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PERFORMANCE TECHNOLOGIES INC \DE\  
Form 8-K  
April 29, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

Current report  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 27, 2005

PERFORMANCE TECHNOLOGIES, INCORPORATED  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation)

0-27460  
(Commission File Number)

16-1158413  
(I.R.S. Employer  
Identification No.)

205 Indigo Creek Drive, Rochester, New York  
(Address of principal executive offices)

14626  
(Zip Code)

(585) 256-0200  
(Registrant's telephone number, including area code)

(Not Applicable)  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On April 27, 2005, Performance Technologies, Incorporated issued a press release announcing its results of operations for the quarter ending March 31, 2005.

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A copy of the press release is being furnished as Exhibit 99.1 to this form 8-K.

(c) Exhibits.

(99.1) Press release issued by Performance Technologies, Incorporated on April 27, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

PERFORMANCE TECHNOLOGIES, INCORPORATED

April 29, 2005

By:/s/ Donald L. Turrell

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Donald L. Turrell  
President and Chief  
Executive Officer

April 29, 2005

By:/s/ Dorrance W. Lamb

-----  
Dorrance W. Lamb  
Chief Financial Officer  
and Vice President of  
Finance

Exhibit 99.1

For more information contact:

Dorrance W. Lamb  
Chief Financial Officer  
Performance Technologies  
585-256-0200 ext. 276  
<http://www.pt.com>  
[finance@pt.com](mailto:finance@pt.com)

Performance Technologies Announces First Quarter 2005  
Financial Results

"Company reports \$.08 earnings per share for the latest period"

ROCHESTER, NY - April 27, 2005 -- Performance Technologies, Inc. (Nasdaq NM: PTIX), a leading developer of platforms, components, software and services for the communications, military and commercial markets today announced its financial results for the first quarter 2005.

Revenue in the first quarter 2005 amounted to \$13.2 million, compared to \$15.6 million in the corresponding quarter a year earlier.

GAAP Information

Net income for the first quarter 2005 amounted to \$1.0 million, or \$.08 per diluted share based on 13.2 million shares outstanding. During the first quarter 2005, the Company recorded a restructuring charge amounting to less than

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\$.1 million, or \$.00 per diluted share related to cost improvement efforts. Net income for the first quarter 2004 amounted to \$1.6 million, or \$.11 per diluted share based on 13.6 million shares outstanding.

### Non-GAAP Information

Management believes that the Company's results excluding non-recurring items provide better comparability of its operations as non-recurring items result from facts and circumstances that vary in frequency, amounts and cause.

Net income for the first quarter 2004 amounted to \$1.8 million, or \$.13 per diluted share excluding non-recurring expenses, based on 13.6 million shares outstanding. During the first quarter 2004, the Company recorded in-process research and development costs associated with an acquisition in the amount of \$.2 million, or \$.02 per diluted share.

Cash, cash equivalents and investments amounted to \$27.3 million and \$25.6 million at March 31, 2005 and December 31, 2004, respectively, and the Company had no long-term debt at either date.

The following contains forward-looking statements within the meaning of the Securities Act of 1933 and Securities Exchange Act of 1934 and are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

The Company is a leading developer of platforms, components, software and services which are sold as individual products or can be mixed and matched to construct highly integrated, packet-based platforms for the embedded systems marketplace. When sold as integrated platforms (Advanced Managed Platforms) these products offer customers distinct cost advantages, increase overall system reliability and performance, and improve time-to-market for their products.

The embedded systems market addressed by the Company is comprised of several sectors, with telecommunications being the largest. The telecommunications market is dependent upon carrier spending to upgrade network infrastructure to next-generation equipment. As the Company entered 2005, there were announcements by major domestic wireless carriers for new spending programs directed at upgrading networks to the third generation (3G) of mobile network capabilities. During the first quarter, the Company received indications, forecasts and orders from a number of the largest (tier 1) telecommunications equipment providers for equipment to meet these requirements. While the actual deployments associated with network upgrades and expansions during the first quarter were somewhat slower than originally thought, it appears these 3G deployments are occurring. Current forecast and schedules on a number of these programs suggest the latter part of 2005 will see increased deployment activities.

The Company's products, particularly its Advanced Managed Platforms, are applicable to the broader embedded systems market, not just telecommunications. Since its introduction in 2003, this product line has realized more than 25 new design wins of varying sizes. As of March 2005, a small number of these design wins had reached production levels. Based on discussions with customers, management expects to see an increase in Advanced Managed Platform shipments beginning in the next quarter.

In October 2004, management began formulating a plan to reduce annualized expenses by approximately \$2.0 million with a primary focus on centralizing its multi-location operations and streamlining the organization. During the fourth quarter 2004, the Company completed integration of the Voice Technology Group (VTG) sales, marketing and administrative functions into its corporate operations. During the first quarter 2005, the Company completed integration of the accounting functions for VTG and the Computing Products Group into

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corporate accounting in Rochester, New York and began transitioning the manufacturing operations for these groups to its Rochester headquarters. The manufacturing transition for VTG is expected to be completed during the second quarter 2005 and for Computing Products by the end of the third quarter 2005. When this centralization plan is completed, operating expenses are expected to be reduced by \$1.3 million annually and manufacturing overhead (cost of goods) is expected to be reduced by \$.7 million annually. During the first quarter 2005, the Company incurred a charge of \$.1 million related to these restructuring efforts. Additional charges related to restructuring actions are expected in the range of \$.05 million to \$.25 million during the remainder of 2005. While the Company continues to pursue its centralization plan, some part of these savings will be reinvested to stimulate future growth.

During the first quarter, the Company announced that current president and chief executive officer, Donald Turrell, will leave the Company's executive management at the end of 2005. As part of the succession plan developed by the Board of Directors, Mr. Turrell will remain as a board member and will maintain active involvement throughout the transition of the Company's change in leadership.

### Guidance

The Company's integrated platforms, components, software solutions and services are incorporated into current and next-generation embedded systems infrastructure. Traditionally, design wins have been an important metric for management to judge the Company's product acceptance in its marketplace. Design wins, if implemented, reach production volumes at varying rates, generally beginning twelve to eighteen months after the design win occurs. A variety of risks such as schedule delays, cancellations, changes in customer markets and economic conditions can adversely affect a design win before production is reached, or during deployment. In addition, during weak or uncertain economic periods, the visibility for customer orders is limited which frequently causes delays in the placement of orders. These factors often result in a substantial portion of the Company's revenue being derived from orders placed within a quarter and shipped in the final month of the same quarter. Unfortunately, forward-looking visibility on customer orders continues to be very limited. During the first quarter 2005, the Company realized 5 design wins for its Advanced Managed Platforms, IPnexus(TM) and SEGway(TM) product families. Each is expected to generate greater than \$.5 million of annualized revenue when reaching production volumes.

Based upon the current business mix, the current backlog and review of sales forecasts, management expects revenue to be in the range of \$13.0 million to \$14.0 million in the second quarter 2005. Gross margin is expected to be approximately 45.5% to 48.0% and diluted earnings per share in the second quarter is expected to be \$.05 to \$.09, excluding any restructuring charges. The effective income tax rate for the second quarter is expected to be 29%.

The second quarter's guidance reflects a change in the revenue mix from the first quarter and a temporary increase in manufacturing staffing (to accomplish the manufacturing transition for the computing products). Shipments of computing products and integrated platforms (with gross margins averaging 35% to 45%) are expected to increase by more than \$1.5 million in the second quarter, while shipments of switching and communications products (with gross margins averaging 50% to 75%) are expected to decline by more than \$1.5 million. The forecasted increase in integrated platforms shipments in the second quarter reflects improving traction on the Company's focused strategy, which includes providing customers with more complete solutions. The forecasted decrease in switching and communications products reflects a decline and push-out of certain shipments related to 3G deployments by domestic carriers.

More in-depth discussions of the Company's strategy and financial performance

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can be found in the Company's Annual and Quarterly Reports, on Form 10-K and Form 10-Q, as filed with the Securities and Exchange Commission.

### About Performance Technologies

Performance Technologies (Nasdaq NM: PTIX) develops platforms, components and software solutions for the world's evolving communications infrastructure. Our broad customer base includes companies in the communications, military and commercial markets. Serving the industry for more than 20 years, our complete line of packet-based products enables equipment manufacturers and service providers to offer highly available and fully-managed systems with time-to-market, performance and cost advantages.

Performance Technologies is headquartered in Rochester, New York. Additional operational and engineering facilities are located in San Diego and San Luis Obispo, California; Norwood, Massachusetts and Ottawa, Canada. For more information, visit [www.pt.com](http://www.pt.com).

### Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This press release contains forward-looking statements which reflect the Company's current views with respect to future events and financial performance, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor provisions of those Sections.

These forward-looking statements are subject to certain risks and uncertainties, and the Company's actual results could differ materially from those discussed in the forward-looking statements. These risks and uncertainties include, among other factors, general business and economic conditions, rapid technological changes accompanied by frequent new product introductions, competitive pressures, dependence on key customers, the attainment of design wins, fluctuations in quarterly and annual results, the reliance on a limited number of third party suppliers, limitations of the Company's manufacturing arrangements, the protection of the Company's proprietary technology, the dependence on key personnel, potential delays associated with the purchase and implementation of an advanced planning and scheduling system, and potential impairments of investments. These statements should be read in conjunction with the audited Consolidated Financial Statements, the Notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company as of December 31, 2004, as reported in its Annual Report on Form 10-K, and other documents as filed with the Securities and Exchange Commission.

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A conference call will be held on Thursday, April 28, 2005 at 10:00 a.m. eastern time to discuss the Company's financial performance for the first quarter 2005. All institutional investors can participate in the conference by dialing (877) 323-2093. The conference call will be available simultaneously for all other investors at (888) 280-8349. A digital recording of the call may be accessed one hour after the completion of the conference from April 28 through May 1, 2005. Participants should dial (888) 509-0081, or for international or local participants, dial (416) 695-5275. A live Webcast of the conference call will be available on the Performance Technologies Web site at [www.pt.com](http://www.pt.com) and will be archived to the site within two hours after the completion of the call.

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

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ASSETS

|                                      | March 31,<br>2005 | December 31,<br>2004 |
|--------------------------------------|-------------------|----------------------|
|                                      | -----             | -----                |
|                                      | (unaudited)       |                      |
| Current assets:                      |                   |                      |
| Cash and cash equivalents            | \$ 13,862,000     | \$ 10,361,000        |
| Investments                          | 13,400,000        | 15,250,000           |
| Accounts receivable                  | 11,215,000        | 10,185,000           |
| Inventories                          | 6,219,000         | 6,573,000            |
| Prepaid income taxes                 | 514,000           | 771,000              |
| Prepaid expenses and other assets    | 549,000           | 801,000              |
| Deferred taxes                       | 3,089,000         | 3,088,000            |
|                                      | -----             | -----                |
| Total current assets                 | 48,848,000        | 47,029,000           |
| Property, equipment and improvements | 2,034,000         | 2,186,000            |
| Software development costs           | 3,903,000         | 3,653,000            |
| Goodwill                             | 4,143,000         | 4,143,000            |
|                                      | -----             | -----                |
| Total assets                         | \$ 58,928,000     | \$ 57,011,000        |
|                                      | =====             | =====                |

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |               |               |
|--|---------------|---------------|
| Current liabilities:                       |               |               |
| Accounts payable                           | \$ 1,543,000  | \$ 1,476,000  |
| Accrued expenses                           | 4,278,000     | 3,916,000     |
|  | -----         | -----         |
| Total current liabilities                  | 5,821,000     | 5,392,000     |
| Deferred taxes                             | 1,200,000     | 1,198,000     |
|  | -----         | -----         |
| Total liabilities                          | 7,021,000     | 6,590,000     |
|  | -----         | -----         |
| Stockholders' equity:                      |               |               |
| Preferred stock                            |               |               |
| Common stock                               | 133,000       | 133,000       |
| Additional paid-in capital                 | 13,625,000    | 13,476,000    |
| Retained earnings                          | 42,287,000    | 41,978,000    |
| Treasury stock                             | (4,138,000)   | (5,188,000)   |
| Accumulated other comprehensive income     |               | 22,000        |
|  | -----         | -----         |
| Total stockholders' equity                 | 51,907,000    | 50,421,000    |
|  | -----         | -----         |
| Total liabilities and stockholders' equity | \$ 58,928,000 | \$ 57,011,000 |
|  | =====         | =====         |

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004  
(unaudited)

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|  | Three Months Ended<br>March 31, |               |
|--|---------------------------------|---------------|
|  | 2005                            | 2004          |
| Sales  | \$ 13,157,000                   | \$ 15,566,000 |
| Cost of goods sold   | 6,462,000                       | 7,588,000     |
| Gross profit   | 6,695,000                       | 7,978,000     |
| Operating expenses:  |                                 |               |
| Selling and marketing  | 1,477,000                       | 1,628,000     |
| Research and development   | 2,545,000                       | 2,591,000     |
| General and administrative   | 1,433,000                       | 1,343,000     |
| Restructuring charges  | 57,000                          |               |
| In-process research and development  |                                 | 218,000       |
| Total operating expenses   | 5,512,000                       | 5,780,000     |
| Income from operations   | 1,183,000                       | 2,198,000     |
| Other income, net  | 295,000                         | 138,000       |
| Income before income taxes and equity<br>in income of unconsolidated company | 1,478,000                       | 2,336,000     |
| Income tax provision   | 429,000                         | 791,000       |
| Income before equity in income of<br>unconsolidated company                  | 1,049,000                       | 1,545,000     |
| Equity in income of unconsolidated<br>company                                |                                 | 12,000        |
| Net income   | \$ 1,049,000                    | \$ 1,557,000  |
| Basic earnings per share   | \$ .08                          | \$ .12        |
| Weighted average common shares   | 12,809,000                      | 12,606,000    |
| Diluted earnings per share   | \$ .08                          | \$ .11        |
| Weighted average common and<br>common equivalent shares                      | 13,216,000                      | 13,637,000    |