TT electronics plc

Full Year Results Presentation

Year Ended 31 December 2009

15 March 2010

Agenda

- 2009 Summary
- Group Strategy
- Group Profile
- Divisional Review
- Financial Summary
- 2010 Priorities
- Outlook
- Conclusion
- Q&A

2009 Summary

- Creditable performance in challenging market conditions
- Group revenue down 14.5% to £499.6m (2008: £584.3m); after adjusting for FX, the underlying reduction was 22%
- Profit before tax and exceptional items of £0.8m (2008: £21.1m), in line with expectations
- Strong level of underlying operating cash flow at £83.9m (2008: £50.1m) driven by reduction in working capital, resulting in a significant reduction in net debt
- Restructuring programme implemented to reduce cost base by over £31m on an annualised basis
- Good progress on implementing strategy with new divisional structure and leadership, enabling a clear focus on delivery and accountability

Summary

"STRATEGIC FOCUS"

Heartland to the brand / group

Components/Connectors

- Major driver of shareholder value
- Retain and defend
- Invest long term

Extends the existing core

Sensors

- Restructured to provide platform for growth

"DEVELOPMENT"

Scalable Opportunities

IMS **Secure Power**

- Have potential to deliver material increase in shareholder value
- Invest to grow
- Monitor potential through milestone achievements

"RUN FOR VALUE"

Value Businesses

General Industrial

AEI Compounds	**BAS Components**
Abtest	**Magnetics**
WT Henley	**WST**

- Unlikely to deliver material increase in shareholder value
- Limit investment
- Manage for value

Summary

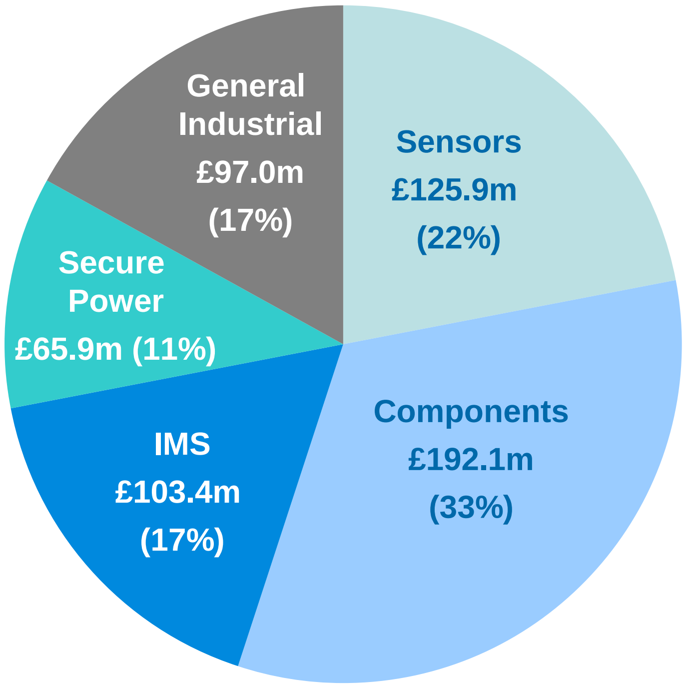
- Focus on higher growth and higher margin markets including medical and defence and aerospace
- Withdrawal from low growth, unprofitable areas
- Substantially improve execution, margins and organic growth
- Targeting 100% operating cash flow conversion, with sustained reduction of working capital and debt

Implementation

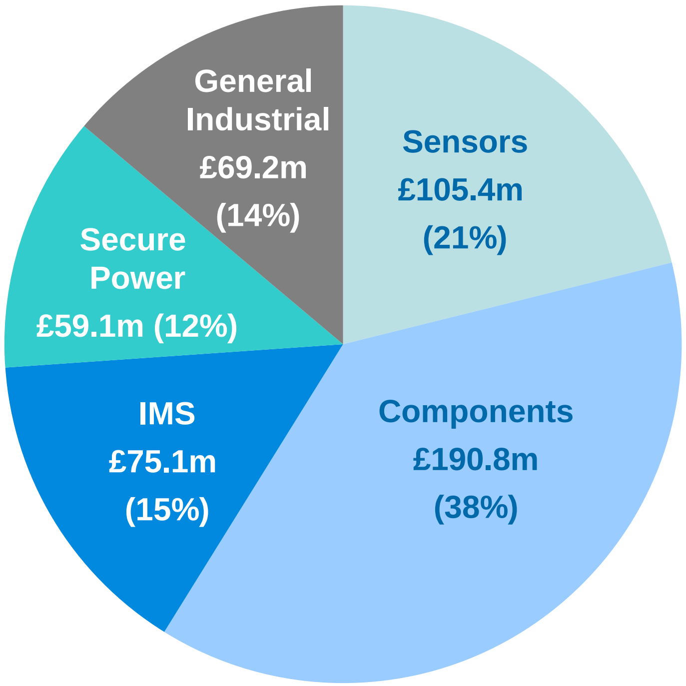
- Increased accountability and greater emphasis on pro-actively managing the business
- Strengthened senior management team
- Unified approach to customers through key account management
- Market focused virtual teams introduced
- Significant restructuring across the Group
- Good cash flow and material reduction in net debt delivered

Revenue by Division

FY 2008



FY 2009

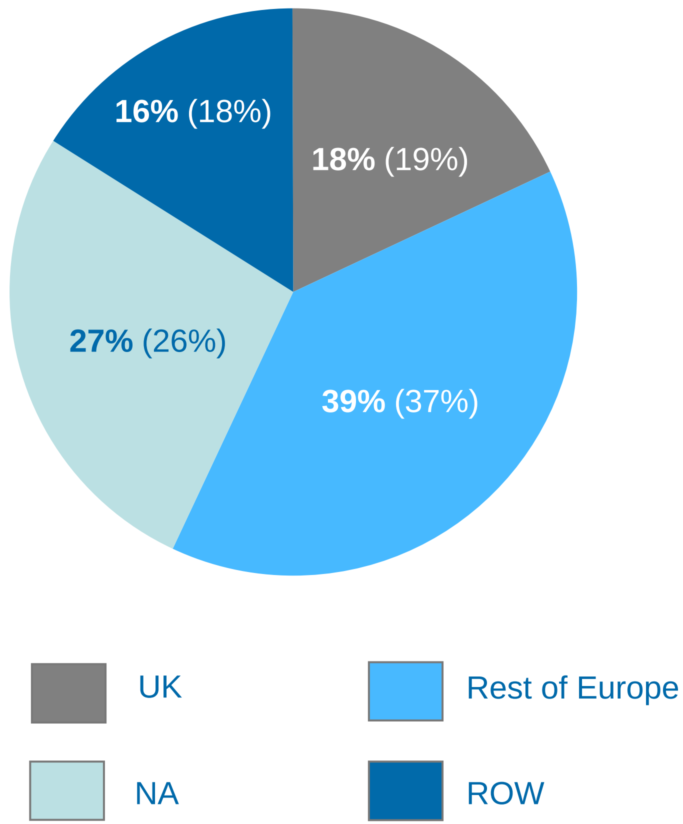


Operating Profit/Loss by Division*

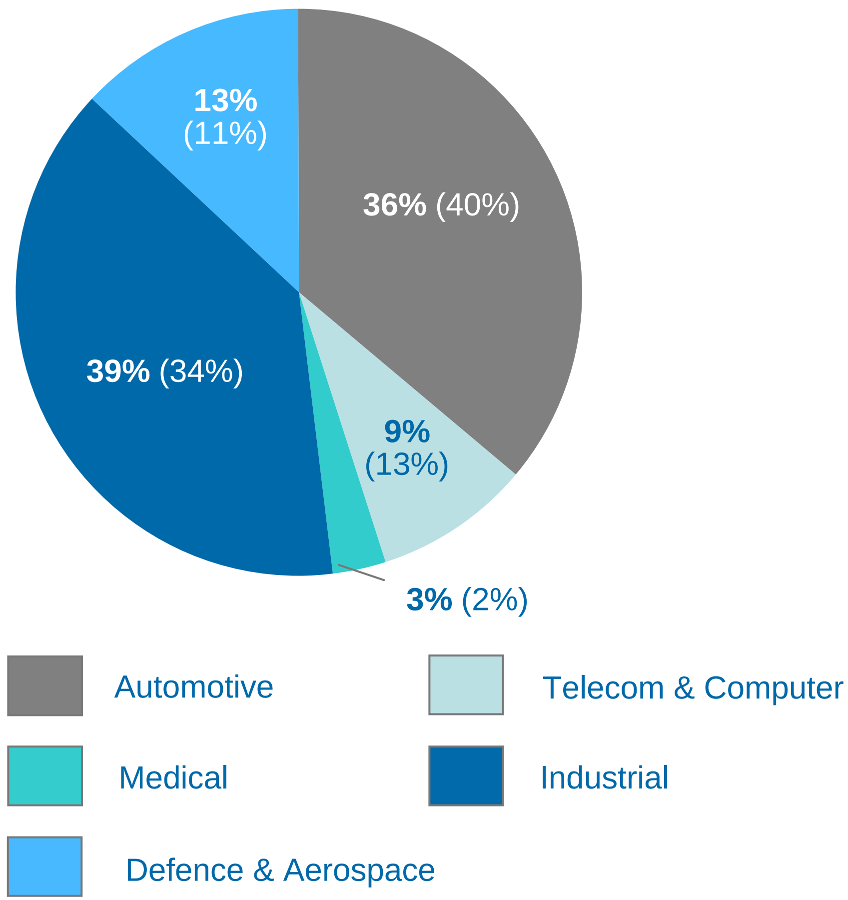
	FY 2009 £m	FY 2008 £m
Components	5.9	9.7
Sensors	(3.9)	1.1
IMS	2.4	6.0
Secure Power	4.8	7.8
General Industrial		
- AB Automotive	(2.9)	(2.5)
- Other	0.2	4.9
Total	6.5	27.0

* before exceptional items

Revenue by Destination



Revenue by Market



Components

	2009 £m	2008 £m
Revenue	**190.8**	**192.1**
Operating Profit	**5.9**	**9.7**
Operating Profit Margin	**3.1%**	**5.0%**

- Underlying revenue (excluding FX) down by 12%
- The reduction in operating profit is due to volume change offset partly by cost reductions
- Redundancy costs of £1.3m charged to operating profit in year and headcount reduction of 293
- European Sales Offices: new structure implemented with effect from 1 July 2009
- North America and Asia: unified regional sales teams implemented from 1 January 2010
- Division benefiting from Key Account Management programme and virtual market teams
- New Divisional Chief Executive appointed in January 2010

Sensors

	2009 £m	2008 £m
Revenue	**105.4**	**125.9**
Operating Profit	**(3.9)**	**1.1**
Operating Profit Margin	**(3.7)%**	**0.9%**

- Underlying revenue (excluding FX) has fallen significantly by 25%
- Major restructuring implemented in Germany at a total cost of £7.4m, with annualised savings of £8.2m
- Exit from AB Electronic facility in Romford completed - manufacturing moved to India and China
- Strategy and organisation structure put in place to:
  - grow revenues for system critical automotive sensor applications
  - develop business in broader transportation and selected industrial segments
- Progress made in China and India with strategic orders from targeted indigenous OEMs in each region

IMS

	2009 £m	2008 £m
Revenue	**75.1**	**103.4**
Operating Profit	**2.4**	**6.0**
Operating Profit Margin	**3.2%**	**5.8%**

- Underlying revenue down 36% (excluding FX)
- Exceptional cost of £1.2m arising from the restructuring in the UK resulting in the closure of the Aylesbury plant
- Unified strategy in place across all businesses
- Global sales structure implemented with key account approach to major customers

Secure Power

	2009 £m	2008 £m
Revenue	**59.1**	**65.9**
Operating Profit	**4.8**	**7.8**
Operating Profit Margin	**8.1%**	**11.8%**

- Underlying revenue (excluding FX) down by 9%
- Solid performance despite difficult market conditions. Operating profit reduced due to lower volumes and FX gain in 2008 arising in Mexico
- Performance underpinned by successful completion of gas turbine refurbishment project in Kazakhstan, ongoing supply of systems to UK hospitals and new contract wins in oil exploration and power utilities sector by Mexican business
- New sales and service offices opened in Middle East and Brazil
- Generator set and UPS product ranges improved and extended
- Facility opened in Aberdeen with two major offshore oil and gas maintenance contracts now secured

General Industrial

	2009 £m	2008 £m
Revenue	**69.2**	**97.0**
Operating Profit	**(2.7)**	**2.4**
Operating Profit Margin	**(3.9)%**	**2.5%**

- Climate control business of AB Automotive closed in the year; business made an operating loss of £2.9m in year (2008: loss £2.5m)
- Other businesses affected by an underlying reduction in revenue of 12% (excluding FX)
- Relocation of AEI Compounds to new facility and additional investment in capacity largely completed
- Move of further manufacturing from WT Henley site in UK to China facility announced in November
- Sales of two smaller businesses completed during year, contracts exchanged for sale of WST in early 2010

Highlights

- Group traded profitably in second half due to cost reduction programme, with full year operating profit of £6.5m in line with expectations
- Restructuring programme largely complete which will result in an annualised cost reduction of over £31m
- Significant reductions in working capital of £47.2m, resulting in £83.9m underlying operating cash flow (2008: £50.1m)
- Net debt reduced by 49.7% to £56.9m
- Decision taken to close the UK Defined Benefit Pension Scheme to future accrual

Strong Cash Generation

Financial Summary

	2009 £m	2008 £m
Revenue	499.6	584.3
Operating profit	6.5	27.0
Net interest payable	(3.4)	(4.1)
Net finance cost on pension schemes	(2.3)	(1.8)
Profit before taxation and exceptional items	0.8	21.1
Exceptional items - Restructuring	(14.2)	(3.8)
- Goodwill impairment	(3.8)	-
Taxation	(2.4)	(5.7)
Profit after taxation	(19.6)	11.6

Restructuring

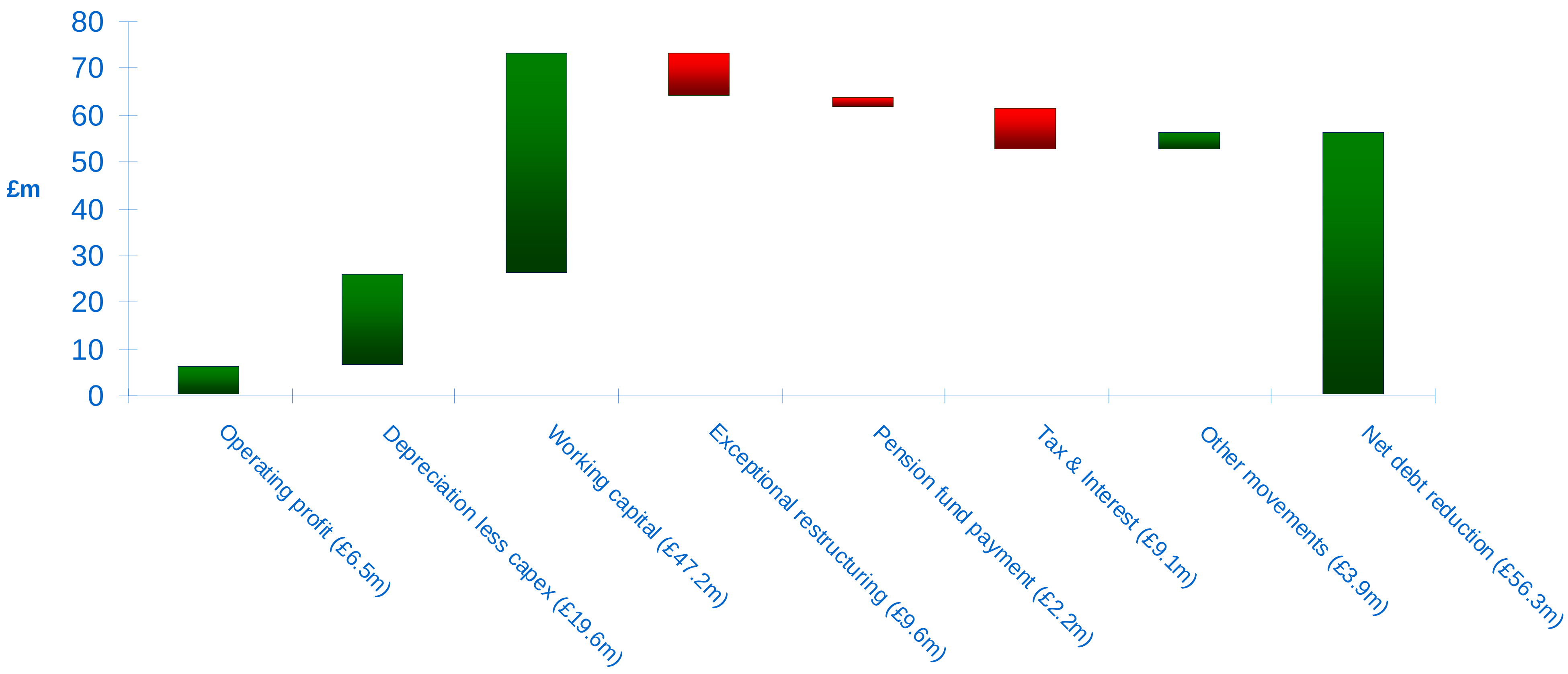
	Costs 2009 £m	Costs 2008 £m	Annualised Cost Reduction £m
AB Automotive – climate control exit	3.2	2.7	4.0
Sensors – European restructuring	7.4	-	8.2
Sensors – Romford closure	0.4	1.1	1.6
IMS – UK consolidation	1.2	-	1.9
BI SMT – closure of manufacturing	1.0	-	0.8
General industrial restructuring	1.4	-	0.9
Other restructuring	0.6	-	0.3
Profit on sale of properties	(1.0)	-	-
Total exceptional	14.2	3.8	17.7
Operating	1.7	2.1	13.6
TOTAL	15.9	5.9	31.3

Exceptional Items

	2009 £m	2008 £m
Restructuring	14.2	3.8
Impairment of goodwill	3.8	-
TOTAL	18.0	3.8

- Goodwill impairment arises from review of future cash flows of Optek Technology compared with goodwill on acquisition of £21.8m
- Optek suffered a drop in sales of 26% in 2009 and remains profitable

Group Cash Flow - 2009



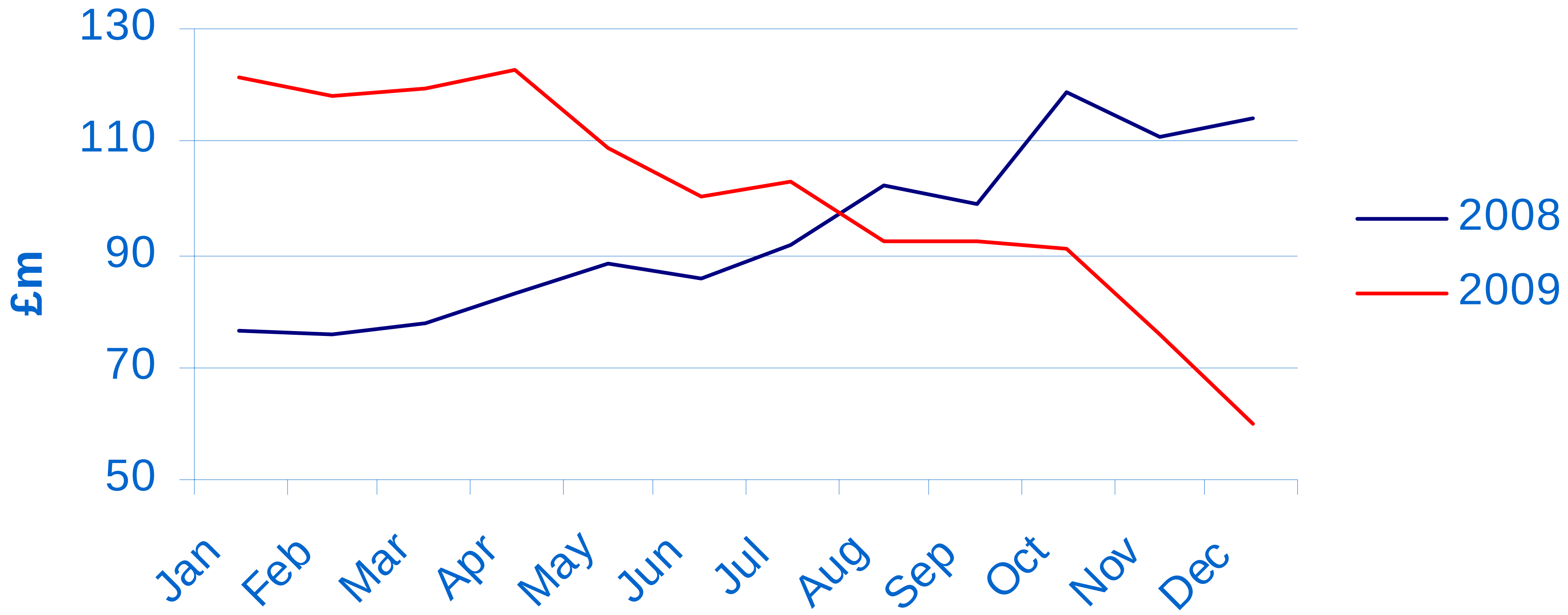
Operating Cash Flow

	2009 £m	2008 £m
Operating profit	6.5	27.0
Depreciation	24.1	23.4
Amortisation of intangible assets	11.8	10.9
Working capital	47.2	(5.6)
Other	(5.7)	(5.6)
Underlying operating cash flow	83.9	50.1
Exceptional costs	(9.6)	(1.7)
Special pension fund payment	(2.2)	(2.2)
Cash generated from operations	72.1	46.2

Net Cash Flow

	2009 £m	2008 £m
Cash generated from operations	72.1	46.2
Tax and interest	(9.1)	(7.4)
Capital expenditure	(9.4)	(21.9)
Development expenditure	(6.9)	(10.9)
Proceeds of sale from fixed assets	5.7	5.1
Acquisitions	(1.0)	(13.9)
Disposals	-	0.9
Dividends	-	(15.6)
Other	-	2.0
Net cash flow	51.4	(15.5)
Opening net debt	(113.2)	(75.0)
Exchange differences	4.9	(22.7)
Closing net debt	(56.9)	(113.2)

Net Debt


130
110
90
70
50
£m
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2008
2009

Banking Facilities

- Facilities:
  - Total facilities available of £131m, of which £32m is working capital
  - Main term loan of £70m is with HSBC and extends to 2011

- Loan covenants with HSBC:

	Term	December 2009
- Gross debt / EBITDA (before exceptional items)	< 3	1.9
- EBITDA (before exceptional items) / gross interest	> 6	11.8

Pensions

	2009 £m	2008 £m
Fair value of assets	306.5	283.1
Liabilities	(350.2)	(301.7)
Deficit	(43.7)	(18.6)

- Increase in liabilities arising from reduction in discount rate, offset to some extent by higher asset values
- Decision taken to close the UK Defined Benefit Pension Scheme to future accrual

Group Balance Sheet

	2009 £m	2008 £m
Tangible and intangible assets	194.8	235.5
Deferred tax asset	4.9	5.5
Total non-current assets	**199.7**	**241.0**
Inventories	83.9	120.0
Trade and other receivables	85.4	111.5
Cash and cash equivalents	24.7	10.1
Total current assets	194.0	241.6
Current payables and liabilities	(99.8)	(111.0)
Short-term borrowings	(11.2)	(51.2)
Net current assets	83.0	79.4
Total assets less current liabilities	**282.7**	**320.4**
Non current provisions and liabilities	(12.8)	(16.8)
Long-term borrowings	(70.4)	(72.1)
Pensions	(43.7)	(18.6)
Total net assets	**155.8**	**212.9**
Gearing	**37%**	**53%**

Key Performance Indicators and Targets

- Organic Revenue Growth: Mid to high single digits for the next five years
- Operating Profit Margin:

Components	10% in the medium term
Sensors	10% in the longer term
IMS	6-8% in the medium term
Secure Power	10% in the short term
Group	8-10% in the medium term

- Operating Cash Conversion: Target 100% conversion of operating profit to operating cash flow after capital expenditure for the next three years
- Total Shareholder Return: Above median performance relative to FTSE small cap (excluding investment trusts)
- Dividend Policy: Maintain cover of at least 2 x underlying EPS

Framework for Priorities

Phase I 2009-2010	Phase II 2010-2011	Phase III 2011
• Complete strategy review and announce to market • Reorganise Divisional structures • Bolster senior management team • Undertake restructuring to "right size" business • Identify (and begin to exploit) inter-Divisional and cross-Divisional opportunities • Begin cultural change	• Execution - People development - Focus on "Operational Excellence" ▪ Customer Focus ▪ Product Innovation ▪ Manufacturing - Embed new management processes and systems to support execution • Focus resources into development of Components, Sensors, Secure Power and IMS	• Core Business "Fit for Purpose" • Focus on accelerating growth - Organic - Acquisitions

2010 Priorities

Framework for Priorities

Phase I
2009-2010

- Complete strategy review and announce to market
- Reorganise Divisional structures
- Bolster senior management team
- Undertake restructuring to "right size" business
- Identify (and begin to exploit) inter-Divisional and cross-Divisional opportunities
- Begin cultural change

Phase II
2010-2011

- Execution
  - People development
  - Focus on "Operational Excellence"
    - Customer Focus
    - Product Innovation
    - Manufacturing
  - Embed new management processes and systems to support execution
- Focus resources into development of Components, Sensors, Secure Power and IMS

Phase III
2011

- Core Business "Fit for Purpose"
- Focus on accelerating growth
  - Organic
  - Acquisitions

Framework for Priorities

Phase I
2009-2010

- Complete strategy review and announce to market
- Reorganise Divisional structures
- Bolster senior management team
- Undertake restructuring to "right size" business
- Identify (and begin to exploit) inter-Divisional and cross-Divisional opportunities
- Begin cultural change

Phase II
2010-2011

- Executi
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  d IMS

Create Platform for Sustainable Growth

Phase III
2011

- Core Business "Fit for Purpose"
- Focus on accelerating growth
  - Organic
  - Acquisitions

Outlook

- Demand improved in the last quarter of 2009 in most of our markets
- This improvement continued in the first two months of 2010
- The shape and timing of the global economic recovery is difficult to predict
- However, there is now greater visibility for the first half of the year and we are tracking slightly ahead of the Board’s previous expectations

Conclusion

- Good progress made in 2009 against priorities
- Clear consistent strategy in place backed up by detailed plans to deliver
- Organisation structure and leadership team now in place
- Focus to create platform for sustainable growth
  - People
  - Operational Excellence
  - Clear Communication

2010
Building for Sustainable Growth

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