



**Electronics**

Make Possible

**2013 Full Year Presentation**  
March 2014



- Good second half performance leading to increase in FY revenue and profit
- Major investments and reduced volumes in Components held back margins
- Sensing and Control business formed to drive growth and profitability
- Operational Improvement Plan launched
- Total dividend for 2013 increased by 8 per cent reflecting earnings momentum and future business prospects

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## A year of significant progress as we focus on our Sensing and Control business

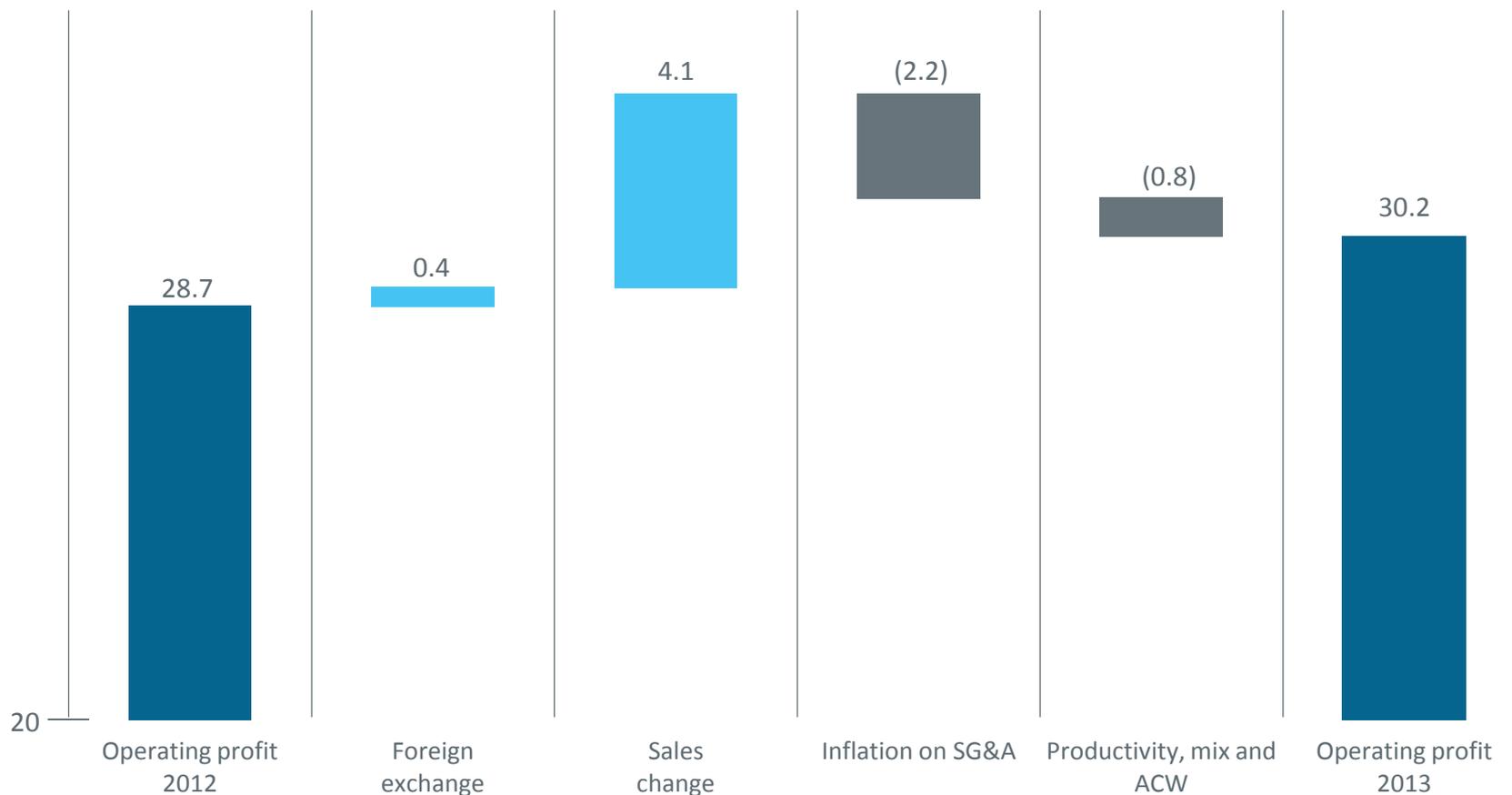
- Positioned in higher growth markets
- Global sales, R&D and operational footprint
- Major investments to drive growth and margins
  - Sales: increasing customer intimacy
  - Innovation: 64% increase in engineering capacity
  - Operations: OIP launched to realise £8m p/a profit benefits
  - Talent: investment at all levels in the organisation
- Simplified organisation – enabling execution
- Continued work on acquisition opportunities

**Positioned for long term, sustainable growth**

## Key Financials

	2013 £m	2012 £m	Change
Continuing operations			
Revenue	532.2	476.9	4.9% <sup>1</sup>
Operating profit <sup>2</sup>	30.2	28.7	5.2%
Operating profit margin <sup>2</sup>	5.7%	6.0%	
Profit before tax <sup>2</sup>	29.5	25.3	16.6%
Earnings per share (pence) <sup>2</sup>	14.2p	11.9p	19.3%
Underlying operating cash flow <sup>2</sup>	45.5	45.4	£0.1m
Net cash	26.9	46.7	£(19.8)m
Dividends per share (pence)	5.4p	5.0p	8.0%

## Operating profit before exceptional costs (£m)



## Operational Improvement Plan

- USA project progressing well – will be mostly complete by end 2014 except for one line to be transferred in 2015
- Closure of sales offices in Japan, France and Italy to be completed by June 2014
- Announcement in January 2014 proposing relocation of manufacturing from Werne, Germany, to best cost facilities. At the same time, increasing investment in our Centre of Excellence for R&D in Werne

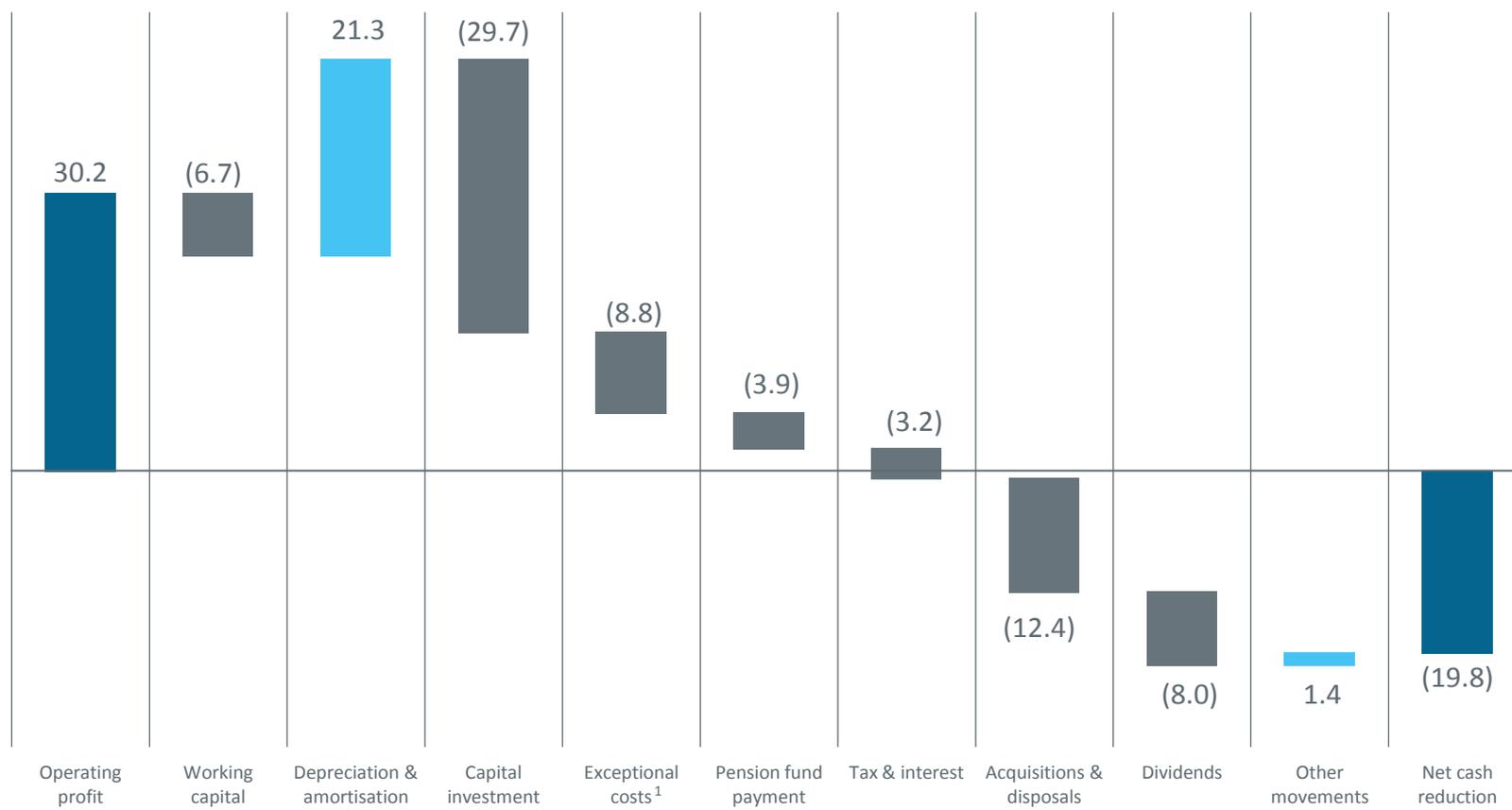
	<b>Exceptional cost £m</b>	Projected annual benefit £m
European restructuring	<b>25.1</b>	6.0
North American restructuring	<b>2.5</b>	0.7
Sales offices	<b>2.4</b>	1.3
	<b>30.0</b>	8.0

**Delivering £8m pa benefits from H2 2015**

## Exceptional Items

	2013 £m	2012 £m
Operational Improvement Plan	3.1	-
Other restructuring costs	5.9	1.1
Costs related to closure of Boone, USA, plant	1.2	2.1
Negative goodwill on business acquisition	(0.4)	(0.3)
M&A costs	1.4	0.4
<b>Total continuing operations</b>	<b>11.2</b>	<b>3.3</b>

## Group cash flow (£m)

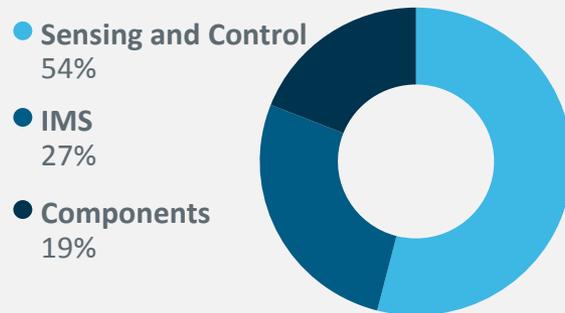


## Pensions

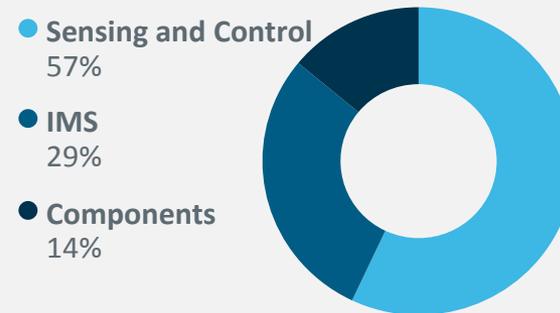
	2013	2012
IAS 19 valuation	£m	£m
Fair value of assets	394.1	387.5
Liabilities	(414.6)	(424.3)
<b>Deficit</b>	<b>(20.5)</b>	(36.8)

- UK defined benefit scheme closed to future accrual in 2010
- Triennial valuation at 5 April 2013 showed a deficit of £19.1m compared with a deficit of £39.4m at April 2010
- Deficit recovery plan in place and unchanged: contributions of £3.9m in 2013, increasing by £0.2m each year to £4.5m in 2016

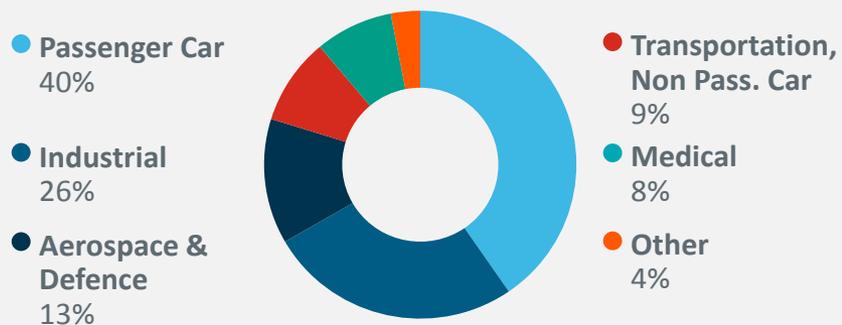
## Revenue (2013)



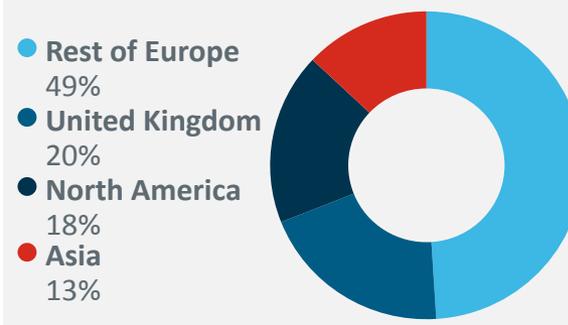
## Operating Profit (2013)



## Revenue by market (2013)



## Revenue by region (2013)



Clear strategy to deliver value

**“We provide the best value solutions for critical sensing and control applications”**

Our customers trust us to:



**Innovate to deliver the right solution**



**Deliver programme requirements**



**Supply products that work every time**



**Provide global support with the best people**

## Positioned where growth drivers lead to increasing demand

Industry focus	Growth drivers	Market size and growth <sup>1</sup>	
<b>Transportation: passenger car</b>		<ul style="list-style-type: none"> <li>• Emerging economies</li> <li>• Improved safety and performance</li> <li>• Emissions reduction</li> </ul>	<b>£4.5 billion<sup>2</sup></b> <b>+8.0%<sup>3</sup></b>
<b>Industrial</b>		<ul style="list-style-type: none"> <li>• More complex processes</li> <li>• Demand for automation</li> <li>• Increased levels of control</li> <li>• Safety regulations</li> </ul>	<b>£4.1 billion</b> <b>+6.8%</b>
<b>Aerospace and Defence</b>		<ul style="list-style-type: none"> <li>• Growth in air travel</li> <li>• Increased investment</li> <li>• Improved operating efficiencies</li> <li>• Communications growth</li> </ul>	<b>£0.5 billion</b> <b>+6.6%</b>
<b>Transportation: non passenger car</b>		<ul style="list-style-type: none"> <li>• Emissions standards</li> <li>• Performance, safety and comfort</li> <li>• Fuel economy</li> <li>• Productivity/Time saved</li> </ul>	<b>£0.2 billion</b> <b>+7.0%</b>
<b>Medical</b>		<ul style="list-style-type: none"> <li>• Increasing access to medical care</li> <li>• Ageing populations</li> <li>• Growing demand for more sophisticated instruments</li> </ul>	<b>£0.3 billion</b> <b>+7.0%</b>

## Provide a unique portfolio to address customer needs

### Sensing

Converts physical variable into an electronic signal

- Position
- Speed
- Temperature
- Pressure



### Control

Processes inputs and instructs system

- Solid state signal/power regulation with custom software & ASICs



Integration  
&  
Intelligence



### Customer Systems

- Powertrain
- Process Control
- Flight Control

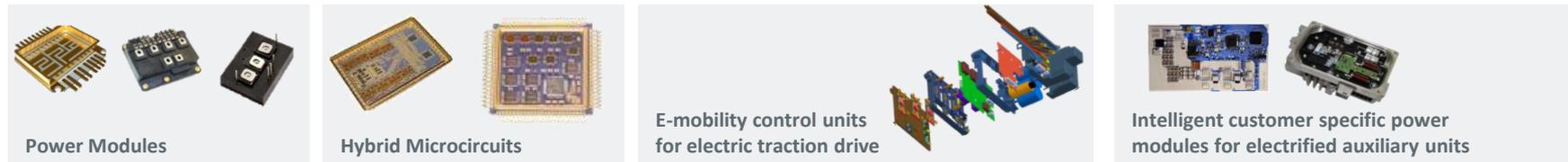


## Focus on innovation

### Sensing



### Control



### Core Technologies

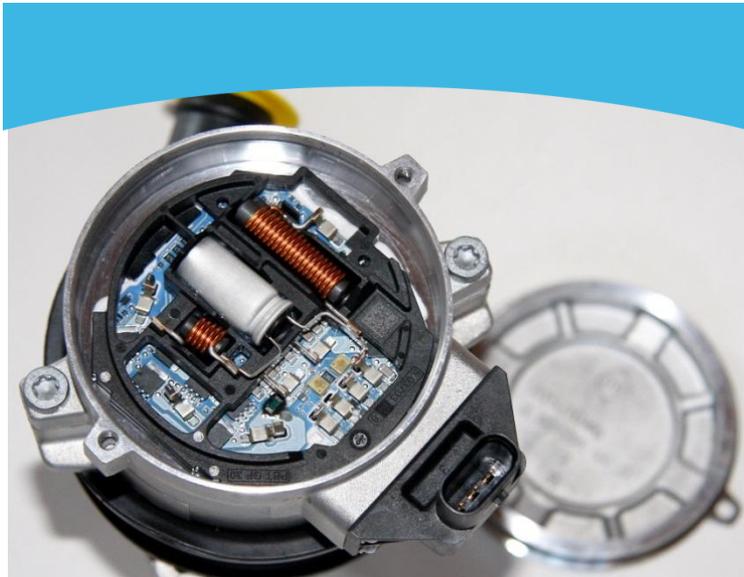
Hall Effect | Autopad®(Inductive) | Cermet Carbon | Conductive | Inductive | GMR/MR | Proxistor® | NTC/PTC | SIMPSpad (magneto-inductive) | Anotherm®Plus | TF/TFS | Power Semiconductor | Capacitive | Infrared | LED | Resistive Films | Thin Film/Thick Film Substrates | ASIC

### New Technology Platforms in 2014

Complementary-metal-oxide-semiconductor (CMOS): enabling the next generation of intelligent optical sensing  
Chip stacking: solution for increasing the power density in power modules, whilst reducing size and weight

## Responding to our marketplace

## Electrification improving efficiency



*The average annual growth for intelligent power modules in transportation applications will be 13.5% from 2012 to 2016<sup>2</sup>*

- Efficiency is a high priority for the automotive industry
- Saleri replaced a mechanical intercooling system with an intelligent, electronic solution

*The shift from hydraulic to electronic controls yields a 3%+ improvement in fuel efficiency<sup>1</sup>*

- Challenge to deliver and control the power in a harsh environment, small footprint
- Our solution involved integration of the control electronics, including sensors and power semiconductors, in a small, robust package

## Our strategy in action

## Delivering growth



*From 2012 to 2020, cumulative spending on HVDC systems is estimated to exceed 200 billion US dollars<sup>1</sup>*

- HVDC (high-voltage direct current) is a highly efficient alternative for transmitting electricity
- The global market for renewable energy sources continues to increase
- ABB's HVDC unit has selected TT Electronics Sensing and Control division as its partner for the supply of reliable long-life components
- We are creating custom infra-red diodes-emitters, receivers and fibre optic transmitter solutions

Expert local sales, R&D and manufacturing capabilities – managed globally



## Sensing and Control

### Highlights

- Growth
  - Revenue: 6.1%<sup>1</sup>
  - China: +24%
  - Industrial: +7%
  - Transportation (non pass. car): +15%
  - Strategic OEMs in Germany
- 22 lines now established in Romania
- Launched OIP
- Indian business in new facility
- Ramp up of India R&D facility
- Global engineering capacity up 64%

### Financial Summary

	2013	2012
	£m	£m
Revenue	285.2	259.6
Operating profit	17.3	16.6
Operating profit margin	6.1%	6.4%



## Components

### Highlights

- Established four separate businesses to improve focus and performance
- Improved performance in second half of year following slow start
- Created a new, dedicated research and development facility in Corpus Christi, USA, for resistor products
- Power and Hybrid business awarded “Supplier of the Year” by Aero Engine Controls (part of Rolls Royce plc)
- Closed loss making connector business in the USA

### Financial Summary

	2013 £m	2012 £m
Revenue	100.4	109.6
Operating profit	4.1	5.9
Operating profit margin	4.1%	5.4%



## IMS

### Highlights

- Underlying growth of 15.9%<sup>1</sup>
- Operating profit margin entered target range
- New business growth exceeded £30m
- Expanded offering through integration of New Chapel Electronics and AB Interconnect
- Achieved Nadcap accreditation in UK and USA facilities (Asia facility certified in 2012)
- ACW acquisition fully integrated, with Southampton facility closed in April 2013

### Financial Summary

	2013 £m	2012 £m
Revenue	146.6	107.7
Operating profit	8.8	6.2
Operating profit margin	6.0%	5.8%



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- Increased investment in product innovation, sales and operational footprint
  - Significant step to sustainable double digit margins
  - Order momentum, together with the actions being taken, provide confidence as we enter 2014

**Positioned for long term, sustainable growth**

# Appendices



# Impact of FX

Sales	Sensing and Control	IMS	Components	Group
As published	285.2	146.6	100.4	<b>532.2</b>
FX impact (adverse) / favourable	(9.8)	(2.5)	(0.3)	<b>(12.6)</b>
At 2012 rates	275.4	144.1	100.1	<b>519.6</b>
Operating Profit				
As published	17.3	8.8	4.1	<b>30.2</b>
FX impact (adverse) / favourable	(0.2)	(0.2)	-	<b>(0.4)</b>
At 2012 rates	17.1	8.6	4.1	<b>29.8</b>

	2013 £m	2012 £m
<b>Tax charge</b>		
Underlying	7.1	6.7
Exceptional items	(2.6)	(0.8)
	4.5	5.9
<b>Effective tax rate</b>		
Underlying	24.1%	26.5%

- Further progress in reducing effective rate due to proactive tax planning
- Cash tax paid in 2013 of £2.5m reduced by a tax refund in the USA

# Earnings per share



	2013 £m	2012 £m
Profit before tax and exceptional items	29.5	25.3
Tax	(7.1)	(6.7)
Underlying earnings	22.4	18.6
Average number of shares (million)	157.6	156.1
<b>Headline earnings per share (pence)</b>	<b>14.2p</b>	11.9p
Basic earnings per share (pence)		
Continuing operations	8.8p	10.3p
Total	8.3p	14.3p

	2013	2012	Change
Interim	1.6p	1.5p	
Final - Proposed	3.8p	3.5p	
	5.4p	5.0p	8%
Underlying EPS cover	2.6x	2.4x	
Payout of underlying earnings	38%	42%	

**Board pursuing a progressive dividend policy  
whilst maintaining a cover level of at least 2 times  
underlying earnings per share**

# Strong balance sheet



	2013 £m	2012 £m
Fixed assets	88.6	85.9
Goodwill and other intangibles	82.0	78.4
Net trade working capital	75.9	68.3
Retirement benefit obligations	(20.5)	(36.8)
Other	(49.6)	(51.4)
Capital employed	176.4	144.4
Net cash	26.9	46.7
<b>Net assets</b>	<b>203.3</b>	191.1
<b>Return on average capital employed</b>	<b>18.8%</b>	17.9%