



TT electronics is a world leader in sensor and electronic component technology.

Highlights

- Operating profit increased to £18.9 million (2006: £18.2 million)
- Earnings per share from continuing operations 7.4p (2006: 7.2p)
- Exit from cables business
- Interim dividend maintained at 3.69p

Financial summary

| | Half year 30 June 2007 £million | Half year 30 June 2006 £million | Full year 2006 £million |
|--|---------------------------------------|---------------------------------------|-------------------------------|
| Revenue | 270.5 | 272.3 | 539.4 |
| Operating profit before exceptional item | 18.9 | 18.2 | 36.5 |
| Profit before tax and exceptional item | 16.0 | 15.8 | 31.2 |
| Exceptional item | – | – | 8.8 |
| Profit before tax | 16.0 | 15.8 | 40.0 |
| Loss from discontinued operation | (14.5) | (0.3) | – |
| Earnings per share from continuing operations | | | |
| – basic | 7.4p | 7.2p | 18.1p |
| – diluted | 7.3p | 7.1p | 17.9p |
| – basic before exceptional item | 7.4p | 7.2p | 12.4p |
| Dividend per share to be paid | 3.69p | 3.69p | 10.05p |

Chairman's statement

I am pleased to report that our trading results have improved compared with the first half of 2006 and this has been achieved after a reduction in revenue and operating profit of £9.7 million and £0.7 million respectively arising from the weakness in foreign currencies, principally the US dollar against sterling, compared with a year ago.

In the first half of 2007 revenue from continuing operations was £270.5 million (2006: £272.3 million) and operating profit was £18.9 million (2006: £18.2 million), a growth in operating profit of 3.8 per cent; before the effect of the changes in translation the growth was 7.7 per cent.

Basic earnings per share from continuing operations were 7.4p (2006: 7.2p). The interim dividend is unchanged at 3.69p per share and will be paid on 25 October 2007 to shareholders on the register on 19 October 2007.

On 29 June 2007 the group announced its intention to exit from the AEI Cables business and this was sold on 3 September 2007, a further step in the strategy of transforming the group away from low margin, non-specialist products to a supplier of higher margin, innovative components. The consideration for the sale is £13.3 million, which is a discount of £13.2 million against the carrying value of the net assets sold. AEI Cables was incurring increasing levels of trading losses and these, together with the discount and other costs of sale, are reported as a discontinued operation. This disposal will virtually eliminate the group's exposure to the risk of volatile changes in the prices of commodities such as copper and was a lower cost alternative to closure.

The merger of the principal UK pension schemes into one has now been completed; the pension scheme deficit has reduced, mainly through improved returns on assets and a higher discount rate. At 30 June 2007 the deficit was £33.0 million (June 2006: £65.3 million).

Expenditure on property, plant and equipment has increased in the first half of the year to £15.0 million (2006: £9.2 million). This includes the expansion of our sensor factory in eastern Germany and our electronic component factory in Austria together with expenditure on new plant, including equipment for increasing the manufacture of Autopad® inductive sensors and for our expansion in China. This investment reflects the success of our electronic sensor and microcircuit products and will support the future growth of these businesses.

Since the last Chairman's statement two non-executive Directors, Timothy Reed and Sir Laurence Magnus, have left the Board. On behalf of all colleagues, I thank them for their contributions to the group's success and welcome John Shakeshaft to the Board as an independent non-executive Director. I announced at the last Annual General Meeting that, whilst remaining Executive Chairman, I was reducing my involvement in the day to day running of the group. TT electronics has a strong management team at both Board and senior management levels. I am confident in their ability to move the group forward with its strategy.

Our ongoing businesses are operating in markets which have been stable and current trading is in line with expectations.



John W Newman
Executive Chairman
7 September 2007

The group has continued to focus on higher margin specialist electronic and electrical products with the planned exit from the commodity cables business. The sale of the AEI Cables business was completed on 3 September 2007.

The group's revenue for the six months to June 2007 was £270.5 million (2006: £272.3 million) and operating profit was £18.9 million (2006: £18.2 million). The result of the cables business is reported as a discontinued operation and includes a provision of £13.7 million for the loss on sale.

New product development and the identification of new technologies remain key to the success of the group. In the past six months we completed the acquisition of two new sensor technologies to supplement our growth in global automotive markets.

Total group – sector analysis

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|--------------------------------|--------------------------------|-------------------------------|
| Revenue | | | |
| sensors and electronic systems | 90.7 | 99.0 | 184.8 |
| electronic components | 67.5 | 71.2 | 139.9 |
| electronic manufacturing services | 44.5 | 33.0 | 72.1 |
| Electronic sector | 202.7 | 203.2 | 396.8 |
| power systems | 26.2 | 29.0 | 63.1 |
| power transmission | 41.6 | 40.1 | 79.5 |
| Electrical sector | 67.8 | 69.1 | 142.6 |
| Group total | 270.5 | 272.3 | 539.4 |
| Discontinued operation | 26.8 | 29.5 | 60.9 |
| Operating profit ⁽¹⁾ | | | |
| sensors and electronic systems | 5.5 | 5.7 | 11.6 |
| electronic components | 4.6 | 4.6 | 11.4 |
| electronic manufacturing services | 1.9 | 2.0 | 1.3 |
| Electronic sector | 12.0 | 12.3 | 24.3 |
| power systems | 1.8 | 2.0 | 5.4 |
| power transmission | 5.1 | 3.9 | 6.8 |
| Electrical sector | 6.9 | 5.9 | 12.2 |
| Group total | 18.9 | 18.2 | 36.5 |

⁽¹⁾ Operating profit is for continuing operations and is stated before the exceptional item.

Sensors and electronic systems

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|------------------|--------------------------------|--------------------------------|-------------------------------|
| Revenue | 90.7 | 99.0 | 184.8 |
| Operating profit | 5.5 | 5.7 | 11.6 |

Revenues were affected by the weakness of the USA automotive market and the cessation of our climate systems business in France during early 2006. However, demand for sensors from our European customers remained strong throughout the first half. Volume production on the first Autopad[®] inductive products does not commence until 2008. The programme has been affected by a delay to the completion of the ASIC (application specific integrated circuit). However this is now resolved. The first orders have been received from local Indian automotive manufacturers for sensors to be produced by our Indian joint venture.

Electronic components

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|------------------|--------------------------------|--------------------------------|-------------------------------|
| Revenue | 67.5 | 71.2 | 139.9 |
| Operating profit | 4.6 | 4.6 | 11.4 |

Revenue is down on the older resistive products particularly those used in the USA automotive market. The strong demand for our specialist tanfilm resistor product range has continued throughout this period and our operation in Corpus Christi, USA has been running at full capacity. New equipment is being installed later this year which will provide further capacity to satisfy this demand. Microcircuit revenues have increased mainly due to demand from the defence and aerospace markets. In the automotive sector a number of new products are being developed for launch in 2008 and beyond.

Electronic manufacturing services

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|------------------|--------------------------------|--------------------------------|-------------------------------|
| Revenue | 44.5 | 33.0 | 72.1 |
| Operating profit | 1.9 | 2.0 | 1.3 |

The integration of Apsco Inc (now renamed TT Apsco Inc) into the group has been successfully completed and new senior management appointed. Demand in North America has been weaker than expected and

new programmes slower to start, leading to lower than anticipated profitability. The introduction of new product into our Malaysian facility, following the closure of the Blyth factory completed last year, has suffered initial problems. Additional costs such as premium prices for materials and airfreight have been incurred, depressing the margin. Production is now running smoothly and improved margins are expected to be achieved. The operation in China has continued to grow.

Electrical

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--------------------|--------------------------------|--------------------------------|-------------------------------|
| Revenue | | | |
| power systems | 26.2 | 29.0 | 63.1 |
| power transmission | 41.6 | 40.1 | 79.5 |
| | 67.8 | 69.1 | 142.6 |
| Operating profit | | | |
| power systems | 1.8 | 2.0 | 5.4 |
| power transmission | 5.1 | 3.9 | 6.8 |
| | 6.9 | 5.9 | 12.2 |

The power systems operation in Mexico continues to perform well in both the export and domestic Mexican markets.

The electrical connections systems business has benefited from strong demand for specialist system assemblies for the defence market. New product ranges for military connectors are being introduced which are expected to generate further growth in 2008 and beyond. The electrical accessories operation had a slow start to the year following the factory move, production efficiency has now improved to normal levels.

Discontinued operation

The sale of the AEI Cables business was completed on 3 September 2007 and is reported as a discontinued operation. The carrying value of the net assets sold is estimated at £26.5 million, and the consideration £13.3 million. The loss on sale, together with other costs of sale and trading losses amount to £14.5 million. AEI Cables was the last significant business in the group producing a commodity product.

Dividends and earnings per share

The interim dividend is unchanged at 3.69p per share.

Basic earnings per share from continuing operations has improved to 7.4p (2006: 7.2p).

Treasury and borrowings

There has been an increase in the requirement for working capital of £7.8 million (2006: £9.8 million). This was principally in inventory and debtors and was due in part to the cost of copper metal, which despite falling to £2,700 per ton in the first quarter, then increased to over £3,800 per ton at the end of June. This combined with the payment of the final dividend of £9.9 million and the special cash contribution of £5.5 million to the pension fund has resulted in net borrowings increasing to £83.5 million from £71.0 million at December 2006. Gearing at the end of June 2007 was 51 per cent (December 2006: 45 per cent).

The net effect of changes in the exchange rates of foreign currencies used to translate the results is a reduction in revenue and operating profit of £9.7 million and £0.7 million respectively. This is mainly due to the weaker US dollar.

Pensions

The main pension schemes in the UK have now been merged. The deficit has reduced to £33.0 million from £72.6 million at the end of 2006. This reduction is primarily due to an increase in the discount rate to 5.9 per cent from 5.3 per cent, additional cash contributions of £5.5 million and better than expected returns on assets.

Outlook

The group's strategy is to develop our worldwide businesses to enhance our position as a supplier of specialist products.

New technologies and products are key to TT electronics' future growth. The volume manufacture of new products for a number of new programmes will commence during 2008.

The markets in which we operate are stable and therefore we anticipate little change to current trading conditions during the second half of 2007.

Neil A Rodgers

Chief Executive
7 September 2007

Roderick W Weaver

Finance Director
7 September 2007

Consolidated income statement

for the six months ended 30 June 2007

| | Note | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|------|--------------------------------|--------------------------------|-------------------------------|
| Continuing operations | | | | |
| Revenue | 2 | 270.5 | 272.3 | 539.4 |
| Operating profit before exceptional item | 3 | 18.9 | 18.2 | 36.5 |
| Exceptional item | 4 | – | – | 8.8 |
| Operating profit | | 18.9 | 18.2 | 45.3 |
| Finance income | 5 | 8.1 | 7.2 | 14.0 |
| Finance costs | 5 | (11.0) | (9.6) | (19.3) |
| Profit before taxation | | 16.0 | 15.8 | 40.0 |
| Taxation | 6 | (4.6) | (4.7) | (12.0) |
| Profit for the period from continuing operations | | 11.4 | 11.1 | 28.0 |
| Discontinued operation | | | | |
| Loss for the period from discontinued operation | 7 | (14.5) | (0.3) | – |
| Profit/(loss) for the period attributable to shareholders | | (3.1) | 10.8 | 28.0 |
| Earnings per share | | | | |
| | 8 | | | |
| From continuing and discontinued operations | | | | |
| – basic | | (2.0)p | 7.0p | 18.1p |
| – diluted | | (2.0)p | 6.9p | 17.9p |
| From continuing operations | | | | |
| – basic | | 7.4p | 7.2p | 18.1p |
| – diluted | | 7.3p | 7.1p | 17.9p |
| Dividend per share to be paid | | 3.69p | 3.69p | 10.05p |

Consolidated balance sheet

at 30 June 2007

| | Note | 2007 30 June £million | 2006 30 June £million | 2006 31 December £million |
|---|------|-----------------------------|-----------------------------|---------------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 106.5 | 111.0 | 108.6 |
| Goodwill | | 51.9 | 49.1 | 53.1 |
| Other intangible assets | | 16.1 | 16.0 | 16.0 |
| Deferred tax assets | | 8.6 | 22.6 | 21.0 |
| Total non-current assets | | 183.1 | 198.7 | 198.7 |
| Current assets | | | | |
| Inventories | | 91.0 | 93.9 | 99.8 |
| Trade and other receivables | | 95.8 | 107.9 | 104.6 |
| Financial derivatives | | 0.1 | 0.4 | 0.6 |
| Cash and cash equivalents | | 5.0 | 22.2 | 9.5 |
| Total current assets | | 191.9 | 224.4 | 214.5 |
| Assets of disposal group held for sale | 7 | 20.6 | – | – |
| Total assets | | 395.6 | 423.1 | 413.2 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Short-term borrowings | | 21.5 | 8.5 | 11.5 |
| Financial derivatives | | 0.3 | 0.1 | – |
| Trade and other payables | | 89.4 | 99.0 | 87.3 |
| Current tax payable | | 3.0 | 7.1 | 1.3 |
| Provision for liabilities | | 0.4 | 1.2 | 0.9 |
| Total current liabilities | | 114.6 | 115.9 | 101.0 |
| Non-current liabilities | | | | |
| Long-term borrowings | | 67.0 | 62.5 | 69.0 |
| Deferred tax provision | | 5.3 | 5.8 | 5.4 |
| Pensions and other post employment benefits | 9 | 33.0 | 65.3 | 72.6 |
| Other provisions | | 0.7 | 0.9 | 0.7 |
| Other non-current liabilities | | 6.2 | 7.7 | 7.5 |
| Total non-current liabilities | | 112.2 | 142.2 | 155.2 |
| Liabilities of disposal group classified as held for sale | 7 | 5.4 | – | – |
| Total liabilities | | 232.2 | 258.1 | 256.2 |
| Net assets | | 163.4 | 165.0 | 157.0 |
| Equity | | | | |
| Share capital | | 38.7 | 38.7 | 38.7 |
| Share options | | 0.9 | 0.7 | 0.8 |
| Hedging and translation reserve | | (7.4) | (1.7) | (6.1) |
| Retained earnings | | 129.2 | 125.3 | 121.6 |
| Minority interests | | 2.0 | 2.0 | 2.0 |
| Total equity | 11 | 163.4 | 165.0 | 157.0 |

Consolidated statement of recognised income and expense

for the six months ended 30 June 2007

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---|---|--------------------------------|-------------------------------|
| Profit/(loss) for the period | (3.1) | 10.8 | 28.0 |
| Exchange differences on net foreign currency investments | (1.2) | (5.2) | (9.6) |
| Actuarial gain on defined benefit pension schemes | 33.0 | 24.8 | 3.2 |
| Deferred tax on pension deficit movement | (12.5) | (7.4) | (1.0) |
| Total recognised income and expense for the period | 16.2 | 23.0 | 20.6 |

Consolidated cash flow statement

for the six months ended 30 June 2007

| | Note | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---|------|--------------------------------|--------------------------------|-------------------------------|
| Operating activities | | | | |
| Profit/(loss) for the period attributable to shareholders | | (3.1) | 10.8 | 28.0 |
| Adjustments for | | | | |
| Finance costs | | 3.1 | 2.5 | 5.7 |
| Taxation | | 4.6 | 4.5 | 11.3 |
| Depreciation and amortisation | | 15.6 | 16.0 | 32.3 |
| Gain on disposal of property, plant and equipment | | (0.1) | (2.0) | (2.0) |
| Provision against assets held for sale | 7 | 13.5 | – | – |
| Pension curtailment gain | | (1.1) | – | (8.8) |
| Other non cash items (net) | | – | (0.2) | 0.4 |
| Movement in working capital | | (7.8) | (9.8) | (21.4) |
| Additional payments to pension funds | | (6.3) | (0.8) | (7.0) |
| Exchange differences | | (1.0) | (4.4) | (6.4) |
| Cash generated from operations | | 17.4 | 16.6 | 32.1 |
| Tax paid | | (2.9) | (2.0) | (7.0) |
| Net cash from operating activities | | 14.5 | 14.6 | 25.1 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (15.0) | (9.2) | (20.6) |
| Purchase of patents | | (0.6) | – | – |
| Proceeds from sale of property, plant and equipment and grants received | | 3.3 | 4.4 | 7.1 |
| Development expenditure | | (4.4) | (4.9) | (8.6) |
| Acquisition of subsidiary net of cash acquired | | – | – | (14.7) |
| Net cash used in investing activities | | (16.7) | (9.7) | (36.8) |
| Cash flows from financing activities | | | | |
| Net interest paid | | (2.0) | (1.4) | (3.8) |
| Change in loans and finance lease liabilities | | (0.1) | (0.1) | 10.0 |
| Dividends paid | | (9.9) | (9.9) | (15.6) |
| Net cash used in financing activities | | (12.0) | (11.4) | (9.4) |
| Net decrease in cash and cash equivalents | 10 | (14.2) | (6.5) | (21.1) |
| Cash and cash equivalents at beginning of period | | 0.7 | 22.3 | 22.3 |
| Exchange difference | | 0.1 | 0.2 | (0.5) |
| Cash and cash equivalents at end of period | 10 | (13.4) | 16.0 | 0.7 |
| Cash and cash equivalents comprise | | | | |
| Cash and cash equivalents | | 5.0 | 22.2 | 9.5 |
| Bank overdrafts | | (18.4) | (6.2) | (8.8) |
| | 10 | (13.4) | 16.0 | 0.7 |

Notes to the interim financial statements

1. Basis of accounting

The interim financial statements for the half year to 30 June 2007 are unaudited. They have been prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union, in accordance with the accounting policies set out in the Annual Report for 2006.

On 29 June 2007 the group announced its intention to exit from the AEI Cables business. This business meets the criteria of IFRS 5 'Non-current assets held for sale and discontinued operations' requiring it to be classified as a discontinued operation.

The full year figures in this report are derived from the statutory accounts, restated as appropriate to classify AEI Cables as a discontinued operation. The statutory accounts on which the auditors gave an unqualified report have been filed with the Registrar of Companies.

These interim statements comply with IAS 34 'Interim Financial Reporting' and were approved by the Directors on 7 September 2007.

2. Analysis of revenue – continuing operations

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|-------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| By business sector | | | |
| Electronic | | | |
| – sensors and electronic systems | 90.7 | 99.0 | 184.8 |
| – electronic components | 67.5 | 71.2 | 139.9 |
| – electronic manufacturing services | 44.5 | 33.0 | 72.1 |
| Total electronic | 202.7 | 203.2 | 396.8 |
| Electrical | | | |
| – power systems | 26.2 | 29.0 | 63.1 |
| – power transmission | 41.6 | 40.1 | 79.5 |
| Total electrical | 67.8 | 69.1 | 142.6 |
| Total revenue | 270.5 | 272.3 | 539.4 |
| By destination | | | |
| United Kingdom | 56.4 | 58.8 | 115.7 |
| Rest of Europe | 102.2 | 103.9 | 200.9 |
| North America | 72.6 | 70.6 | 145.6 |
| Rest of the World | 39.3 | 39.0 | 77.2 |
| Total revenue | 270.5 | 272.3 | 539.4 |

The group's primary reporting format is by business segments and its secondary format is by geographical segments.

3. Analysis of operating profit before exceptional item

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|--------------------------------|--------------------------------|-------------------------------|
| By business sector | | | |
| Electronic | | | |
| – sensors and electronic systems | 5.5 | 5.7 | 11.6 |
| – electronic components | 4.6 | 4.6 | 11.4 |
| – electronic manufacturing services | 1.9 | 2.0 | 1.3 |
| Total electronic | 12.0 | 12.3 | 24.3 |
| Electrical | | | |
| – power systems | 1.8 | 2.0 | 5.4 |
| – power transmission | 5.1 | 3.9 | 6.8 |
| Total electrical | 6.9 | 5.9 | 12.2 |
| Operating profit before exceptional item | 18.9 | 18.2 | 36.5 |

4. Exceptional item

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|--------------------------------|--------------------------------|-------------------------------|
| Curtailment of pension scheme benefits | – | – | 8.8 |

The pensionable salaries of members of the UK defined benefit schemes are frozen for three years. The consequent reduction in the liabilities of the schemes was recognised in the actuarial valuations of the schemes at 31 December 2006.

5. Finance costs – net

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---|--------------------------------|--------------------------------|-------------------------------|
| Continuing operations | | | |
| Interest payable | (2.4) | (2.1) | (4.3) |
| Unwinding of the discount on pension scheme liabilities | (8.6) | (7.5) | (15.0) |
| Finance costs | (11.0) | (9.6) | (19.3) |
| Interest receivable | 0.3 | 0.6 | 0.8 |
| Expected return on pension scheme assets | 7.8 | 6.6 | 13.2 |
| Finance income | 8.1 | 7.2 | 14.0 |
| Finance costs – net | (2.9) | (2.4) | (5.3) |

6. Taxation

Taxation on the profit for the half year to 30 June 2007 has been based on an estimated effective rate of 29 per cent for the full year ending 31 December 2007.

7. Discontinued operation

On 29 June 2007 the group announced its intention to exit from the AEI Cables business. This business meets the criteria of IFRS 5 'Non-current assets held for sale and discontinued operations' as a disposal group held for sale and therefore the trading of AEI Cables has been reported as a discontinued operation in the consolidated income statement and its assets and liabilities have been classified as held for sale on the consolidated balance sheet. The sale was completed on 3 September 2007. At 30 June 2007 the amounts included in the financial statements in respect of AEI Cables are:

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---|--------------------------------|--------------------------------|-------------------------------|
| Revenue | 26.8 | 29.5 | 60.9 |
| Operating loss | (1.7) | (0.4) | (0.3) |
| Finance income | 0.5 | 0.6 | 1.3 |
| Finance costs | (0.7) | (0.7) | (1.7) |
| Loss before taxation | (1.9) | (0.5) | (0.7) |
| Taxation | – | 0.2 | 0.7 |
| Loss from trading after taxation | (1.9) | (0.3) | – |
| Pension curtailment arising from exit | 1.1 | – | – |
| Provision against assets | (13.5) | – | – |
| Other disposal costs | (0.2) | – | – |
| Loss for the period from discontinued operation | (14.5) | (0.3) | – |

7. Discontinued operation continued

| | 2007 30 June £million |
|---|-----------------------------|
| Assets of disposal group held for sale: | |
| Plant and equipment | 1.5 |
| Inventories | 17.3 |
| Trade and other receivables | 15.3 |
| | 34.1 |
| Provision against assets | (13.5) |
| Assets of disposal group held for sale | 20.6 |
| Liabilities of disposal group classified as held for sale: | |
| Trade and other payables | 5.4 |

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Cash flows | | | |
| Net cash from operating activities | 2.1 | (3.0) | (10.1) |
| Net cash used in investing activities | (0.3) | 0.8 | 0.5 |
| Net cash used in financing activities | (0.1) | (0.1) | (0.3) |

8. Earnings per share

From continuing and discontinued operations:

| | 2007 First half pence | 2006 First half pence | 2006 Full year pence |
|---------|-----------------------------|-----------------------------|----------------------------|
| Basic | (2.0) | 7.0 | 18.1 |
| Diluted | (2.0) | 6.9 | 17.9 |

Earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period. The numbers used in calculating basic and diluted earnings per share are shown below:

| | £million | £million | £million |
|--|-----------------------------|-----------------------------|----------------------------|
| Profit/(loss) for the period attributable to shareholders: | | | |
| Earnings basic and diluted | (3.1) | 10.8 | 28.0 |
| | million | million | million |
| Weighted average number of shares in issue: | | | |
| Basic | 154.8 | 154.8 | 154.8 |
| Adjustment for share options | 1.7 | 1.5 | 1.4 |
| Diluted | 156.5 | 156.3 | 156.2 |
| From continuing operations: | | | |
| | 2007 First half pence | 2006 First half pence | 2006 Full year pence |
| Basic | 7.4 | 7.2 | 18.1 |
| Diluted | 7.3 | 7.1 | 17.9 |
| | £million | £million | £million |
| Profit/(loss) for the period attributable to shareholders | (3.1) | 10.8 | 28.0 |
| Add loss for the period from discontinued operation | 14.5 | 0.3 | – |
| Earnings basic and diluted from continuing operations | 11.4 | 11.1 | 28.0 |

The denominators are the same as shown above for basic and diluted earnings per share.

9. Retirement benefit plans

Following scheme mergers in 2006 and 2007, the group now operates two defined benefit plans in the UK, both of which are closed to new members. It also operates defined benefit plans in the United States and Japan.

Actuarial valuations of the plans were carried out by independent qualified actuaries between 2002 and 2005 principally using the projected unit credit method. These actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the plans at 30 June 2007. Pension scheme assets are stated at market value.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | 2007 30 June % | 2006 30 June % | 2006 31 December % |
|----------------------------------|----------------------|----------------------|--------------------------|
| Discount rate | 5.9 | 5.4 | 5.3 |
| Inflation rate | 3.2 | 2.7 | 2.9 |
| Increases to pensions in payment | 2.5-3.2 | 2.5-2.6 | 2.5-2.9 |
| Salary increases for 3 years | – | 3.3 | – |
| Salary increases thereafter | 3.7 | 3.3 | 3.4 |

The expected long-term rates of return on the main asset classes, net of expenses, set by management having regard to actuarial advice and relevant indices at 30 June 2007 were:

| | 2007 30 June % | 2006 30 June % | 2006 31 December % |
|----------------|----------------------|----------------------|--------------------------|
| Equities | 7.0 | 6.6 | 6.8 |
| Bonds | 4.5 | 4.6 | 4.3 |
| Gilts and cash | 4.0 | 3.6 | 3.8 |

The mortality tables applied by the actuaries at 30 June 2007 and 31 December 2006 were PA92MC + two years.

On the above basis the amounts recognised on the consolidated balance sheet are:

| | £million | £million | £million |
|---|----------|----------|----------|
| Fair value of assets | 286.9 | 251.8 | 272.1 |
| Present value of funded obligation | (319.9) | (317.1) | (344.7) |
| Net liability recognised on the balance sheet | (33.0) | (65.3) | (72.6) |

Costs recognised in the consolidated income statement are:

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Current service cost | 1.7 | 2.5 | 4.4 |
| Interest on obligation | 9.1 | 8.1 | 16.4 |
| Expected return on plan assets | (8.3) | (7.2) | (14.5) |

Changes in the present value of the defined benefit obligation are:

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|---|--------------------------------|--------------------------------|-------------------------------|
| Opening defined benefit obligation | 344.7 | 335.9 | 335.9 |
| Current service cost | 1.7 | 2.5 | 4.4 |
| Interest on obligation | 9.1 | 8.1 | 16.4 |
| Plan participant contributions | 0.7 | 0.8 | 1.5 |
| Curtailement | (1.1) | – | (8.8) |
| Change in actuarial estimates and assumptions | (28.5) | (24.8) | 6.2 |
| Exchange differences | – | (0.4) | (0.8) |
| Benefits paid | (6.7) | (5.0) | (10.1) |
| Closing defined benefit obligation | 319.9 | 317.1 | 344.7 |

9. Retirement benefit plans continued

Changes in the fair value of plan assets are:

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|---|--------------------------------|-------------------------------|
| Opening fair value of plan assets | 272.1 | 245.7 | 245.7 |
| Expected return on plan assets | 8.3 | 7.2 | 14.5 |
| Excess of actual over expected returns | 4.5 | – | 9.4 |
| Contributions by employer | 8.0 | 3.3 | 11.4 |
| Contributions by employees | 0.7 | 0.8 | 1.5 |
| Exchange differences | – | (0.2) | (0.3) |
| Benefits paid | (6.7) | (5.0) | (10.1) |
| Closing fair value of plan assets | 286.9 | 251.8 | 272.1 |

The experience adjustments arising on the plan assets and liabilities are reported in the consolidated statement of recognised income and expense and are as follows:

| | £million | £million | £million |
|--|-----------------|----------|----------|
| Experience adjustments on plan liabilities | 28.5 | 24.8 | (6.2) |
| Experience adjustments on plan assets | 4.5 | – | 9.4 |
| Total actuarial gain | 33.0 | 24.8 | 3.2 |

10. Reconciliation of net cash flow to movement in net debt

| | Net cash/(overdraft) £million | Loans and finance leases £million | Net debt £million |
|-----------------------------|-------------------------------------|---|------------------------------------|
| Balance at 31 December 2005 | 22.3 | (69.4) | (47.1) |
| Cash flow | (6.5) | 0.1 | (6.4) |
| Exchange differences | 0.2 | 4.5 | 4.7 |
| Balance at 30 June 2006 | 16.0 | (64.8) | (48.8) |
| Cash flow | (14.6) | (10.1) | (24.7) |
| Exchange differences | (0.7) | 3.2 | 2.5 |
| Balance at 31 December 2006 | 0.7 | (71.7) | (71.0) |
| Cash flow | (14.2) | 0.1 | (14.1) |
| Exchange differences | 0.1 | 1.5 | 1.6 |
| Balance at 30 June 2007 | (13.4) | (70.1) | (83.5) |

Net cash represents cash and cash equivalents less bank overdrafts.

11. Summary of movements in shareholders' equity

| | 2007 First half £million | 2006 First half £million | 2006 Full year £million |
|--|---|--------------------------------|-------------------------------|
| Opening shareholders' equity | 157.0 | 151.7 | 151.7 |
| Profit for the period | (3.1) | 10.8 | 28.0 |
| Exchange differences on net foreign currency investments | (1.2) | (5.2) | (9.6) |
| Actuarial gain (net) on defined benefit pension schemes | 33.0 | 24.8 | 3.2 |
| Deferred tax on pension deficit movement | (12.5) | (7.4) | (1.0) |
| Dividends paid | (9.9) | (9.9) | (15.6) |
| Share based payment | 0.1 | 0.2 | 0.3 |
| Closing shareholders' equity | 163.4 | 165.0 | 157.0 |

Shareholder information

Results

Preliminary announcement of 2007 results – late March 2008

Annual Report 2007 – to be posted mid April 2008

Announcement of 2008 half year results – late August 2008

Dividends

The interim dividend in respect of the year to 31 December 2007 will be paid on 25 October 2007 to those shareholders on the register on 19 October 2007. Shares ex dividend on 17 October 2007.

For those shareholders who currently receive dividends by post, arrangements can be made to pay your dividends automatically into your bank or building society account. A registration form will be included with the interim dividend.

Multiple accounts on the shareholder register

If you have received two or more copies of this document, this means that there is more than one account in your name on the shareholder register. This may be caused by either your name or address appearing on each account in a slightly different way. For security reasons, the Registrars will not amalgamate the accounts without your written consent, so if you would like any multiple accounts combined into one account, please write to Lloyds TSB Registrars at the address given below.

Share dealing services

Shareview Dealing is a telephone and internet service provided by Lloyds TSB Registrars and provides a simple and convenient way of buying and selling TT electronics plc shares.

This service is available at www.shareview.co.uk/dealing or call 0870 850 0852 between 8.00am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates and charges.

A weekly postal dealing service is also available and a form together with terms and conditions can be obtained by calling 0870 600 3970. Commission is 1 per cent with a minimum of £10.

ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by The Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares whose value makes it uneconomical to sell on a commission basis. Further information can be obtained at www.sharegift.org or from Lloyds TSB Registrars.

Shareholder enquiries

Lloyds TSB Registrars maintain the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Lloyds TSB Registrars

The Causeway
Worthing
West Sussex
BN99 6DA

Telephone
0870 600 3970

Fax
0870 600 3980

Textphone for shareholders with hearing difficulties
0870 600 3950

Lloyds TSB Registrars also offer a range of shareholder information online at www.shareview.co.uk.

Website

Information on the group's financial performance, activities and share price is available at www.ttelectronics.com.

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