

The Spectris logo is displayed in a dark blue, sans-serif font. The word 'spectris' is in lowercase, with the 't' and 'r' in a lighter blue color. The background of the slide features a complex, abstract pattern of overlapping red and purple lines, resembling a globe or a network diagram, with a large, semi-transparent 'SPEO' watermark in the center.

spectris

Productivity-enhancing instrumentation and controls

2003 Interim Results

Hans Nilsson - Chief Executive

Graham Zacharias - Finance Director

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2003 first half highlights

Hans Nilsson

2003 financial results

Graham Zacharias

Performance and markets

Hans Nilsson

Outlook

Hans Nilsson

- Organic order growth of 5%
- Turnover increased by 19%
 - 2% organic
 - 17% due to PANalytical
- Gross margins maintained
- Profit before tax up 20%
 - PANalytical contribution
- Earnings per share up 12%
- Dividend increased by 4%

- Growth in orders from new product initiatives and investment in sales resources
- Impact of SARS in Asia delayed orders to end Q2
- Growth in pulp & paper and pharmaceuticals offset by year-on-year downturn in telecoms markets
- Good geographical spread limited impact of currency volatility
- Half year contribution from PANalytical
 - Integration complete
 - Volume growth
 - Currency impact
 - Underlying performance exceeded expectations

Financial Results

Graham Zacharias
Finance Director

£m	H1 '03	H1 '02	% increase
Turnover	264.7	223.2	19%
Operating profit*	22.0	18.5	19%
Profit before tax*	17.0	14.2	20%
Earnings per share*	10.4p	9.3p	12%
Dividend	4.05p	3.9p	4%

**before exceptional items and goodwill amortisation*

Turnover and operating profit by sector

£m	H1 '03			H1 '02		
	Turnover	Profit*	Operating margin (%)	Turnover	Profit*	Operating margin (%)
Electronic controls	62.2	6.9	11.1	57.0	5.6	9.8
In-line instrumentation	86.8	8.7	10.0	87.2	8.8	10.1
Process technology	<u>115.7</u>	<u>6.4</u>	<u>5.5</u>	<u>74.9</u>	<u>4.4</u>	<u>5.9</u>
Total ongoing operations	264.7	22.0	8.3	219.1	18.8	8.6
Businesses sold	<u>-</u>	<u>-</u>		<u>4.1</u>	<u>(0.3)</u>	
Total	<u>264.7</u>	<u>22.0</u>		<u>223.2</u>	<u>18.5</u>	

**before exceptional items and goodwill amortisation*

£m	H1 03	H1 02
Net cash inflow from operating activities	15.8	12.5
Capital expenditure (net)	(6.9)	(5.8)
Tax	(1.5)	0.2
Interest	(5.2)	<u>(4.0)</u>
Free cash flow	<u>2.2</u>	<u>2.9</u>
Dividends	(10.7)	(9.3)
Acquisitions/disposals	0.5	–
Shares issued	0.1	2.0
Purchase of fixed asset investments	–	<u>(1.0)</u>
Exchange/other	(6.1)	<u>(1.0)</u>
Movement in net debt	<u>(14.0)</u>	<u>(4.4)</u>
Opening net debt	(177.5)	(131.5)
Closing net debt	(191.5)	(135.9)
Cash conversion	40%	79%
(Operating cash flow after net capital expenditure as a % of operating profit)		
Interest cover	4.4x	4.3x

- 40% H1 03 cash conversion due to:
 - Inventory issues (£3m):
 - HBM build re China transfer
 - PANalytical build ahead of holiday shutdown
 - Timing of payments (£4m)
 - Normalisation of payables at PANalytical – inflated at 2002 year end due to Philips transition (£2m)
- All will reverse in H2, except PANalytical payables
- No structural or operational issues which impact expectations of ~100% full year cash conversion

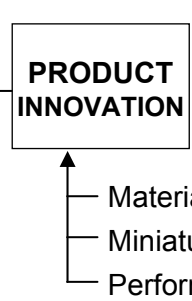
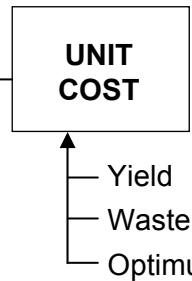
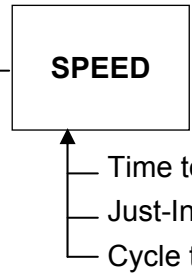
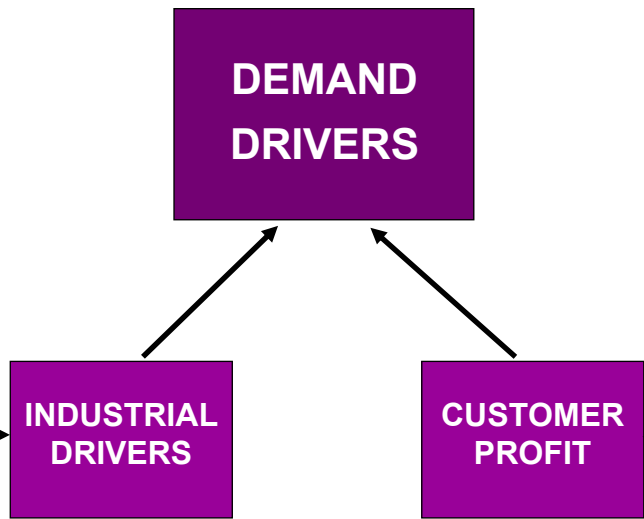
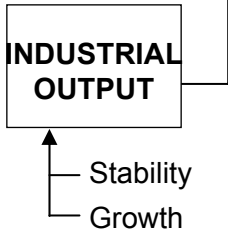
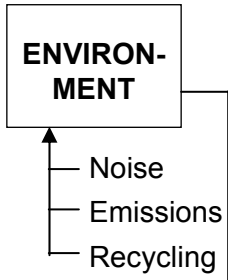
- Average rates

	€	\$	¥
H1 02	1.61	1.45	187
FY 02	1.59	1.51	188
H1 03	1.45	1.61	192
- Balance sheet – net assets hedged via borrowings
- Transaction exposures, chiefly US\$ and € but also ¥
- Net income hedges (\$ and €) in place for 2003 and 2004 at group level and ¥ hedge will be put in place for 2004
- Strategic goal is to align revenues/costs by currency – where feasible – PANalytical particularly skewed

- Tax rate remains low (26%) due to :
 - Income mix (low US/higher in advantageous jurisdictions)
 - Planning initiatives
- £60m of bilateral debt will be replaced with 10-year fixed coupon notes by year end
- International accounting standards – project to restate 2003 accounts by mid 2004

Performance and Markets

Hans Nilsson
Chief Executive



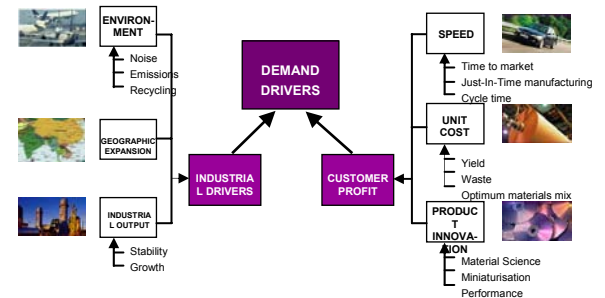
H1: organic orders up by 5%

General economic factors

- No improvement in background demand
- Year-on-year decline in telecoms
- Pharmaceuticals: focus on productivity
- China: lower growth due to SARS impact

Spectris-specific factors

- Pulp & paper penetration continued
- Solid OEM wins in electronic controls



Strong competitive positions

- #1 or 2 for 80% of sales
- Strong brands
- Strong global access, mostly direct
- Customer-centred structure and processes



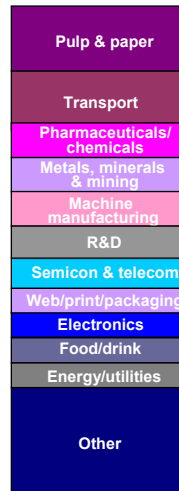
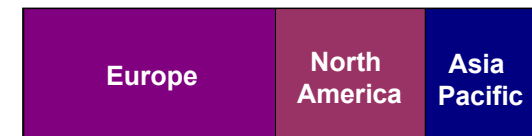
Applications know-how

- Applications and process expertise
- Proprietary technology on standard platforms
- High degree of repeat business



Real value to customers...

- Small capex, rapid payback to end users
- Tailored applications
- ... **with diversity**
- ~80% of sales to existing capacity
- No market sector >15%, no customer >1%
- Good geographical balance



Strong competitive positions

- #1 or 2 for 80% of sales

Global sales coverage improved

- Strong brands
- Substantial access, mostly direct
- Customer-centred structure and processes

Investment in sales & marketing systems



Applications know-how

- Applications and process expertise
- Proven solutions on standard platforms
- High degree of repeat business

New product development maintained



Real value to customers...

- Small capex, rapid payback to end users
- Tailored applications

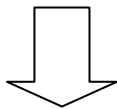
... **with diversity**

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Europe	North America	Asia Pacific
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Pulp & paper
Transport
Pharmaceuticals/chemicals
Metals, minerals & mining
Machine manufacturing
R&D
Semicon & telecom
Web/print/packaging
Electronics
Food/drink
Energy/utilities
Other

- No significant change in demand patterns
 - Customers remain hesitant
 - Internal initiatives continue to show results
 - Asia improves
- Last year's second half bias to repeat



- Reiterate expectations of progress for the full year

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Spec

Productivity-enhancing instrumentation and controls

