

The background of the slide is a dark, abstract image with a grid of thin, glowing lines in shades of purple and red. On the left side, there is a faint, stylized globe. The Spectris logo is positioned in the top left corner. The main text is centered in the upper half, and the title '2001 Preliminary Results' is in the lower half. The overall aesthetic is technical and futuristic.

spectris

*Enhancing productivity through precision
instrumentation and controls*

2001 Preliminary Results

- Sales and operating profit increased, despite challenging conditions
- Eps reduced marginally
- Gross margins maintained
- Management actions:
 - Timely reduction of cost base resulted in £12m exceptional restructuring charges
 - Continued emphasis on new products and market development, most notably in Asia
 - Spectris AG businesses met expectations in first full year
- Early adoption of FRS 17

£m	2001	2000	% growth
Sales	543.1	464.0	+17%
Operating profit*	60.7	57.8	+5%
Profit before tax*	50.4	51.2	-2%
Normalised earnings per share*	33.6p	34.7p	-3%
Dividend	12.25p	11.7p	+5%

**before exceptional items and goodwill amortisation*

Sales and operating profit by sector

£m	2001		2000	
	Sales	Profit	Sales	Profit*
Electronic Controls	45.8	4.6	54.7	9.3
Process Instrumentation	223.4	26.9	216.7	27.3
Spectris AG businesses	<u>240.4</u>	<u>26.2</u>	<u>126.8</u>	<u>13.4</u>
Total ongoing operations	509.6	57.7	398.2	50.0
Businesses sold or to be sold	<u>33.5</u>	<u>3.0</u>	<u>65.8</u>	<u>7.8</u>
Total	<u>543.1</u>	<u>60.7</u>	<u>464.0</u>	<u>57.8</u>

* 2000 profit numbers are restated

%	2001	2000
Electronic Controls	10.0	17.0
Process Instrumentation	12.0	12.6
Spectris AG businesses	10.9	10.6
Total margin – continuing operations	11.3	12.6

- Exceptional restructuring costs

	£m	Total	2001	2000
Acquired Spectris companies		13.5	7.6	5.9
Existing operations*		<u>4.7</u>	<u>4.4</u>	<u>0.3</u>
		<u>18.2</u>	<u>12.0</u>	<u>6.2</u>

*Fusion, Red Lion, PMS, Servomex

Incremental savings impact to be no less than £4 million in 2002

- Exceptional legal costs of £1.2m relating to patent infringement case
- Exceptional gains of £19.8 million relating principally to the disposals of Fairey Arlon and Fairey Microfiltrex

£m	Headline	2001 Abnormal	Underlying	2000
Net cash inflow from operating activities	58.0	9.9 ¹	67.9	53.9
Capital expenditure	(29.8)	11.2 ²	(18.6)	(10.9)
Fixed asset disposals	1.4		1.4	5.0
Tax	(12.8)		(12.8)	(10.8)
Interest	<u>(11.4)</u>	<u>—</u>	<u>(11.4)</u>	<u>(6.4)</u>
Free cash flow	<u>5.4</u>	<u>21.1</u>	<u>26.5</u>	<u>30.8</u>
Dividends	(11.5)			(11.1)
Acquisitions/disposals	31.1			(153.5)
Shares issued	0.4			55.8
Purchase of fixed asset investments	(4.3)			(3.3)
Exchange/other	<u>0.9</u>			<u>(7.9)</u>
Movement in net debt	<u>22.0</u>			<u>(89.2)</u>
Cash conversion	71%		93%	94%

1. Exceptional restructuring spend/cash elements of fair value adjustments

2. Abnormal capital expenditure, including £5.2m sale and lease back buy out of Brüel & Kjær building in Nærum

(£m)	2001	2000
Net debt	131.5	153.5
Interest cover	5.5 x	7.7 x
Capital expenditure as % of sales		
▪ Underlying	3.4	2.3
▪ Abnormal	2.1	–

- Fair value adjustments re Spectris AG acquisition

£m	2001	2000
	18.3	7.9

- Provisional fair values adjusted for:

- Brüel & Kjær Sound & Vibration - £13.5m: complex, decentralised sales matrix
- Asset valuation issues - £6m
- Onerous contracts acquired/legal disputes - £8m
- Conservatively stated

- Early adoption to demonstrate adequacy of funding and avoid duplicate reporting
- Restatement of 2000 figures
- Financial impact:

	£m	2001	2000
Operating overheads		(0.4)	(0.8)
Other finance income		<u>0.8</u>	<u>1.0</u>
Net P&L impact		<u>0.4</u>	<u>0.2</u>
Balance sheet – net pension asset		<u>0.9</u>	<u>4.8</u>

- Acceptable performance in difficult markets

- Exposure to US, electronics and telecoms
- Red Lion less affected, but restructuring in Europe
- Headcount reduced by 13%
- New products
 - Arcom: embedded controls
 - Microscan: light industrial barcode scanners

Sales:	£45.8m
Margins:	10%

- Markets poor but stable

- Electronics: sentiment improving, orders not yet
- Telecoms: continues to be poor

■ Respectable year

- Pharmaceuticals and petrochemicals strong
- Semiconductors weak
- Fibre optics strong first half, very weak second half
- Momentum maintained from new products and applications
- Headcount down 10%
- Restructuring of Fusion, PMS and Servomex

Sales:	£223.4m
Margins:	12%

■ Current state of markets

- Pharmaceuticals: strong
- Semiconductors and fibre optics: continue to be weak
- Others: customer enquiries are up but demand is not

- Performance met expectations
 - Like for like sales up 4%
 - Good progress on integration
 - Very strong performances at HBM and BTG
 - HBM expands in China
 - Brüel & Kjær Sound & Vibration underperformed
 - Headcount down 4% excluding China
- Current state of markets
 - Pulp & paper stable
 - Automotive and aerospace test markets solid
 - General industrial markets continue to be weak

Sales:	£240.4m
Margins:	10.9%

- Strategy remains appropriate and specifically...
- Refinement of portfolio
 - Luxtron to be sold
 - Last filtration company sale to be completed
 - Product line add-ons and minor exits
- Continued emphasis on sales force productivity, cycle times and customer focus
- Stand alone acquisitions if they fit the strategy
- Margin improvement from reduced cost base and operational gearing

- Some signs of improvement in US economy
- Business confidence not yet returned and customers remain cautious
- Seasonal bias towards H2 will be more pronounced in 2002
- Visibility low, but in excellent position to benefit from upturn

- Respectable performance in uncertain conditions
- Broad markets and customers provide balance
- Management actions to reduce cost base will improve position for the future
- Continued emphasis on cash generation
- Operationally geared for recovery