Annual Results 2009

10 March 2010

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Overview

- Revenue down 17% at £528.8 million (down 30% in US$)
  - *impact of global economic downturn / destocking*
  - *second half 2009 revenue in US$ up 8% on first half*
  - *second half improvement in Performance Materials and Wireless Systems*
  - *customer base being successfully expanded in Handset Products*
- Underlying profit* before tax down 56% at £26.5 million
  - *strong improvement in second half (£18.9 million; ROS 8.5%) vs. first half (£7.6 million; ROS 4.3%)*
- Aggressive actions taken in the year to reduce costs and reposition the business
  - *direct labour costs in US$ down 30%, in line with revenue*
  - *total overheads down $72 million (£45.9 million) vs. 2008*
- Operating cash flow £49.7 million (2008, £48.1 million)
  - *cash conversion (after capex) 148% (2008, 70%)*
- Balance sheet strengthened
- Full year dividend 6.0 pence (2008, 10.31 pence)

* before exceptionals, amortisation of acquired intangibles, gain or loss on disposal of businesses, fair valuing of financial instruments and acquisition transaction costs

Financial Results

Jonathan Silver

Revenue & Profit

£ millions	Full Year 2009	Full Year 2008
Revenue	528.8	635.3
Operating profit	33.6	68.5
Finance costs	(7.1)	(7.9)
Underlying profit before tax*	26.5	60.6

- Revenue down 17% (30% in US $)

* before exceptionals, amortisation of acquired intangibles, gain or loss on disposal of businesses, fair valuing of financial instruments and acquisition transaction costs

Results Translated in US$:
a better guide to performance

	Actual 2009		Actual 2008	
	US$m	%	US$m	%
Revenue	829.2	100%	1,178.4	100%
Cost of sales	(576.2)	*(69.5%)*	(807.2)	*(68.5%)*
Gross margin	253.0	*30.5%*	371.2	*31.5%*
SG&A	(141.7)	*(17.1%)*	(179.6)	*(15.2%)*
Net R&D	(58.5)	*(7.0%)*	(64.4)	*(5.5%)*
PBIT	52.8	*6.4%*	127.2	*10.8%*

- Gross margin reduction restricted to 1.0%
- Direct overheads, R&D + SG&A down by $72m (£46m)
- PBIT drop through on revenue reduction 21%

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A More Profitable Second Half in 2009

$ millions	2009			2008
	H1	H2	FY	FY
Revenue	398.4	430.8	829.2	1,178.4
PBIT*	17.1	35.7	52.8	127.2
	4.3%	*8.3%*	*6.4%*	*10.8%*

- Second half PBIT more than double first half
- Revenues in higher gross margin divisions (PM & WS) increased in H2/09
- Additional impact from cost savings in H2/09
- Further $10-15m of savings to come in 2010

* before exceptionals, amortisation of acquired intangibles and acquisition transaction costs

Performance Materials

$ millions	2009			2008
	H1	H2	FY	FY
Performance Materials (PM)				
Revenue	129.2	156.1	285.3	354.1
PBIT*	7.2	22.7	29.9	42.9
	5.6%	*14.5%*	*10.5%*	*12.1%*

- Strong revenue recovery in H2/09
- Plant closures reduced the cost base significantly
- PBIT and margin recovery in H2/09
- Largest division in profit terms

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Handset Products

$ millions	2009 H1	2009 H2	2009 FY	2008 FY
Handset Products (HP)				
Revenue	213.2	197.6	410.8	646.8
PBIT*	9.4	8.9	18.3	69.4
	4.4%	*4.5%*	*4.5%*	*10.7%*

- Lower proportion of antennae modules and assemblies in H2/09 reduced ASPs, offsetting unit volume increase
- Mechanisms revenues down in H2/09
- Metals (BLS) revenues down but stable

* before exceptionals, amortisation of acquired intangibles and acquisition transaction costs

Wireless Systems

$ millions	2009			2008
	H1	H2	FY	FY
Wireless Systems (WS)				
Revenue	56.0	77.1	133.1	177.5
PBIT*	0.5	4.1	4.6	14.9
	0.9%	*5.3%*	*3.4%*	*8.4%*

- GM & Chrysler back in business boosts H2/09
- WLAN revenues recovery seen in H2/09
- Wireless infrastructure growth in emerging markets

* before exceptionals, amortisation of acquired intangibles and acquisition transaction costs

Exceptional Items: Charge to Income Statement 2009

£ millions	Asset and Inventory Write Down	Restructuring Costs	Total
Performance Materials	(2.6)	-	(2.6)
Handset Products	(1.4)	(2.9)	(4.3)
Wireless Systems	(1.2)	(2.1)	(3.3)
	(5.2)	(5.0)	(10.2)

- Cash spend of £12.0m in 2009 (including exceptionals provided for in 2008)
- £5m cash outflow in 2010 on exceptionals provided for in 2009

Cash Flow

£ millions	Full Year 2009	Full Year 2008
Operating profit	33.6	68.5
Depreciation	16.7	12.2
Amortisation of capitalised development	5.6	3.1
Other and non-cash	1.3	1.7
	57.2	85.5
Decrease / (increase) in working capital†	20.0	(1.4)
Capitalised development	(11.1)	(7.3)
Capital expenditure	(16.4)	(28.7)
Operating cash flow	49.7	48.1

- Lower inventories principal driver of working capital reduction
- Capital expenditure over 50% lower (US $)

† after adjusting for creditor decreases on exceptional items of £7.4m

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Trading Cash Flow & Movement in Net Borrowings

£ millions	Full Year 2009	Full Year 2008
Operating cash flow	49.7	48.1
Finance costs	(7.7)	(9.7)
Tax	(9.8)	(17.2)
Trading cash flow	32.2	21.2
Dividends	(14.0)	(21.1)
Acquisitions	(1.8)	(17.7)
Disposals	(2.6)	11.5
Exceptionals	(12.0)	(9.7)
Additional special pension contributions	-	(0.7)
Proceeds from issue of shares	83.0	0.9
Other	-	0.4
	84.8	(15.2)
Exchange on cash and borrowings	9.3	(38.9)
Reduction/(increase) in net borrowings	94.1	(54.1)

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Balance Sheet

£ millions	31 December 2009	31 December 2008
Shareholders' equity	579.6	585.3
Net borrowings	45.4	139.5
Capital employed	625.0	724.8

†Interest cover (covenant basis)	4.2	8.2

††Net borrowings / EBITDA	1.0	1.8

† minimum of 2.5 times required by Group's loan facilities
†† maximum of 3.5 times required by Group's loan facilities

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Earnings, Tax & Dividend

Pence per share	Year to 31 December 2009	2008[†]
Continuing underlying earnings*	9.6	23.8
Continuing underlying tax rate	23.4%	19.8%
Dividend per share	6.0	10.31

Average number of shares (million)	211.6	204.3

- Lower profits have led to increase in the average tax rate
- 266.3m shares as at 31/12/09

[†] adjusted for bonus element of Rights Issue

* before exceptionals, amortisation of acquired intangibles, gain or loss on disposal of businesses, deferred tax on acquired intangible assets and goodwill, fair valuing of financial instruments and acquisition transaction costs

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Business Review

Peter Hill

"We provide specialist products and solutions for our customers that allow their own electronic devices to operate functionally, efficiently and cost effectively"

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Strategic Priorities

- Business positioned to operate well in the current environment
- Focus on customer service and operational delivery
- Maintain tight control of operating costs and cash
- Maintain investment in technology / R&D, and focus on new product development
- Continue to increase customer base and penetration
- Researching & evaluating opportunities in new markets & technologies
- Ensure the business is well positioned for the future

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Markets Projected to Return to Growth

- Fundamentals remain attractive but profile unclear
- Industry commentators† projecting market recovery from 2010:
  - PC notebooks and netbooks (units CAGR 21% / year)*
  - mobile handsets (units CAGR 9% / year)*
  - Telecom / Datacom investment maintained
  - flat screen TVs (units CAGR 16% / year)*
  - embedded telematics (units CAGR 24% / year)*
  - machine to machine (M2M) wireless (units CAGR 44% / year)*
  - consumer electronics – gaming, PND etc (units CAGR 23% / year)*
- Effect on revenues will also depend on product content / penetration, pricing environment, market share, etc

* 2009 – 2012

† iSuppli, Gartner

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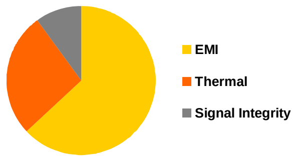
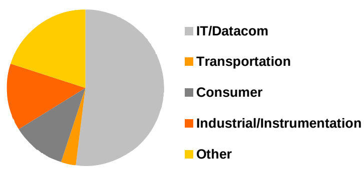
Performance Materials

2009 REVENUE
BY PRODUCT SEGMENT



BY MARKET SEGMENT



- Improvement in revenues, profit and ROS in second half
- Record revenues in the year from Thermal product line
- EMI improvement in H2 from low point in Q2
- Strong improvement in Signal Integrity after weak H1
- Improvement overall driven by PC notebooks, telecom / datacom, LED, PND and aerospace
- Also driven by new product introductions across all three product lines
- Majority of remaining US manufacturing being relocated to Asia

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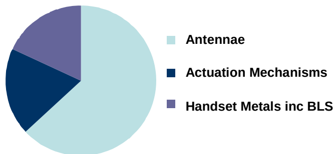
Handset Products

2009 REVENUE
BY PRODUCT SEGMENT



- H2 US$ revenues down 7% vs. H1: high point was Q1
- Antennae: increasing volumes offset by lower ASPs
- Metals: market share loss from major customer being offset by new customer demand
- Mechanisms: market share loss with major customer taking longer to be replaced
- Customer base being expanded; good wins from NA smartphone OEMs
- H2 2009 trends continuing into H1 2010
- 2010 “Year of transition” with a rebalancing of revenues across expanded customer base

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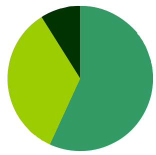
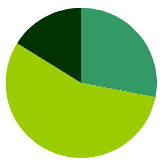
Wireless Systems

2009 REVENUE
BY PRODUCT SEGMENT



BY MARKET SEGMENT



- Improvement in revenues, profit and ROS in H2
- H1 affected by GM / Chrysler bankruptcies
- Strong H2 recovery in Telematics; new programme wins and ramp up at Ford
- Infrastructure antennae lines slower to recover
- Aggressive new product introduction programme
- “Sub systems” offering being developed; “smart antennae” with wireless modules
- Expanding geographic footprint

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Summary

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Summary

- 2009 recap:
  - trading conditions very challenging; visibility limited and volatile
  - strong improvement in some of the businesses during H2
- Actions taken:
  - tight control of operating costs and working capital
  - significant reduction in direct labour and overhead costs
  - healthy cash flow; excellent cash conversion
  - balance sheet strengthened
- Outlook:
  - H2 2009 trends continued into H1 2010
  - signs of stabilization but uncertainties remain
  - expect benefits from "self help": cost reduction actions taken / new products
  - also positioned to benefit further as markets return to growth

Technology for a connected world.

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