

INVESTOR PRESENTATION

November 2008

Gooch & Housego PLC - A Global Technology Business

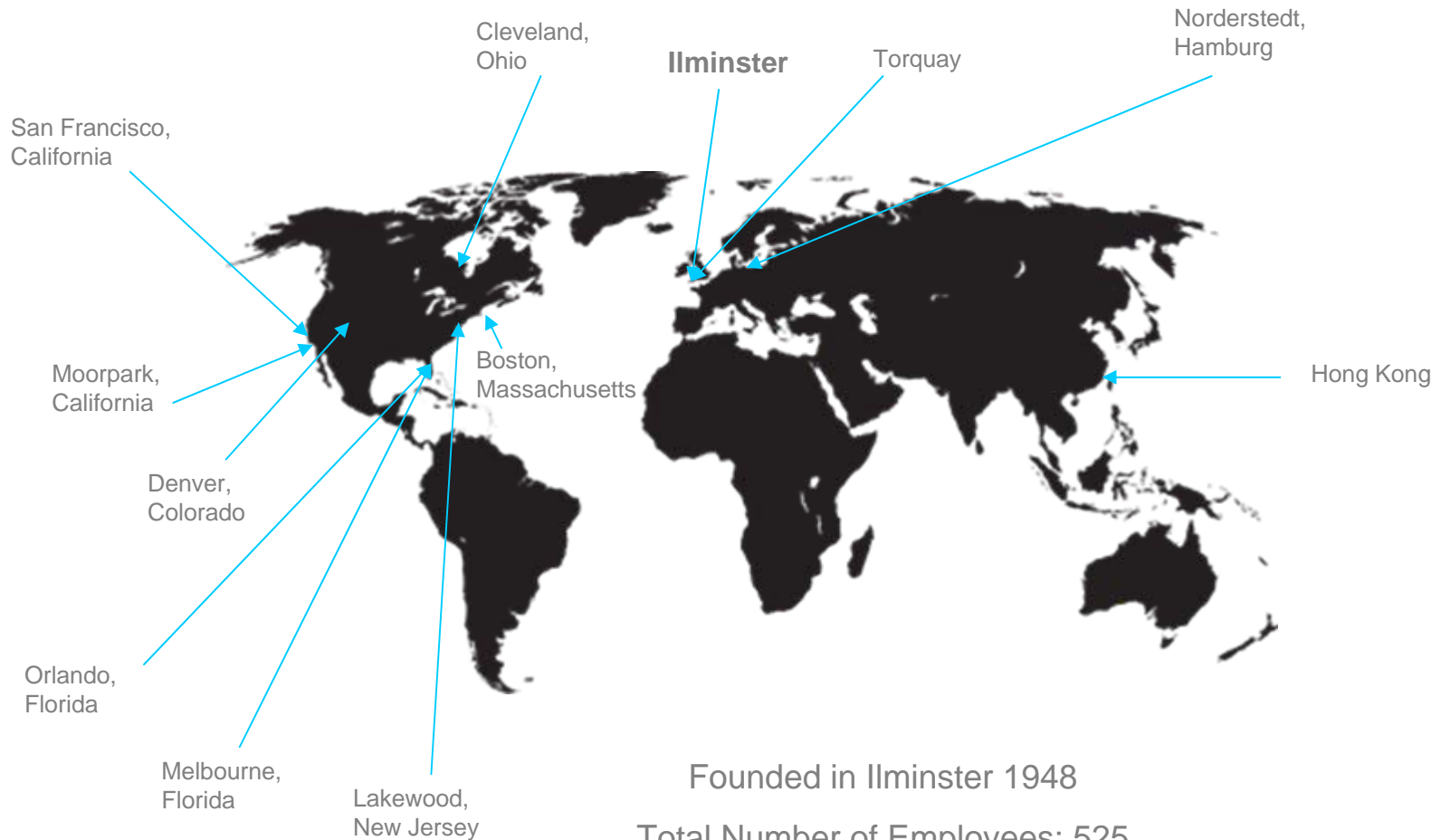
POSITIONED TO EXPLOIT THE ADOPTION OF PHOTONICS

in

Industrial & Research
Aerospace & Defence
Biomedical & Life Sciences

Chairman: Dr Julian Blogh **CEO:** Gareth Jones **CFO:** Peter Quinn

Global Locations



Founded in Iminster 1948

Total Number of Employees: 525

8 Facilities 4 Sales Offices

The Technology is PHOTONICS

“Photonics is the science of harnessing light... and its utilisation for the benefit of mankind”

Pierre Aigrain, 1967

“Just as the technological breakthroughs of the 20th century were enabled by the utilisation of the electron, the 21st century will likely prove to be the century of the photon”

*Photonics 21
European Photonics Initiative*

The invention of the transistor paved the way for the microelectronics industry and the computer age.

The invention of the laser is now driving a revolution in industries as diverse as healthcare, defence, recorded music, automotive manufacturing....

Achievements in 2008

- Reorganised, re-positioned and re-branded Gooch & Housego
- Established new corporate & divisional structures – more tax efficient
- Created new management team and strengthened board
- Created global sales organisation; opened 4 new sales offices
- Completed state-of-the-art Ilminster factory & HQ
- Extended Torquay fibre optics facility
- Acquired General Optics, California, USA
- Invested \$1.0+ million in Life Sciences R&D
- Launched our first two instruments aimed at biomedical research
- Signed distribution agreement with NIKON

2008 Overview

Semiconductor and microelectronics

*Downturn kicked in at the start of the year
No sign of a recovery*

Healthcare and Life Sciences

*Roll out of ophthalmic imaging systems at point-of-care
Optical techniques in diagnostics and biomedical research*

Telecommunications

*Undersea links driving demand for HiRel components
Terrestrial telecoms becoming increasingly competitive*

Aerospace & Defence

*'Smart' weapons research
Battlefield information systems = high bandwidth
Secure communications systems*

Industrial Manufacturing

*Germany resistant; Far East weakening; US weak
Fibre Lasers continue to gain ground*

Acousto Optics - sales down

Fibre Optics - sales up

Precision Optics - sales flat

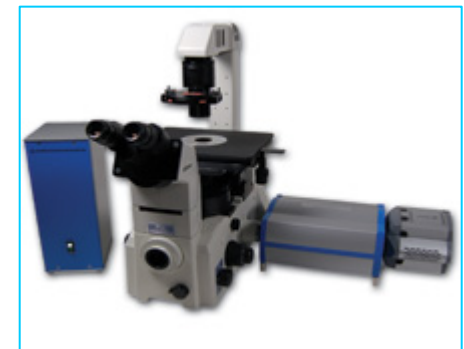
Electro Optics - sales up

Instrumentation - sales flat

Life Sciences – sales up

Financial Impact

- Total revenues up by 8.8%.
 - *helped by first full year contribution from fibre optics acquisition*
- Revenues of core business down by 5.5%
 - *due to downturn in semiconductor business*
- Change in product mix
 - *reduced sales of higher margin acousto-optic products*
 - *increased sales of lower margin fibre-optic products*
- Resulted in decrease in post tax profits of 13.7%



Market Opportunities

Industrial & Research

Fibre Lasers

- *optical isolator*
- *fused fibre combiners*
- *fibre coupled Q-Switches*

Semiconductor Lithography

- *Today: quartz crystal optics for 193nm systems*
- *Tomorrow: EUV reflective optics for 13.5nm*

Laser induced nuclear fusion

- *research into zero-carbon power generation*

Particle Physics

- *Reflective optics for synchrotron radiation*



Market Opportunities

Aerospace & Defence

- Navigation & guidance systems
- Directional Energy Weapons Systems
- High bandwidth communications systems
- Remote Sensing
- Counter Measures
- Range Finding
- Target Designation
- Aircraft data and control systems



Market Opportunities

Instrumentation & Life Sciences

- Microscopy
- Ophthalmic Imaging
- High throughput screening
- Live animal imaging
- Diagnostics
- Remote Sensing
- Process control
- Hazard Detection



Financial Highlights – Income Statement

- Revenue

- Up 8.8% to £33.4m (2007: £30.7m) including first full year contribution from Fibre Optic business acquired in May 2007.

- Operating profit

- £5.4m (2007: £6.5m) - down 17.0%

- Before amortisation of acquired intangible assets £5.7m (2007: £7.0m) - down 19.2%

- Profit before taxation expense

- £5.1m (2007: £6.5m) - down 21.1%

- Profit after taxation expense

- £3.6m (2007: £4.1m) - down 13.7%

- Taxation

- Effective taxation rate 30.3% (2007: 36.3%) - down 6.0%

- Earnings per Share

- Basic 18.5p (2007: 21.9p) - down 15.5%

- Normalised 20.0p (2007: 24.8p) - down 19.4%

- Dividend

- Full year dividend maintained at 4.5p (2007: 4.5p) – Interim 1.5p and Final 3.0p

Financial Highlights – Income Statement

- **Order book**

- Order book of £15.7 million (2007: £12.8m) up 21% over 30 September 2007

- **Gross profit**

- £15.9m or 47.6% (2007: £16.0m or 52.2%) reflects changing business mix

- **EBITDA**

- £6.8m million or 20.3% (2007: £7.7m or 25.1%) despite adverse first quarter trading

- **Operating expenses - Research & Development**

- Increased R&D spend reflecting strategic investment for long term growth

- R&D spend up 42% over 2007 - 8.1% of revenue (2007: 6.2%)

- **Operating expenses – Sales & Marketing**

- Increased Sales & Marketing spend reflecting integrated world-wide sales organisation

- Sales & Marketing spend up 34% over 2007 - 5.6% of revenue (2007: 4.5%)

Income Statement - Summary

	Year to 30/09/2008 £000	Year to 30/09/2007 £000	Change 2008 vs 2007 %
Revenue	33,369	30,675	8.8%
Gross profit	15,890	16,024	-0.8%
Operating expenses	(10,233)	(9,023)	-13.4%
Operating profit before amortisation of acquired intangible assets	5,657	7,001	-19.2%
Amortisation acquired intangible assets	(304)	(551)	44.8%
Operating profit	5,353	6,450	-17.0%
Profit before income tax expense	5,135	6,507	-21.1%
Income tax expense	(1,558)	(2,360)	34.0%
Profit after tax	3,577	4,147	-13.7%
EPS - Basic	18.5p	21.9p	-15.5%
EPS - Normalised	20.0p	24.8p	-19.4%
EPS - Diluted	18.0p	21.5p	-16.3%

Divisional Financial Highlights
Years to 30 September 2008 & 2007
Components & Materials and Instrumentation & Life Sciences
Excluding Head Office

	2008 £m	2007 £m	Change %
Revenue	33.4	30.7	+ 8.8%
EBITDA	9.0	8.8	+2.0%
EBITDA margin %	27.0%	28.8%	- 1.8%
Operating profit before amortisation acquired intangible assets	8.1	8.2	- 1.1%
Operating profit	7.8	7.7	+ 2.0%
Operating profit margin	23.4%	25.0%	- 1.6%

Financial Highlights – Balance Sheet/Cash Flow

Non-current assets

- Up 14.9% to £25.0m (2007: £21.7m) reflecting primarily
 - Investment to complete Dowlish Ford facility
 - Reduction in carrying value of deferred taxation assets on share options

Working capital

- Up 42.5% to £8.6m (2007: £6.0m) reflecting increases in
 - Inventories of £0.8m or 16.7% to £5.9m
 - Trade receivables of £0.9m or 13.0% to £7.5m or 68 days resulting from sales activity and orientation of sales in final quarter of financial year
 - Income taxation receivable less payable of £0.3m resulting from payment of advanced taxation deposits
- Excluding impact of favourable currency movement of £0.5m up 34.5% to £8.1m

Cash & Borrowings

- Cash movement in the year of £2.0m (2007: £3.1m) resulting primarily from investment in Dowlish Ford facility
- Net debt (cash & borrowings) at £3.3m (2007: £1.0m) or 11.3% of shareholders funds (2007: 3.8%)
- Working capital facility of \$10m from Company's bankers, The Royal Bank of Scotland

Shareholders Equity

- Up 11.7% to £29.0m (2007: £26.0m) primarily reflecting
 - Shares issued on exercise of shares options of £0.5m
 - Profit for the year of £3.6m less dividends paid of £0.9m

Cash Flow - Summary

	Year to 30/9/2008 £000	Year to 30/9/2007 £000	Change 2008 vs 2007 %
Net cash flows from operating activities	4,094	3,856	6.2%
- Income statement	6,625	8,097	-18.2%
- Working capital & taxation	(2,531)	(4,241)	40.3%
Net cash flows from investing activities	(4,922)	(6,187)	20.4%
- Purchase of business, net of cash	-	(1,769)	100.0%
- Purchase of property, plant & equipment	(4,922)	(4,418)	-11.4%
Net cash flows from financing activities	(1,126)	(723)	55.7%
- Shares issued	454	371	22.4%
- Dividends	(859)	(785)	-9.4%
- Borrowings & interest	(721)	(309)	-133.3%
Net cash increase/(decrease)	(1,954)	(3,054)	-36.0%

Balance Sheet - Summary

Non-current assets			
- Tangible & Intangible assets	23,816	19,314	23.3%
- Other	1,152	2,408	-52.2%
Total	24,968	21,722	14.9%
Current assets			
- Inventories	5,929	5,081	16.7%
- Trade & other receivables	8,441	6,854	23.2%
- Cash & cash equivalents	3,901	5,428	-28.1%
- Other	-	357	-100.0%
Total	18,271	17,720	3.1%
Current liabilities			
- Trade & other payables	(5,626)	(5,633)	0.1%
- Borrowings	(6,720)	(5,195)	-29.4%
- Provisions for liabilities & charges	(264)	(280)	5.7%
Total	(12,610)	(11,108)	-13.5%
Non current Liabilities			
- Borrowings	(476)	(1,213)	60.8%
- Other	(1,113)	(1,126)	1.2%
Total	(1,589)	(2,339)	32.1%
Nett assets	29,040	25,995	11.7%
Shareholders equity	29,040	25,995	11.7%

General Optics - Financial Impact

Financial Performance – FY 2007

- Revenue \$11.7m (£5.9m) & EBITDA \$2.8m (£1.4m)

Pro-forma Impact on Gooch & Housego FY 2008

- Revenue £33.4m plus £5.9m = £39.3m - Up 17.7%
- EBITDA £ 7.7m plus £1.4m = £ 9.1m - Up 18.2%

Impact on Normalised EPS FY 2008¹

- Basic 20.0p plus 1.4p = 21.4p - Up 7.0%

Financing

- Secured five year amortising debt facilities - \$15.875m & £3.562m through The Royal Bank of Scotland
- Debt covenants covering
 - Interest Cover (EBITA:Interest Cost)
 - Net Debt to EBITDA (Debt less cash on hand)
 - Debt Service Cover (Net cash flow:Borrowing costs paid)

Note: ¹ Excluding amortization of acquired intangible assets

Key Issues for 2009

- Semiconductor market unlikely to recover in 2009
- Prolonged economic uncertainty could affect other sectors
- General Optics will help sustain growth despite the challenging market conditions
- Several important new product launches scheduled



**High Power Fibre
Coupled Isolator**



Fibre Q

- Important year for initiatives in Aerospace & Defence and Life Sciences
- Reorganisation complete – focus is on delivering the benefits
 - *Improve efficiency and effectiveness*
 - *Reduce costs*