

The background of the slide features a complex, abstract image with a grid overlay. The image appears to be a microscopic view of a material or a technical component, with various colors like red, purple, and blue. The Spectris logo is positioned in the top left corner. The main title 'Interim Results 2002' is centered in the lower half of the image. The names of the executives and the copyright notice are at the bottom.

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*Enhancing productivity through precision
instrumentation and controls*

Interim Results 2002

Hans Nilsson - Chief Executive
Graham Zacharias - Finance Director

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- Respectable Q2 after weak Q1
- Management actions
 - Efficiency programmes delivering substantial savings
 - Gross margins maintained
 - Presence enhanced in developing manufacturing economies
- Strong cash generation - 90% conversion of operating profit
- Acquisition of Philips Analytical will provide immediate earnings-enhancing contribution
- Dividend increased by 4%

- Q1 pre-tax break even
- Solid performance in Q2
- 2002: a year of 3 quarters
- ~ 90% of decline in sales due to high tech downturn
- Solid performance in other sectors

Financial Results

Graham Zacharias
Finance Director

£m	H1 '02	H1 '01
Sales	223.2	276.9
Operating profit*	18.5	31.2
Profit before tax*	14.2	25.1
Earnings per share*	9.3p	15.1p
Dividend	3.9p	3.75p

**before exceptional items and goodwill amortisation
2001 figures have been restated following adoption of FRS19*

Sales and operating profit by sector

£m	H1 '02		H1 '01	
	Sales	Profit	Sales	Profit
Electronic controls	57.0	5.6	58.6	6.8
In-line instrumentation	87.2	8.8	95.6	11.2
Process technology	<u>74.9</u>	<u>4.4</u>	<u>101.1</u>	<u>11.4</u>
	219.1	18.8	255.3	29.4
Operations disposed or to be disposed	<u>4.1</u>	<u>(0.3)</u>	<u>21.6</u>	<u>1.8</u>
Total continuing operations	<u>223.2</u>	<u>18.5</u>	<u>276.9</u>	<u>31.2</u>

- Gross margins maintained despite volume decline
- Operating efficiencies/cost containment (H1 on H1)
 - Exceptional restructuring – savings £4m
 - Other operating efficiencies – savings £5m
 - Total £9m
- Full year savings estimated to be no less than £13m

- Operating exceptional items of £2.3m comprise:
 - Compensation receivable from settlement of patent infringement case
 - Excess fair value provision releases
- FRS 17 adopted early – modest surplus of assets (£63.0m) over liabilities (£62.2m)
- Financing for share options borne by company – no further charge on profits

£m	Headline	H1 '02 Abnormal	Underlying	H1 '01
Net cash inflow from operating activities	12.5	7.8 ¹	20.3	15.8
Capital expenditure	(5.8)	2.0 ²	(3.8)	(13.1)
Tax	0.2		0.2	(8.6)
Interest	<u>(4.0)</u>	—	<u>(4.0)</u>	<u>(6.1)</u>
Free cash flow	2.9	9.8	12.7	(12.0)
Dividends	(9.3)			(8.9)
Purchase of fixed asset investments	(1.0)			(2.4)
Purchase of subsidiaries	-			(3.0)
Sale of subsidiaries	2.0			42.8
Shares issued	2.0			0.1
Exchange	<u>(1.0)</u>			<u>(3.0)</u>
Movement in net debt	<u>(4.4)</u>			<u>13.6</u>
Cash conversion (operating cash/operating profit)	90%			54%

1. Fair value and exceptional provision utilisation

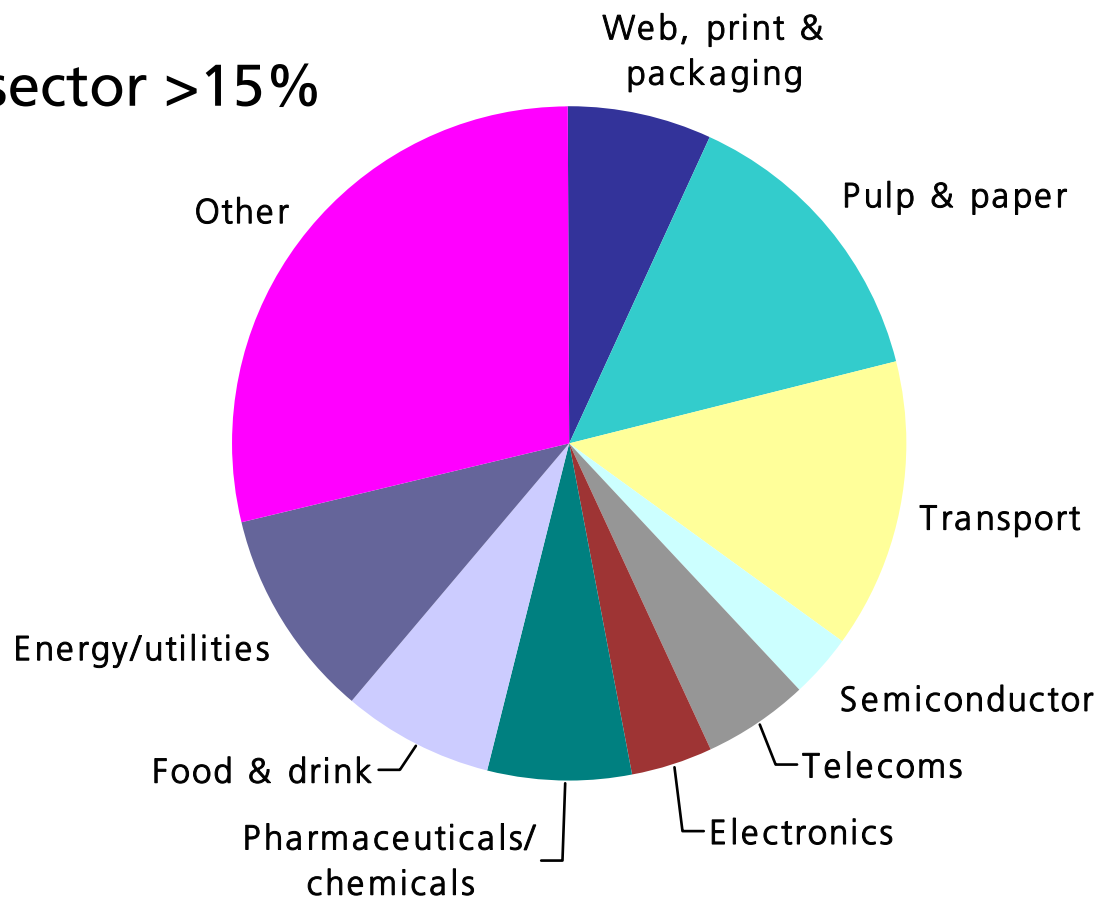
2. New factory building at HBM, Germany

£m	H1 '02	H1 '01
Net debt	(135.9)	(139.9)
Interest cover	4.3	5.2
Capital expenditure as % of sales		
▪ Underlying	2.7%	2.6%
▪ Abnormal	0.9%	3.3%

Performance and Outlook

Hans Nilsson
Chief Executive

- No single sector >15%



- Sales down slightly, although demand improved as period progressed
- Telecoms continued to be weak
- New products launched
- Next phase of HBM transfer of manufacturing activity to China commenced

Sales:	£57.0m
Profit:	£5.6m

Arcom
HBM
Microscan
Red Lion

- Sales down in difficult markets
- Significantly weaker demand from telecoms cable manufacturers
- Strong demand in pulp and paper
- Sales initiatives implemented to improve coverage
- Asian sales investments contributing, notably China

Sales:	£87.2m
Profit:	£8.8m

Beta LaserMike
B&K Vibro
BTG
Ircon
Loma
NDC
Servomex

- Sales affected by year on year decline in telecoms equipment and semiconductors
- Headcount reduced by 12% year on year
- Growing demand in pharmaceutical industry benefited Malvern and PMS
- Performance improvements at Brüel & Kjær Sound & Vibration progressing

Sales:	£74.9m
Profit:	£4.4m

Brüel & Kjær S&V
Fusion
Malvern
PMS

- Agreement signed 17 July to acquire Philips Analytical, a world leader in analytical x-ray systems, for €150m
- Key products:
 - X-ray fluorescence (XRF) – composition and purity of materials for production
 - X-ray diffraction (XRD) – material characterisation in development and quality assurance
- Based in Almelo, Holland, with worldwide market coverage
- A classic Spectris acquisition:
 - Long-term growth business with high gross margins
 - Market-leading positions
 - Eps enhancing in current financial year
 - Solid operating margin and cash conversion

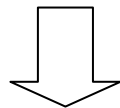
- Completion expected in September
- 2001 data revised due to sale of loss-making semiconductor analyser business

	As stated in July	Restated
Sales	€148.5m	€136.7m
EBIT	€18.4m	€18.7m
Employees	850	800

- No exceptional restructuring costs / abnormal capex

- Build on leadership positions
 - Complete current operational efficiency programmes
 - Extend sales coverage
 - New products with clear differentiation
- Integrate PANalytical
- Cash generation
- Full benefits of efficiency programmes to be realised
- Improve operating margins through operational gearing

- Q2 pick up sustained through H2 but no significant growth assumptions
- Normal back end loading
- Modest overhead inflation
- Gross margins maintained
- PANalytical contribution



- Full year outlook unchanged

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