



# Annual Results 2008

11 March 2009

**Laird**  
Value through Innovation

# Overview

- Revenue up 12.6% at £635.3 million
  - strong growth in first half: organic growth at constant x-rates 19%
  - second half / Q4 impacted by global economic downturn / destocking
  - sudden & dramatic fall off in revenues in November / early December
  - full year organic growth of 0.5% at constant x-rates
- Underlying profit\* before tax down 16% at £60.6 million
  - margin effects of currency (H1), lower volumes (H2), & pricing
  - prompt actions taken to lower operating costs
  - facility closures / downsizing; headcount down by 5,000 (+30%)
  - exceptional costs £20.3 million (of which £3.4 million, non-cash)
  - annualised benefits £15 million

\* before exceptionals, amortisation of acquired intangibles, deferred tax on acquired intangibles and goodwill, and fair valuing of financial instruments

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## Overview (continued)

- Operating cash flow up 23% at £48.1 million
  - cash conversion pre capex 112% (2007: 81%); 70.1% post capex
  - investment in plant and equipment (capex > depn)
  - increased investment in technology development / R&D
- Interest cover 8.2x, net debt: EBITDA 1.8x, strong financial position
- Full year dividend up 3% to 11.88 pence; final maintained

# Positioning the Business

- Business repositioned to operate successfully in the new environment
- Reorganised into 3 Divisions to maximise synergies / customer penetration:
  - Handset Products (Antennae, handset metals, BLS<sup>1</sup>, mechanisms)
  - Performance Materials (EMI<sup>2</sup>, Thermal, Signal Integrity)
  - Wireless Systems (Telematics and Infrastructure antennae and Wireless 'M2M'<sup>3</sup> modules)
- Aiming to take advantage of opportunities and gain at expense of weaker competitors

<sup>1</sup> BLS = Board Level EMI Shields

<sup>2</sup> EMI = Electromagnetic Interference Shielding

<sup>3</sup> M2M = Machine to Machine



## Financial Results

Jonathan Silver

## Revenue & Profit

£ millions – continuing operations	2008	2007	% change	% change constant currency
Revenue				
- Handset Products	348.8	303.0	+15%	+5%
- Performance Materials	190.9	181.9	+5%	-5%
- Wireless Systems	95.7	79.4	+20%	+11%
	<u>†635.3</u>	<u>564.3</u>	<u>+13%</u>	<u>+3%</u>
Operating profit	68.5	80.0	-14%	-17%
Finance costs	(7.9)	(7.6)	-4%	+4%
Underlying profit before tax*	<u>60.6</u>	<u>72.4</u>	<u>-16%</u>	<u>-18%</u>

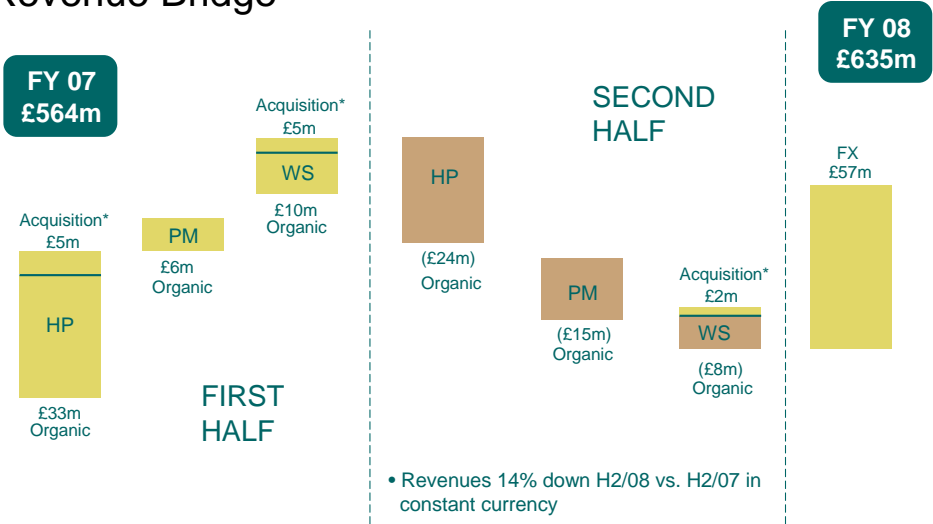
† If translated at £1 = \$1.43, (closing exchange rate) revenue of £635m would be £812m

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

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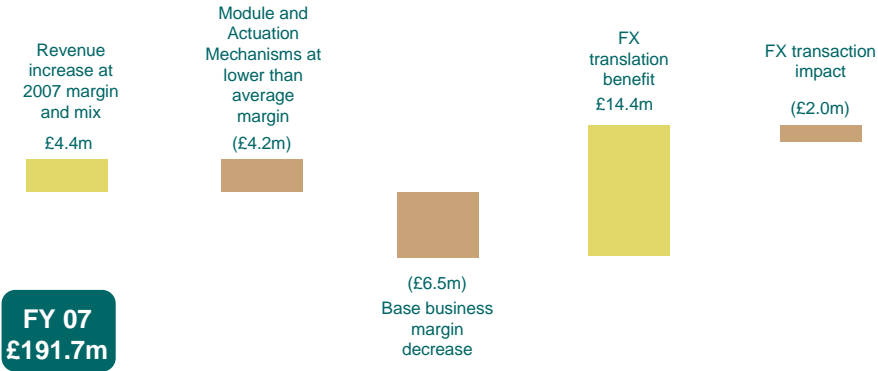
# Revenue Bridge



\* Revenue from acquisitions in comparable periods: AeroComm (Jan-07), M2sys (Feb-07), Cushcraft (Feb-07), Ezurio (Feb-08)

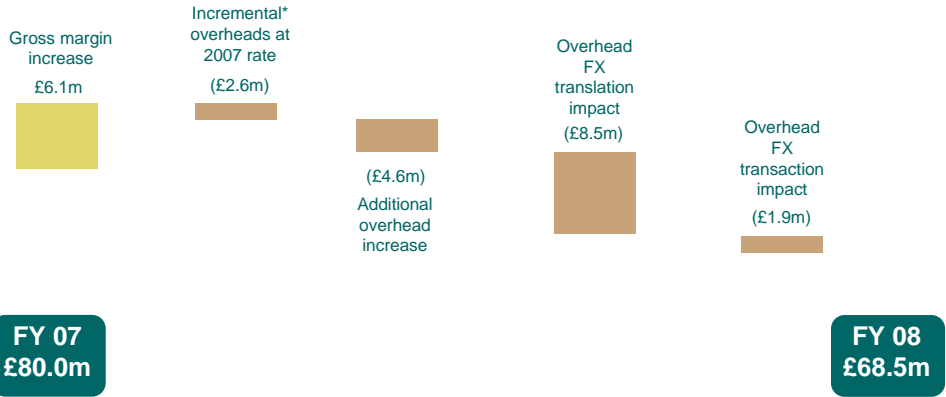
# Gross Margin Bridge

**FY 08**  
**£197.8m**



**FY 07**  
**£191.7m**

# Profit Bridge



\* 20% x incremental revenue in constant currency of £13.0m

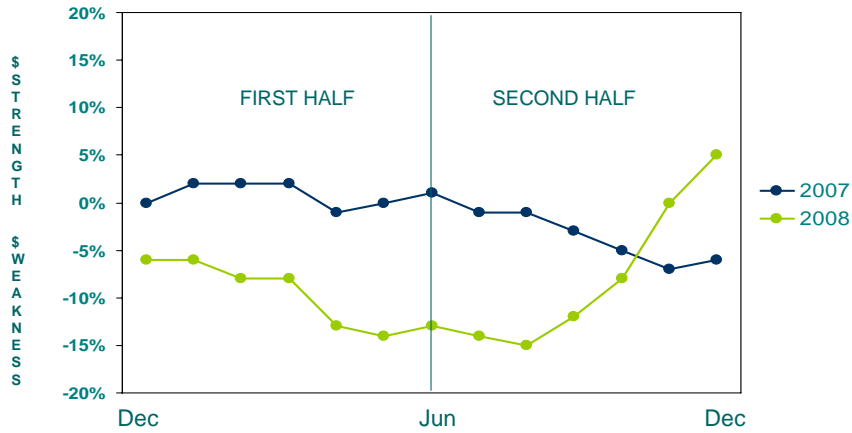
## Results in Constant Currency

	Actual 2008		2008 at 2007 x-rates		Actual 2007	
	£m	%	£m	%	£m	%
Revenue	635.3	100%	578.3	100%	564.3	100%
Cost of sales	(437.5)	(68.9%)	(392.9)	(67.9%)	(372.6)	(66.0%)
Gross margin	197.8	31.1%	185.4	32.1%	191.7	34.0%
SG&A	(94.5)	(14.9%)	(87.7)	(15.2%)	(88.5)	(15.7%)
Net R&D	(34.8)	(5.5%)	(31.2)	(5.4%)	(23.2)	(4.1%)
PBIT	68.5	10.8%	66.4	11.5%	80.0	14.2%

- PBIT would have been 11.5% in constant currencies
- Gross margins were 1.9% lower in constant currency
- R&D costs were 1.3% higher

# US\$ weighted against Laird currency basket\*

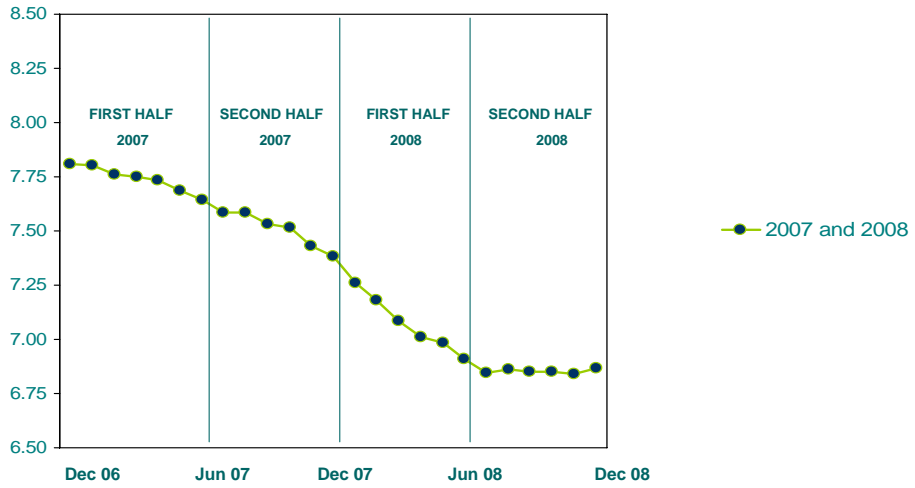
(excluding RMB)



- \$ Strength is favourable, weakness is adverse
- Adverse transactional impact turned favourable during the year and continuing into 2009

\*CZK, HUF, MXN, SEK, JPY

## US\$ against RMB trend



- RMB appreciation accelerated in H1 but was “pegged” in H2
- RMB expected to be in balance in 2009, eliminating transactional exposure

## Net Margins - Handset Products

£ millions	FY 2007	H1 2008	H2 2008	FY 2008
<b>Handset Products</b>				
Revenue	303.0	170.1	178.8	348.8
PBIT	42.4	19.3	18.1	37.4
ROS%	14.0%	11.3%	10.1%	10.7%

- H2/08 revenues in constant currency 7% below H1 and 13% below H2/07
- Higher antenna ASP, higher material costs, lower ROS
- Weaker \$ in first half reduced margins
- Greater price pressure, particularly in less complex board level shield

## Net Margins - Performance Materials

£ millions	FY 2007	H1 2008	H2 2008	FY 2008
<b>Performance Materials</b>				
Revenue	181.9	96.9	94.0	190.9
PBIT	28.0	13.7	9.4	23.1
ROS%	15.4%	14.2%	10.0%	12.1%

- H2/08 revenues in constant currency 15% below H1 and 16% below H2/07
- Product transfers resulted in inefficiencies and lower yields reducing margins by £4m in H2

## Net Margins - Wireless Systems

£ millions	FY 2007	H1 2008	H2 2008	FY 2008
<b>Wireless Systems</b>				
Revenue	79.4	48.1	47.6	95.7
PBIT	9.7	4.9	3.1	8.0
ROS%	12.2%	10.2%	6.4%	8.4%

- H2/08 revenues in constant currency 13% below H1
- Facility consolidation impacting margins
- Lower cost solutions not benefiting from expected volume increases

## Net Margins by Division

£ millions	FY 2007	H1 2008	H2 2008	FY 2008
<b>Total</b>				
Revenue	564.3	315.0	320.4	635.4
PBIT	80.0	37.9	30.5	68.5
ROS%	14.2%	12.0%	9.5%	10.8%

- H2/08 revenues in constant currency 10% below H1 and 14% below H2/07

## Exceptional Items

£ millions	Asset and Inventory Write Down	Restructuring Costs	Total
Handset Products	(0.4)	(3.3)	(3.7)
Performance Materials	(2.9)	(10.5)	(13.4)
Wireless Systems	(0.1)	(3.1)	(3.2)
	(3.4)	(16.9)	†(20.3)

- £15m of savings
- Handsets: Hungary closure, Mexican and Czech production transferred to China and India  
- lower labour costs and facility cost elimination
- Performance Materials: US plant in St Louis to close and Cleveland downsized  
- lower labour costs in China and facility cost elimination
- Wireless Systems: Headcount reductions, facility rationalisation, design transitioning to India

† of £20.3m, £5.6m spent in 2008, and £3.4m non-cash

## Cash Flow

£ millions	2008	2007	
	Continuing	Discontinued	Continuing
Operating profit	68.5	4.4	80.0
Depreciation	12.2	1.7	10.4
Other and non-cash*	(2.5)	-	-
	78.2	6.1	90.4
Increase in working capital†	(1.6)	(10.8)	(25.6)
Net capital expenditure	(28.5)	(1.9)	(25.6)
Operating cash flow	48.1	(6.6)	39.2
<b>Total</b>	<b>48.1</b>	<b>32.6</b>	

- Operating Cash flow 70% of operating profit

\* includes capitalised development, share based payments and gains / losses on asset disposals

† after adjusting for accruals on exceptional items of £9.3 million at 31 December 2008

## Cash Flow

£ millions	2008	2007
Operating cash flow	48.1	32.6
Finance costs	(9.7)	(8.2)
Tax	(17.2)	(7.7)
Trading cash flow	<u>21.2</u>	<u>16.7</u>
Dividends	(21.1)	(120.0)
Acquisitions	(17.7)	(81.4)
Disposals	11.5	219.9
Exceptionals	(9.7)	(4.6)
Additional special pension contributions	(0.7)	(13.6)
Proceeds from issue of shares	0.9	3.2
Other	<u>0.4</u>	<u>-</u>
Increase in net borrowings before exchange	(15.2)	20.2
Exchange on cash and borrowings	(38.9)	3.5
	<u>(54.1)</u>	<u>23.7</u>

## Balance Sheet

£ millions	2008	2007
Shareholders' equity	1585.3	448.5
Net borrowings	139.5	85.4
Capital employed	<u>724.8</u>	<u>533.9</u>

Interest cover (based on PBIT)	8.2	11.5
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- Net borrowings 1.8 x EBITDA (covenant maximum of 3.5 times)  
† £149 million increase in equity due to exchange movements

## EBITDA Covenant Headroom Illustration

£ millions	Minimum Full Year
Net borrowings	<u>139.5</u>
EBITDA	39.9
Depreciation	<u>(13.8)</u>
EBIT	26.1
Interest	(9.0)
PBT	<u>17.1</u>

- Depreciation, interest and borrowings held constant for this illustration
- EBITDA was £78.2m for full year in 2008; would have been c.£100m at y/e x-rate of £1 = \$1.43
- EBITDA of £100m is 250% higher than assumed covenant minimum

## EBITDA Covenant Headroom Illustration

£ millions	H2 Actual 2008	Minimum Half Year
Net borrowings	<u>139.5</u>	<u>139.5</u>
EBITDA	35.0	4.9
Depreciation	<u>(6.9)</u>	<u>(6.9)</u>
EBIT	28.1	(2.0)
Interest	(4.5)	(4.5)
PBT / LBT	<u>23.6</u>	<u>(6.5)</u>

- Depreciation, interest and borrowings held constant for this illustration
- Only £4.9m of EBITDA required in half year to reach £39.9m for twelve months to 30 June 2009

## Facilities

£ millions	2008	
	Total	Drawn
Bank facilities (August 2012)	265.0	75.1
Private Placement		
Due 2010-2012	7.0	7.0
Due 2014	67.5	67.5
Due 2016	29.9	29.9
	104.4	104.4
<b>Total facilities</b>	<b>369.4</b>	<b>179.5</b>
<b>Weighted average maturity (years)</b>	<b>4.4</b>	

## Tax, Earnings & Dividend

Pence per share - continuing	2008	2007
Underlying earnings	27.4	33.1
Underlying tax rate	19.8%	14.9%
Dividend per share <sup>†</sup>	11.88	11.5

Average number of shares (million)	177.2	185.9
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- Underlying tax rate expected to be 23% / 24% in 2009

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

<sup>†</sup> excludes the special dividend of 50 pence per share paid in June 2007



## Business Review

Peter Hill

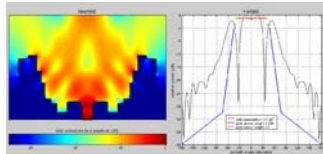
“We provide specialist products and solutions for our customers that allow their own electronic devices to operate functionally, efficiently and cost effectively”

## Demand Drivers:

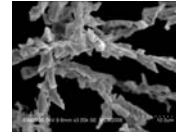
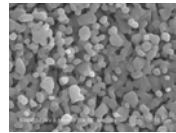
- Customers' need for our products continues to increase:
  - more EMI, more heat = more opportunities for us
  - increasing trend to wireless connectivity
  - changing designs and form factors
- Increasing penetration with new and existing customers
- Unique range of products and solutions:
  - ability to increase content and "value add" in a unit
  - ability to combine products and exploit convergence
- Opportunity to increase market share through technology and innovation

# Technology & Innovation

- Maintaining leadership, with R&D spend of £39.0 million
- Global skill base with 800 qualified engineers and technologists (Dec '07: 660)
- Industry leading position with 725 patents issued (Dec '07: 610) plus 476 pending
- Developed and released 68 new product platforms
- Corporate Research Labs in Bangalore already yielding results
- Programme wins through new North American design centre in Silicon Valley
- Technology leadership and know how helps underpin competitive position



Our Artificial Intelligence Optimiser provides the highest performance antenna design solution at significantly reduced time and development cost



Nanoparticle development for next generation of thermo-electric materials, captured using scanning electron microscopy in our Corporate Research Lab in Bangalore, India.

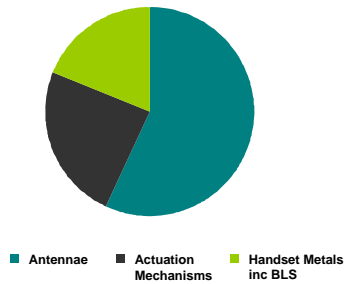


## Handset Products Division

“We design, develop and supply components and systems that provide and enhance the connectivity, performance and physical functionality of handsets and handheld devices, helping people to communicate better and faster, by voice or with data”

# Handset Products

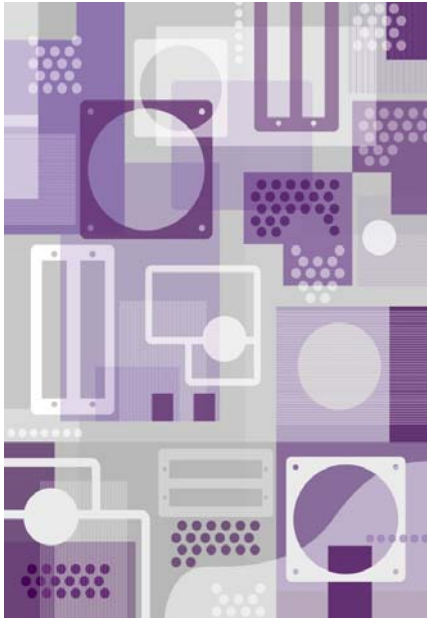
## 2008 REVENUE BY PRODUCT SEGMENT



- All segments down in Q4
- 2009 global handset shipments expected to decline by at least 10% compared with 2008; mitigation steps in place
- Successful in broadening customer base
- Closure of Hungary; Czech and Mexico handset products relocated to China; India ramping up
- No.1 or 2 positions in all product segments
- Technology leadership in antennae, mechanisms and "high end" BLS (commoditising at the "low end")
- Maintaining investment to enhance capabilities and support new programme awards

# Handset Products

- Nokia: Leadership position maintained – growth across all product lines
- Samsung: First significant BLS sales in 2008; mechanisms design awards for 2009 shipment; confident of antennae penetration
- LG: Antennae sales growth; quoting BLS
- Motorola: Sales down (particularly BLS); but antennae share gains
- SEMC: sales down with SEMC drop in handset shipments
- Huawei / HTC: Gaining traction
- First programmes at RIM and Palm; iPhone award for 2009
- Well positioned for mobile broadband PC developments

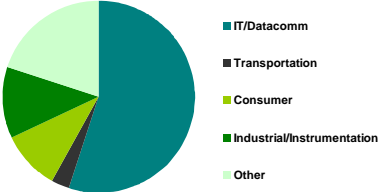


## Performance Materials Division

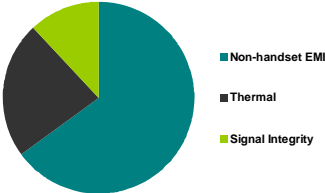
“Our customised, high precision products and systems are critical in maintaining and enhancing the integrity and performance of electronic devices.”

# Performance Materials

2008 REVENUE  
BY MARKET SEGMENT



2008 REVENUE  
BY PRODUCT SEGMENT



## Performance Materials

- Revenue fall off in Q4, but business fundamentals sound
- Sales growth in EMI and Thermal to Cisco, Huawei, Motorola, Sun, Juniper, Ericsson, Quanta, Nokia / Siemens and Intel; maintained sales at Dell
- Signal Integrity demand down, particularly at HP, but broadening customer base
- Sales growth of EMI and Thermal into Notebook PCs, and in EMI for flat screen TVs
- New product developments and penetrating new markets
- Pennsylvania plant closed, Missouri and Ohio downsizing announced; expanding in Mexico & China, lowering the cost base for weaker demand in 2009

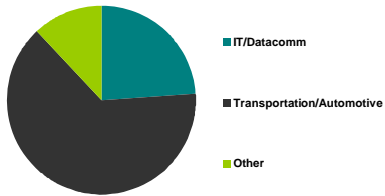


## Wireless Systems Division

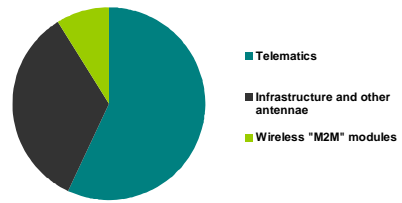
“We design and supply a range of customised, high specification wireless antennae, systems and machine-to-machine (“M2M”) modules for the infrastructure, automotive and transportation, municipal, industrial and instrumentation, datacomm, security, retail and asset management markets.”

# Wireless Systems

2008 REVENUE  
BY MARKET SEGMENT



2008 REVENUE  
BY PRODUCT SEGMENT



## Wireless Systems

- Telematics revenues maintained in 2008 despite automotive downturn – increasing penetration plus major new customers - but fall off in Q3 and Q4
- Growth in infrastructure WLAN, WISP and cellular, plus Land Mobile Radio
- M2M module demand soft throughout the year
- Prepared for a tough 2009; mitigation plans in place
- Increasing vertical integration (China, Malaysia) and moving M2M design to India from US and UK, to reduce the cost base
- Increasing our customer penetration, and geographic spread outside US



## Conclusions

## Summary

- 2008 recap:
  - Tough H2 after strong H1
  - Q4 demand drop off sudden and severe, with supply chain destocking
- Actions taken:
  - Reorganised and repositioned the business, and lowered the cost base
  - Maintaining strong positions with our customers and expanding our penetration
  - Maintaining technology investment to enhance competitive advantage
- Outlook:
  - Not seen further deterioration in revenues this year, though visibility remains limited
  - 2009 will be tough, but will ensure we maintain our competitive position
  - Long term fundamentals of our markets are attractive; our financial position strong
  - Positioning ourselves to benefit when markets recover



Technology for a  
connected world.

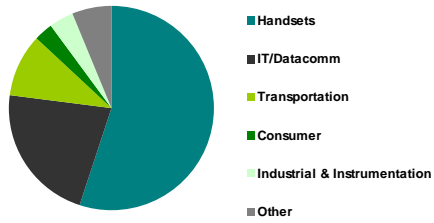
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Value through Innovation



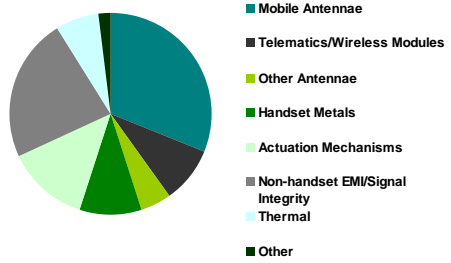
# Appendix

# 2008 Revenue

BY MARKET SEGMENT

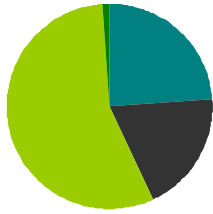


BY PRODUCT SEGMENT

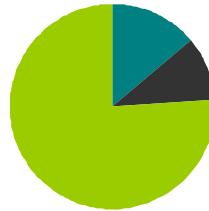


# 2008 Revenue

BY DESTINATION



BY ORIGIN



- North America
- Europe
- Asia
- RoW

90% in low cost countries

## AWS / ECS Segmental

	FY 2007	FY 2008
Revenue (£)		
AWS	257.5	296.1
ECS	306.8	339.2
Total	<u>564.3</u>	<u>635.3</u>
PBIT (£)		
AWS	30.0	27.3
ECS	50.0	41.2
Total	<u>80.0</u>	<u>68.5</u>
PBIT (%)		
AWS	11.7%	9.2%
ECS	16.3%	12.1%
Total	<u>14.2%</u>	<u>10.8%</u>

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