Annual General Meeting

26th February 2015

Chairman: Gareth Jones / **CEO**: Mark Webster / **CFO**: Andrew Boteler / **COO**: Alex Warnock

Photonics and the future

Photonics is the study and design of systems that depend on the transmission, modulation or amplification of streams of photons, the basic unit of light.

- Photonics is increasingly providing better solutions than electronics alone
- Photonics is already transforming manufacturing, aerospace, communications and medicine
- Optics and electronics are becoming inextricably linked and we believe the application of photonics will become ubiquitous
- G&H has a world class photonics components and systems capability
- G&H is well placed to take advantage of and enable what will be a transformational shift in technology

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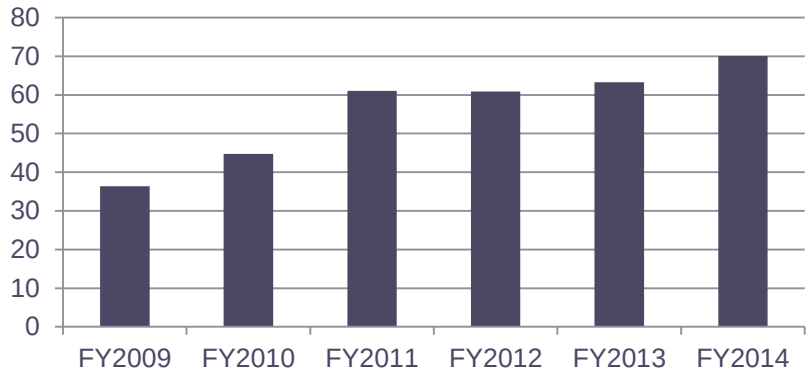
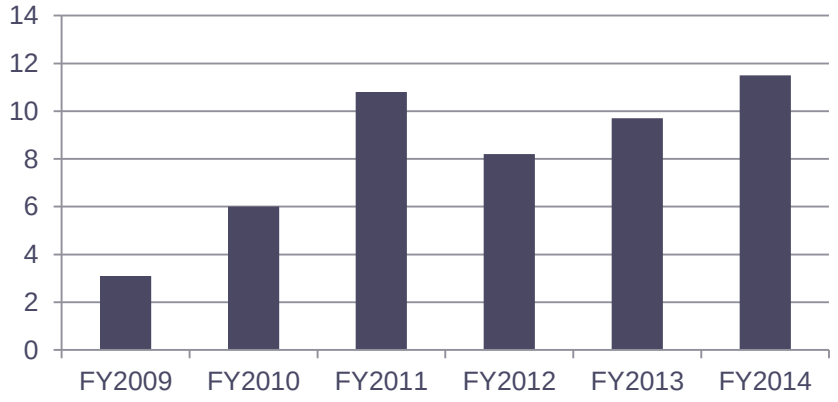
Results at a Glance

Year Ended 30 September	FY 2014	FY 2013	Change
Revenue	**£70.1m**	**£63.3m**	10.7%
Adjusted profit before tax *	**£11.5m**	**£9.7m**	18.6%
Adjusted basic earnings per share *	**35.6p**	**32.0p**	11.3%
Dividend per share	**7.2p**	**6.3p**	14.3%
Net cash	**£8.7m**	**£5.7m**	£3.0m

Revenue £'m



Adjusted PBT £'m



* Adjusted for the amortisation of acquired intangible assets, gain on bargain acquisition, impairment of goodwill, acquisition costs and costs associated with restructuring activities.

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2014 Highlights

- **Grew Revenue** despite foreign exchange headwinds
- **Operating Margin improved** from 16% to 17%
- **R&D spend** increased to 8%
- **Acquisitions**
    1. **Spanoptic** gives presence in aspheric optics and IR, partner in China
    2. **Constelex** gives presence in Space / Satellite
- **Systems Technology Group** now with dedicated facilities in Torquay
- **Site rationalisation** in Melbourne, Florida and New Jersey
- **Increased Cash**
- **Board succession plan** successfully implemented

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2015

- **First 4 months** in line with management expectations
- **Industrial sector showing robust growth** in solid state and fibre optic lasers and telecommunications
- In process of **moving Palo Alto site** across the Bay to Fremont which is an improved facility, with 40% more space for expansion at similar cost
- **Upgrade of Cleveland site** to start this year

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Growth through diversification

The newer markets of Aerospace & Defence and Life Sciences, together with new application areas within our Industrial market, offer the potential for significant growth through their rapid adoption of photonic technologies

Six Year CAGR By Market

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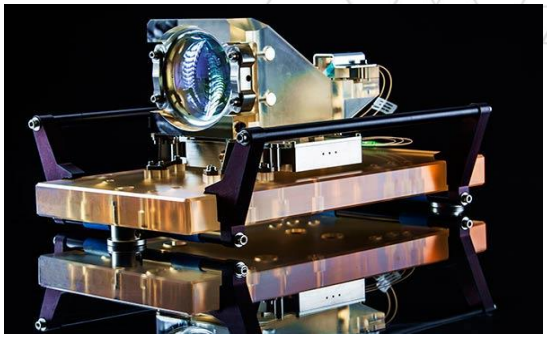
Strategy

Diversify

Exploit high-growth opportunities for photonics technology

- *Fibre Optic lasers*
- *Fibre Optic sensing*
- *Laser surgery*
- *A&D sub- systems and systems*
- *Medical Diagnostics*
- *Space/ Satellite communications*



- **Move up the value chain**

Leverage excellence in components to become a solutions provider

Optics + electronics + software + mechanics = *added value*

Materials => components => modules => systems

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Prepare G&H for future growth

- G&H has **world class components**
- G&H has **world class systems capability** in particular, OCT, fibre optics and space communications
- **8 sites with strong technological heritage** and history of delivering profitable growth
- Aim is to **increase systems capability** across all key market sectors
- Aim is to **leverage the strength of the G&H sites** to present a coherent package to existing and new customers

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Prepare G&H for future growth

Three key areas for improvement:

1. ***Ensuring a consistent high level of operational excellence across all the sites***

   Small corporate group that lead, manage and set standards for supply chain management, quality assurance, compliance, process engineering, lean manufacturing and continuous manufacturing improvement

2. ***Develop deeper ties with key target customers***

   Sufficient presence in US and Far East, hire key Business Development skills / experience in A&D and Life Sciences. Greater focus on business development and moving up the value chain with key customers

Prepare G&H for future growth *cont'd……*

Three key areas for improvement:

3. ***Ensure there is a 'balanced' R&D portfolio that meets the customers strategic needs***

   Prioritise site based projects using rigorous technical, market and financial analysis. Continue to increase resource, in particular STG and focus on high return projects. Balance between short and medium term projects.

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Summary

- **Photonics** is transforming manufacturing, aerospace, communications and medicine
- G&H has a **world class photonics capability** and is well placed to take advantage
- G&H has more than **doubled revenue** since 2008 as a result of its twin strategies of diversification and moving up the value chain
- G&H continues to **meet its financial goals**
- New management wants to **build systems** capabilities across all key market sectors and **leverage sites' capabilities** to present a coherent package to key customers
- A **performance improvement programme** is in place in order to deliver against these aims

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