2016 Interim Results, 11 August 2016

TT Electronics plc

Results for the half-year ended 30 June 2016

For further information, please contact:

TT Electronics
Richard Tyson, Chief Executive Officer
Mark Hoad, Chief Financial Officer
Emma Darke, Head of Investor Relations and Communications Tel: +44 (0)1932 825 300

MHP Communications
Tim Rowntree / Jamie Ricketts / John Olsen Tel: +44 (0)20 3128 8100

An analyst presentation will be held today at 9.00am at Numis, 10 Newgate Street London EC1A 7HD. A replay of the webcast will be available on the investor relations section of our website later today.

Interim Results for the half-year ended 30 June 2016

£ million unless otherwise stated	Underlying[1]				Statutory	
	H1 2016	H1 2015	Change	Change constant fx	**H1 2016**	H1 2015
Continuing operations						
Revenue	**277.0**	263.6	5%	2%	**277.0**	263.6
Operating profit	**13.7**	10.4	32%	24%	**8.8**	7.6
Profit before taxation	**11.4**	9.1	25%	16%	**6.5**	6.3
Earnings per share (pence)	**5.1p**	4.2p	21%	12%	**2.4p**	2.6p
Return on invested capital [2]	**9.5%**	9.0%[3]				
Cash conversion [4]	**68%**	71%				
Free cash flow [5]					**(4.9)**	(5.1)
Net debt (2015: year-end)					**70.7**	56.1
Dividend per share (pence)					**1.7p**	1.7p

1. Excluding the effect of restructuring costs, asset impairments and acquisition related costs.

2. Rolling 12 month underlying operating profit return on average invested capital

3. Return on invested capital for full year 2015

4. Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit

5. Net cash flow from operating activities less net cash flow from investing activities less interest paid

The non-IFRS financial measures reported in this announcement are explained in note 13.

Strategic Progress

- Returned the business to profitable growth
- Transportation Sensing and Control in profit
- Strategic focus enabling robust sales in challenging markets; continuing to win new contracts
- Aero Stanrew integration complete and performing well
- OIP completed well ahead of schedule providing benefits as expected; other on-going self-help actions improving operating efficiency

Financial Headlines

- Revenue growth of 2% at constant currency
- Underlying operating profit up 24% at constant currency; 15% from Aero Stanrew, 9% from self-help actions and underlying business performance
- Steady cash conversion
- Return on invested capital improving

Richard Tyson, Chief Executive Officer, said:

"We are pleased with our performance in the first half of 2016. Our strategy is gaining momentum and we have returned the business to profitable growth. We have delivered good revenue growth in Transportation Sensing and Control, earlier than expected, and the division is back in profit.

Whilst the uncertain macro-economic environment continues to impact some market segments, our self-help actions are producing tangible benefits. The combination of our underlying business performance and the contribution from Aero Stanrew mean we are confident of continued progress in 2016."

H1 2016 OVERVIEW

We are pleased with our performance in the first half and have returned the business to profitable growth. Group revenue increased by 5 per cent to £277.0 million, or 2 per cent excluding the effects of foreign exchange (plus £8.5 million). Excluding the £9.0 million revenue contribution from Aero Stanrew, revenue declined by 2% on an organic basis.

The Group's order book remains sound although the order intake has been mixed across different markets. Strong demand from automotive markets benefited Transportation Sensing and Control and Advanced Components. North American industrial markets remained challenging, affecting our performance in parts of Industrial Sensing and Control, Advanced Components and IMS.

Underlying operating profit increased by 32 per cent to £13.7 million (H1 2015: £10.4 million) with the improvement mainly driven by Transportation Sensing and Control returning to profitability, the contribution from Aero Stanrew, together with on-going improvements in cost efficiency. Underlying operating profit increased by 24 per cent at constant currency of which 15 per cent related to the contribution from Aero Stanrew and 9 per cent to underlying improvement. There was a £0.8 million foreign exchange benefit and if current exchange rates continue throughout the rest of the year, the currency translation impact on the Group's results is expected to be positive. We do not currently anticipate any significant impact on the Group's trading following the UK referendum on Brexit.

Cash performance was steady with cash conversion of 68 per cent (H1 2015: 71 per cent) and a reduced free cash outflow of £4.9 million (H1 2015: outflow £5.1 million). Higher working capital requirements reflected growth in Transportation Sensing and Control and a very strong 2015 year end performance which resulted in a working capital outflow of £8.2 million (H1 2015: outflow £4.5 million). Our continued operational focus resulted in a £2.0 million inflow from inventory reduction. The Group's net debt increased to £70.7 million at 30 June 2016 (31 December 2015: £56.1 million) reflecting both spend on restructuring projects and the 2015 final dividend payment. In May 2016 the Group signed a new five year £150 million multi-currency revolving credit facility to replace the £75 million multi-currency and $60 million US dollar facilities.

STRATEGIC PROGRESS

Our strategy is to build leading positions in markets with structural growth drivers where we have strong and differentiated capabilities to create long term value for our shareholders. Our organisational agility is allowing us to respond quickly to changing customer and market dynamics.

The business is now well placed to benefit from higher demand coming from the drive for increased efficiency, accuracy and reliability of electronic components. In the automotive industry, growth is being driven by the increased electrification of the vehicle and the engine. We continue to focus on safety, emissions and power electronics where tightening legislation is driving demand for our solutions. In the industrial space, the trend for increasing electric content has extended into consumer electrical equipment where we have seen increased demand for specialist resistors and optical sensors.

Following the acquisition of Aero Stanrew in December 2015, the integration process was executed smoothly and is now complete. The business is focused on higher margin growth segments and we continue to develop our market leading position in electromagnetics and power electronic components and assemblies. Aero Stanrew has performed well and early customer indications have reinforced its potential within TT Electronics.

Opportunities for increased operational collaboration have been identified in addition to a growing pipeline of prospects in both existing TT Electronics and Aero Stanrew customers. During the early stages of integration, Aero Stanrew and IMS worked closely together to win a small initial order for test equipment in the aerospace and defence sector. More recently, we have identified the opportunity to utilise our existing expertise and operations in Malaysia to build civil aerospace components for one of Aero Stanrew's customers. Applicable skills for industrial markets are being adapted to meet the more rigorous testing requirements of our aerospace customers.

Across our other divisions, Transportation Sensing and Control and IMS have collaborated to meet a customer's cabling requirements resulting in a new contract award for 2017. IMS has now also taken over production of all of Transportation Sensing and Controls' printed circuit board (PCB) requirements in Romania. Working collaboratively has allowed our divisions to share expertise, capabilities and customer opportunities in ways not previously possible.

As previously indicated, we have been exploring further self-help actions to improve operating efficiency. We have announced the transfer of our remaining activities from Fullerton (US) to Bedlington (UK) where we are creating a centre of excellence for power hybrid assemblies. The move is ahead of schedule and we will fully exit the Fullerton site in 2017. We have also announced the transfer of the last of our US thick film production from Corpus Christi (US) to Mexicali (Mexico), utilising our lower cost capabilities and consolidating thick film production for the region into a single site. Finally, we are closing our Basingstoke site, moving operations to Sheffield and engineering skills to Cambridge, where a small team will support R&D efforts across three of our divisions.

Our site simplifications are complemented by a continued focus on lean initiatives. Three lean site pilots are underway and a fourth will take place in H2. 14 additional Master Lean Practitioners ('MLPs') were trained in H1 giving us a 30 strong MLP community. Every site now has a trained lean practitioner. Across lines on our pilots, stock turns have improved by more than 30%. In Suzhou, we have halved the lead time for printed circuit board assembly ('PCBA'). These early successes highlight the potential from the continued implementation of lean techniques across the business.

DIVISIONAL REVIEWS

TRANSPORTATION SENSING AND CONTROL

The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. TT develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by our customers.

	H1 2016	H1 2015	Change	Change constant fx
Revenue	**£117.8m**	£107.5m	10%	5%
Underlying operating profit	**£1.7m**	£(0.9)m	289%	267%
Underlying operating profit margin	**1.4%**	(0.8)%	220bps	210bps

Revenue in the first half of 2016 was £117.8 million (H1 2015: £107.5 million), an organic increase of 5 per cent, excluding a foreign exchange benefit of £4.4 million. Organic growth was delivered earlier than anticipated as a result of strong demand in Europe as well growth in the Chinese market where we have won new contracts to service the growing domestic market.

As anticipated, the division returned to profit in the first half, supported by the benefits of the Operational Improvement Plan as well as on-going operational efficiencies, together with good organic growth. The underlying operating profit of £1.7 million (H1 2015: loss £0.9 million) resulted in an operating margin of 1.4 per cent (H1 2015: minus 0.8 per cent) and included a £0.2 million foreign exchange benefit.

The division saw continued momentum in China following our strategy to target growth from the sizeable domestic market. We have seen increased production volumes with a large automotive customer for a pedal platform as well as increased volumes for speed sensor crankshaft components. The speed sensor is a redeployment of technology platforms originally developed by our European operations. We have also converted two further opportunities for truck pedals into contracts.

We have started to make early progress in the US with our first development order from one of the big three automotive OEMs marking our re-entry into large US market where we see opportunities to grow market share over the medium term. The development order is for a linear sensor on our SIMPSpad technology for a suspension damper application. These innovative sensors provide car position and speed information using fewer parts than needed before, bringing accuracy, reliability and cost benefits to our customers.

In France, we have won a three year LED project for five different head lamps for a large French OEM.

Our successes in China, the US and France are broadening our customer base, demonstrating results from targeting markets where we have low share and reducing our customer concentration.

INDUSTRIAL SENSING AND CONTROL

The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision, speed of response, reliability or the physical environment in which the products operate. Its position, pressure, temperature, flow and fluid quality sensors are used for critical applications in a range of end markets including industrial automation and process control, medical and aerospace sectors.

	H1 2016	H1 2015	Change	Change constant fx
Revenue	**£30.4m**	£33.8m	(10)%	(15)%
Underlying operating profit	**£5.5m**	£6.4m	(14)%	(20%)
Underlying operating profit margin	**18.1%**	18.9%	-80bps	-120bps

First half revenue was £30.4 million (H1 2015: £33.8 million), an organic decrease of 15 per cent, excluding a £1.6 million foreign exchange contribution. This decline was partially due to the 2015 pull forward in demand resulting from a customer request, ahead of a change in material supply linked to a key programme in H1 2015. North American industrial weakness as seen in Advanced Components last year, also had some impact on the growth momentum for wider industrial sensors.

Underlying operating profit for the period declined by 14 per cent to £5.5 million (H1: 2015: £6.4 million) on the back of reduced revenues and increased R&D expense. Operating margins reduced by 80 basis points to 18.1 per cent (H1 2015: 18.9 per cent). There was a £0.4 million foreign exchange benefit.

We continue with our focused process driven approach for R&D, targeting industry segments which have an increased requirement for high specification sensors, requiring superior reliability and accuracy such as factory automation and medical equipment. In May, we launched a next generation optical presence and position sensor, Photologic® V. The sensor is used in industrial printing and paper handling, factory automation and medical equipment.

Collaboration between Industrial Sensing and Control and Transportation Sensing and Control has resulted in core electronic capabilities from the Transportation division being deployed in the launch of a new pressure sensor, TPM, developed in Klingenberg.

ADVANCED COMPONENTS

The Advanced Components division creates specialist, high performance, ultra-reliable, highly engineered electronic components for circuit protection, power management, signal conditioning and connectivity applications in harsh environments. It serves customers in the industrial, automotive, aerospace, defence and medical markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic circuits or systems.

	H1 2016	H1 2015	Change	Change constant fx
Revenue	**£56.5m**	£49.8m	13%	11%
Underlying operating profit	**£4.3m**	£3.4m	26%	24%
Underlying operating profit margin	**7.6%**	6.8%	80bps	80bps

Revenue for the first half was £56.5 million (H1 2015: £49.8 million) an increase of 13 per cent. Excluding the £9.0 million revenue contribution from Aero Stanrew and a £1.1 million foreign exchange benefit, there was a 7 per cent organic decline with the base business performance stabilising following the downturn in North American demand experienced in the second half of 2015.

There was an improvement in underlying operating profit for the period to £4.3 million (H1 2015: £3.4 million). The increase was due to the £1.6 million contribution from Aero Stanrew, partially offset by the drop-through on the organic revenue reduction. Operating margins improved by 80 basis points to 7.6 per cent (H1 2015: 6.8%). There was a £0.1 million foreign exchange benefit.

We saw a good contribution from Aero Stanrew, which is performing well. The integration process was executed smoothly and is now complete. Early customer indications confirm potential to grow a market leading position in the design, development and production of electromagnetic components and electronic sub-systems. The business continues to provide components and sub-systems for numerous aerospace and defence programmes where we have single source positions. This includes components for the Joint Strike Fighter ('JSF') programme which has begun to ramp up and volume growth for our Power Distribution Panel, a higher value sub-system designed alongside the customer. The order intake has been strong and is positioning the business well for the growth expected.

We have seen good progress in our magnetics and connectors offerings, a key area of strategic focus for Advanced Components, including wins in the automotive and defence markets. As part of our leading edge product development, we have designed a new connector, Mag-NET which is being used in demonstration equipment in trials for a large customer in the defence industry.

IMS

The IMS division draws on its manufacturing design engineering capabilities, global facilities and world-class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The business has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

	H1 2016	H1 2015	Change	Change constant fx
Revenue	**£72.3m**	£72.5m	(0)%	(2)%
Underlying operating profit	**£2.2m**	£1.5m	47%	40%
Underlying operating profit margin	**3.0%**	2.1%	90bps	90bps

Revenue for the first half was broadly flat at £72.3 million (H1 2015: £72.5 million), although it declined by 2 per cent on an organic basis, excluding a £1.4 million foreign exchange benefit. We have seen strong domestic demand in China, partially offsetting weakness in North American industrial markets.

Underlying operating profit for the period improved by 47 per cent to £2.2 million (H1 2015: £1.5 million) and by 40 per cent on a constant currency basis. Operating margins improved by 90 basis points to 3.0 per cent (H1 2015: 2.1 per cent). Despite the organic revenue decline, profitability has been improved as a result of strong cost discipline and on-going operational efficiency.

Our Chinese operation benefited from increased demand from an urban rail infrastructure customer in China and a contract award for vacuum pumps for semiconductors in South Korea. Conversely, our US operations are facing continued market headwinds and in the first half a defence project in North America has reached the planned end of its cycle which is affecting volumes.

In Europe, there have been opportunities to collaborate in Romania with the Transportation Sensing and Control division on PCBs as outlined above. After an initial small order for test equipment in the aerospace and defence sector, IMS and Aero Stanrew have continued to work together to identify opportunities to collaborate on shared operations and customer initiatives.

OTHER FINANCIAL INFORMATION

The net interest expense of £2.3 million increased by £1.0 million (H1 2015: £1.3 million) primarily as a result of the increased debt associated with the acquisition of Aero Stanrew. Underlying profit before tax improved by 25 per cent to £11.4 million (H1 2015: £9.1 million) representing a 16 per cent increase on a constant currency basis.

The underlying effective tax rate was 28.1 per cent (H1 2015: 26.9 per cent; Full Year 2015: 27.0 per cent) and basic underlying earnings per share increased by 21 per cent to 5.1 pence (H1 2015: 4.2 pence), and by 12 per cent at constant currency.

The profit for the period reduced to £3.9 million (H1 2015: £4.1 million) after a charge for items excluded from underlying profit of £4.9 million (H1 2015: £2.8 million). Included within this charge were restructuring costs of £3.3 million, which related principally to the Operational Improvement Plan, and acquisition costs of £1.6 million (H1 2015: £0.6 million) relating mainly to acquisition integration costs, the non-cash amortisation of acquisition intangibles net of the release of a surplus disposal provision. The cash costs relating to these items totalled £7.8 million (H1 2015: £4.7 million).

Net debt at the end of the period was £70.7 million (2015 year-end: £56.1 million). Net debt to underlying EBITDA at the end of the first half was 1.5 times (2015 year-end: 1.3 times, H1 2015: 0.5 times).

In May, the Group signed a £150 million multi-currency revolving credit facility to replace the £75 million multi-currency and US$60 million facility which expired in August 2016. The facility has a five year term. The margin on drawings has been reduced and certain covenants have been relaxed including the net debt to EBITDA covenant, which has been changed from 2.75 times to 3.0 times. At the balance sheet date £36.1 million of these total long-term borrowing commitments remained undrawn.

The net accounting deficit under the Group's defined benefit pension scheme reduced to £1.3 million (2015 year-end: £21.1 million). The improvement in the position of the scheme was due to improved asset returns and reduced inflation rates, partially offset by reduced discount rates. Deficit contributions of £2.2 million were made to the UK scheme in the first half. A triennial valuation of the UK scheme is currently underway.

DIVIDEND

The Board has declared an interim dividend of 1.7 pence per share. Payment of the dividend will be made on 20 October 2016 to shareholders on the register on 7 October 2016.

OUTLOOK

We are pleased with our performance in the first half of 2016. Our strategy is gaining momentum and we have returned the business to profitable growth. We have delivered good revenue growth in Transportation Sensing and Control, earlier than expected, and the division is back in profit.

Whilst the uncertain macro-economic environment continues to impact some market segments, our self-help actions are producing tangible benefits. The combination of our underlying business performance and the contribution from Aero Stanrew mean we are confident of continued progress in 2016.

Interim Results for the half-year ended 30 June 2016

GOING CONCERN

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 "Interim Financial Reporting" as adopted by the EU;
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
  (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
  (ii) a description of the principal risks and uncertainties for the remaining six months of the year
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
  (i) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
  (ii) any changes in the related parties transactions described in the Annual Report 2015 that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Richard Tyson
Chief Executive Officer
10 August 2016

Mark Hoad
Chief Financial Officer
10 August 2016

Cautionary statement

This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Independent review report to TT Electronics plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mike Barradell

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

10 August 2016

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2016

£million (unless otherwise stated)	Note	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue	3	**277.0**	263.6	509.9
Cost of sales		**(226.5)**	(216.0)	(417.5)
Gross profit		**50.5**	47.6	92.4
Distribution costs		**(16.1)**	(16.1)	(29.0)
Administrative expenses		**(26.2)**	(24.4)	(48.2)
Other operating income		**0.6**	0.5	1.1
Operating profit		**8.8**	7.6	16.3
Analysed as:				
Underlying operating profit	3a	**13.7**	10.4	21.7
Restructuring	4	**(3.3)**	(2.2)	(2.9)
Asset impairments	4	**–**	–	(1.7)
Acquisition related costs	4	**(1.6)**	(0.6)	(0.8)
Finance income		**1.6**	1.4	1.8
Finance costs		**(3.9)**	(2.7)	(4.3)
Profit before taxation		**6.5**	6.3	13.8
Taxation	5	**(2.6)**	(2.2)	(3.4)
Profit for the period attributable to owners of the Company		**3.9**	4.1	10.4

EPS attributable to owners of the Company (p)				
Basic	6	**2.4**	2.6	6.5
Diluted	6	**2.4**	2.6	6.5

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2016

£million	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Profit for the period	**3.9**	4.1	10.4
Other comprehensive income/(expense) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**12.6**	(2.8)	2.5
Gain/(loss) on hedge of net investment in foreign operations	**5.0**	(3.4)	(1.2)
Net (loss)/gain on cash flow hedges taken to equity less amounts taken to income statement	**(0.7)**	0.8	(0.1)
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	**18.1**	(6.4)	(11.4)
Remeasurement of other post-employment benefits	**–**	–	0.1
Tax on remeasurement of defined benefit pension schemes	**(3.3)**	1.3	1.9
Total comprehensive income/(loss) for the period	**35.6**	(6.4)	2.2

Total comprehensive income for the six months ended 30 June 2016 is entirely attributable to the owners of the Company.

Condensed consolidated balance sheet (unaudited)

at 30 June 2016

£million	Note	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015*
ASSETS				
Non-current assets				
Property, plant and equipment		**89.8**	87.0	89.6
Goodwill		**101.2**	68.8	95.2
Other intangible assets		**36.2**	19.3	36.6
Deferred tax assets		**2.1**	6.6	4.9
Pensions	8	**1.9**	–	–
Total non-current assets		**231.2**	181.7	226.3
Current assets				
Inventories		**83.8**	73.3	79.9
Trade and other receivables		**93.3**	73.2	71.9
Derivative financial instruments		**0.6**	0.8	0.2
Cash and cash equivalents		**44.3**	34.9	40.9
Assets held for sale		**5.9**	–	–
Total current assets		**227.9**	182.2	192.9
Total assets		**459.1**	363.9	419.2
LIABILITIES				
Current liabilities				
Borrowings		**1.5**	1.2	1.8
Derivative financial instruments		**2.6**	0.9	1.3
Trade and other payables		**95.8**	76.0	83.7
Income taxes payable		**8.0**	6.0	7.4
Provisions		**8.3**	15.9	12.6
Total current liabilities		**116.2**	100.0	106.8
Non-current liabilities				
Borrowings		**113.5**	59.1	95.2
Deferred tax liability		**3.5**	5.9	4.3
Pensions	8	**3.2**	16.8	21.1
Provisions		**–**	0.3	0.2
Other non-current liabilities		**4.6**	5.6	4.2
Total non-current liabilities		**124.8**	87.7	125.0
Total liabilities		**241.0**	187.7	231.8
Net assets		**218.1**	176.2	187.4
EQUITY				
Share capital		**40.6**	39.8	40.5
Share premium		**5.4**	1.6	5.2
Share options reserve		**4.6**	2.6	3.6
Hedging and translation reserve		**35.0**	11.5	18.1
Retained earnings		**130.5**	118.7	118.0
Equity attributable to owners of the Company		**216.1**	174.2	185.4
Non-controlling interest		**2.0**	2.0	2.0
Total equity		**218.1**	176.2	187.4

* Updated to reflect remeasured fair values on the acquisition of Aero Stanrew Group Limited (see note 2 b))

Approved by the Board of Directors on 10 August 2016 and signed on their behalf by:

Richard Tyson Director

Mark Hoad Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2016

£million	Share capital	Share premium	Share options reserve	Hedging and translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2016	40.5	5.2	3.6	18.1	118.0	**185.4**	2.0	**187.4**
Profit for the period	–	–	–	–	3.9	**3.9**	–	**3.9**
Other comprehensive /income:								
Exchange differences on translation of foreign operations	–	–	–	12.6	–	**12.6**	–	**12.6**
Net gain on hedge of net investment in foreign operations	–	–	–	5.0	–	**5.0**	–	**5.0**
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(0.7)	–	**(0.7)**	–	**(0.7)**
Remeasurement of defined benefit pension schemes	–	–	–	–	18.1	**18.1**	–	**18.1**
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	(3.3)	**(3.3)**	–	**(3.3)**
Total other comprehensive income	–	–	–	16.9	14.8	31.7	–	31.7
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	–	–	(6.2)	**(6.2)**	–	**(6.2)**
Share-based payments	–	–	1.0	–	–	**1.0**	–	**1.0**
New shares issued	0.1	0.2	–	–	–	**0.3**	–	**0.3**
At 30 June 2016	40.6	5.4	4.6	35.0	130.5	**216.1**	2.0	**218.1**
At 1 January 2015	39.8	1.5	1.9	16.9	125.7	185.8	2.0	187.8
Profit for the period	–	–	–	–	4.1	4.1	–	4.1
Other comprehensive (expense)/income:								
Exchange differences on translation of foreign operations	–	–	–	(2.8)	–	(2.8)	–	(2.8)
Net loss on hedge of net investment in foreign operations	–	–	–	(3.4)	–	(3.4)	–	(3.4)
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.8	–	0.8	–	0.8
Remeasurement of defined benefit pension schemes	–	–	–	–	(6.4)	(6.4)	–	(6.4)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	1.3	1.3	–	1.3
Total other comprehensive income	–	–	–	(5.4)	(5.1)	(10.5)	–	(10.5)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Share-based payments	–	–	0.7	–	–	0.7	–	0.7
New shares issued	–	0.1	–	–	–	0.1	–	0.1
At 30 June 2015	39.8	1.6	2.6	11.5	118.7	174.2	2.0	176.2

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2016

£million	Note	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Cash flows from operating activities				
Profit for the period		**3.9**	4.1	10.4
Taxation		**2.6**	2.2	3.4
Net finance costs		**2.3**	1.3	2.5
Restructuring		**3.3**	2.2	2.9
Acquisition related costs		**1.6**	0.6	0.8
Asset impairments		**–**	–	1.7
Underlying operating profit		**13.7**	10.4	21.7
Adjustments for:				
Depreciation of property, plant and equipment		**9.1**	8.0	15.9
Amortisation of intangible assets		**2.5**	2.0	4.4
Other items		**1.1**	0.4	1.0
Decrease in inventories		**2.0**	2.9	2.2
(Increase)/decrease in receivables		**(16.8)**	(5.2)	3.5
Increase/(decrease) in payables		**6.6**	(2.2)	(1.1)
Underlying operating cash flow		**18.2**	16.3	47.6
Special payments to pension funds		**(2.2)**	(2.1)	(4.3)
Restructuring and acquisition related items		**(7.8)**	(4.7)	(10.1)
Net cash generated from operations		**8.2**	9.5	33.2
Income taxes paid		**(3.1)**	(4.8)	(7.9)
Net cash flow from operating activities		**5.1**	4.7	25.3
Cash flows from investing activities				
Interest received		**0.1**	–	0.1
Purchase of property, plant and equipment		**(7.4)**	(7.4)	(15.1)
Proceeds from sale of property, plant and equipment and grants received		**0.4**	0.4	0.8
Development expenditure		**(0.5)**	(0.8)	(1.3)
Purchase of other intangibles		**(1.4)**	(1.1)	(2.5)
Acquisitions of businesses		**–**	–	(39.8)
Cash with acquired businesses		**–**	–	1.6
Net cash flow from investing activities		**(8.8)**	(8.9)	(56.2)
Cash flows from financing activities				
Issue of share capital		**–**	0.1	0.5
Interest paid		**(1.2)**	(0.9)	(2.2)
Repayment of borrowings		**(93.7)**	(5.0)	(2.9)
Proceeds from borrowings		**106.8**	12.9	44.6
Finance leases		**(0.2)**	–	–
Other items		**(0.3)**	–	(0.1)
Dividends paid by the Company		**(6.2)**	(6.0)	(8.7)
Net cash flow from financing activities		**5.2**	1.1	31.2
Net increase/(decrease) in cash and cash equivalents		**1.5**	(3.1)	0.3
Cash and cash equivalents at beginning of period	9	**40.3**	39.4	39.4
Exchange differences	9	**2.5**	(1.4)	0.6
Cash and cash equivalents at end of period	9	**44.3**	34.9	40.3

Notes to the Condensed consolidated financial statements (unaudited)

1. General information

The Condensed consolidated financial statements for the six months ended 30 June 2016 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. They do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2015 are based on the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

These condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2015 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015. Adoption of amendments to published standards and interpretations effective for the Group for the half-year ended 30 June 2016 did not have any impact on the financial position and performance of the Group.

Comparative financial information for the year ended 31 December 2015 has been updated to reflect remeasured fair values on the acquisition of Aero Stanrew Group Limited. The effect on the balance sheet was to decrease trade and other receivables by £0.3 million and to increase goodwill by £0.3 million.

c) Estimates

The preparation of half-year condensed consolidated financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

d) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the condensed consolidated half-year financial statements. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on pages 2 to 7.

2. Basis of preparation (continued)

The Group had net debt of £70.7 million at 30 June 2016 (31 December 2015: £56.1 million). In May 2016 the Group signed a new five year £150 million multi-currency revolving credit facility to replace the £75 million multi-currency and $60 million US dollar facilities. The Group had available £54.4 million of undrawn committed borrowing facilities and £53.3 million of undrawn uncommitted borrowing facilities, representing overdraft lines (£23.3 million) and the accordion facility (£30.0 million). Given the considerable financial resources available, together with long term partnerships with a number of key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group continues to manage foreign currency risk at a transactional level through the use of hedges which are monitored by the Group Treasury Committee.

The Treasury Committee regularly reviews counterparty credit risk, and ensures cash balances are held with carefully assessed counterparties with strong credit ratings.

Pages 24 to 25 of the 2015 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

The Group is organised into four divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 'Operating segments' and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- Transportation Sensing and Control – The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. The division develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by our customers;
- Industrial Sensing and Control – The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision; speed of response; reliability or physical environment in developing position, pressure, temperature, flow and fluid quality sensors which are used for critical applications in a range of end markets including industrial automation, industrial process control, medical and aerospace sectors;
- Advanced Components – The Advanced Components division creates specialist, high performance, ultra-reliable, highly engineered electronic components for circuit protection, power management, signal conditioning and connectivity applications in harsh environments. The division serves customers in the industrial, automotive, aerospace, defence and medical markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic circuits or systems; and

3. Segmental reporting (continued)

- Integrated Manufacturing Services ('IMS') – The IMS division draws on its manufacturing design engineering capabilities, global facilities and world-class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The division has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

The accounting policies of the reportable segments are the same as the Group's accounting policies and are as published in the 2015 Annual Report.

The key performance measure of the operating segments is underlying operating profit. The Group reports non-trading income or expenditure outside underlying operating profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position. Segment underlying operating profit represents the profit earned by each segment after the allocation of central head office administration costs and is reviewed by the chief operating decision maker.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Goodwill is allocated to the individual cash generating units within the segment of which it is a part.

a) Income statement information

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Six months ended 30 June 2016 Total
Revenue from external customers	**117.8**	**30.4**	**56.5**	**72.3**	**277.0**
Segment underlying operating profit	**1.7**	**5.5**	**4.3**	**2.2**	**13.7**
Adjustments to underlying operating profit (note 4)					**(4.9)**
Operating profit					**8.8**
Net finance costs					**(2.3)**
Profit before taxation					**6.5**

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Six months ended 30 June 2015 Total
Revenue from external customers	107.5	33.8	49.8	72.5	263.6
Segment underlying operating profit	(0.9)	6.4	3.4	1.5	10.4
Adjustments to underlying operating profit (note 4)					(2.8)
Operating profit					7.6
Net finance costs					(1.3)
Profit before taxation					6.3

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Year ended 31 December 2015 Total
Revenue from external customers	205.8	61.0	95.3	147.8	509.9
Segment underlying operating profit	(1.4)	11.4	6.0	5.7	21.7
Adjustments to underlying operating profit (note 4)					(5.4)
Operating profit					16.3
Net finance costs					(2.5)
Profit before taxation					13.8

There is no significant revenue between segments.

b) Analysis of revenue by destination – continuing operations

£million	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
United Kingdom	**46.9**	42.4	82.6
Rest of Europe	**128.3**	119.1	234.5
North America	**49.5**	56.0	101.9
Central and South America	**1.5**	1.5	2.4
Asia	**48.0**	43.3	84.6
Rest of the World	**2.8**	1.3	3.9
Total revenue	**277.0**	263.6	509.9

4. Underlying measures

£million	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Restructuring			
Operational Improvement Plan	**(2.2)**	(1.6)	(1.8)
Other restructuring costs	**(1.1)**	(0.6)	(0.7)
Charges associated with management changes	**–**	–	(0.4)
	(3.3)	(2.2)	(2.9)
Asset impairments	**–**	-	(1.7)
Acquisition related costs			
Contingent consideration	**-**	(0.2)	0.8
Amortisation of intangible assets arising on business combinations	**(1.8)**	(0.4)	(0.8)
Release of divestment provision	**0.9**	-	–
Other acquisition related costs	**(0.7)**	-	(0.8)
	(1.6)	(0.6)	(0.8)
Total	**(4.9)**	(2.8)	(5.4)

Restructuring costs charged in the period relate to further costs incurred on the Operational Improvement Plan initiated in a previous period as well as costs associated with other site restructuring.

Acquisition related costs include a credit of £0.9 million relating to the release of a provision established for warranty liabilities arising from a divestment that is no longer required.

5. Taxation

The half-year tax charge is based on a forecast effective tax rate of 28.1% on profit excluding restructuring, asset impairments and acquisition related costs.

The enacted UK corporation tax rate applicable from 1 April 2015 is 20%, from 1 April 2017 is 19% and from 1 April 2020 is 18%. In addition the UK Government has tabled legislation reducing the Corporation Tax rate to 17% from 1 April 2020, which has yet to be enacted.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to the owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 162.1 million (30 June 2015: 159.0 million, 31 December 2015: 159.2 million).

Underlying earnings per share is based on profit for the period from continuing operations before restructuring costs, asset impairments and acquisition related costs and their associated tax effect.

Pence	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Basic earnings per share	**2.4**	2.6	6.5
Diluted earnings per share	**2.4**	2.6	6.5

The numbers used in calculating underlying earnings per share are shown below:

£million	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Continuing operations			
Profit for the period attributable to owners of the Company	**3.9**	4.1	10.4
Restructuring	**3.3**	2.2	2.9
Acquisition related costs	**1.6**	0.6	1.7
Asset impairments	**–**	–	0.8
Tax effect of above items	**(0.6)**	(0.2)	(1.8)
Underlying earnings	**8.2**	6.7	14.0
Underlying earnings per share (pence)	**5.1**	4.2	8.8

7. Dividends

	Six months ended 30 June 2016 Pence per share	Six months ended 30 June 2016 £million	Year months ended 31 December 2015 Pence per share	Year months ended 31 December 2015 £million
Final dividend for prior year	**3.8**	**6.2**	3.8	6.0
Interim dividend for current year	**–**	**–**	1.7	2.7
	3.8	**6.2**	5.5	8.7

The Directors have declared an interim dividend of 1.7 pence per share which will be paid on 20 October 2016 to shareholders on the register on 7 October 2016. Shares will become ex-dividend on 6 October 2016. The Group has a progressive dividend policy.

8. Retirement benefit schemes

The Group operates one significant defined benefit scheme in the UK and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

The amounts recognised in the condensed consolidated balance sheet are:

£million	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Year ended 31 December 2015
Fair value of assets	**525.4**	451.1	442.2
Present value of funded obligation	**(526.7)**	(467.9)	(463.3)
Net liability recognised in the balance sheet	**(1.3)**	(16.8)	(21.1)
Represented by:			
Schemes in net surplus	**1.9**	–	–
Schemes in net deficit	**(3.2)**	(16.8)	(21.1)

The costs recognised in the condensed consolidated income statement are:

£million	**Six months ended 30 June 2016**	Six months ended 30 June 2015	Year ended 31 December 2015
Scheme administration costs	**0.5**	0.3	0.8
Net interest on employee obligations	**0.3**	0.2	0.4

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1 million compared with £39.4 million at April 2010. Under the existing recovery plan contributions of £4.5 million are to be paid in respect of 2016 to address the deficit. £2.2 million was paid in the half-year. In addition, the Group has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme. An actuarial valuation of the scheme as at April 2016 is currently in progress.

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

£million	**Net cash**	**Borrowings and finance leases**	**Net debt**
At 1 January 2015	39.4	(53.7)	(14.3)
Cash flow	(3.1)	(7.9)	(11.0)
Non-cash items	–	-	-
Exchange differences	(1.4)	1.3	(0.1)
At 1 July 2015	34.9	(60.3)	(25.4)
Cash flow	3.4	(33.7)	(30.3)
Non-cash items	-	(0.2)	(0.2)
Exchange differences	2.0	(2.2)	(0.2)
At 1 January 2016	40.3	(96.4)	(56.1)
Cash flow	1.5	(12.9)	(11.4)
Non-cash items	-	(1.8)	(1.8)
Exchange differences	2.5	(3.9)	(1.4)
At 31 December 2016	**44.3**	**(115.0)**	**(70.7)**

Net cash includes overdraft balances of £nil (30 June 2015: £nil, 31 December 2015: £0.6 million).

10. Share capital

During the period the Company issued 201,094 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.2 million, which was represented by a £0.2 million increase in share premium.

11. Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

No related party transactions have taken place during the six months ended 30 June 2016 that have affected the financial position or performance of the Group.

12. Principal risks and uncertainties

As described on pages 24 to 25 of the 2015 Annual Report, the Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks.

The Group is monitoring developments following the UK referendum on 23 June to leave the EU. TT Electronics is a global engineered electronics company. Within the EU we have operations in Germany, Austria, Romania and the UK. Our UK revenue accounted for 16.2% of Group revenue in 2015. We believe that the outcome of the UK referendum regarding the EU will not have a significant impact on our ability to conduct business into and out of the EU in the short to medium term. However, we recognise that we are entering a period of uncertainty as the exit process is agreed and we are monitoring political and macro-economic developments closely.

The Directors do not believe, that other than as described above, the risks faced by the Group have changed significantly during the first six months of 2016, and these relate to the following areas:

General economic downturn; contractual risks; pricing and margin pressures; product development; health and safety; people and capability; supplier resilience; legal and regulatory compliance.

13. Alternative performance measure definitions

These Interim Financial Statements include financial measures that are not prepared in accordance with IFRS. These non-IFRS financial measures have been selected by management to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

Non-IFRS financial measures are presented in these Interim Financial Statements as management believe that they provide investors with a means of evaluating performance of the Group on a consistent basis, similar to the way in which management evaluates performance, that is not otherwise apparent on an IFRS basis, given that certain non-recurring, infrequent or non-cash items that management does not otherwise believe are indicative of the underlying performance of the Group may not be excluded when preparing financial measures under IFRS. These non-IFRS measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with IFRS.

Underlying operating profit
Definition: Operating profit excluding the impacts of business acquisition and divestment related activity, restructuring costs, impairments of intangible assets.

Organic revenue/operating profit growth
Definition: The percentage change in revenue/operating profit in the current reporting period from the prior reporting period excluding the effects of acquisitions and divestments and the impact of movements in exchange rates.

Underlying earnings per share
Definition: Underlying operating profit after interest and tax divided by the weighted average number of shares in issue during the period.

Cash conversion percentage
Definition: Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit.

Return on invested capital percentage
Definition: Underlying operating profit for the preceding 12 month rolling period divided by monthly average invested capital for the preceding year. Invested capital is net assets excluding provisions, tax balances and financial assets and liabilities, including cash and borrowings.

Free cash flow
Definition: Net cash flow from operating activities less net cash flow from investing activities less interest paid.

Operating margin percentage
Definition: Underlying operating profit divided by revenue.

Stockturn
Definition: annualised underlying cost of sales expressed as a ratio of net inventory at the balance sheet date.