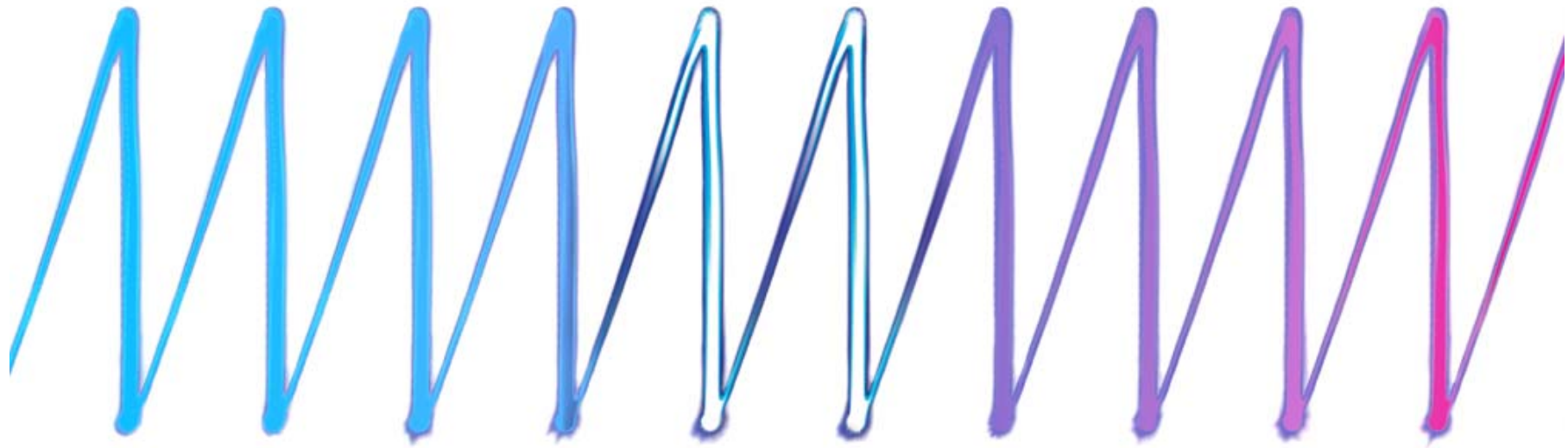


Gooch & Housego PLC

Preliminary Announcement

Year End September 2011



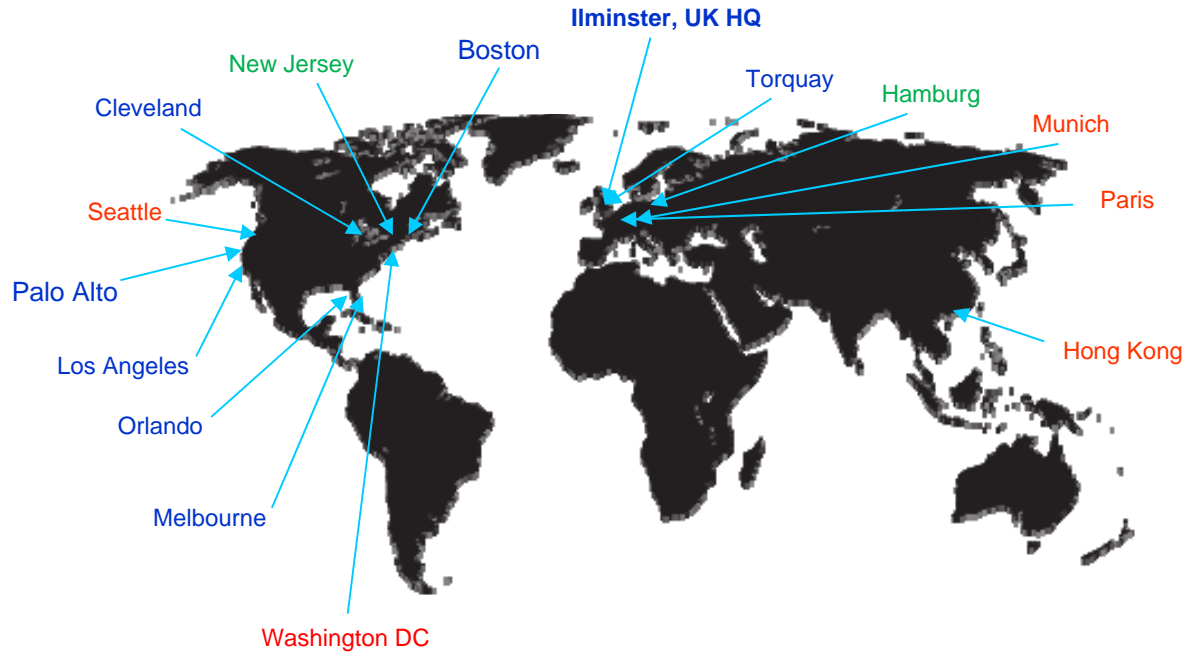
Chairman: Julian Blogh **CEO:** Gareth Jones **CFO:** Andrew Boteler

Results at a Glance

	2011	2010	change
Revenue (£m)	61.0	44.7	+37%
Adjusted profit before tax (£m)*	10.8	6.0	+78%
Adjusted earnings per share (pence)*	38.0	23.1	+65%
Dividend per share (pence)	5.0	2.0	+150%
Net debt (£m)	1.8	5.2	-65%
Statutory profit before tax (£m)	8.8	5.1	+73%
Basic earnings per share (pence)	35.5	24.4	+45%

* Adjusted figures are stated after excluding the amortisation of acquired intangible assets and exceptional items being acquisition costs, goodwill impairment and the write back of the EM4 earn out provision

A Global Business

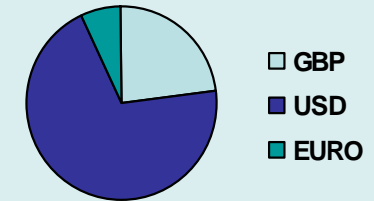


Headcount: 623

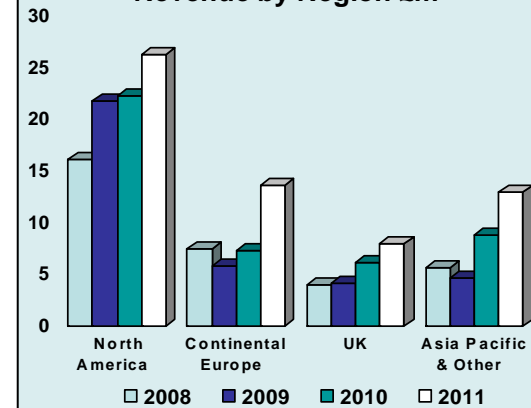
Global locations

- 8 manufacturing facilities (6 US, 2 UK)
- 2 R&D centres
- 5 Sales Offices

Revenue by Currency



Revenue by Region £m



2011 Operational & Strategic Highlights

- Strong organic and acquisitive growth contributes to record results
- Unprecedented demand in core Industrial market
- Further diversification into Aerospace & Defence and Life Sciences sectors
- Completed two strategically important acquisitions
- Consolidated Gooch & Housego's leadership in key products and technologies
- Gained access to new customers and opportunities in long term defence programmes



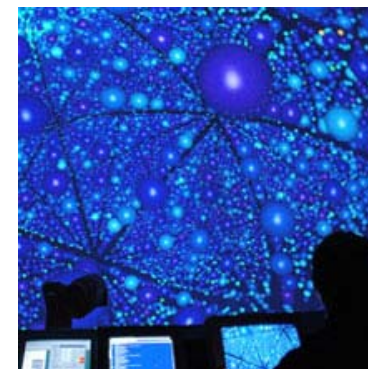
Execution of our Strategy

Market strategies

- Specialisation** EM4 and Crystal Technology are recognised as world leaders in their fields. They enhance G&H's ability to provide world-class solutions for customers whose applications demand the best.
- Consolidation** The acquisition of Crystal Technology has consolidated G&H's position as the world's leading manufacturer of acousto-optic products
- Diversification** The acquisitions of EM4 and Crystal Technology have enhanced diversification into our target markets of *Aerospace & Defence* and *Life Sciences*.
- Integration** *"The whole is greater than the sum of the parts"*

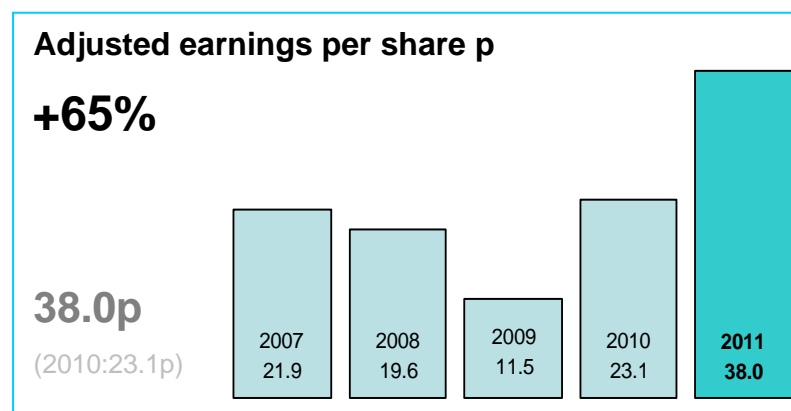
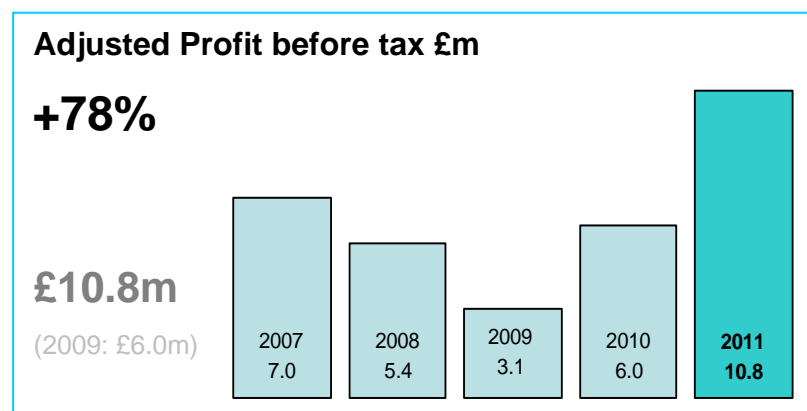
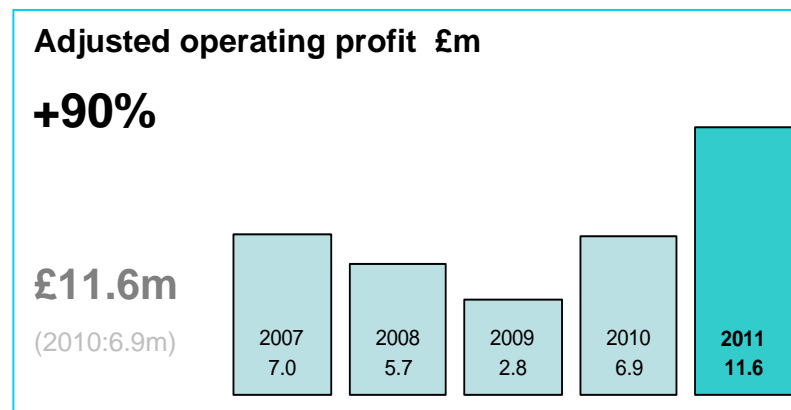
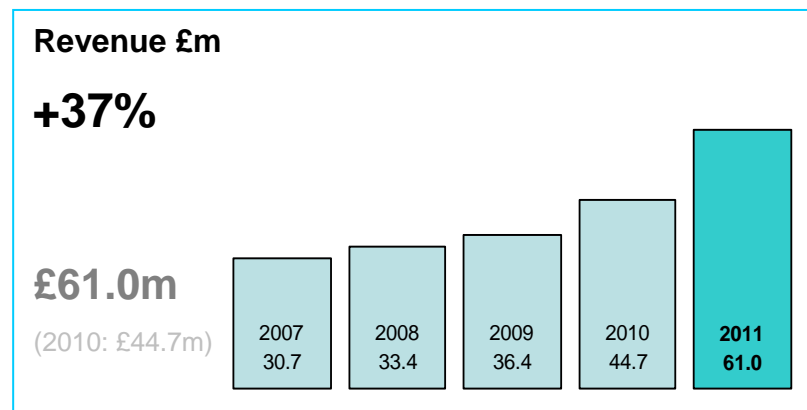
Product Strategies

- Innovation** Products under development range from new crystals through to complex imaging and sensor systems for diagnostic, security, agriculture and food applications
- Differentiation** G&H's unique portfolio of world class optical capabilities, enhanced by this year's acquisitions, differentiates the Company from its competitors
- Progression** Becoming strategically aligned to key customers by providing more complex solutions = *moving up the value chain*



Financial Highlights

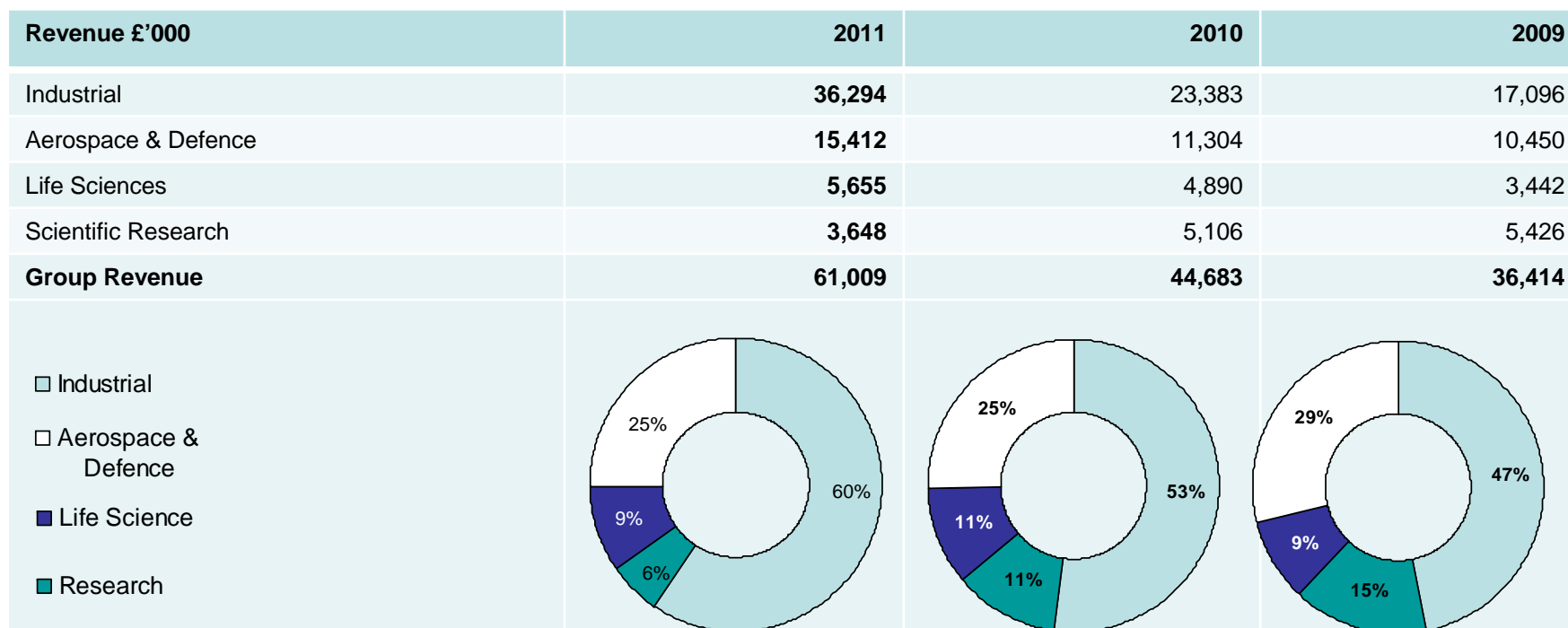
Year Ended 30 September 2011



* Adjusted figures are stated after excluding the amortisation of acquired intangible assets, the impairment of goodwill and exceptional items being acquisition costs & the write back of the EM4 earn out provision.

Market Overview

2011 has seen the rapid growth in core industrial markets, supported by continued development of our target markets of Aerospace & Defence and Life Sciences.



Market Overview Industrial

Revenue:	£36.3m (2010 : £23.4m)
Operating Profit:	£9.7m (2010 : £5.3m)
Percentage of Company Revenue	60%
Revenue growth in 2011	55%



Applications

- **Industrial Lasers** materials processing
- **Telecommunications** high reliability and high performance applications
- **Metrology** laser-based, non-contact measurement systems
- **Sensing** strain, temperature, pressure, vibration, wind speed.....
- **Semiconductor** lithography and test & measurement applications

Growth Strategy

- Investment in R&D - new products and capabilities; staying ahead of the competition
- Concentration on niche markets - high-end specialist not a commodity player
- Sales & Marketing - new geographical markets that offer high growth opportunities (Japan/Brazil)
- Maintain leading/dominant position - through R&D and acquisitions

Market Overview

Aerospace & Defence

Revenue:	£15.4m (2010 : £11.3m)
Operating Profit:	£2.6m (2010 : £1.8m)
Percentage Company Revenue:	25%
Revenue growth in 2011	36%

Applications

- **Target designation and range finding** ... used on both land based and airborne systems
- **Guidance and navigation** ... components for ring laser gyroscope and fibre optic gyroscope inertial navigation systems
- **Countermeasures** ... RF and IR
- **Directed energy weapons, radar, secure communications, sensing.....**

Growth Strategy

- Leveraging the position that the Company has created for itself as a recognised player in Aerospace & Defence
- Continued investment in R&D, quality systems and programme management
- To continue to focus energies and investment to move from being a components supplier to a sub-systems provider

Market Overview

Life Sciences

Revenue:	£5.7m (2010 : £4.9m)
Operating Profit:	£0.9m (2010 : £0.6m)
Percentage Company Revenue:	9%
Revenue growth in 2011	16%

Applications

- **Optical Coherence Tomography (OCT)** ... primarily used in retinal imaging for the diagnosis of glaucoma and macular degeneracy; also used in the diagnosis of skin and oral cancer
- **Laser surgery** ... used in a wide range of applications including prostate surgery, scar correction, cataract surgery, freckle, mole and tattoo removal as well as wrinkle reduction and teeth whitening.
- **Microscopy** ... modern, laser-based techniques are revolutionising the field of microscopy
- **Pathology** ... G&H technology is enabling pathology to migrate from archiving glass slides into the digital age
- **Diagnostics** ... imaging systems for early stage detection of cancer
- **Agriculture and food** ... using optical technology to detect disease and enhance yield

Growth Strategy

- To invest in R&D, including longer term projects
- To move from being a components supplier to a sub-systems provider



Market Overview Scientific Research

Revenue:	£3.6m (2010 : £5.1m)
Operating Profit:	£2.6m (2010 : £0.6m)
Percentage Company Revenue:	6%
Revenue growth in 2011	(29%)



Applications

- **Nuclear fusion research** ... laser technology is being used to recreate the conditions found in the core of the sun
- **Fusion energy** ... application of laser induced fusion to provide limitless clean energy
- **“Big Science” projects** ... NIF, ELI, HiPER, LHC, ITER.....
- **Instrumentation** ... for agricultural, solar and marine research, and the development of LED illumination systems.

Growth Strategy

- To maintain and develop G&H's capabilities in crystal growth and ultra precision optics for nuclear fusion research & energy
- G&H is the custodian of some of the world's most advanced optical technologies. It is not therefore surprising that there is a constant and significant demand for such products and technologies from some of the world's foremost universities and research institutes
- The Company continues to invest in R&D to develop and commercialise the next generation of Instrumentation products

Performance of Acquisitions

Rationale

- **The acquisition of EM4**, a Boston, Massachusetts based specialist manufacturer of active fibre optic products, principally for the Aerospace & Defence market, was completed in late January 2011
- **The acquisition of Crystal Technology**, a manufacturer of acousto-optic and electro-optic devices and a grower of optical crystals, was completed at the end of March 2011
- **The acquisitions of EM4 and Crystal Technology** reinforced Gooch & Housego's leadership in acousto-optics, electro-optics and high-end fibre optics, contributed to our diversification and strengthened our position in our core markets

Integration

- **The transfer of crystal growth** from Crystal Technology's facility in Palo Alto to G&H's Cleveland facility - now complete
- **The resulting centre of excellence** for optical crystal growth will enable Gooch & Housego to benefit from a concentration of expertise and operational economies of scale
- **The technology transfer of fused fibre optic capabilities** from our Torquay site to EM4, is underway and expected to be completed in the second half of 2012.

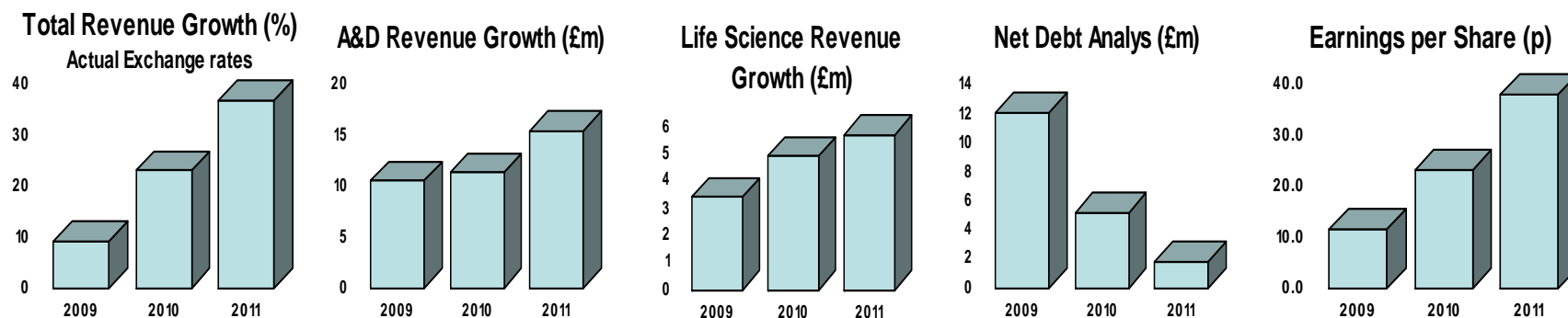
Performance

- EM4 contribute revenues of £3.9m and profits of £0.3m
- Crystal Technology contributed revenue of £6.4m and profits of £1.2m

Accounting Treatment

- Release of EM4 earn-out provision
- Impairment of Moorpark goodwill

Key Performance Indicators



Total Revenue Growth	2011	2010	2009
At actual exchange rates	37%	23%	9%
At constant exchange rates	40%	23%	-6%
Target Market Revenue Growth			
Aerospace & Defence (£m)	15.4	11.3	10.5
Life Sciences (£m)	5.7	4.9	3.4
Net Debt Analysis			
Net Debt (£m)	1.8	5.2	12.1
Earnings per Share			
Adjusted Earnings per Share	38.0	23.1	11.5

2012 Prospects

Challenges

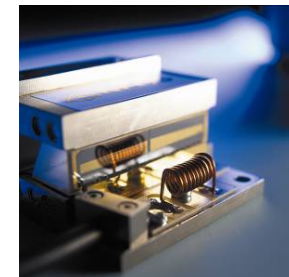
- Global economic headwinds

Responses

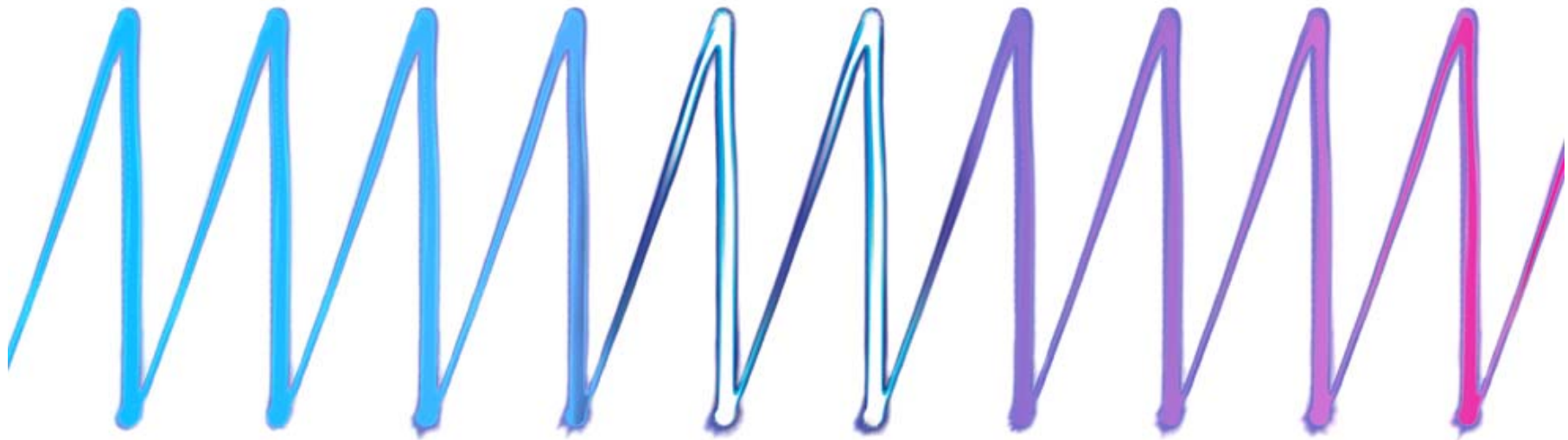
- Gooch & Housego is well positioned in its key markets
- Excellent customer relationships
- Broader base of revenues
- Less exposure to cyclicality
- Market and technology leadership
- Stronger cash position and committed banking facilities
- Lower net debt
- Track record of cost reduction

Opportunities

- Enhanced access to long term Aerospace & Defence programmes
- Commercialisation of Life Sciences R&D projects in diagnostics and imaging
- New products introductions in the Industrial sector



Appendices



Year ending 30 September 2011	2011 £'000	% Change	2010 £'000
Revenue	61,009	37%	44,683
Gross profit	26,194	40%	18,691
Operating expenses	(15,093)	11%	(11,828)
Operating profit before amortisation of acquired intangible assets	10,101	90%	6,863
Acquired intangible assets amortisation	(1,425)	53%	(934)
Operating profit	9,676	96%	5,929
Operating profit margin %	13.5%		13.3%
Net finance costs	(868)	4%	(833)
Profit before income tax	8,808	n/a	5,096
Income tax expense	(1,285)	n/a	(405)
Profit for the period	7,523	n/a	4,691
Basic earnings per share	35.5p	n/a	24.4p

Key Points

- For the year ended 30 September 2011, Gooch & Housego PLC returned profit after tax of £7.5m compared to £4.7m for the year ended 30 September 2010.

- The Company returned basic earnings per share of 35.5p per share (2010: 24.4p)

- Revenue for the year increased by £16.3m, or 37% over the corresponding period last year.

- After taking account of foreign exchange and acquisitions, group revenue was up 16% over the same period.

- Operating expenses 11% up on the same period last year due to taking on two new acquisitions in the year

- Interest cover after adjusting items was 13.3 times (2010 : 7.2 times)

Adjusted Income Statement

RECONCILIATION OF ADJUSTED PERFORMANCE MEASURES	Profit from operations		Net finance costs		Earnings per share	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 pence	2010 pence
Reported	9,676	5,929	(868)	(833)	35.5p	24.4p
Amortisation of acquired intangible assets	1,425	934	-	-	5.1p	4.5p
Acquisition costs	571	-	-	-	2.0p	-
Write back of deferred consideration	(2,085)	-	-	-	(9.9p)	-
Impairment of goodwill	1,969	-	-	-	6.2p	-
Costs associated with debt re-financing	-	-	64	-	0.2p	-
Recognition of deferred tax assets	-	-	-	-	(1.1p)	(5.8p)
Adjusted	11,556	6,683	(804)	(833)	38.0p	23.1p

•Excluding the impact of the above adjusting items, profit from operations for the period amounted to £11.6m, compared to £6.7m in 2010.

•At a reported and adjusted level, net finance costs have remained at a similar level in the year to 30 September 2011 as in the previous financial year. In the current year the Company has continued to benefited from the low level of interest rates.

•Adjusted earnings per share for the year to 30 September 2011 is 38.0p (2010 : 23.1p) and increase of 65%

Cash Flow

Year Ended 30 September 2011	2011 £,000	2010 £'000
Cash flows from operating activities	11,687	8,835
Cash flows from investing activities		
Acquisition of subsidiary	(14,353)	-
Purchase of property, plant and equipment	(2,845)	(873)
Sale of property, plant and equipment	63	7
Other	(28)	(79)
	(17,163)	(945)
Cash flows from financing activities		
Proceeds from borrowings	4,643	-
Repayment of borrowings	(2,702)	(2,409)
Proceeds from issuance of share capital	10,612	-
Interest paid	(872)	(750)
Dividends paid to ordinary shareholders	(747)	(750)
	(10,934)	(3,159)
Net increase / (decrease) in cash, cash equivalents and overdrafts	5,458	4,731
Exchange losses	72	(72)
Increase / (decrease) in cash, cash equivalents and overdrafts	11,276	5,746

Key Points

- Increase in cash, cash equivalents and overdrafts in the twelve month period to 30 September 2011 was £11.3m. This compares to a net increase in the corresponding period last year of £5.7m.

- Cash, cash equivalents and bank overdrafts as at 30 September 2011 amounted to a net positive cash position of £11.3m, representing an increase of £5.6m from a net cash position of £5.7m as at 30 September 2010.

- The Company has appropriate cash headroom against its working capital facility and is therefore confident in its ability to service its debt obligations and fund growth.

- During the year the company has funded the acquisitions of EM4 and Crystal Technology with a combination of the issuance of share capital and increased bank borrowing.

Balance Sheet

		2011 £,000	2010 £'000
Non- current assets	Tangible assets	20,440	15,753
	Intangible assets	22,081	15,291
	Other	4,043	3,092
Total		46,566	34,136
Currents assets	Inventories	11,264	7,281
	Trade & other receivables	12,596	7,595
	Cash & cash equivalents	13,844	8,285
	Other	-	168
Total		37,704	23,329
Current liabilities	Trade & other creditors	(12,726)	(6,650)
	Borrowings	(6,001)	(4,981)
	Other	(929)	(369)
Total		(19,656)	(12,000)
Non current liabilities	Borrowings	(9,696)	(8,545)
	Other	(818)	(867)
Total		(10,514)	(9,412)
Net assets		54,100	36,053
Shareholders equity		54,100	36,053

Key Points

Increase in intangible assets arose due to the acquisition of EM4 and Crystal Technology which gave rise to intangible assets of £7.3m and £1.8m respectively. In addition the Company took the decision to impair the goodwill on its Moorpark acquisition by £2.0m

Trade and other receivables increased significantly from £7.6m to £12.6m reflecting the effect of acquisitions and increased activity in the year.

The Company's inventory levels have increased substantially in the year as the consequence of acquisitions, increased activity and management decisions to carry inventory to ensure delivery lead times can be met and to cater for the crystal growth transfer.

Net debt reduced to £1.8m (2010: £5.2m) despite the two significant acquisitions in the period. This was a reflection of strong cash conversion with cash of £11.7m generated from operating profit of £11.6m. The Company also raised net funds of £10.1m from the issue of share capital in the year.

US\$ acquisition loan

Principal \$18m

Term – 4 years

Repayable by :

Eight half yearly instalments of \$2.25m

Interest rate is currently 2.25% over US LIBOR

Current balance \$15.75m

Sterling acquisition loan

Principal £3.1m

Term – 4 years

Repayable by :

Seven half yearly instalments of £221k

Final instalment of £1.55m

Interest rate at a margin of 2.5% over UK LIBOR

Current balance £2.88m

Working capital facility

Total facility available \$8m

\$4m drawn down

Term - committed for 4 years

Interest is currently 2.25% over UK base

CapEx facility

Total facility available \$8m

Fully undrawn

Term - committed for 4 years

Interest is currently 2.25% over UK base

Banking covenants

Tested under the following conditions :

- Adjusted net cash flow to total borrowings paid plus cumulative cash flow
- Adjusted net debt to EBITDA
- EBITA to borrowing costs
- Capital expenditure

Reported under covenant since January 2009 and have been in compliance.

Appropriate headroom to operate within covenants

Shareholder profile

