of Financial Accounting Standards No. 115 (SFAS No. 115), "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires companies to record certain debt and equity security investments at market value. At January 31, 1999 and 1998, the cost of cash

equivalents and short-term investments approximated fair value.

Concentration of Credit Risk

Accounts receivable are principally from U.S. government contractors, companies in foreign countries and domestic customers in the telecommunications industry. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. REMEC performs periodic credit evaluations of its customers and maintains reserves for potential credit losses.

Inventory

Inventories are stated at the lower of weighted average cost or market. In accordance with industry practice, REMEC has adopted a policy of capitalizing general and administrative costs as a component of the cost of government contract related inventories to achieve a better matching of costs with the related revenues.

Progress Payments

Progress payments received from customers are offset against inventories associated with the contracts for which the payments were received.

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Long-Lived Assets

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the lease period.

Intangible assets in the accompanying balance sheets are primarily comprised of goodwill and acquired technology recorded in connection with the acquisitions of Humphrey, Inc. (in February 1994), RF Microsystems, Inc., Verified Technical Corporation and Nanowave Technologies Inc. (See Note 2). These assets are being amortized using the straight-line method over the estimated useful lives of the relevant intangibles ranging from nine to fifteen years, respectively. Amortization expense related to intangible assets totaled \$1,597,189, \$766,616 and \$345,531 for fiscal years 1999, 1998 and 1997, respectively.

Effective February 1, 1996, REMEC adopted Statement of Financial Accounting Standard No. 121 "Accounting for Long-Lived Assets and Long-Lived Assets to be Disposed Of" which established standards for recording the impairment of long-lived assets, including property, equipment and leasehold improvements, intangible assets and goodwill.

In accordance with this Statement, REMEC reviews the carrying value of property, equipment and leasehold improvements for evidence of impairment through comparison of the undiscounted cash flows generated from those assets to the related carrying amounts of those assets. The carrying value of intangible assets are evaluated for impairment through comparison of the undiscounted cash flows derived from those assets to the carrying value of the related intangibles.

Revenue Recognition

Revenues from commercial contracts are recognized upon shipment of product and transfer of title to customers. Revenues on long-term fixed-price contracts with prime contractors to U.S. Government Agencies are recognized using the units of delivery method. Revenues associated with the performance of non-recurring engineering and development contracts are recognized when earned under the terms

of the related contract. Revenues for cost-reimbursement contracts are recorded as costs are incurred and includes estimated earned fees in the proportion that costs incurred to date bears to estimated costs. Prospective losses on long-term contracts are based upon the anticipated excess of inventoriable manufacturing costs over the selling price of the remaining units to be delivered. Actual losses could differ from those estimated due to changes in the ultimate manufacturing costs and contract terms.

Research and Development

Research and development costs incurred by REMEC are expensed in the period incurred.

Net Income Per Share

REMEC calculates earnings per share in accordance with Financial Accounting Standards Board Statement No. 128, "Earnings per Share." Basic earnings per share is computed using the weighted average shares outstanding for each period presented. Diluted earnings per share is computed using the weighted average shares outstanding plus potentially dilutive common shares using the treasury stock method at the average market price during the reporting period. The calculation of net income per share reflects the historical information for REMEC and its acquired subsidiaries and the conversion of the common shares of those companies acquired in pooling of interests transactions into REMEC shares as stipulated in the respective acquisition agreements. (See Note 2.)

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table reconciles the shares used in computing basic and diluted earnings per share in the respective fiscal years:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Weighted average common shares outstanding used in basic earnings per share calculation.....	23,028,000	20,841,000	16,517,000
Effect of dilutive stock options.....	454,000	693,000	311,000
Shares used in diluted earnings per share calculation.....	23,482,000	21,534,000	16,828,000

</TABLE>

On June 6, 1997, REMEC's Board of Directors approved a three-for-two stock split of REMEC's common stock in the form of a 50% stock dividend payable on June 27, 1997 to shareholders of record as of June 20, 1997. All share and per share related data in the consolidated financial statements have been adjusted to reflect the stock dividend for all periods presented.

Stock Options

REMEC has elected to follow APB 25 and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Statement of Financial Accounting Standard No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation" requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of REMEC's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about the future that affect the amounts reported in the consolidated financial statements. These estimates include assessing the collectibility of accounts receivable, the usage and recoverability of inventories and long-lived assets and the incurrence of losses on long term contracts and warranty costs. The markets for REMEC's products are extremely competitive and are characterized by rapid technological change, new product development, product obsolescence and evolving industry standards. In addition, price competition is intense and significant price erosion generally occurs over the life of a product. As a result of such factors, actual results could differ from the estimates used by management.

New Accounting Standards

During 1998, REMEC adopted Statement of Financial Accounting Standard No. 130 ("SFAS No. 130"), "Reporting Comprehensive Income" and Statement of Financial Accounting Standard No. 131 ("SFAS No. 131"), "Segment Information." SFAS No. 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments and unrealized gains and losses on investments, are required to be reported, net of their related tax effect, to arrive at comprehensive income. Comprehensive income is not materially different from net income. SFAS No. 131 amends the requirements for public enterprises to report financial and descriptive information about its reportable operating segments. Operating segments, as defined in SFAS No. 131, are components of an enterprise for which separate financial information is available and is evaluated regularly by REMEC in deciding how to allocate resources and in assessing performance. The financial information is required to be reported on the basis that is used internally for evaluating this segment performance. REMEC operates in one business and operating segment only, and therefore adoption of this standard did not have a material impact on REMEC's financial statements.

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ACQUISITION TRANSACTIONS

Q-bit Corporation

In October 1997, REMEC acquired all of the outstanding shares of common stock of Q-bit, a manufacturer of amplifier based microwave components and multi-function modules, in exchange for 1,047,482 shares of REMEC's common stock. Prior to the combination, Q-bit's fiscal year ended on December 31, 1996. In recording the business combination, Q-bit's financial statements for the fiscal years ended December 31, 1995 and 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. Q-bit's net sales and net income for the one month period ended January 31, 1997 were \$1,295,557 and \$103,610, respectively. In accordance with Accounting Principles Board Opinion No. 16 ("APB No. 16"), Q-bit's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. Q-bit's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled \$12,315,818 and \$1,578,333, respectively.

C&S Hybrid

In June 1997, REMEC acquired all of the outstanding shares of common stock of C&S Hybrid, a manufacturer of transmitter and receiver hardware assemblies ("transceivers") that are integrated by C&S Hybrid's customers into terrestrial-based point-to-point microwave radios primarily for use in commercial applications, in exchange for 1,290,000 shares of REMEC's common stock. Prior to the combination, C&S Hybrid's fiscal year ended on December 27, 1996. In recording the business combination, C&S Hybrid's financial statements for the fiscal years ended December 22, 1995 and December 27, 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. C&S Hybrid's net sales and net income for the one month ended January 31, 1997 were \$1,569,129 and \$53,976, respectively. In accordance with APB No. 16, C&S Hybrid's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. C&S Hybrid's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled \$8,033,729 and \$357,249, respectively.

Radian Technology, Inc.

On February 28, 1997, REMEC issued 950,024 shares of its common stock in exchange for all of the outstanding shares of common stock of Radian, a manufacturer of microwave components and subsystems. Prior to the combination, Radian's fiscal year ended on the Friday closest to December 31. In recording the business combination, Radian's financial statements for the fiscal years ended December 29, 1995 and December 27, 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. Radian's net sales and net loss for the one month period ended January 31, 1997 were \$299,000 and \$10,019, respectively. In accordance with APB No. 16, Radian's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. Radian's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled \$731,089 and \$141,888, respectively.

Magnum Microwave Corporation

On August 26, 1996, REMEC issued 1,612,399 shares of its common stock in exchange for all of the outstanding shares of common stock of Magnum, a manufacturer of microwave components and subsystems. Immediately prior to the acquisition, Magnum issued 197,187 equivalent shares of stock for cash of approximately \$1,500,000. Prior to the combination, Magnum's fiscal year ended on the Friday closest to March 31. In recording the business combination, Magnum's financial statements for the 1996 fiscal year were combined with REMEC's for the fiscal year ended January 31, 1996. Consolidated operating results and the net change in consolidated cash and cash equivalents for the year ended January 31, 1997 include Magnum's results of operations and change in cash flows for the two months ended March 29, 1996. Magnum's net sales and net income for the two month period ended March 29, 1996 were \$1,743,000 and \$135,000, respectively.

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Included in general and administrative expenses in the consolidated statement of income for the year ended January 31, 1997 are costs of \$424,000 related to the acquisition of Magnum.

Verified Technical Corporation

On March 31, 1997, REMEC acquired all of the outstanding common stock of Veritek in exchange for cash consideration of \$1,000,000 and 138,000 shares of REMEC's common stock with a fair value of approximately \$2.0 million and the assumption of liabilities totaling \$1.1 million. The acquisition has been accounted for as a purchase, and accordingly, the total purchase price has been allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of \$2,406,000 has been recorded as an intangible asset, and is being amortized over an estimated life of 15 years. The pro forma results of operations of REMEC and Veritek assuming Veritek was acquired on the first day of REMEC's 1997 fiscal year would not be materially different from reported results.

Nanowave Technologies Inc.

In October 1997, REMEC formed REMEC Canada (as a wholly owned subsidiary) for the purpose of facilitating the acquisition of Canadian companies, including the then contemplated acquisition of Nanowave, a manufacturer of amplifier based microwave and millimeter wave components and multi-function modules. Effective October 29, 1997, REMEC Canada acquired all of the outstanding common stock of Nanowave in exchange for cash consideration of \$4,025,000 and 182,183 Dividend Access Shares with a fair value of \$4,646,000 which was equal to the fair value of an equivalent number of common shares of REMEC on the date of acquisition. These Dividend Access Shares are convertible at any time into an equivalent number of shares of REMEC Common Stock at the option of the security holder. The acquisition has been accounted for as a purchase, and accordingly, the total purchase price has been allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of \$11,130,000 has been recorded as intangible assets (acquired technology, trademarks, assembled workforce and goodwill), and will be amortized over periods ranging from 9 to 15 years.

Assuming that the acquisition of Nanowave had occurred on the first day of REMEC's fiscal year ended January 31, 1997, pro forma condensed consolidated results of operations would be as follows (in thousands except per share

amounts):

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,	
	1998	1997
	(UNAUDITED)	
<S>	<C>	<C>
Net sales.....	\$160,581	\$124,434
Net income.....	14,288	4,441
Earnings per share:		
Basic.....	\$.68	\$.27
Diluted.....	\$.66	\$.26

</TABLE>

RF Microsystems, Inc.

Effective April 30, 1996, REMEC acquired all of the outstanding common stock of RFM and certain other assets in exchange for cash consideration of approximately \$4,066,000. RFM provided satellite communications engineering services to agencies of the U.S. Government. The acquisition was accounted for as a purchase, and accordingly, the total purchase price was allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of \$3,559,000 was recorded as intangible assets, and was being amortized over an estimated life of 15 years. Upon completion of the acquisition, certain tangible and intangible assets associated with the design and production of commercial wireless products with a fair value of approximately \$3.8 million were transferred to another subsidiary of REMEC. On August 26, 1997, REMEC sold its RFM subsidiary in exchange for cash consideration of \$5.0 million. The sale resulted in an after-tax gain of \$1,728,000 or \$.08 per share. REMEC's consolidated financial statements include the results of RFM from April 30, 1996 through August 26, 1997.

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL STATEMENT DETAILS

Inventories

Inventories consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1999	1998
<S>	<C>	<C>
Raw Materials.....	\$19,750,063	\$16,087,158
Work in progress.....	14,224,169	14,968,767
	33,974,232	31,055,925
Less unliquidated progress payments.....	(94,431)	(674,984)
	\$33,879,801	\$30,380,941

</TABLE>

Inventories related to contracts with prime contractors to the U.S. Government included capitalized general and administrative expenses of \$2,076,000 at January 31, 1999 and 1998, respectively.

REMEC had a reserve for obsolete and unusable inventory of \$3,341,000 and \$2,866,000 as of January 31, 1999 and 1998, respectively.

Property, Plant and Equipment

Property, plant and equipment consist of the following:

<TABLE>
<CAPTION>

JANUARY 31,	
1999	1998

	<C>	<C>
<S>		
Land, building and improvements.....	\$ 3,361,097	\$ 3,293,776
Machinery and equipment.....	69,899,873	54,574,755
Furniture and fixtures.....	4,153,572	3,270,147
Leasehold improvements.....	4,173,772	3,049,130
	-----	-----
	81,588,314	64,187,808
Less accumulated depreciation and amortization.....	(39,428,930)	(32,198,874)
	-----	-----
	\$ 42,159,384	\$ 31,988,934
	=====	=====

</TABLE>

Intangible and Other Assets

Intangible and other assets consist of the following:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1999	1998
<S>	<C>	<C>
Acquired technology.....	\$ 8,358,556	\$ 8,358,556
Goodwill.....	7,775,775	7,775,775
Trademarks and other intangible assets.....	2,250,000	2,250,000
	-----	-----
Less accumulated amortization.....	18,384,331	18,384,331
	(2,988,645)	(1,391,456)
	-----	-----
Other assets.....	15,395,686	16,992,875
	1,828,746	239,366
	-----	-----
	\$17,224,432	\$17,232,241
	=====	=====

</TABLE>

4. BANK REVOLVING TERM CREDIT FACILITY AND LINE-OF-CREDIT

REMEC has a \$9,000,000 working capital line-of-credit with a bank, which expires July 3, 2000. Interest is due monthly on advances at a fixed spread over the London Interbank Offered Rate (6.2% at January 31, 1999). At January 31, 1999, there were no outstanding borrowings on the facility.

REMEC also has a \$8,000,000 term credit facility with the bank which is available until July 1, 2000. Outstanding borrowings at July 1, 2000 under this facility automatically convert into a term note payable in

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 monthly installments. Interest is due monthly on advances under the facility at a fixed spread over the London Interbank Offered Rate. At January 31, 1999, there were no outstanding borrowings on the facility.

Advances under these agreements are secured by substantially all assets of REMEC. The agreements also contain covenants which require REMEC to maintain certain financial ratios, achieve specified levels of profitability, restrict the incurrence of additional debt, limit the payment of cash dividends, and include certain other restrictions. As of January 31, 1999, REMEC was in compliance with all covenants specified.

5. SHAREHOLDERS' EQUITY

Equity Offerings

In March 1998, REMEC issued in a public offering an additional 1,990,000 shares of common stock. The net proceeds from this offering were \$49,563,500. Certain shareholders also sold 1,000,000 shares of REMEC common stock as part of this

offering.

In January 1997, REMEC issued in a public offering an additional 3,618,750 shares of common stock. The net proceeds from this offering were \$51,971,875. Certain shareholders also sold 1,125,000 shares as part of this offering.

In February 1996, REMEC completed an initial public offering of its common stock in which REMEC issued a total of 3,397,340 shares of common stock. The net proceeds from the offering were \$15,649,209. Concurrent with the closing of REMEC's initial public offering, all of the then outstanding shares of REMEC's preferred stock were converted into 1,616,864 shares of common stock. In connection with REMEC's initial public offering, certain shareholders also sold 1,777,660 shares as part of the offering.

Stock Option Plans

REMEC's 1995 Equity Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, stock purchase rights or performance shares to employees of REMEC. During fiscal 1998, REMEC's shareholders approved an increase in the number of shares available for issuance under the Plan by 2,250,000 shares to a total of 3,375,000 shares of common stock. The exercise price of the incentive stock options must at least equal the fair market value of the common stock on the date of grant, and the exercise price of non-qualified options may be no less than 85% of the fair market value of the common stock on the date of grant. Options granted under the plans vest over a period of three to four years and expire from four and one-half years to nine years from the date of grant.

REMEC also maintains the 1996 Nonemployee Directors Stock Option Plan under which 300,000 common shares have been reserved for non-qualified stock option grants to nonemployee directors of REMEC. Under the Plan, option grants are automatically made on an annual basis at the fair market value of the stock on the date of grant. Options granted under the Plan vest over three to four years and expire four and one-half to nine years from the date of grant.

REMEC had maintained previous stock option plans prior to the inception of the 1995 Equity Incentive Plan. These incentive plans were terminated upon the closing of REMEC's initial public offering in February 1996 and all outstanding options remain exercisable in accordance with their original terms.

A summary of REMEC's stock option activity and related information is as follows:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,					
	1999		1998		1997	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding -- beginning of year.....	1,690,974	\$16.86	928,538	\$ 7.71	305,380	\$2.25
Granted.....	1,141,120	15.99	1,024,214	22.42	668,012	9.90
Exercised.....	(93,801)	4.85	(170,965)	4.37	(37,649)	2.37
Forfeited.....	(362,822)	25.44	(90,813)	10.17	(7,205)	6.79
Outstanding -- end of year.....	2,375,471	\$15.60	1,690,974	\$16.86	928,538	\$7.71

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes by price range the number, weighted average exercise price and weighted average life (in years) of options outstanding and the number and weighted average exercise price of exercisable options as of January 31, 1999:

<TABLE>

<CAPTION>	TOTAL OUTSTANDING			TOTAL EXERCISABLE	
	PRICE RANGE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	LIFE	NUMBER OF SHARES
<S>	<C>	<C>	<C>	<C>	<C>
\$ 1.61 - \$ 7.40	128,497	\$ 2.21	1.4	103,269	\$ 2.28
\$ 7.41 - \$11.10	995,750	\$ 9.41	6.3	184,235	\$ 9.59
\$11.11 - \$14.80	319,051	\$14.03	2.6	137,821	\$14.07
\$14.81 - \$22.20	486,383	\$20.84	1.4	154,994	\$20.40
\$22.21 - \$25.90	191,125	\$25.35	3.7	47,662	\$25.47
\$25.91 - \$37.00	254,665	\$30.97	4.8	50,100	\$32.90
Total Plan	2,375,471	\$15.60	4.5	678,081	\$14.70

</TABLE>

At January 31, 1999, options for 863,985 shares of REMEC common stock were available for future grant.

Pro forma information regarding net income and net income per share is required by SFAS No. 123, and has been determined as if REMEC has accounted for its employee stock options and employee stock purchase plan shares under the fair value method of that statement. The fair value of these options or employee stock purchase rights was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 6.0%; dividend yields of 0%; volatility factors of the expected market price of REMEC's common stock of 76.0%, 71.3% and 90.9%, a weighted-average life of the option of 3.2 years; and a weighted-average life of the stock purchase rights of three months.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because REMEC's employee stock options and rights under the employee stock purchase plan have characteristics significantly different from those of trade options, and because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair market value of its employee stock options or the rights granted under the employee stock purchase plan.

For purposes of pro forma disclosures, the estimated fair value of the options and the shares granted under the employee stock purchase plan is amortized to expense over their respective vesting or option periods. The effects of applying SFAS No. 123 for pro forma disclosure purposes are not likely to be representative of the effects on pro forma net income in future years because they do not take into consideration pro forma compensation expense related to grants made prior to 1996. REMEC's pro forma information follows:

<CAPTION>	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net income:			
As reported.....	\$10,327,725	\$14,735,358	\$4,972,323
Pro forma.....	3,891,411	10,603,372	2,083,189
Earning per share:			
As reported --			
Basic.....	\$.45	\$.71	\$.30
Diluted.....	.44	.68	.30
Pro forma --			
Basic.....	\$.17	\$.51	\$.13
Diluted.....	.17	.49	.12
Weighted average fair value of options granted during the year.....	\$ 12.92	\$ 11.48	\$ 5.09

</TABLE>

REMEC's Employee Stock Purchase Plan provides for the issuance of shares of REMEC's common stock to eligible employees. During fiscal 1998, REMEC's shareholders approved an increase in the number of shares available for issuance under the Employee Stock Purchase Plan by 825,000 shares to a total of 1,200,000 shares of common stock. The price of the common shares purchased under the Employee Stock Purchase Plan will be equal to 85% of the fair market value of the common shares on the first or last day of the offering period, whichever is lower. As of January 31, 1999, 456,227 shares of REMEC common stock remain available for issuance under the Purchase Plan.

6. COMMITMENTS

Deferred Savings Plan

REMEC has established a Deferred Savings Plan for its employees, which allows participants to make contributions by salary reduction pursuant to section 401(k) of the Internal Revenue Code. REMEC matches contributions up to \$100 per quarter, per employee, subject to the attainment of certain quarterly profit levels by REMEC. Employees vest immediately in their contributions and company contributions vest over a two-year period. REMEC has charged to operations contributions of approximately \$272,000, \$399,000 and \$218,000 for the years ended January 31, 1999, 1998 and 1997, respectively.

REMEC's Canadian subsidiary maintains a separate defined contribution retirement savings plan for substantially all of its employees. Participants may contribute a portion of their annual salaries subject to statutory annual limitations. REMEC matches a percentage of the employees contributions as specified in the plan agreement. Contributions by REMEC totalled \$49,000 and \$19,000 in 1999 and 1998, respectively.

REMEC's C&S Hybrid subsidiary maintained a separate defined contribution 401(k) retirement plan for substantially all of its employees. C&S Hybrid made contributions to this plan of \$42,000 for fiscal 1997. This plan was merged into the REMEC plan in February 1998.

Prior to its acquisition in fiscal 1998, REMEC's Q-bit subsidiary maintained a separate defined contribution 401(k) retirement plan for substantially all of its employees. Q-bit made contributions to this plan of \$95,000 for fiscal 1997. This plan was merged into the REMEC plan in April 1998.

Leases

REMEC leases offices and production facilities under noncancelable agreements classified as operating leases. At January 31, 1999, future minimum payments under these operating leases are as follows:

<TABLE> <CAPTION>	OPERATING LEASES
<S>	<C>
2000.....	\$ 2,678,000
2001.....	2,373,000
2002.....	2,144,000
2003.....	2,160,000
2004.....	1,538,000
Thereafter.....	413,000

Total minimum lease payments.....	\$11,306,000
	=====

</TABLE>

Certain of these lease agreements include renewal options.

Rent expense totaled \$3,254,000, \$3,186,000, and \$2,717,000 during fiscal 1999, 1998 and 1997, respectively.

Capital Expenditure

REMEC has entered into an agreement for the purchase of land and a manufacturing facility in Costa Rica with a purchase price of \$2,566,000. Deposits totalling \$1,486,000 have been made in connection with this agreement. Such deposits are included in other assets in REMEC's consolidated balance sheet as of January 31, 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAXES

For financial reporting purposes, income before taxes includes the following components:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Pretax income:			
United States.....	\$11,475,003	\$22,369,180	\$8,988,990
Foreign.....	968,195	866,977	--
	\$12,443,198	\$23,236,157	\$8,998,990
	=====	=====	=====

</TABLE>

Significant components of REMEC's deferred tax liabilities and assets are as follows:

<TABLE>
<CAPTION>

	JANUARY 31,	
	1999	1998
<S>	<C>	<C>
Deferred tax liabilities:		
Tax over book depreciation.....	\$4,132,000	\$4,270,000
Inventory costs capitalization.....	1,037,000	846,000
Other.....	36,000	2,000
	5,205,000	5,118,000
Deferred tax assets:		
Inventory and other reserves.....	3,493,000	3,696,000
Deferred rent.....	--	65,000
Accrued expenses.....	1,588,000	1,623,000
Other.....	252,000	858,000
Total deferred tax assets.....	5,333,000	6,242,000
Net deferred tax assets.....	\$ 128,000	\$1,124,000
	=====	=====

</TABLE>

The provision for taxes based on income consists of the following:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$1,165,000	\$ 7,933,000	\$3,910,000
Foreign.....	260,000	308,000	--
State.....	(306,000)	1,634,000	874,000
Deferred:			
Federal.....	1,085,000	(1,188,000)	(646,000)
Foreign.....	13,000	--	--
State.....	(102,000)	(186,000)	(121,000)
	\$2,115,000	\$ 8,501,000	\$4,017,000
	=====	=====	=====

</TABLE>

A reconciliation of the effective tax rates and the statutory Federal income tax rate is as follows:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,					
	1999		1998		1997	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax at Federal rate.....	\$ 4,355,000	35%	\$8,115,000	35%	\$3,146,000	35%
State income tax net of federal....	747,000	6%	941,000	4	605,000	7
Tax Credits.....	(2,987,000)	(24%)	--	--	--	--
Loss (Earnings) distributed to S Corporation shareholders.....	--	--	(642,000)	(2)	438,000	5
Other.....	--	--	87,000	--	(172,000)	(2)
	\$ 2,115,000	17%	\$8,501,000	37%	\$4,017,000	45%
	=====	===	=====	===	=====	===

</TABLE>

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REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Prior to its acquisition by REMEC in October 1997, Q-bit Corporation had elected to be treated as an "S corporation" for income tax purposes and, accordingly, any liability for income taxes was that of the shareholders and not Q-bit.

8. SIGNIFICANT CUSTOMERS AND EXPORT SALES

During fiscal 1999, two customers accounted for 14% and 11%, of REMEC's net sales. During fiscal 1998 and 1997, respectively, one customer accounted for 14% and 13% of REMEC's net sales.

Export sales were 6%, 7% and 7% of net sales for fiscal 1999, 1998 and 1997, respectively.

9. RELATED PARTY TRANSACTIONS

An officer of REMEC holds certain interests in various suppliers to one of REMEC's subsidiaries. Amounts paid to these suppliers in fiscal 1999, 1998 and 1997 totaled \$1,122,000, \$2,667,000 and \$1,054,000, respectively.

10. SUBSEQUENT EVENT

On February 26, 1999, REMEC announced its plan to acquire Airtech plc in exchange for common stock with a value of approximately \$32.0 million. Completion of the transaction is contingent upon the approval of the shareholders of Airtech plc. The acquisition will be accounted for as a pooling of interests.

Assuming that the acquisition of Airtech plc had occurred on the first day of REMEC's fiscal year ended January 31, 1998, unaudited pro forma condensed consolidated results of operations would be as follows (in thousands except per share amounts):

<TABLE>
<CAPTION>

	1999	1998
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Net sales.....	\$179,215	\$191,008
Net income (loss).....	(4,831)	14,754
Earnings (loss) per share		
Basic.....	\$ (.20)	\$.65
Diluted.....	\$ (.20)	\$.63

</TABLE>

APPENDIX III

AIRTECH FINANCIAL STATEMENTS

<TABLE>	
<S>	<C>
1. Report of Arthur Andersen, Independent Auditors.....	III-2
2. Report of Binder Hamlyn, Independent Auditors.....	III-3
3. Audited Annual Financial Statements.....	III-4
</TABLE>	

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REPORT OF ARTHUR ANDERSEN, INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AIRTECH PLC

We have audited the financial statements on pages III-4 to III-20 which have been prepared under the historical cost convention and the accounting policies set out on pages III-6 and III-7. These financial statements have not been prepared for the purposes of section 226 of the Companies Act 1985 and are therefor not statutory accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom which are substantially consistent with generally accepted auditing standards in the United States. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Group at December 31, 1998 and December 31, 1997, and of the Group's results from operations and cash flows for each of the years then ended in accordance with generally accepted accounting principles in the United Kingdom.

Accounting practices used by the Group in preparing the accompanying financial statements conform with generally accepted accounting principles in the United Kingdom, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a reconciliation of consolidated net income and shareholders' equity to U.S. generally accepted accounting principles is set forth in Note 29.

/s/ ARTHUR ANDERSEN

Arthur Andersen
Chartered Accountants
St. Albans, England

24 March 1999

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REPORT OF BINDER HAMLYN, INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AIRTECH PLC

We have audited the financial statements on pages III-4 to III-20 which have been prepared under the historical cost convention and the accounting policies set out on pages III-6 and III-7. These financial statements have not be prepared for the purposes of section 226 of the Companies Act 1985 and are therefore not statutory accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom which are substantially consistent with generally accepted auditing standards in the United States and for which purpose our report is dual dated in respect of Notes 28 and 29. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the Group's loss and cash flows for the year ended December 31, 1996 in accordance with generally accepted accounting principles in the United Kingdom.

Accounting practices used by the Group in preparing the accompanying financial statements conform with generally accepted accounting principles in the United Kingdom, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a reconciliation of consolidated net income and shareholders' equity to US generally accepted accounting principles is set forth in Note 29.

/s/ BINDER HAMLYN

Binder Hamlyn
London, England

as to which the date is 24 March 1999.

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AIRTECH PLC

AUDITED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

<TABLE>

<CAPTION>

	NOTES	1998			1997		
		PRE EXCEPTIONAL	EXCEPTIONAL COSTS	TOTAL	PRE EXCEPTIONAL	EXCEPTIONAL COSTS	TOTAL
		L000'S	L000'S	L000'S	L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Turnover.....	1	12,507	--	12,507	21,315	--	21,315
Cost of Sales.....		9,617	4,866	14,483	14,985	--	14,985
Gross Profit/(Loss).....		2,890	(4,866)	(1,976)	6,330	--	6,330
Selling & Distribution Costs.....		2,086	--	2,086	1,325	--	1,325
Administrative Expenses.....		4,966	86	5,052	4,321	455	4,776
Operating Result.....	2	(4,162)	(4,952)	(9,114)	684	(455)	229
Interest receivable and similar income.....	5	46	--	46	157	--	157
Interest payable and similar charges.....	5	(108)	--	(108)	(136)	--	(136)
Profit/(Loss) on ordinary activities before taxation.....		(4,224)	(4,952)	(9,176)	705	(455)	250
Taxation on profit/(loss) on ordinary activities.....	6			145			(145)
Profit/(Loss) on ordinary activities after taxation.....				(9,031)			105
Retained Profit/(Loss) for the financial year.....	17			(9,031)			105
Basic earnings/(loss) per share.....	7			(19.83)p			0.23p
Diluted earnings/(loss) per share.....	7			(19.83)p			0.21p

<CAPTION>

	NOTES	1996		
		PRE EXCEPTIONAL	EXCEPTIONAL COSTS	TOTAL
		L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>	<C>
Turnover.....		8,221	--	8,221
Cost of Sales.....		5,436	--	5,436
Gross Profit/(Loss).....		2,785	--	2,785
Selling & Distribution Costs.....		518	--	518
Administrative Expenses.....		2,837	73	2,910
Operating Result.....		(570)	(73)	(643)
Interest receivable and similar income.....		93	--	93
Interest payable and				

similar charges.....	(118)	--	(118)
	-----	---	-----
Profit/(Loss) on ordinary activities before taxation.....	(595)	(73)	(668)
	-----	---	-----
Taxation on profit/(loss) on ordinary activities.....			--

Profit/(Loss) on ordinary activities after taxation.....			(668)

Retained Profit/(Loss) for the financial year.....			(668)
			=====
Basic earnings/(loss) per share.....			(2.27)p
Diluted earnings/(loss) per share.....			N/A

All the above results derive from continuing activities and there were no acquisitions in any period.

The accompanying notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<TABLE>			
<CAPTION>			
	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
<S>			
Profit/(Loss) on ordinary activities after taxation.....	(9,031)	105	(668)
Gain on foreign currency translation of subsidiary undertaking.....	7	64	--
	-----	---	---
Total gains and losses recognised since last Annual Report and Accounts.....	(9,024)	169	(668)
	=====	===	=====

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AIRTECH PLC

CONSOLIDATED BALANCE SHEETS

<TABLE>			
<CAPTION>			
	NOTES	1998	1997
	-----	-----	-----
		L000'S	L000'S
	<C>	<C>	<C>
<S>			
FIXED ASSETS			
Tangible Assets.....	8	1,532	1,686
CURRENT ASSETS			
Stocks.....	10	2,665	3,864
Debtors.....	11	2,491	6,013
Cash at Bank.....		420	3,670
		-----	-----
		5,576	13,547
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR.....	12	(2,739)	(4,314)
		-----	-----
NET CURRENT ASSETS.....		2,837	9,233
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES.....		4,369	10,919
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR.....	13	(26)	(285)
PROVISIONS FOR LIABILITIES AND CHARGES.....	15	(2,835)	(102)
		-----	-----

NET ASSETS.....		1,508	10,532
		=====	=====
CAPITAL AND RESERVES			
Called up share capital.....	16	2,277	2,277
Share premium account.....	17	9,946	9,946
Other reserves.....	17	(1,189)	(1,189)
Profit and loss account.....	17	(9,526)	(502)
		-----	-----
Equity shareholders' funds.....	18	1,508	10,532
		=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

AIRTECH PLC

CONSOLIDATED CASH FLOW STATEMENTS

<TABLE>

<CAPTION>

	NOTES	1998	1997	1996
	-----	-----	-----	-----
		L000'S	L000'S	L000'S
	<C>	<C>	<C>	<C>
Net cash inflow/(outflow) from operating activities....	19	(1,736)	(1,414)	(4,112)
Returns on investments and servicing of finance.....	20	(62)	21	(25)
Taxation.....	20		--	64
Capital expenditure and financial investment.....	20	(600)	(480)	(409)
		-----	-----	-----
Cash inflow/(outflow) before management of liquid reserves and financing.....		(2,398)	(1,873)	(4,482)
Financing.....	20	(386)	(400)	9,405
		-----	-----	-----
Increase/(decrease) in cash in the year.....	21	(2,784)	(2,273)	4,923
		=====	=====	=====

</TABLE>

The accompanying notes are an integral part of this consolidated cash flow statement.

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) ACCOUNTING BASIS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies are summarised below and they have been applied consistently throughout the periods reported.

b) BASIS OF CONSOLIDATION

In September 1996, as part of a demerger and reorganisation prior to flotation, Airtech plc acquired the whole of the issued share capital of Airtech Wireless Communications Limited and its two wholly owned subsidiaries, Airtech Cellular Limited and Airtech Wireless Systems Incorporated, by means of a share for share exchange. Accordingly the principles of merger accounting have been applied and the accounts consolidate the results of Airtech plc and its subsidiaries to the end of each financial period as if the Airtech plc group had been in existence throughout the whole of the periods covered by these accounts.

c) TURNOVER

Turnover represents the amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other related taxes.

d) RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred unless it is specifically funded by a customer in which case it is held in sundry debtors until such time as the relevant sale is traded.

e) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

<TABLE> <S>	<C>
Plant and machinery.....	5 years
Fixtures, fittings, and tools.....	3 to 5 years
Motor vehicles.....	2 to 4 years
Test gear.....	3 to 5 years
Leasehold improvements.....	20 years

</TABLE>

f) LEASED ASSETS

Assets held under finance leases , which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated at the appropriate rate. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account over the term of the lease.

g) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. The cost of work in progress includes materials, labour and an attributable proportion of manufacturing overheads based on normal levels of activity, appropriate to the state of completion.

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

h) PENSIONS

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

i) TAXATION

Corporation tax payable is provided for at the rate ruling at the balance sheet date. Deferred taxation is calculated on the liability method in respect of timing differences. Provision is made except to the extent that a liability is not expected to crystallise.

j) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. The results of overseas subsidiaries are translated using the average rate of exchange for the period and their balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of the opening net assets and results of overseas subsidiaries are dealt with through reserves. All other exchange gains or losses are taken to the profit and loss account.

k) WARRANTY CLAIMS

Provision is made for the expected cost of claims under product warranties granted in respect of equipment delivered and invoiced.

1) EMPLOYEE SHARE SCHEMES

No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees.

2. OPERATING RESULT IS STATED AFTER CHARGING:

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>
Depreciation			
-- owned assets.....	301	224	129
-- leased assets.....	379	193	74
Research and development expenditure.....	1,411	1,056	915
Auditors' remuneration			
-- audit services.....	25	24	25
-- non audit services.....	62	98	83
Operating lease rentals			
-- land and buildings.....	156	113	76
-- equipment rental.....	158	152	--
Loss on exchange.....	105	480	425
	=====	=====	=====

</TABLE>

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENTAL INFORMATION

Geographical analysis

<TABLE>

<CAPTION>

	EUROPE			UNITED STATES			OTHER			TOTAL	
	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<S>	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Turnover by destination.....	5,668	10,989	5,900	3,788	9,716	2,321	3,051	610	--	12,507	21,315
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Turnover by source...	8,719	11,599	5,900	3,788	9,716	2,321	--	--	--	12,507	21,315
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Operating profit/(loss).....	(8,352)	288	(567)	(762)	(59)	(76)	--	--	--	(9,114)	229
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Interest receivable.....										46	157
Interest payable.....										(108)	(136)
										-----	-----
Profit/(Loss) on ordinary activities before taxation....										(9,176)	250
										=====	=====
Net assets/(liabilities).....	2,478	10,678	10,449	(970)	(145)	(86)	--	--	--	1,508	10,532
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

<CAPTION>

	1996

<S>	L000'S
	<C>
Turnover by destination.....	8,221
	=====
Turnover by source...	8,221
	=====
Operating profit/(loss).....	(643)
	=====

Interest receivable.....	93
Interest payable.....	(118)

Profit/(Loss) on ordinary activities before taxation....	(668)
	=====
Net assets/(liabilities).....	10,363
	=====

</TABLE>

All turnover is derived from the principal activity of the Group

4. EXCEPTIONAL COSTS

The exceptional charge of L4,952,000 comprises L4,865,996 of direct costs and attributable stock adjustments arising from a product upgrade programme on products manufactured before May 1997, and L85,674 of costs in relation to the relocation of the group's main trading premises.

The exceptional charge includes a provision of L2.5 million arising from contractual obligations relating to the upgrade programme.

The exceptional charges in 1997 totalling L455,000 related to professional costs incurred in connection with the company's move to the Official List of the London Stock Exchange and in relation to an Initial Public Offering on NASDAQ which did not proceed.

The exceptional cost of L73,000 in 1996 related to one-off consultancy costs incurred in reorganising the group subsequent to its AIM flotation.

5. INTEREST

<TABLE>
<CAPTION>

	1998 L000'S	1997 L000'S	1996 L000'S
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest receivable			
Bank interest receivable.....	46	157	93
	===	===	===
Interest payable			
On loans and overdrafts repayable within 5 years.....	57	72	72
On finance leases repayable within 5 years.....	49	64	46
Other interest payable.....	2	--	--
	---	---	---
	108	136	118
	===	===	===

</TABLE>

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax charge is based on the profit/(loss) for the year and comprises:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Corporation Tax @ 31% (1997 31%), (1996 33%).....	--	145	--
Overprovision in prior year.....	(145)	--	--
	----	---	--

</TABLE>

At 31 December 1998 there are accumulated tax losses amounting to approximately L9,000,000 available for offset against taxable profits in future years for the group (1997: L140,000, 1996: L716,000).

7. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share figures are based on the profit/(loss) on ordinary activities after taxation which is attributable to ordinary shareholders and on the weighted average number of shares in issue.

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Weighted average number of ordinary shares used for basic earnings/(loss) per share calculation.....	45,547,821	45,547,821	29,378,965
Weighted average number of ordinary shares used for the diluted earnings/(loss) per share calculation.....	45,547,821	49,997,357	N/A

</TABLE>

8. TANGIBLE FIXED ASSETS

<TABLE>
<CAPTION>

	TEST GEAR	FIXTURES, FITTINGS, PLANT AND MACHINERY	LEASEHOLD IMPROVEMENTS	MOTOR VEHICLES	TOTAL
<S>	L000'S	L000'S	L000'S	L000'S	<C>
Cost	<C>	<C>	<C>	<C>	<C>
1 January 1998.....	1,437	916	--	53	2,406
Additions.....	115	207	284	--	606
Disposals.....	--	(77)	--	(26)	(103)
31 December 1998.....	1,552	1,046	284	27	2,909
Depreciation					
1 January 1998.....	381	328	--	13	720
Charge for the year.....	426	237	6	11	680
Disposals.....	--	(15)	--	(8)	(23)
31 December 1998.....	807	548	6	16	1,377
Net book value					
Owned Assets.....	250	498	278	3	1,029
Leased Assets.....	495	--	--	8	503
31 December 1998.....	745	498	278	11	1,532
Owned Assets.....	178	590	--	--	768
Leased Assets.....	878	--	--	40	918
31 December 1997.....	1,056	590	--	40	1,686

</TABLE>

9. SUBSIDIARY UNDERTAKINGS

<TABLE>
<CAPTION>

	CLASS OF SHARE	PERCENTAGE HELD	PRINCIPAL ACTIVITIES
<S>	<C>	<C>	<C>
Airtech Wireless Communications Limited.....	Ordinary	100%	Intermediate holding company
Airtech Cellular Limited.....	Ordinary	100%*	Design and production of frequency filtering and combining equipment
Airtech Wireless Inc. (USA).....	Ordinary	100%*	Supply of frequency filtering and combining equipment

</TABLE>

 * Both Airtech Cellular Limited and Airtech Wireless Inc. are wholly owned subsidiaries of Airtech Wireless Communications Limited

10. STOCKS

<TABLE>
 <CAPTION>

	1998	1997
<S>	<C>	<C>
Component stock.....	1,350	2,104
Work in progress.....	379	705
Finished goods.....	936	1,055
	2,665	3,864
	=====	=====

</TABLE>

11. DEBTORS

<TABLE>
 <CAPTION>

	1998	1997
<S>	<C>	<C>
Trade Debtors.....	2,207	5,472
Other debtors including taxation and social security.....	266	169
Prepayments and accrued income.....	16	370
Corporation tax recoverable.....	2	2
	2,491	6,013
	=====	=====

</TABLE>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<TABLE>
 <CAPTION>

	1998	1997
<S>	<C>	<C>
Obligations under finance leases and hire purchase contracts.....	244	371
Bank overdraft.....	46	512
Bank loan.....	1,878	--
Trade creditors.....	--	2,158
Corporation tax.....	--	145
Other taxes and social security costs.....	83	101
Other creditors and accruals.....	488	1,027
	2,739	4,314
	=====	=====

</TABLE>

Bank loans and overdrafts are secured by an unlimited debenture over the assets of Airtech Cellular Limited, an unlimited guarantee from Airtech Wireless Communications Limited, and an unlimited guarantee from Airtech plc.

AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
	L000'S	L000'S
	<C>	<C>
Obligations under finance leases and hire purchase contracts.....	26	285
Bank loan.....	--	--
	-----	-----
	26	285
	=====	=====

</TABLE>

14. BORROWINGS

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
	L000'S	L000'S
	<C>	<C>
The obligations under finance leases are repayable as follows:		
Within one year.....	244	371
Between one and two years.....	26	285
	---	---
	270	656
	===	===

</TABLE>

15. PROVISIONS FOR LIABILITIES AND CHARGES

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
	L000'S	L000'S
	<C>	<C>
Provision for warranty claims		
1 January.....	102	80
Charged to profit and loss account.....	233	22
	-----	---
31 December.....	335	102
	-----	---
Provision for upgrade costs		
1 January.....	--	--
Charged to profit and loss account.....	2,500	--
	-----	---
31 December.....	2,500	--
	-----	---
Total provisions at 31 December.....	2,835	102
	=====	===

</TABLE>

Deferred taxation

There are no deferred tax liabilities. Details of the potential deferred tax asset, which has not been recognised, are set out below:

<TABLE>
<CAPTION>

	1998	1997
--	------	------

	L000'S	L000'S
	<C>	<C>
Accelerated capital allowances.....	4	(68)
Short term timing differences.....	(103)	(7)
Losses carried forward.....	(2,798)	(43)
	-----	-----
	(2,897)	(118)
	=====	=====

</TABLE>

16. CALLED UP SHARE CAPITAL

Authorised

<TABLE>
<CAPTION>

	NUMBER	L'S
	-----	-----
	<C>	<C>
On 1 January 1998 -- ordinary shares of 5p.....	50,000,000	2,500,000
	=====	=====
On 31 December 1998 -- ordinary shares of 5p.....	55,000,000	2,750,000
	=====	=====

</TABLE>

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CALLED UP SHARE CAPITAL (CONTINUED)

a) Authorised share capital

On incorporation, the company had authorised share capital of 1,000 ordinary shares of L1, two shares of which were issued and fully paid up. On 13 September 1996, the company converted the nominal value of its ordinary shares from L1 each to 5 pence each and increased its authorised share capital to L2,500,000. On 23 June 1998 the company further increased its authorised share capital to L2,750,000.

b) Issued share capital

<TABLE>
<CAPTION>

	NUMBER	L'S
	-----	-----
	<C>	<C>
At 31 December 1997.....	45,547,821	2,277,391
	=====	=====
At 31 December 1998.....	45,547,821	2,277,391
	=====	=====

</TABLE>

17. RESERVES

<TABLE>
<CAPTION>

	SHARE PREMIUM ACCOUNT	OTHER RESERVES	PROFIT AND LOSS ACCOUNT
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
At 1 January 1998.....	9,946	(1,189)	(502)
Loss for the period.....	--	--	(9,031)
Exchange Variance.....	--	--	7
	-----	-----	-----
31 December 1998.....	9,946	(1,189)	(9,526)
	=====	=====	=====

</TABLE>

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
	L000'S	L000'S
	<C>	<C>
Opening shareholders' funds.....	10,532	10,363
Retained profit/(loss) for the year attributable to shareholders.....	(9,031)	105
Gain on foreign currency translation of subsidiary undertaking.....	7	64
	-----	-----
Closing shareholders' funds.....	1,508	10,532
	=====	=====

</TABLE>

19. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
Operating profit/(loss).....	(9,114)	229	(643)
Depreciation charges.....	680	417	203
(Profit)/loss on sale of tangible fixed assets.....	75	(3)	(2)
Decrease/(increase) in stocks.....	1,200	(316)	(2,983)
Decrease/(increase) in debtors.....	3,524	(2,812)	(2,051)
Increase in creditors and provisions.....	1,899	1,071	1,364
	-----	-----	-----
Net cash outflow from operating activities.....	(1,736)	(1,414)	(4,112)
	=====	=====	=====

</TABLE>

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. ANALYSIS OF CASH FLOWS

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
Returns on investments and servicing of finance			
Interest received.....	46	157	93
Interest paid.....	(59)	(72)	(72)
Interest element of finance lease rentals.....	(49)	(64)	(46)
	----	----	----
Net cash inflow/(outflow).....	(62)	21	(25)
	=====	=====	=====
Taxation			
UK Corporation tax refund.....	--	--	64
	----	----	----
Net cash inflow/(outflow).....	--	--	64
	=====	=====	=====
Capital expenditure and financial investment			
Purchase of tangible fixed assets.....	(606)	(501)	(422)
Sale of tangible fixed assets.....	6	21	13
	----	----	----
Net cash inflow/(outflow).....	(600)	(480)	(409)
	=====	=====	=====
Financing			
Issue of ordinary share capital (net of expenses).....	--	--	10,469
Redemption of shares by subsidiary.....	--	--	(945)
Unsecured loan.....	--	--	40
Repayment of unsecured loan.....	--	(40)	--
Capital element of finance lease rental repayments.....	(386)	(360)	(159)
	----	----	----

Net cash inflow/(outflow)..... (386) (400) 9,405
=====

</TABLE>

21. ANALYSIS AND RECONCILIATION OF NET FUNDS

<TABLE>
<CAPTION>

	1 JANUARY 1996	CASH FLOW	OTHER NON- CASH CHANGES	31 DECEMBER 1996
	L000'S	L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>	<C>
Cash in hand, at bank.....	1,159	5,831	--	6,990
Overdrafts.....	(666)	(908)	--	(1,574)
	493	4,923	--	5,416
Debt due after 1 year.....	--	(18)	--	(18)
Debt due within 1 year.....	--	(22)	--	(22)
Finance leases.....	(162)	159	(744)	(747)
		119		
Net funds (debt).....	331	5,042	(744)	4,629

</TABLE>

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. ANALYSIS AND RECONCILIATION OF NET FUNDS (CONTINUED)

<TABLE>
<CAPTION>

	1 JANUARY 1997	CASH FLOW	OTHER NON- CASH CHANGES	31 DECEMBER 1997
	L000'S	L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>	<C>
Cash in hand, at bank.....	6,990	(3,335)	15	3,670
Overdrafts.....	(1,574)	1,062	--	(512)
	5,416	(2,273)	15	3,158
Debt due after 1 year.....	(22)	22	--	--
Debt due within 1 year.....	(18)	18	--	--
Finance leases.....	(747)	360	(269)	(656)
		400		
Net funds (debt).....	4,629	(1,873)	(254)	2,502

</TABLE>

<TABLE>
<CAPTION>

	1 JANUARY 1998	CASH FLOW	OTHER NON-CASH CHANGES	31 DECEMBER 1998
	L000'S	L000'S	L000'S	L000'S
<S>	<C>	<C>	<C>	<C>
Cash in hand, at bank.....	3,670	(3,250)	--	420
Overdrafts.....	(512)	466	--	(46)
	3,158	(2,784)	--	374
Finance leases.....	(656)	386	--	(270)
Net funds.....	2,502	(2,398)	--	104

</TABLE>

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
Increase/(decrease) in cash in the year.....	(2,784)	(2,273)	4,923
Cash outflow from increase in debt and lease financing.....	386	400	119
	-----	-----	-----
Change in net debt resulting from cash flows.....	(2,398)	(1,873)	5,042
New finance leases.....	--	(254)	(744)
	-----	-----	-----
Movement in net funds in year.....	(2,398)	(2,127)	4,298
Net funds at beginning of year.....	2,502	4,629	331
	-----	-----	-----
Net funds at end of year.....	104	2,502	4,629
	=====	=====	=====

</TABLE>

22. MAJOR NON-CASH TRANSACTIONS

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of Lnil (1997: L269,000, 1996: L745,000).

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL COMMITMENTS

(a) Operating leases

The group has annual commitments under operating leases on land and buildings as follows:

<TABLE>
<CAPTION>

	1998		1997		1996	
	-----	-----	-----	-----	-----	-----
	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER
	-----	-----	-----	-----	-----	-----
	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S
	<C>	<C>	<C>	<C>	<C>	<C>
Expiry date						
-- within one year.....	5	68	--	--	--	--
-- between two and five years.....	37	68	133	262	87	--
	---	---	---	---	---	---
	42	136	133	262	87	--
	===	===	===	===	==	==

</TABLE>

(b) Capital commitments

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
Finance leases entered into.....	--	--	76
	===	===	===

</TABLE>

24. DIRECTORS

Aggregate Remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	1998	1997	1996
	-----	-----	-----
	L000'S	L000'S	L000'S
	<C>	<C>	<C>
Emoluments.....	386	388	227
Company contributions to money purchase pension schemes.....	30	41	8
	---	---	---
Total.....	416	429	235
	===	===	===

Directors' emoluments including pension contributions were as follows

	FEES/ SALARY	PENSION CONTRIBUTIONS	TAXABLE BENEFITS	1998 TOTAL	1997 TOTAL	1996 TOTAL
	-----	-----	-----	-----	-----	-----
	L000'S	L000'S	L000'S	L000'S	L000'S	L000'S
	<C>	<C>	<C>	<C>	<C>	<C>
Executive						
NJS Randall (Chairman).....	95	14	8	117	122	81
BJ Mulady.....	85	6	10	101	91	67
HL Barrow.....	39	8	3	6	73	19
AK Bostock.....	55	--	6	61	2	--
MV Wood.....	30	2	3	35	101	52
M. White.....	7	--	--	7	--	--
Non-executive						
DS Haggett.....	15	--	--	15	15	8
RAF Heath.....	15	--	--	15	15	3
C Masterson.....	--	--	--	--	--	5
GF Hardyman.....	15	--	--	15	10	--
	---	---	---	---	---	---
	356	30	30	416	429	235
	===	===	===	===	===	===

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. DIRECTORS (CONTINUED)

Aggregate emoluments do not include any amounts for the value of share options held by directors.

Details on options are as follows:

Directors' share options

	1 JANUARY 1998	GRANTED	EXERCISED	LAPSED	31 DECEMBER 1998	EXERCISE PRICE
	-----	-----	-----	-----	-----	-----
	<C>	<C>	<C>	<C>	<C>	<C>
NJS Randall.....	16,250	--	--	--	16,250	L0.60
BJ Mulady.....	1,382,684	--	--	16,250	1,366,434	L0.68
HL Barrow.....	1,366,434	--	--	--	1,366,434	L0.68
AK Bostock.....	57,142	--	--	57,142	--	L0.88
MV Wood.....	294,117	--	--	294,117	--	L0.68

MJ White.....	--	250,000	--	--	250,000	L0.20
	=====	=====	=====	=====	=====	=====

</TABLE>

No options were exercised during 1998 or 1997. The share price at 31 December 1998 was 18p and the price range during the year was 99.5p to 15.0p.

Directors' interests

The directors who held office at 31 December 1998 held the following interest in the share capital of the company:

<TABLE>
<CAPTION>

	31 DECEMBER 1998	1 JANUARY 1998 OR SUBSEQUENT DATE OF APPOINTMENT
	-----	-----
<S>	<C>	<C>
NJS Randall.....	15,346,824	15,346,824
BJ Mulady.....	264,710	264,710
DS Haggett.....	232,802	232,802
GF Hardyman.....	70,000	70,000
RAF Heath.....	--	--
MJ White.....	--	--

</TABLE>

In addition to the above shareholding NJS Randall has a non-beneficial interest in 2,000,000 shares held by him and Mrs AR Randall as trustees of a trust of which he is not a beneficiary.

No changes took place in the interest of the directors between 31 December 1998 and 24 March 1999.

Directors' service contracts

The executive directors each have a service contract with the company.

The service agreements of NJ Randall and BJ Mulady are terminable on 12 months notice, the equivalent period for MJ White is 6 months.

25. EMPLOYEES

Number of employees

The average monthly number of persons (including directors) employed by the group was:

<TABLE>
<CAPTION>

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Engineering and Production.....	132	157	103
Sales and Marketing.....	13	10	6
Administration.....	15	13	10
	---	---	---
	160	180	119
	===	===	===

</TABLE>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. EMPLOYEES (CONTINUED)

Employee costs

<TABLE>

<CAPTION>

	1998	1997	1996
	L000'S	L000'S	L000'S
	-----	-----	-----
<S>	<C>	<C>	<C>
Wages and salaries.....	3,888	3,310	1,992
Social security costs.....	422	286	194
Other pension costs.....	163	103	48
	-----	-----	-----
	4,473	3,699	2,234
	=====	=====	=====

</TABLE>

26. TRANSACTIONS WITH RELATED PARTIES

During 1998 Airtech Cellular Limited purchased services to the value of L20,305 (1997 L49,000) from Applied Interactive Limited, a company of which NJS Randall is the controlling shareholder. These services were purchased on a normal commercial basis.

The group occupies its main premises at Aylesbury, United Kingdom since August 1998 under an informal arrangement with the owner, The Air Group Limited, a company of which NJS Randall is the controlling shareholder. No rent or service charges were payable under this arrangement in 1998. The market value of the annual rent for these premises has been independently assessed at L250,000.

Management charges

Until September 1996, the ultimate parent undertaking of the group was The Air Group Limited, a company registered in England and Wales. A management charge of L13,248 was paid by Airtech Cellular Limited to The Air Group Limited of L56,980 in 1996. This charge was principally in respect of the services of the group Chairman, NJS Randall. NJS Randall is the controlling shareholder of The Air Group Limited. No charges have been raised since September 1996.

Inter-company balance

During the period to June 1996 Airtech Cellular Limited repaid a debt of L169,870 to The Air Group Limited. This debt had arisen in the normal course of business.

Share sale agreement

An agreement was signed on 13 September 1996 between The Air Group Limited, the Company and NJS Randall and others relating to the demerger by way of distribution of Airtech Wireless Communications Limited. Under the terms of this agreement The Air Group Limited transferred 949,306 "A" Ordinary shares of 1p each in the capital of Airtech Wireless Communications Limited to the company in consideration of the allotment and issue by the Company of 22,100,000 Ordinary shares in its capital to the shareholders of The Air Group Limited in proportion to their shareholdings in The Air Group Limited.

Share sale agreement

An agreement was also signed on 24 September 1996 between H Barrow and others (the Minority Shareholders), the Company, HSBC Equity Limited, Airtech Wireless Communications Limited and NJS Randall and others under the terms of which (i) the Minority Shareholders agreed to sell the Company their shares in Airtech Wireless Communications Limited in consideration of the allotment and issue to them of 2,819,088 ordinary shares, (ii) the Company agreed to subscribe for 1,500,000 new preference shares in Airtech Wireless Communications Limited, (iii) Airtech Wireless Communications Limited agreed to redeem 1,500,000 of the existing preference shares and (iv) HSBC Equity Limited agreed to surrender a warrant to subscribe for equity shares in Airtech Wireless Communications Limited and subscribe for 4,405,702 ordinary shares in Airtech Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. SHARE OPTION SCHEMES

The group operates four share option schemes which cover various employee and executive groups, as described further below. All schemes were authorised by the Board of Directors. For each of the schemes, the vesting period is three years from the date of the grant. There is no taxation effect on the Company with respect to any of these schemes.

Individual Share Option Agreements

During 1996, two Directors, Howard Barrow and Barry Mulady, were granted individual options to acquire ordinary shares (the "Individual agreements").

The Airtech Executive Share Option Scheme

In 1996, the Company adopted the Airtech Executive Share Option Scheme (the "Executive scheme"). This scheme is administered by the Remuneration Committee of the Board of Directors. The Remuneration Committee has absolute discretion in selecting the persons to whom options under the Executive scheme are to be granted and in determining the number and terms of options to be granted.

The Airtech Unapproved Share Option Scheme

In 1996, the Company adopted the Airtech Unapproved Share Option Scheme (the "Unapproved scheme"). This scheme provides for the grant of options on similar terms to the Executive scheme outside of UK Inland Revenue approval.

The Airtech Savings-Related Share Option Scheme

In 1996, the Company adopted the Airtech Savings Related Share Option Scheme (the "Savings related scheme"). Under this scheme, all employees who have been employed for more than six months by the Company may be permitted to participate in this scheme at the discretion of the Board of Directors.

The following options to acquire ordinary shares were outstanding at the end of the relevant periods:

<TABLE>
<CAPTION>

	DATE OF GRANT	EXERCISE PERIOD	EXERCISE PRICE	NUMBER OF OPTIONS OUTSTANDING ON 31 DECEMBER		
				1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Individual agreements.....	26 September 1996	29 September 1999 to 26 September 2001	L0.68	2,732,868	2,732,868	2,732,868
Executive scheme.....	2 October 1996	3 October 1999 to 1 October 2006	L0.68	352,933	632,339	794,097
	11 June 1997	12 June 2000 to 10 June 2007	L0.88	22,857	114,284	--
	4 November 1998	5 November 2001 to 3 November 2008	L0.20	1,350,000	--	--
Unapproved scheme.....	2 October 1996	3 October 1999 to 1 October 2003	L0.68	220,589	632,354	632,354
	11 June 1997	12 June 2000 to 10 June 2004	L0.88	--	102,857	--
	4 November 1998	5 November 2001 to 3 November 2005	L0.20	2,030,000	--	--
Savings related scheme.....	30 November 1996	30 November 1999 to 30 May 2000	L0.60	93,600	223,275	326,625
				-----	-----	-----
				6,802,847	4,437,977	4,485,944
				=====	=====	=====

</TABLE>

27. SHARE OPTION SCHEMES (CONTINUED)

The following table sets forth information relating to changes in options outstanding during the year to 31 December 1998:

<TABLE>
<CAPTION>

	INDIVIDUAL AGREEMENTS	EXECUTIVE SCHEME	UNAPPROVED SCHEME	SAVINGS RELATED SCHEME	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Outstanding 1 January 1998.....	2,732,868	746,623	735,211	223,275	4,437,977
Granted.....	--	1,350,000	2,030,000	--	3,380,000
Forfeited.....	--	(370,833)	(514,622)	(129,675)	(1,015,130)
Outstanding 31 December 1998.....	2,732,868	1,725,790	2,250,589	93,600	6,802,847

</TABLE>

28. SUBSEQUENT EVENT

On 26 February 1999, Airtech plc announced the terms of a recommended offer for the entire share capital by REMEC, Inc., a company incorporated in the US, by means of a share for share exchange. This offer is subject to both US regulatory and shareholder approval.

29. SUMMARY OF DIFFERENCES BETWEEN U.K. AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the U.K. ("U.K. GAAP") which differ in certain respects from those generally accepted in the United States ("U.S. GAAP"). The significant areas of difference affecting the financial statements of the company are described below:

<TABLE>
<CAPTION>

	NOTE	31 DECEMBER 1998	31 DECEMBER 1997	31 DECEMBER 1996
<S>	<C>	<C>	<C>	<C>
Net profit in accordance with U.K. GAAP.....		(9,031)	105	(668)
Adjustments to conform with U.S. GAAP.....				
Stock compensation charge.....	(1)			(828)
Services provided by principal stockholder.....	(2)	(83)		
Deferred taxation.....	(3)	(17)	(93)	151
Net profit in accordance with U.S. GAAP.....		(9,131)	12	(1,345)
Earnings per share in accordance with U.S. GAAP.....		(20.04)	0.02	(4.58)
Shareholders' funds in accordance with U.K. GAAP....		1,508	10,532	
Adjustments to conform with U.S. GAAP.....				
Deferred taxation.....	(3)	97	118	
Shareholders' funds in accordance with U.S. GAAP....		1,605	10,650	

</TABLE>

(1) Under U.K. GAAP compensation cost is not recognized when shares are issued to employees. Under U.S. GAAP the group accounts for its share option grants and share awards in accordance with APB Opinion 25, under which compensation cost is recognized to the extent that the exercise price is less than the fair value of the stock at the date of the grant. The adjustment in 1996 relates to shares issued to employees just prior to the companies flotation on the Alternative Investment Market in London. Since the issue price was significantly lower than the market price when the shares were listed,

compensation cost has been recognized for the difference on the date the shares were issued.

- (2) The group has occupied its main premises since August 1998 under an informal arrangement with the owner, The Air Group Limited, a company of which NJS Randall is the controlling shareholder. No rent or service charges were payable under this arrangement in 1998. As disclosed in note 26 the market value of the rent is £250,000 per annum. Under U.K. GAAP no charge has been recognized in the financial statements in respect of the rental on this property.

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AIRTECH PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. SUMMARY OF DIFFERENCES BETWEEN U.K. AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

US GAAP requires services provided by a principal shareholder to be reflected in financial statements based upon the cost of those services. Accordingly, the costs of the rent for the period since August 1998 have been reflected in the financial statements with a corresponding credit to additional paid in capital.

- (3) Under U.K. GAAP no provision is made for deferred tax liabilities which are not expected to crystallize in the foreseeable future. Deferred tax assets in respect of operating losses are generally not recognized unless realization is assured beyond reasonable doubt.

Under U.S. GAAP deferred taxation is provided for all temporary differences on a full liability basis. Deferred tax assets are recognized for deductible temporary differences, reduced by a valuation allowance, to the extent that it is more likely than not that the benefit will not be realized.

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APPENDIX IV
ADDITIONAL INFORMATION

1. RESPONSIBILITY

- (a) The directors of Airtech, whose names are set out in paragraph 2(b) below, accept responsibility for the information contained in this document relating to Airtech and its subsidiaries, themselves and their immediate families. The directors of REMEC, whose names appear in paragraph 2(a) below, accept responsibility for all the other information contained in this document. To the best of the knowledge and belief of the directors of REMEC and the directors of Airtech (who have taken all reasonable care to ensure that such is the case) the information contained herein for which they are respectively responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The statements set out in paragraphs (a) above are included solely to comply with the requirements of Rule 19.2 of the City Code and shall not be deemed to establish or expand any liability under the Securities Act.

2. DIRECTORS

- (a) The directors of REMEC are as follows:
- (i) Ronald E Ragland -- Chairman and Chief Executive Officer;
 - (ii) Errol Ekaireb -- President and Chief Operating Officer;
 - (iii) Jack A. Giles -- Executive Vice President;

- (iv) Joseph T. Lee -- Executive Vice President;
- (v) Denny Morgan -- Senior Vice President;
- (vi) Thomas A. Corcoran -- Non-Executive Director;
- (vii) William H. Gibbs, Non-Executive Director;
- (viii) Andre R. Horn -- Non-Executive Director; and
- (ix) Dr. Jeffrey M. Nash, Non-Executive Director.

The executive offices of REMEC are located at 9404 Chesapeake Drive, San Diego, California 92123, USA

- (b) The directors of Airtech are as follows:
- (i) Nicholas John Stephen Randall (Executive Chairman);
 - (ii) Barry James Mulady (Chief Executive Officer);
 - (iii) David Stephen Haggett (Non Executive Director);
 - (iv) Roger Anthony Frederick Heath (Non Executive Director);
 - (v) Gene Felda Hardymon (Non Executive Director); and
 - (vi) Matthew James White (Finance Director).

The registered office of Airtech, which is also the business address of its directors, is Coldharbour Way, Aylesbury, Buckinghamshire, HP19 3SU, United Kingdom.

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3. DISCLOSURE OF INTERESTS AND DEALINGS

In this document "disclosure period" means the period commencing on 12 January 1998 (being the date 12 months prior to the announcement by Airtech that it had received an approach which might lead to an Offer) and ending on March 1999 (being the latest practicable date prior to the posting of this document).

(a) SHAREHOLDINGS AND DEALINGS IN REMEC SHARES

- (i) As of March 1999 (the latest practicable date prior to the posting of this document), the beneficial interests of the directors of REMEC and their immediate families and connected persons in the common stock of REMEC were as follows:

<TABLE>
<CAPTION>

DIRECTOR -----	REMEC SHARES -----	OFFEROR SHARES UNDER OPTION -----
<S>	<C>	<C>
Ronald E. Ragland.....	842,619	305,400
Errol Ekaireb.....	117,827	155,000
Jack A. Giles.....	210,369	98,000
Joseph T. Lee.....	395,297	100,000
Denny Morgan.....	308,203	51,000
Thomas A. Corcoran.....	8,250	25,500
William R. Gibbs.....	0	25,500
Andre R. Horn.....	10,006	15,750
Jeffrey M. Nash.....	31,956	15,750

</TABLE>

- (ii) During the disclosure period, REMEC completed a public offering of newly issued REMEC Common Stock at a price to the public of \$25.15, and certain directors of REMEC also participated in this offering by selling shares of REMEC Common Stock owned by them. The dealings for value in REMEC Common Stock in which the directors of REMEC were interested during the disclosure period (all of which were sold in the above-described public offering) were as follows:

<TABLE>
<CAPTION>

NUMBER OF

DATE	PARTY	TRANSACTION	SHARES OF REMEC COMMON STOCK	PRICE PER SHARE
<S>	<C>	<C>	<C>	<C>
24/2/98	Ronald E. Ragland	Sale	292,180	\$25.15
24/2/98	Errol Ekaireb	Sale	41,293	\$25.15
24/2/98	Errol Ekaireb	Sale	2,000	\$25.15
24/2/98	Jack A. Giles	Sale	66,063	\$25.15
24/2/98	Joseph T. Lee	Sale	139,877	\$25.15
24/2/98	Denny Morgan	Sale	56,212	\$25.15
24/2/98	Andre Horn	Sale	5,000	\$25.15
24/2/98	Jeffrey Nash	Sale	12,594	\$25.15

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(B) SHAREHOLDINGS AND DEALINGS IN AIRTECH SHARES

- (i) Irrevocable undertakings to accept the Offer have been received as follows, representing in each case the entire holding of Airtech Shares of the relevant person:

<TABLE>
<CAPTION>

NAME	NUMBER OF AIRTECH SHARES IRREVOCABLY COMMITTED
<S>	<C>
N.J.S. Randall.....	13,146,824
Morgan Grenfell Trustee Services (CI) Limited.....	2,755,261
Morgan Nominees (CI) Limited.....	2,200,000
N.J.S. Randall and A.R. Randall.....	2,000,000
D.S. Haggett.....	232,802
Bessemer Venture Partners III LP.....	1,470,588
Bessec Ventures IV LP.....	655,625
Bessemer Venture Partners IV LP.....	655,624
G.F. Hardymon.....	70,000
Bessemer Venture Investors LP.....	168,150
BVP IV Special Situations LP.....	62,844
B.J. Mulady.....	264,710

</TABLE>

- (ii) During the disclosure period the persons referred to in paragraph (i) above have dealt for value in Airtech Shares as follows:

<TABLE>
<CAPTION>

DATE	PARTY	TRANSACTION	NUMBER OF AIRTECH SHARES	PRICE PER SHARE
<S>	<C>	<C>	<C>	<C>
29/7/98	Morgan Nominees (CI) Limited	Purchase	2,200,000	48p

</TABLE>

- (iii) The interests, all of which are beneficial unless indicated below, of the directors of Airtech and their immediate families and connected persons (within the meaning of section 346 of the

Companies Act) in the share capital of Airtech (as shown in the register required to be kept under section 325 of the Companies Act or which have been notified to Airtech pursuant to sections 324 or 328 of the Companies Act) at March 1999 were as follows:

<TABLE>
<CAPTION>

DIRECTOR	AIRTECH SHARES	AIRTECH SHARES UNDER OPTION
<S>	<C>	<C>
N.J.S. Randall.....	15,346,824	15,000
D.S. Haggett.....	232,802	nil
G.F. Hardyman.....	70,000	nil
B.J. Mulady.....	264,710	1,366,434
R.A.F. Heath.....	nil	nil
M.J. White.....	nil	250,000

</TABLE>

Note: Of N.J.S. Randall's beneficial interest, 2,200,000 Airtech Shares are held by Morgan Nominees (CI) Limited as trustee of a trust of which N.J.S. Randall is a beneficiary. In addition, N.J.S. Randall has a non-beneficial interest in 2,000,000 shares held by him and Mrs. A.R. Randall as trustees of a trust of which he is not a beneficiary.

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- (iv) The options granted to the Directors under the terms of the Airtech Share Option Schemes are exercisable at the prices shown below between the stated dates in normal circumstances.

<TABLE>
<CAPTION>

DIRECTOR	NUMBER OF AIRTECH SHARES	EXERCISE PRICE	EXERCISE PERIOD
<S>	<C>	<C>	<C>
B.J. Mulady.....	1,366,434	68p	29/9/99 to 26/9/01
M. J. White.....	150,000	20p	5/11/01 to 3/11/08
	100,000	20p	5/11/01 to 3/11/05
N. J. S. Randall.....	15,000	60p	30/11/99 to 30/5/00

</TABLE>

Upon exercise of this option N.J.S. Randall may be entitled to a further 1,250 Airtech Shares.

(C) GENERAL

- (i) Save as disclosed in this paragraph 3, neither REMEC, nor any of the directors of REMEC, nor any member of their immediate families, nor any person acting in concert with REMEC, nor any person who has irrevocably undertaken to accept the Offer nor any person with whom REMEC or any person acting in concert with REMEC has an arrangement of the kind referred to in (iii) below owned or controlled or (in the case of directors of REMEC and their immediate families) was interested in any relevant securities on March, 1999 [latest date prior to issue of this document] nor has any such person dealt for value therein during the disclosure period.
- (ii) Save as disclosed in this paragraph 3, none of the directors of the Airtech nor any member of their immediate families was interested in any relevant securities on March, 1999 nor has any such person dealt for value therein during the disclosure period and neither the Airtech nor any bank, stockbroker, financial or other professional adviser (other than an exempt market-maker) to Airtech (nor any person controlling, controlled by, or under the same control as such bank, stockbroker, financial or other professional adviser) nor any subsidiary of Airtech nor any pension fund of Airtech or of any of its subsidiaries, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) which is controlled by, controls or is under the same control as Airtech or any bank, stockbroker, financial or other professional adviser, to Airtech, owned or controlled any relevant securities on March 1999 nor has any such person dealt for value therein between 12 January 1999 and March

- (iii) Neither REMEC nor any of its associates nor any person acting in concert with REMEC nor Airtech nor any of its associates has any arrangement in relation to relevant securities. For these purposes "arrangement" includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.
- (iv) References in this paragraph 3 to:
 - (a) an "associate" are to:
 - (1) subsidiaries and associated companies of REMEC or Airtech and companies of which any such subsidiaries or associated companies are associated companies;
 - (2) banks, financial and other professional advisers (including stockbrokers) to REMEC or Airtech or a company covered in (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
 - (3) the directors of REMEC and Airtech and the directors of any company covered in (1) above (together in each case with their close relatives and related trusts);
 - (4) the pension funds of REMEC or Airtech or a company covered in (1) above; and
 - (5) (in relation to REMEC) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this paragraph (iv) (a)) manages on a discretionary basis, in respect of the relevant investment accounts;

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- (b) a "bank" do not apply to a bank whose sole relationship with REMEC or Airtech or a company covered in paragraph (a) (1) above is the provision of normal commercial banking services or such activities in connection with the Offer as handling acceptances and other registration work; and
- (c) "relevant securities" mean existing shares of REMEC Common Stock and Airtech Shares and securities convertible into, rights to subscribe for, options (including traded options) in respect thereof and derivatives referenced thereto.
- (v) For the purposes of this paragraph 3 ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control.

4. MARKET QUOTATIONS

The following table shows the middle market quotations for REMEC Common Stock and for Airtech Shares, as derived from the Nasdaq National Market and the SEDOL, in each case on the first dealing day that both the Nasdaq National Market and the London Stock Exchange were open for business in each month from August 1998 to February 1999 inclusive, on 11 January 1999 (being the last dealing day prior to the announcement by Airtech that it had received an approach which might lead to an offer), on 25 February 1999 (being the last dealing day prior to the announcement of the Offer) and on March, 1999 (being the last available date prior to the posting of this document):

<TABLE>
<CAPTION>

MIDDLE MARKET QUOTATION

REMEC SHARES OF

DATE ----	COMMON STOCK	AIRTECH SHARES
	(IN DOLLARS)	(IN PENCE)
<S>	<C>	<C>
3 August 1998.....	7 3/4	50.0
1 September 1998.....	8 1/4	29.5
1 October 1998.....	7 11/16	15.0
2 November 1998.....	11 15/32	20.5
1 December 1998.....	13 7/8	19.5
4 January 1999.....	17 5/8	18.0
11 January 1999.....	20 1/8	27.5
1 February 1999.....	20 1/16	38.0
25 February 1999.....	17 13/16	34.0
March 1999.....		

</TABLE>

5. SERVICE AGREEMENTS

- (a) There are no service agreements in force between any of the directors of Airtech or any of its subsidiaries which do not expire, or cannot be terminated by Airtech or its relevant subsidiary within the next 12 months.
- (b) REMEC and Mr Nick Randall, Chairman of Airtech, will enter into a service agreement for a period of two years at an annual base salary of \$200,000 plus other benefits as described therein. Pursuant to the agreement, Mr Randall will continue to serve as Chairman of Airtech and as an Executive Vice President of REMEC. Mr Randall will also receive an option to purchase 40,000 shares of REMEC Common Stock at an exercise price equal to the closing sales price of REMEC Common Stock as quoted on the Nasdaq National Market on the date the agreement is entered into between the parties. The agreement is terminable by either party upon twelve months notice to the other party. The service agreement also includes provisions requiring Mr Randall to not compete with REMEC during the term of the agreement and for twelve months thereafter.

6. MATERIAL CONTRACTS

- (a) The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by REMEC since 12 January 1997 (being the date two

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years before the announcement by Airtech that it had received an approach which might lead to an Offer) and are or may be material:

- (i) Agreement and Plan of Reorganization and Merger dated as of February 24, 1997 among REMEC, RTI Acquisition Corporation and Radian Technology, Inc. (REMEC issued 950,024 shares of its common stock in exchange for all of outstanding common stock of Radian);
- (ii) Agreement and Plan of Reorganization and Merger dated as of April 10, 1997 among REMEC, C&S Acquisition Corporation and C&S Hybrid, Inc. (REMEC issued 1,240,000 shares of its common stock in exchange for all of outstanding common stock of C&S Hybrid);
- (iii) Agreement and Plan of Reorganization and Merger dated as of October 24, 1997 by and among REMEC, RQB Acquisition Corporation and Q-bit Corporation (REMEC issued 1,047,482 shares of its common stock in exchange for all of outstanding common stock of Q-bit);
- (iv) Stock Purchase Agreement dated as of September 30, 1997 among Justin Miller, Ph.D., RoyNat, Inc., REMEC Canada ULC and REMEC (REMEC acquired all of the outstanding common stock of Nanowave Technologies Inc. from Mr. Justin Miller for \$4.025 million in cash and 182,183 Dividend Access shares with a fair market value of \$4.646 million which was equal to the fair value of an equivalent number of shares of common stock of REMEC);
- (v) Asset Purchase Agreement dated as of August 26, 1997 by and among ACS Inc. and REMEC (REMEC sold its subsidiary RF Microsystems, Inc. to ACS Inc. for \$5.0 million in cash);

- (vi) Agreement and Plan of Reorganization and Merger dated as of March 31, 1997 by and among REMEC and Verified Technical Corporation, Inc. ("Veritek") (REMEC paid cash of \$1 million and issued 138,000 shares of its common stock for all outstanding common stock of Veritek);
- (vii) Second Amended and Restated Loan Agreement dated June 25, 1998 between REMEC and The Union Bank of California, N.A. ("Union Bank");
- (viii) Participation Agreement dated as of August 25, 1998 among REMEC, Union Bank and certain other parties identified therein;
- (ix) Master Lease dated August 25, 1998 between REMEC and Union Bank, as Certificate of Trustee; and
- (x) Lessee Guarantee dated August 25, 1998 executed by REMEC.

- (b) Save for the back-up agreement described in sub-paragraph (c) below, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by Airtech since 12 January 1997 (being the date two years before the announcement by Airtech that it had received an approach which might lead to an offer) which are or may be material.
- (c) Pursuant to an agreement dated 25 February 1999 between REMEC and Airtech, REMEC has conditionally agreed to subscribe for 11,200,000 Airtech Shares at a price of 40 pence per Airtech Share, in the event the acquisition of Airtech may not be accounted for as a pooling of interests under US GAAP. This agreement is conditional, inter alia, on (i) the approval of Airtech Shareholders; (ii) the London Stock Exchange agreeing to admit such shares to listing; (iii) there being no material adverse change in the financial or trading position or prospects of the Airtech Group; and (iv) there being no material change of control of Airtech. REMEC will not be obliged to make such subscription if (A) any matter disclosed by Airtech to Ernst & Young was untrue, inaccurate or misleading; or (B) the subscription is not completed within 60 days of the Offer lapsing. REMEC and Airtech have each undertaken to enter into mutually acceptable sales and marketing agreements.

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7. APPRAISAL

Neither REMEC nor any affiliate has had any material relationship with either Mr. P. J. Memmott FRICS or Haslams, chartered surveyors.

8. THE COMPULSORY ACQUISITION

If, on or before the expiration of four months from the date of posting of this document, REMEC has as a result of acceptances of the Offer, or, subject to certain conditions, acquired or contracted to acquire, at least 90 per cent. in value of the Airtech Shares to which the Offer relates then (i) REMEC will be entitled, and intends, to acquire compulsorily the remainder of the outstanding Airtech Shares in accordance with sections 428-430F of the Companies Act, and (ii) in such circumstances a holder of Airtech Shares may require REMEC to purchase his Airtech Shares in accordance with the procedures and time limits described in section 430A of the Companies Act. A copy of sections 428-430F of the Companies Act is set out in Appendix VII to this document.

The Offer is being made to all Airtech Shareholders; provided, however, that Airtech Shareholders in any jurisdiction in the US in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction should not accept or purport to accept the Offer. REMEC is not presently aware of any jurisdiction in the US that prohibits the making of the Offer. REMEC will take all necessary or appropriate action for the purpose of making the Offer available to all Airtech Shareholders in any jurisdiction in the US. In any jurisdiction the securities laws or Blue Sky Laws of which require the Offer to be made by a registered broker or dealer, the Offer is being made on behalf of REMEC by one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

10. LEGAL MATTERS

Certain legal matters with respect to the validity of the REMEC Common Stock registered hereby and with respect to certain US federal income tax consequences discussed under "Taxation" in the letter from Quartz Capital are being passed upon by Heller Ehrman White & McAuliffe, Los Angeles. Certain matters with respect to UK tax consequences discussed under "Taxation" in the letter from Quartz Capital have been reviewed by Ashurst Morris Crisp, London.

11. EXPERTS

The consolidated financial statements of REMEC at 31 January 1999 and 1998 and for each of the three years in the period ended 31 January 1999 included in Appendix II to this document have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon which as to the years 1997 is based in part on the report of Ireland San Filippo LLP, independent auditors, and on the report of Bray, Beck & Koetter, independent auditors. Such consolidated financial statements are included herein in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

The financial statements of Airtech as of and for the two years ended 31 December 1998 included in this document have been audited by Arthur Andersen, chartered accountants, and the financial statements of Airtech for the year ended 31 December 1996 included in this document have been audited by Binder Hamlyn, chartered accountants, as indicated in their reports with respect thereto and are included herein in reliance upon the authority of said firm as experts in giving said reports.

12. OTHER INFORMATION

- (a) The expenses of, and incidental to, the preparation and circulation of the Offer will be paid by REMEC. If the Offer does not become unconditional or is withdrawn each of Airtech and REMEC will pay its own business and legal expenses incurred relating to the Offer.
- (b) No proposal exists in connection with the Offer whereby any payment or other benefit shall be made or given to any director of Airtech as compensation for loss of office or as consideration for or in connection with his loss of office.
- (c) Save as disclosed herein, no agreement, arrangement or understanding exists between REMEC or any party acting in concert with REMEC and any of the directors, or recent directors, shareholders or recent shareholders of Airtech having any connection with or dependence on the Offer.

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- (d) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Airtech shares acquired by REMEC in pursuance of the Offer will be transferred to any other person, save that REMEC reserves the right to transfer any such shares to any of its subsidiaries.
- (e) Quartz Capital is satisfied that REMEC has the necessary financial resources for it to implement the Offer in full.
- (f) REMEC does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will

depend to any significant extent on the business of the Airtech.

- (g) The emoluments of the current directors of REMEC will not be affected by the acquisition of Airtech or by any other associated transaction.
- (h) Albert E Sharp has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name and its recommendations in the form and context in which they appear.
- (i) Haslams chartered surveyors have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of the references to its name and its report in the form and context in which they appear.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA throughout the period during which the Offer remains open for acceptance:

- (a) the Amended and Restated Articles of Incorporation and Bylaws of REMEC;
- (b) the Memorandum and Articles of Association of Airtech;
- (c) the Annual Report on Form 10-K of REMEC as of 31 January 1999 and 1998 and the three years in the period ended 31 January 1999 and the Forms 10-Q of REMEC for the quarters ended 1 May, 31 July and 30 October 1998;
- (d) the Definitive Proxy Statement of REMEC in connection with REMEC's 1998 Annual Meeting of Shareholders;
- (e) the description of REMEC Common Stock set forth in the Registration statement on Form 8-A;
- (f) the audited consolidated accounts of Airtech for the year ended 31 December, 1998;
- (g) the rules of the Airtech Share Option Schemes;
- (h) the contracts referred to in paragraph 6 above;
- (i) the Affiliate Agreements referred to on page 13 of this document;
- (j) the letters of consent referred to in paragraph 12 above;
- (k) the irrevocable undertakings to accept the Offer referred to in paragraph 3 above; and
- (l) this Document and the Forms of Acceptance.

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1. DESCRIPTION OF THE CAPITAL STOCK OF REMEC

1.1 REMEC COMMON STOCK

As of March 1999, shares of REMEC Common Stock were outstanding, out of a total authorised share capital of 70,000,000 shares of REMEC Common Stock. All outstanding shares of REMEC Common Stock are fully paid and non-assessable.

1.2 AUTHORISED BUT UNISSUED PREFERRED STOCK

The REMEC Board of Directors has the authority, without further action by the REMEC Stockholders, to issue up to 5,000,000 million shares of preferred stock, par value \$.01, in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, and the number of shares constituting any series or the designation of such series. Issuance of REMEC preferred stock while providing desirable flexibility in connection with possible acquisitions and other corporate purposes could make it more difficult for a third party to acquire a majority of the outstanding voting stock of REMEC. There are currently no shares of preferred stock issued or outstanding.

2. DESCRIPTION OF REMEC COMMON STOCK

The following is a brief description of certain rights of holders of REMEC Common Stock. For a complete understanding of these rights, stockholders are referred to the laws and applicable regulations and listing requirements of the State of California, United States, the Nasdaq National Market and the constitutional documents of REMEC.

2.1 GENERAL

REMEC is incorporated in the State of California, United States and operates in accordance with the Californian General Corporation Law (the "CGCL"). The rights of REMEC Stockholders are determined by the CGCL, the securities and other legislation of the United States, REMEC's Amended and Restated Articles of Incorporation and REMEC's By-Laws, as amended. REMEC Common Stock is traded on the Nasdaq National Market.

2.2 CERTIFICATES

REMEC Common Stock is issued in registered form. Every holder of REMEC Common Stock is entitled to a share certificate.

2.3 DIVIDENDS

Subject to preferences applicable to any outstanding REMEC preferred stock, holders of REMEC Common Stock are entitled to receive rateably such dividends as may be declared by the REMEC Board of Directors out of funds legally available for this purpose.

2.4 MEETINGS

Annual meetings of the REMEC Stockholders are held on the date designated by the REMEC Board of Directors. Written notice must be mailed to each stockholder entitled to vote not less than ten nor more than sixty days before the date of the meeting. The presence of person or by proxy of the holders of record of a majority of the issued and outstanding shares of REMEC entitled to vote at such meeting constitutes a quorum for the transaction of business at meetings of the stockholders. Special meetings of the stockholders may be called for any purpose by the Board of Directors, the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or the Secretary upon the written request of shareholders entitled to cast not less than 10 per cent of the votes at the meeting or by such other persons as may be posted in the REMEC Article or By-laws.

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2.5 VOTING RIGHTS

The holders of REMEC Common Stock are entitled to one vote for each share held of record. Stockholders may vote by proxy.

2.6 LIQUIDATION, DISSOLUTION OR WINDING UP

In the event of a liquidation, dissolution or winding up of REMEC, after payment shall have been made to holders or preferred stock of the full amounts to which they shall be entitled, the holders of REMEC Common Stock are entitled, to the exclusion of the holders of preferred stock, to share rateably according to the number of shares held by them in all remaining assets available for distribution to the REMEC stockholders.

2.7 TRANSFERS

The REMEC By-Laws do not allow the Board of Directors to refuse to register transfers of shares.

2.8 OTHER RIGHTS

Holders of REMEC Common Stock have no pre-emption, redemption, conversion or other subscription rights.

3. DIFFERENCES BETWEEN REMEC COMMON STOCK AND AIRTECH SHARES

There are a number of differences between the rights attaching to REMEC Common Stock, as detailed above, and those attaching to Airtech Shares. Certain rights attaching to Airtech Shares, where those differences exist, are identified below. Such differences may arise from the differences between the legislation governing Airtech and REMEC as well as between the constitutional documents of the two companies. The following is not a complete description of the differences between the rights associated with Airtech Shares compared to REMEC Common Stock.

For a complete understanding of such differences, Stockholders are referred to the laws and applicable regulations of England and the State of California, United States, the rules of the London Stock Exchange, the Nasdaq National Market and the constitutional documents of both Airtech and REMEC.

3.1 GENERAL

Airtech is incorporated in England and operates in accordance with the Companies Act. Rules and regulations governing trading of Airtech Shares differ from those relating to REMEC.

3.2 DIVIDENDS

Pursuant to Airtech's Articles of Association and subject to the restrictions of English law, dividends may be declared by the Airtech Board, or by Airtech on the recommendation of the Airtech Board, by ordinary resolution in an amount not to exceed that recommended by the Airtech Board.

3.3 MEETINGS

The holders of not less than one tenth of the paid up voting capital of Airtech have the right to requisition general meetings of shareholders.

3.4 REGISTRATION OF SHARE TRANSFERS

The Airtech Articles of Association allow the Airtech Board, in its absolute discretion, and without giving any reason for doing to refuse to register certain transfers of shares, being shares which are not fully paid up, or being shares, whether fully paid or not which are in favour of more than four joint transferees.

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APPENDIX VI
VALUATION OF NEW AIRTECH FACTORY

[LOGO OF HASLAM'S CHARTERED SURVEYORS]

March 1999

<TABLE>		
<S>	<C>	<C>
The Directors	Albert E Sharp Securities	156 Friar Street Reading
Airtech plc	105-108 Old Broad Street	Berkshire RG1 1HH
Coldharbour Way	London	
Bucks	EC2N 1ET	
HP19 3SU		
</TABLE>		

Dear Sir:

INSTRUCTION

In accordance with your instructions to advise you as external valuers in relation to the proposed disposal of the Property to Remec, Inc. ("REMEC") in connection with a recommended share for share offer by REMEC for Airtech Plc ("Airtech"), we have valued the Property.

This valuation has been prepared for the purposes of the Offer Document prepared by REMEC and Airtech in connection with the proposed disposal of the Property by Air Group Limited ("Air Group") to REMEC.

The valuation has been prepared in accordance with the RICS Appraisal and Valuation Manual and specifically Practice Statement 14 relating to valuations under the City Code on Take-Overs and Mergers. We confirm that Haslams meet the requirements of Rule 29 of the City Code on Take-Overs and Mergers, and that we are independent valuers as defined in the Royal Institution of Chartered Surveyors Practice Statement No. 8.

The Property is more fully described in the attached schedule.

1. OPEN MARKET VALUE

1.1 Open Market Value is defined as being the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation assuming:

1.1.1 a willing seller;

1.1.2 that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;

1.1.3 that the state of the market level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

1.1.4 That no account is taken of any additional bid by a prospective purchaser with a special interest; and

1.1.5 that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

1.2 VALUATION ASSUMPTIONS

1.2.1 In respect of the Property we have also made the following assumptions:

1.2.1.1 that a prospective purchaser were to acquire at arms length the whole site.

1.2.1.2 that the draft sub-lease of the Airtech factory premises had been completed and that the tenant was REMEC. We have assumed that REMEC is a first class US covenant for these purposes.

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1.2.1.3 that the adjoining land is capable of being disposed of on the basis of prudent lotting.

1.3 GENERAL ASSUMPTIONS

1.3.1 Your attention is also drawn to the following general assumptions.

1.3.1.1 that Airtech has disclosed all relevant matters;

1.3.1.2 we have disregarded any value attributable to the business,

goodwill, trade fixtures and fittings, chattels, stock, plant or machinery or other loose or moveable items not normally considered part of the legal title;

1.3.1.3 the valuation specifically includes any value attributable to the space heating system, hot water system, specialist plant and machinery, air conditioning or permanent fixtures such as (fixtures) and it is assumed such items will be transferred with the legal title on completion;

1.3.1.4 our valuation disregards any liability to Value Added Tax. All values expressed in this report are deemed to be exclusive of VAT; and

1.3.1.5 no allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

2. SOURCES OF INFORMATION

2.1 We have inspected the interior and exterior of the Property on 15th December 1998 but our inspection was for valuation purposes only and we have not carried out a structural survey nor did we undertake a measurement survey. Gross internal floor areas have been extracted from plans prepared by Airtech's architects.

2.2 We have not taken into account in our valuation report the valuation of the specialized fixtures and fittings installed by Airtech nor have we taken into account the value of Airtech's improvements, primarily high quality partitioning. We have assumed that the passenger lift and air conditioning unit are landlord's fixtures and have disregarded the more specialized plant and machinery, for example air extraction plant.

2.3 We have assumed for the purposes of this valuation report that the appropriate indemnities and warranties have been obtained from the design and build construction team responsible for building the Airtech factory.

2.4 We have not been supplied with a solicitor's report on title or copies of the title deeds, although we have been supplied with information by Airtech, Air Group and Air Group's solicitors. We have been advised that the property interest is long leasehold and that the head groundlease is for a term of 150 years subject to a peppercorn ground rental.

2.5 We have been informed and have assumed for the purposes of this valuation that there is good long leasehold title without any unusual restrictive or positive covenants or any encumbrances or other title factors likely to adversely or beneficially affect current or future occupation or development.

2.6 The sub-lease of the factory premises to Airtech has not yet been completed. We have been supplied with a copy of the latest draft dated 21st August 1998 and have assumed for the purposes of this Valuation report that the completed lease will be in identical format. We have valued the Airtech premises as an investment on the basis that the draft sub-lease has been completed in the same format as the draft and on the basis that the tenant was Remec.

2.7 We understand that there are no highway proposals in the vicinity likely to adversely or beneficially affect the Property in the foreseeable future.

2.8 We have not attended the offices of the local Planning Authority in order to inspect the Planning Register but we have seen the planning consent from Aylesbury Vale District Council dated 10th November 1997 confirming that the site can be utilized for B2 industrial use (B1(c) light industrial and B2 general industrial).

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2.9 We have not seen anything in the course of our inspection that would lead us to believe that the property is contaminated. Accordingly, this valuation report is based upon the assumption that there is no material contamination.

2.10 If any of the information on which the valuation is based is subsequently found to be incorrect then the valuation may also be incorrect and should be reconsidered.

3. OPINION OF VALUE

3.1 Subject to the above, we are of the opinion that the current Open Market Value of the long leasehold investment property comprising the Airtech offices, production and warehouse accommodation, subject to the assumptions detailed above and assuming that the sub-lease is completed on the basis of the terms detailed in the attached schedule with the benefit of the REMEC covenant is L3,250,000 (three million two hundred and fifty thousand pounds).

3.2 We are of the opinion that the Open Market Value of the 1.75 acre plot of land adjoining the Airtech premises is L550,000 (five hundred and fifty thousand pounds).

This report is for the use only of the parties to whom it is addressed and the Company's shareholders for the specific purposes set out herein and no responsibility is accepted to any other party or the whole or part of its contents.

Yours faithfully

/s/ P.J. MEMMOTT FRICS
P.J. Memmott FRICS
PARTNER
For and Behalf of
HASLAMs
Chartered Surveyors

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SCHEDULE 1
AIRTECH PLC PREMISES
SMEATON CLOSE, COLDHARBOUR FARM INDUSTRIAL ESTATE, AYLESBURY BECKS, HP19 3SU

<TABLE>
<CAPTION>

PROPERTY	DESCRIPTION, AGE AND TENURE	TERMS OF TENANCY	ESTIMATED ANNUAL RENT RECEIVABLE	OPEN MARKET VALUE
<S> Airtech Plc Smeaton Close, Coldharbour Farm Industrial Estate, Aylesbury, Bucks	<C> Offices, production and warehouse accommodation. The accommodation extends to approximately 3,095 square meters 33.386 sq ft with on site car parking for 146 cars. The Coldharbour Farm Industrial Estate is a greenfield redevelopment site adjacent to the Brunel Park development close to the Aylesbury town centre. The development benefits from excellent road communications to Oxford via the A418 and Bicester via the A41. The building was constructed in 1998 and occupies a site of approximately 2.5 acres. Long leasehold for a period of 150 years at a peppercorn rent.	<C> We have assumed a lease to Remec at an initial rent of L250,000 per annum exclusive of VAT on a 20 year full repairing and insuring lease. The rent review clauses are upward only with 5 yearly rent reviews. The review clause stipulates that on the occasion of the first rent review the rent will be revised to L279,300 or to a higher figure.	<C> L250,000 open market value	<C> L3,250,000
Land adjoining the above	A long leasehold site comprising approximately 1.75 acres adjoining the Airtech premises held for a period of 150 years at a peppercorn rent.	None		L550,000

</TABLE>

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APPENDIX VII
CERTAIN PROVISIONS OF THE COMPANIES ACT

"PART XIII
TAKEOVER OFFERS

428 TAKEOVER OFFERS

1. In this Part of this Act "takeover offer" means an offer to acquire all the shares, or all the shares of any class or classes, in a company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class.
2. In subsection (1) "shares" means shares which have been allotted on the date of the offer but a takeover offer may include among the shares to which it relates all or any shares that are subsequently allotted before a date specified in or determined in accordance with the terms of the offer.
3. The terms offered in relation to any shares shall for the purposes of this section be treated as being the same in relation to all the shares or, as the case may be, all the shares of a class to which the offer relates notwithstanding any variation permitted by subsection (4).
4. A variation is permitted by this clause where:-
 - a. the law of a country or territory outside the United Kingdom precludes an offer of consideration in the form or any of the forms specified in the terms in question or precludes it except after compliance by the offeror with conditions with which he is unable to comply or which he regards as unduly onerous; and
 - b. the variation is such that the persons to whom an offer of consideration in that form is precluded are able to receive consideration otherwise than in that form but of substantially equivalent value.
5. The reference in subsection (1) to shares already held by the offeror includes a reference to shares which he has contracted to acquire but that shall not be construed as including shares which are the subject of a contract binding the holder to accept the offer when it is made, being a contract entered into by the holder either for no consideration and under seal or for no consideration other than a promise by the offeror to make the offer.
6. In the application of subsection (5) to Scotland, the words "and under seal" shall be omitted.
7. Where the terms of an offer make provision for their revision and for acceptances on the previous terms to be treated as acceptances on the revised terms, the revision shall not be regarded for the purposes of this Part of this Act as the making of a fresh offer and references in this Part of this Act to the date of the offer shall accordingly be construed as references to the date on which the original offer was made.
8. In this Part of this Act the "offeror" means, subject to section 430D, the person making a takeover offer and the "company" means the company whose shares are the subject of the offer.

429 RIGHT OF OFFEROR TO BUY OUT MINORITY SHAREHOLDERS

1. If, in a case in which a takeover offer does not relate to shares of different classes, the offeror has by virtue of acceptance of the offer acquired or contracted to acquire not less than nine-tenths in value of the shares to which the offer relates he may give notice to the holder of any shares to which the offer relates which the offeror has not acquired or contracted to acquire that he desires to acquire those shares.
2. If, in a case in which a takeover offer relates to shares of different classes, the offeror has by virtue of acceptances of the offer acquired or contracted to acquire not less than nine-tenths in value of the shares of any class to which the offer relates, he may give notice to the holder of any shares of that class which the offeror has not acquired or contracted to acquire that he desires to acquire those shares.

3. No notice shall be given under subsection (1) or (2) unless the offeror has acquired or contracted to acquire the shares necessary to satisfy the minimum specified in that clause before the end of the period of four months beginning with the date of the offer; and no such notice shall be given after the end of the period of two months beginning with the date on which he has acquired or contracted to acquire shares which satisfy that minimum.
4. Any notice under this section shall be given in the prescribed manner; and when the offeror gives the first notice in relation to an offer he shall send a copy of it to the company together with a statutory declaration by him in the prescribed form stating that the conditions for the giving of the notice are satisfied.
5. Where the offeror is a company (whether or not a company within the meaning of this Act) the statutory declaration shall be signed by a director.
6. Any person who fails to send a copy of a notice or statutory declaration as required by subsection (4) or makes such a declaration for the purposes of that clause knowing it to be false or without having reasonable grounds for believing it to be true shall be liable to imprisonment or a fine, or both, and for continued failure to send the copy or declaration, to a daily default fine.
7. If any person is charged with an offence for failing to send a copy of a notice as required by subsection (4) it is a defence for him to prove that he took reasonable steps for securing compliance with that clause.
8. When during the period within which a takeover offer can be accepted the offeror acquires or contracts to acquire any of the shares to which the offer relates but otherwise than by virtue of acceptances of the offer, then, if:-

- (a) the value of the consideration for which they are acquired or contracted to be acquired (the "acquisition consideration") does not at that time exceed the value of the consideration specified in the terms of the offer; or
- (b) those terms are subsequently revised so that when the revision is announced the value of the acquisition consideration, at the time mentioned in paragraph (a) above, no longer exceeds the value of the consideration specified in those terms,

the offeror shall be treated for the purposes of this section as having acquired or contracted to acquire those shares by virtue of acceptances of the offer; but in any other case those shares shall be treated as excluded from those to which the offer relates.

430 EFFECT OF NOTICE UNDER SECTION 429

1. The following provisions shall, subject to section 430C, have effect where a notice is given in respect of any shares under section 429.
2. The offeror shall be entitled and bound to acquire those shares on the terms of the offer.
3. Where the terms of an offer are such as to give the holder of any shares a choice of consideration the notice shall give particulars of the choice and state:

- (a) that the holder of the shares may within six weeks from the date of the notice indicate his choice by a written communication sent to the offeror at an address specified in the notice; and
- (b) which consideration specified in the offer is to be taken as applying in default of his indicating a choice as aforesaid;

and the terms of the offer mentioned in subsection 2 shall be determined accordingly.

4. Subsection (3) applies whether or not any time-limit or the other conditions applicable to the choice under the terms of the offer can still be complied with; and if the consideration chosen by the holders of the shares:
 - (a) is not cash and the offeror is no longer able to provide it; or
 - (b) was to have been provided by a third party who is no longer bound or able to provide it,

the consideration shall be taken to consist of an amount of cash payable by the offeror which at the date of the notice is equivalent to the chosen consideration.

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5. At the end of six weeks from the date of the notice the offeror shall forthwith:
 - (a) send a copy of the notice to the company; and
 - (b) pay or transfer to the company the consideration for the shares to which the notice relates.
6. If the shares to which the notice relates are registered, the copy of the notice sent to the company under subsection (5) (a) shall be accompanied by an instrument of transfer executed on behalf of the shareholder by a person appointed by the offeror; and on receipt of that instrument the company shall register the offeror as the holder of those shares.
7. If the shares to which the notice relates are transferable by the delivery of warrants or other instruments, the copy of the notice sent to the company under subsection (5) (a) shall be accompanied by a statement to that effect; and the company shall on receipt of the statement issue the offeror with warrants or other instruments in respect of the shares and those already in issue in respect of the shares shall become void.
8. Where the consideration referred to in paragraph (b) of subsection (5) consists of shares or securities to be allotted by the offeror the reference in that clause to the transfer of the consideration shall be construed as a reference to the allotment of the shares or securities to the company.
9. Any sum received by a company under paragraph (b) of subsection (5) and any other consideration received under that clause shall be held by the company on trust for the person entitled to the shares in respect of which the sum or other consideration was received.
10. Any sum received by a company under paragraph (b) of subsection (5), and any dividend or other sum accruing from any other consideration received by a company under that clause, shall be paid into a separate bank account, being an account the balance on which bears interest at an appropriate rate and can be withdrawn by such notice (if any) as is appropriate.
11. Where after reasonable enquiry made at such intervals as are reasonable the person entitled to any consideration held on trust by virtue of subsection (9) cannot be found and twelve years have elapsed since the consideration was received or the company is wound up the consideration (together with any interest, dividend or other benefit that has accrued from it) shall be paid into court.
12. In relation to a company registered in Scotland, subsections (13) and (14) shall apply in place of subsection (11).
13. Where after reasonable enquiry made at such intervals as are reasonable the person entitled to any consideration held on trust by virtue of subsection (9) cannot be found and twelve years have elapsed since the consideration was received or the company is wound up:-
 - (a) the trust shall terminate;
 - (b) the company or, as the case may be, the liquidator shall sell any consideration other than cash and any benefit other than cash that has accrued from the consideration; anda sum representing:-
 - (i) the consideration so far as it is cash;
 - (ii) the proceeds of any sale under paragraph (b) above; and
 - (iii) any interest, dividend or other benefit that has accrued from the consideration,

shall be deposited in the name of the Accountant of Court in a bank account such as is referred to in subsection (10) and the receipt for the deposit shall be transmitted to the Accountant of Court.

14. Section 58 of the Bankruptcy (Scotland) Act 1985 (so far as consistent with this Act) shall apply with any necessary modifications to sums deposited under subsection (13) as that clause applies to sums deposited under section 57(1) of that Act.
15. The expenses of any such enquiry as is mentioned in subsection (11) or (13) may be defrayed out of the money or other property held on trust for the person or persons to whom the enquiry relates.

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430A RIGHT OF MINORITY SHAREHOLDER TO BE BOUGHT OUT BY OFFEROR

1. If a takeover offer relates to all the shares in a company and at any time before the end of the period within which the offer can be accepted:-
 - (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares to which the offer relates; and
 - (b) those shares, with or without any other shares in the company which he has acquired or contracted to acquire, amount to not less than nine-tenths in value of all the shares in the company, the holder of any shares to which the offer relates who has not accepted the offer may by a written communication addressed to the offeror require him to acquire those shares.
2. If a takeover offer relates to shares of any class or classes and at any time before the end of the period within which the offer can be accepted:
 - (a) the offeror has by virtue of acceptances of the offer acquired or contracted to acquire some (but not all) of the shares of any class to which the offer relates; and
 - (b) those shares, with or without any other shares of that class which he has acquired or contracted to acquire, amount to not less than nine-tenths in value of all the shares of that class, the holder of any shares of that class who has not accepted the offer may by a written communication addressed to the offeror require him to acquire those shares.
3. Within one month of the time specified in subsection (1) or, as the case may be, subsection (2) the offeror shall give any shareholder who has not accepted the offer notice in the prescribed manner of the rights that are exercisable by him under that clause; and if the notice is given before the end of the period mentioned in that clause it shall state that the offer is still open for acceptance.
4. A notice under subsection (3) may specify a period for the exercise of the rights conferred by this section and in that event the rights shall not be exercisable after the end of that period; but no such period shall end less than three months after the end of the period within which the offer can be accepted.
5. Subsection (3) does not apply if the offeror has given the shareholder a notice in respect of the shares in question under section 429.
6. If the offeror fails to comply with subsection (3) he and, if the offeror is a company, every officer of the company who is in default or to whose neglect the failure is attributable, shall be liable to a fine and for continued contravention, to a daily default fine.
7. If an offeror other than a company is charged with an offence for failing to comply with subsection (3) it is a defence for him to prove that he took all reasonable steps for securing compliance with that subsection.

430B EFFECT OF REQUIREMENT UNDER SECTION 430A

1. The following provision shall, subject to section 430C, have effect where a shareholder exercises his rights in respect of any shares under section 430A.
2. The offeror shall be entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.
3. Where the terms of an offer are such as to give the holder of shares a

choice of consideration the holder of the shares may indicate his choice when requiring the offeror to acquire them and the notice given to the holder under section 430A(3):

- (a) shall give particulars of the choice and of the rights conferred by this subsection; and
- (b) may state which consideration specified in the offer is to be taken as applying in default of his indicating a choice;

and the terms of the offer mentioned in subsection (2) shall be determined accordingly.

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4. Subsection (3) applies whether or not any time-limit or other conditions applicable to the choice under the terms of the offer can still be complied with; and if the consideration chosen by the holder of the shares:

- (a) is not cash and the offeror is no longer able to provide it; or
- (b) was to have been provided by a third party who is no longer bound or able to provide it;

the consideration shall be taken to consist of an amount of cash payable by the offeror which at the date when the holder of the shares requires the offeror to acquire them is equivalent to the chosen consideration.

430C APPLICATIONS TO THE COURT

1. Where a notice is given under section 429 to the holder of any shares the court may, on an application made by him within six weeks from the date on which the notice was given:

- (a) order that the offeror shall not be entitled and bound to acquire the shares; or
- (b) specify terms of acquisition different from those of the offer.

2. If an application to the court under subsection (1) is pending at the end of the period mentioned in subsection (5) of section 430 that clause shall not have effect until the application has been disposed of.

3. Where the holder of any shares exercises his rights under section 430A the court may, on an application made by him or the offeror, order that the terms on which the offeror is entitled and bound to acquire the shares shall be such as the court thinks fit.

4. No order for costs or expenses shall be made against a shareholder making an application under subsection (1) or (3) unless the court considers:

- (a) that the application was unnecessary, improper or vexatious; or
- (b) that there has been unreasonable delay in making the application or unreasonable conduct on his part in conducting the proceedings on the application.

5. Where a takeover offer has not been accepted to the extent necessary for entitling the offeror to give notices under subsection (1) or (2) of section 429 the court may, on the application of the offeror, make an order authorising him to give notices under that subsection if satisfied:

- (a) that the offeror has after reasonable enquiry been unable to trace one or more of the persons holding shares to which the offer relates;
- (b) that the shares which the offeror has acquired or contracted to acquire by virtue of acceptances of the offer, together with the shares held by the person or persons mentioned in paragraph (a), amount to not less than the minimum specified in that subsection; and
- (c) that the consideration offered is fair and reasonable;

but the court shall not make an order under this subsection unless it considers that it is just and equitable to do so having regard, in particular, to the number of shareholders who have been traced but who

have not accepted the offer.

430D JOINT OFFERS

1. A takeover offer may be made by two or more persons jointly and in that event this Part of this Act has effect with the following modifications.
2. The conditions for the exercise of the rights conferred by sections 429 and 430A shall be satisfied by the joint offerors acquiring or contracting to acquire the necessary shares jointly (as respects acquisitions by virtue of acceptances of the offer) and either jointly or separately (in other cases); and, subject to the following provisions, the rights and obligations of the offeror under those sections and sections 430 and 430B shall be respectively joint rights and joint and several obligations of the joint offerors.
3. It shall be a sufficient compliance with any provision of those sections requiring or authorising a notice or other document to be given or sent by or to the joint offerors that it is given or sent by or to

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any of them; but the statutory declaration required by section 429(4) shall be made by all of them and, in the case of a joint offeror being a company, signed by a director of that company.

4. In sections 428, 430(8) and 430E references to the offeror shall be construed as references to the joint offerors or any of them.
5. In sections 430(6) and (7) references to the offeror shall be construed as references to the joint offerors or such of them as they may determine.
6. In sections 430(4)(a) and 430B(4)(a) references to the offeror being no longer able to provide the relevant consideration shall be construed as references to none of the joint offerors being able to do so.
- 6.1 In section 430C references to the offeror shall be construed as references to the joint offerors except that any application under subsection (3) or (5) may be made by any of them and the reference in subsection (5)(a) to the offeror having been unable to trace one or more of the persons holding shares shall be construed as a reference to none of the offerors having been able to do so.

430E ASSOCIATES

1. The requirement in section 428(1) that a takeover offer must extend to all the shares, or all the shares of any class or classes, in a company shall be regarded as satisfied notwithstanding that the offer does not extend to shares which associates of the offeror hold or have contracted to acquire; but, subject to subsection (2), shares which any such associate holds or has contracted to acquire, whether at the time when the offer is made or subsequently, shall be disregarded for the purposes of any reference in this Part of this Act to the shares to which a takeover offer relates.
2. Where during the period within which a takeover offer can be accepted any associate of the offeror acquires or contracts to acquire any of the shares to which the offer relates, then, if the condition specified in subsection 8(a) or (b) of section 429 is satisfied as respects those shares they shall be treated for the purposes of that section as shares to which the offer relates.
3. In section 430(A)(1)(b) and (2)(b) the reference to shares which the offeror has acquired or contracted to acquire shall include a reference to shares which any associate of his has acquired or contracted to acquire.
4. In this clause "associate", in relation to an offeror, means:
 - (a) a nominee of the offeror;
 - (b) a holding company, subsidiary or fellow subsidiary of the offeror or a nominee of such holding company, subsidiary or fellow subsidiary;
 - (c) a body corporate in which the offeror is substantially interested;or

- (d) any person who is, or is a nominee of, a party to an agreement with the offeror for the acquisition of, or of an interest in, the shares which are the subject of the takeover offer, being an agreement which includes provisions imposing obligations or restrictions such as are mentioned in section 204(2)(a).
5. For the purposes of subsection (4)(b) a company is a fellow subsidiary of another body corporate if both are subsidiaries of the same body corporate but neither is a subsidiary of the other.
6. For the purposes of subsection (4) an offeror has a substantial interest in a body corporate if:
- (a) that body or its directors are accustomed to act in accordance with his directions or instructions; or
- (b) he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body.
7. Subsections (5) and (6) of section 204 shall apply to subsection (4)(d) above as they apply to that section and subsections (3) and (4) of section 203 shall apply for the purposes of subsection (6) above as they apply for the purposes of subsection (2)(b) of that section.
8. Where the offeror is an individual his associates shall also include his spouse and any minor child or step-child of his.

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430F CONVERTIBLE SECURITIES

1. For the purposes of this Part of this Act securities of a company shall be treated as shares in the company if they are convertible into or entitle the holder to subscribe for such shares; and references to the holder of shares or a shareholder shall be construed accordingly.
2. Subsection (1) shall not be construed as requiring any securities to be treated:
- (a) as shares of the same class as those into which they are convertible or for which the holder is entitled to subscribe; or
- (b) as shares of the same class as other securities by reason only that the shares into which they are convertible or for which the holder is entitled to subscribe are of the same class."

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APPENDIX VIII
DEFINITIONS

In this Offer Document and the accompanying Form of Acceptance the following definitions apply, unless the current context requires otherwise:

"Affiliate"	when used in relation to a specified person, a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such specified person
"Affiliate Agreements"	agreements between REMEC and the Affiliates, inter alia, restricting the ability of the Affiliates to deal in Airtech Shares or REMEC Common Stock
"Airtech"	Airtech plc
"Airtech Group"	Airtech and its subsidiaries
"Airtech Shares"	existing issued and fully paid ordinary shares of 5p each in Airtech and any further such shares which are unconditionally allotted or issued before the date on which the Offer closes (or such earlier date as REMEC may, subject to the City Code, determine)
"Airtech Shareholders"	holders of Airtech Shares
"Airtech Share Option"	

Schemes"	the Airtech Executive Share Option Scheme, the Airtech Savings-Related Share Option Scheme, the Airtech Unapproved Share Option Scheme and the individual share option agreements with Mr Howard Barrow and Mr Barry Mulady
"Board" or "Directors" or "Board of Directors"	the board of directors of Airtech or REMEC, as the case may be
"certificate" or "in certificated form"	a share or other security which is not in uncertificated form.
"City Code" or "Code"	The City Code on Takeovers and Mergers of the United Kingdom
"Companies Act"	Companies Act 1985 of Great Britain, as amended
"Compulsory Acquisition"	compulsory acquisition by REMEC, pursuant to sections 428 to 430F in each case inclusive of the Companies Act on the same terms as the Offer, of all outstanding Airtech Shares to which the Offer relates
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations)
"CRESTCo"	CRESTCo Limited
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
"CREST participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member
"Dollars" or "\$"	US Dollars
"Enlarged REMEC Group"	the REMEC Group following the acquisition of Airtech pursuant to the Offer
"Exchange Act"	United States Securities Exchange Act of 1934, as amended, and the rules thereunder
"Form of Acceptance"	the form of acceptance and authority relating to the Offer
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"Illustrative Exchange Rate"	L1 : \$1. , being the mid-point of the closing spread of the dollar to sterling spot rate, as shown in the Financial Times (UK edition) on March 1999 being the latest practicable date prior to the posting of this document
"Inland Revenue"	the UK Inland Revenue
"IRS"	the US Internal Revenue Service
"IRC"	the United States Internal Revenue Code of 1986, as amended
"London Stock Exchange"	London Stock Exchange Limited
"Member account ID"	the identification code or number attached to any member account in CREST
"Nasdaq National Market"	the Nasdaq National Market tier of the Nasdaq Stock Market affiliated with the United States National Association of Securities Dealers, Inc.

"Needham"	Needham & Company, Inc.
"New Airtech Factory"	a leasehold interest in (i) land and buildings known as the Airtech premises and (ii) an adjacent parcel of land situated at Smeaton Close, Coldharbour Farm Industrial Estate, Aylesbury, Bucks HP19 3S4 to be granted pursuant to the terms of two separate leases with the approximate area of the buildings being 33,000 sq. ft. of factory and office space and the approximate area of the adjacent parcel of land being 1.75 acres
"New REMEC Common Stock"	REMEC Common Stock to be issued pursuant to the Offer
"Offer"	the recommended offer made by Quartz Capital on behalf of REMEC to acquire all the Airtech Shares on the terms and subject to the conditions set out in this document including, where the context so requires, any subsequent revision, variation, extension or renewal thereof
"Panel"	the Panel on Takeover and Mergers of the United Kingdom
"participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"pounds" or "pounds sterling" or 'L"	UK pounds sterling
"Quartz Capital"	Quartz Capital Partners Limited
"Registration Statement"	the Registration Statement on Form S-4 relating to the Offer to be filed by REMEC with the SEC under the Securities Act
"Regulations"	The Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272) of the United Kingdom
"REMEC" or the "Company"	REMEC, Inc.
"REMEC Common Stock"	\$0.01 par value common stock of REMEC
"REMEC Group"	REMEC and its affiliates
"REMEC Stockholders"	holders of REMEC Common Stock
"SEC"	United States Securities and Exchange Commission
"Securities Act"	US Securities Act of 1933, as amended, and the rules thereunder
"SEDOL"	London Stock Exchange Daily Official List
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"Trading Day"	any day in which the Nasdaq National Market is open for trading in REMEC Common Stock
"TFE instruction"	a Transfer from Escrow instruction (as defined by the CREST Manual issued by CRESTCo)
"TTE instruction"	a Transfer to Escrow instruction (as defined by the CREST Manual issued by CRESTCo)
"Treaty"	the UK- US Income Tax Treaty, as amended by Protocols
"Uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
"UK GAAP"	UK generally accepted accounting principles

"UK Resident"	a person who is resident in the UK for tax purposes and, in the case of UK taxation of capital gains, a person who is ordinarily resident in the UK for tax purposes
"United Kingdom" or "UK"	United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US Business Day"	any day other than Saturday, Sunday or a federal holiday in the US
"US GAAP"	US generally accepted accounting principles
"US Resident"	a person that is subject to US federal income taxation regardless of source

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AIRTECH PLC
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Airtech plc (the "Company") will be held at the offices of Albert E Sharp, the Company's financial advisers' in Pinners Hall, 105/108 Old Broad Street, London, EC2N 1ET on _____, 1999 at _____ a.m./p.m., for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTION

1. That the arrangements conditionally entered into between REMEC Inc. and The Air Group Limited details of which are set out in the offer document dated _____, 1999 addressed to the shareholders of the Company of which this notice forms a part (the "Offer Document") be and they are hereby approved.
2. That the service agreement entered into between Mr. Nick Randall and REMEC, Inc. details of which are set out in the Offer Document be and they are hereby approved.

Dated: 1999

BY ORDER OF THE BOARD

Matthew White
Secretary

Registered Office: Coldharbour Way, Aylesbury, Buckinghamshire HP19 3SU

NOTES:

Proxies

1. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and on a poll to vote) instead of him or her. Forms of proxy must be returned so as to be received by the Company's registrars, Independent Registrar Group PLC, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NG, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

Panel on Takeovers and Mergers

2. The Panel on Takeovers and Mergers has determined that N.J.S. Randall and certain persons associated with him shall not be entitled to vote on the above resolutions.

Right to attend and vote

3. Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 6 p.m. on [being 2 business days before the time fixed for the meeting]. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(Registered in England and Wales No: 3193039)

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

105. ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant has the power to indemnify its officers and directors against liability for certain acts pursuant to Section 317 of the General Corporation Law of California. Articles Fifth and Sixth of the Registrant's Amended and Restated Articles of Incorporation provide as follows:

"Fifth: The liability of directors of this Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law."

"Sixth: This Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) for breach of duty of this Corporation and its shareholders through bylaw provisions, or through agreements with the agents, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Code."

In addition, Article V of the Registrant's By-laws provides that the Registrant shall indemnify its directors and executive officers to the fullest extent not prohibited by California General Corporation Law and provides for the advancement of expenses upon a receipt of an undertaking to repay such amounts if the person is determined ultimately not to be entitled to indemnification.

The Registrant has entered into Indemnification Agreements with its officers and directors.

106. ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

<TABLE> <CAPTION> EXHIBITS NO. ----- <C>	DESCRIPTION ----- <S>
2.1	Conditions and Further Terms of the Offer (contained in APPENDIX I)
2.2(1)	Form of Acceptance
2.3(1)	Conditional Commitment Letter for Purchase of Airtech Common Stock between REMEC and Airtech, dated 25 February, 1999
3.1(2)	Amended and Restated Articles of Incorporation
3.2(2)	By-Laws, as amended
5.1(1)	Opinion of Heller Ehrman White & McAuliffe as to the validity of the issuance of the shares of Remec Common Stock to be issued in the Offer
8.1	Opinion of Heller Ehrman White & McAuliffe as to the US tax consequences of the Offer
23.1	Consent of Heller Ehrman White & McAuliffe (contained in opinions filed as Exhibits 5.1 and 8.1)
23.2	Consent of Ernst & Young LLP, Independent Auditors
23.3	Consent of Ireland San Filippo LLP, Independent Public Accountants
23.4	Consent of Bray, Beck & Koetter, Independent Auditors
23.5	Consent of Arthur Andersen, Independent Auditors
23.6	Consent of Binder Hamlyn, Independent Auditors
23.7	Consent of Haslams, Chartered Surveyors
24.1	Power of Attorney (included on the signature page)

</TABLE>

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to Registrant's Registration Statement filed on Form S-4 (No. 333-74085) filed on March 8, 1999 and incorporated herein by reference.
- (2) Previously filed with the Securities and Exchange Commission as an exhibit to Registrant's Registration Statement filed on Form S-1 (No. 333-80381) filed on February 1, 1996 and incorporated herein by reference.

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(b) FINANCIAL STATEMENT SCHEDULES.

None

(c) APPRAISALS.

The appraisal on the property to be purchased by Remec from a company owned and controlled by Mr. Nick Randall, Chairman of Airtech, is included in Appendix VI and described in paragraph 7 of Appendix V to the Offer Document.

107. ITEM 23. UNDERTAKINGS

(a) Item 512 undertakings.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(g)(1) The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through the use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) the Registrant undertakes that every prospectus: (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(i) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) of the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Required undertaking.

The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(c) Required undertaking.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, California on March 26, 1999.

REMEC INC.

By: RONALD E. RAGLAND*

 Ronald E. Ragland, Chairman of the
 Board
 and Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints Ronald E. Ragland, Errol Ekaireb and Michael McDonald his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to the Registration Statement, and file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-of-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each said attorneys-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-4 has been signed by the following persons in the capacities and on the dates indicated.

<TABLE> <C>	<S>	<C>
RONALD E. RAGLAND* ----- Ronald E. Ragland	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 26, 1999
ERROL EKAIREB* ----- Errol Ekaireb	President, Chief Operating Officer and Director	March 26, 1999
JACK A. GILES* ----- Jack A. Giles	Executive Vice President, President of REMEC Microwave, Inc. and Director	March 26, 1999
DENNY MORGAN* ----- Denny Morgan	Senior Vice President, Chief Engineer and Director	March 26, 1999
JOSEPH T. LEE* ----- Joseph T. Lee	Executive Vice President and Director	March 26, 1999

/s/ MICHAEL D. MCDONALD	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 26, 1999
----- Michael D. McDonald		
ANDRE R. HORN*	Director	March 26, 1999
----- Andre R. Horn		
JEFFREY M. NASH*	Director	March 26, 1999
----- Jeffrey M. Nash		
THOMAS A. CORCORAN*	Director	March 26, 1999
----- Thomas A. Corcoran		
WILLIAM H. GIBBS*	Director	March 26, 1999
----- William H. Gibbs		
/s/ MICHAEL D. MCDONALD		
----- Michael D. McDonald Attorney-in-Fact		

</TABLE>

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EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
-----	-----	-----
<C>	<S>	<C>
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23.4	Consent of Bray, Beck & Koetter, Independent Auditors	
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23.7	Consent of Haslams, Chartered Surveyors	
24.1	Power of Attorney (included on the signature page)	

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- (2) Previously filed with the Securities and Exchange Commission as an exhibit to Registrant's Registration Statement filed on Form S-1 (No. 333-80381) filed on February 1, 1996 and incorporated herein by reference.

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[Heller Ehrman Letterhead]

Exhibit 8.1

March __, 1999

REMEC, Inc.
9404 Chesapeake Drive
San Diego, California 92123

Ladies and Gentlemen:

You have requested our opinion regarding certain United States federal income tax consequences of the proposed acquisition (the "Acquisition") of Airtech plc, a U.K. corporation ("Target"), by REMEC, Inc., a California corporation ("REMEC"). Except as otherwise provided, capitalized terms used but not defined herein shall have the meanings set forth in the Recommended Offer by Quartz Capital Partners Limited on behalf of REMEC, Inc. for Airtech plc, including the appendices thereto (the "Offer Document"), filed by REMEC with the Securities and Exchange Commission on March 8, 1999, as amended through the date first set forth above (the "Registration Statement"). Unless otherwise indicated, all "Section" references are to the Internal Revenue Code of 1986, as amended (the "Code").

We have acted as United States counsel to REMEC in connection with the Acquisition. As such, and for the purpose of rendering this opinion, we have examined, and are relying upon (without any independent investigation or review thereof) the truth and accuracy at all relevant times of, the statements, covenants, representations, and warranties contained in the following documents (including all exhibits and schedules attached thereto):

- (a) the Offer Document;
- (b) the Registration Statement;
- (c) those tax representation letters delivered to us by REMEC and Target regarding the Acquisition and the tax representation letter delivered to us by Mr. Nicholas Randall (the "Tax Representation Letters"); and
- (d) such other instruments and documents related to the formation, organization, and operation of REMEC and Target and related to the consummation of the Acquisition and the other transactions contemplated by the Offer Document as we have deemed necessary or appropriate.

In connection with rendering this opinion, we have assumed (without any

independent investigation or review thereof) that:

(i) Original documents submitted to us (including signatures thereto) are authentic, documents submitted to us as copies conform to the original documents, and all such documents have been (or will be by the time when the Offer becomes or is declared unconditional in all respects) duly and validly executed and delivered where due execution and delivery are a prerequisite to the effectiveness

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REMEC, Inc.
Page 2

HELLER EHRMAN WHITE & MCAULIFFE
ATTORNEYS

thereof;

(ii) All representations, warranties, and statements made or agreed to by REMEC and Target, their managements, employees, officers, directors, and stockholders in connection with the Acquisition, including, but not limited to, those set forth in the Offer Document and the Registration Statement (including the exhibits to each) and the Tax Representation Letters, are true and accurate at all relevant times;

(iii) All covenants contained in the Offer Document and the Registration Statement (including the exhibits to each) and the Tax Representation Letters will be performed without waiver or breach of any material provision thereof;

(iv) The Acquisition will be reported by REMEC and Target on their respective U.S. federal or U.K. income tax returns, as appropriate, in a manner consistent with the opinion set forth below; and

(v) Any representation or statement made "to the best of knowledge" or similarly qualified is correct without such qualification.

Based on our examination of the foregoing items and subject to the limitations, qualifications, and assumptions set forth herein, we have reviewed the discussion entitled "Taxation" contained in the Offer Document, excluding the two subsections therein entitled "UK Taxation" (the "US Taxation Discussion"), and, insofar as it relates to statements of law and legal conclusions, the US Taxation Discussion is correct in all material respects.

This opinion is limited to the federal income tax consequences of the Acquisition and does not address the various state or local tax consequences that may result from the Acquisition or the other transactions contemplated by the Offer Document. In addition, no opinion is expressed as to any federal income tax consequence of the Acquisition or the other transactions contemplated by the Offer Document except as specifically set forth herein, and this opinion may not be relied upon except with respect to the consequences specifically discussed herein. No opinion is expressed as to the federal income tax treatment that may be relevant to a particular investor in light of personal circumstances or to certain types of investors subject to special

treatment under the federal income tax laws (for example, life insurance companies, dealers in securities, financial institutions, tax-exempt entities, persons who have acquired or acquire Airtech Shares pursuant to the exercise of options under the Airtech Share Option Schemes or otherwise (or otherwise as compensation), persons whose REMEC Common Stock will form part of the business property of a permanent establishment of an enterprise in the US within the meaning of Article 7(1) of the UK-US estate tax treaty presently in force, persons who are US Residents and UK Residents, certain US nonresident alien individuals who were US citizens or US lawful permanent residents within the past ten years, and US Residents whose functional currency is not the US dollar). To the extent that any of the representations, warranties, statements, and assumptions material to our opinion and upon which we have relied is not accurate and complete in all material respects at all relevant times, our opinion could be adversely affected and should not be relied upon.

This opinion is not binding on the Internal Revenue Service or any court of law, administrative agency or other governmental body and represents only our judgment as to the likely outcome if the federal income tax consequences discussed in the US Taxation Discussion were properly presented to a court of competent jurisdiction. Our conclusions are based on the Code, existing judicial decisions, administrative regulations, and published rulings. No assurance can be given that future legislative, judicial, or administrative changes or interpretations will not adversely affect the accuracy of our conclusions. Nevertheless, by rendering this opinion, we undertake no responsibility to advise you of any

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REMEC, Inc.
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HELLER EHRMAN WHITE & McAULIFFE
ATTORNEYS

new developments in the application or interpretation of the federal income tax laws.

This opinion is being delivered solely in connection with the Offer Document and the Registration Statement. It is intended for the benefit of REMEC and may not be relied upon or utilized for any other purpose or by any other person and may not be made available to any other person without our prior written consent.

We consent to the reference to our firm under the caption "Taxation" in the Offer Document. We consent to the reference to our firm under the caption in the Registration Statement and to the reproduction and filing of this opinion as an exhibit to the Registration Statement. In giving this consent, however, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended.

Very truly yours,

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of REMEC, Inc. for the registration of 2,197,359 shares of its common stock and to the inclusion therein of our report dated February 26, 1999, with respect to the consolidated financial statements of REMEC, Inc. included in its Annual Report (Form 10-K) for the year ended January 31, 1999, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

/s/ Ernst & Young

San Diego, California

March 24, 1999

CONSENT OF IRELAND SAN FILIPPO, INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated March 6, 1997, with respect to the financial statements of Radian Technology, Inc. as of December 27, 1996, and for the three years then ended, into this Registration Statement on Form S-4 of REMEC, Inc. dated March 25, 1999.

/s/ IRELAND SAN FILIPPO, LLP
IRELAND SAN FILIPPO, LLP

March 24, 1999

CONSENT OF BRAY, BECK & KOETTER, INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related Prospectus of REMEC, Inc. for the registration of 2,197,359 shares of its common stock and to the incorporation by reference therein of our report, dated February 28, 1997, on the financial statements of Q-bit Corporation as of December 31, 1996, and for the two years ended December 31, 1996.

/s/ BRAY, BECK & KOETTER

Melbourne, Florida

March 24, 1999

CONSENT OF ARTHUR ANDERSEN, INDEPENDENT AUDITORS

As independent auditors, we hereby consent to the use of our reports relating to the consolidated financial statements of Airtech PLC and to all references to our firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN

25 March 1999

Arthur Andersen
Chartered Accountants
St Albans, England

CONSENT OF BINDER HAMLYN, INDEPENDENT AUDITORS

As independent auditors, we hereby consent to the use of our report relating to the consolidated financial statements of Airtech PLC and to all references to our firm included in or made a part of this registration statement.

/s/ BINDER HAMLYN

25 March 1999

Binder Hamlyn
Chartered Accountants
London, England

CONSENT OF HASLAMs, CHARTERED SURVEYORS

We consent to the reference to our firm in the Registration Statement (Form S-4) and related Prospectus of REMEC, Inc. and to the inclusion therein of our draft report, with respect to our appraisal of the Airtech Plc premises on Smeaton Close, Coldharbour Farm Industrial Estate, Aylesbury, Buckinghamshire HP19 3SU. Haslams acted on behalf of Airtech Plc and the valuation report enclosed is for information only. It is accepted that Haslams have no contractual liability to REMEC, Inc.

Yours faithfully

P J Memmott FRICS
for and on behalf of
HASLAMs
Chartered Surveyors

25 March 1999