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Precision instrumentation and controls

Speo

2003 Preliminary Results

Hans Nilsson - Chief Executive

Graham Zacharias - Finance Director

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2003 highlights

Hans Nilsson

2003 financial results

Graham Zacharias

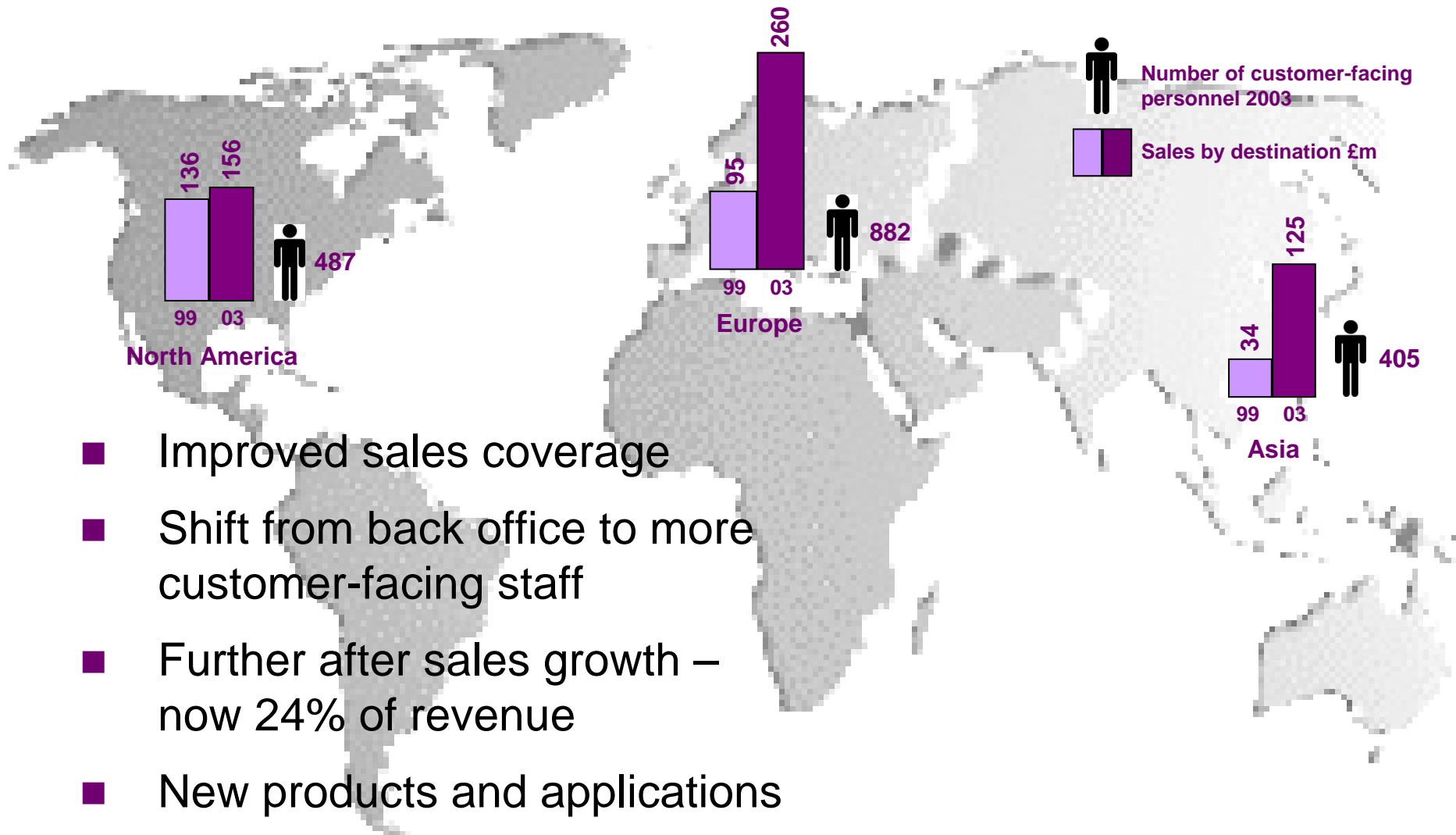
Outlook

Hans Nilsson

£m	2003	2002	
Sales	568.0	490.1	+16%
Operating profit	59.8	50.7	+18%
Profit before tax	48.9	42.5	+15%
Earnings per share	32.1p	28.1p	+14%
Dividend	13.35p	12.75p	+5%

- Encouraging results given mixed market conditions
- 7% growth in organic sales due to consistent execution of strategy
- Double-digit growth in profit and eps

Drivers behind the results



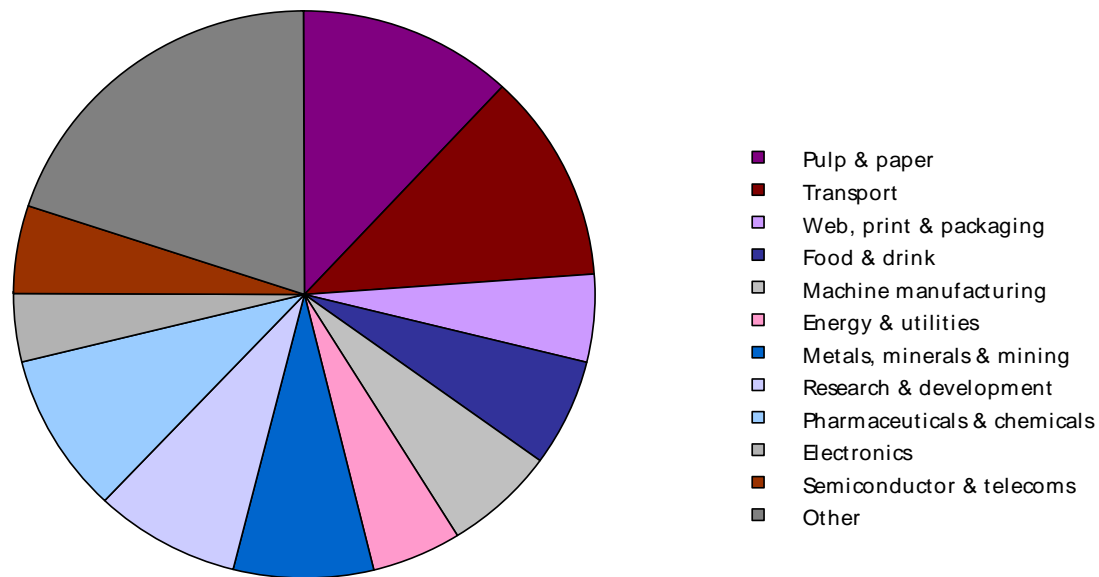
- Improved sales coverage
- Shift from back office to more customer-facing staff
- Further after sales growth – now 24% of revenue
- New products and applications



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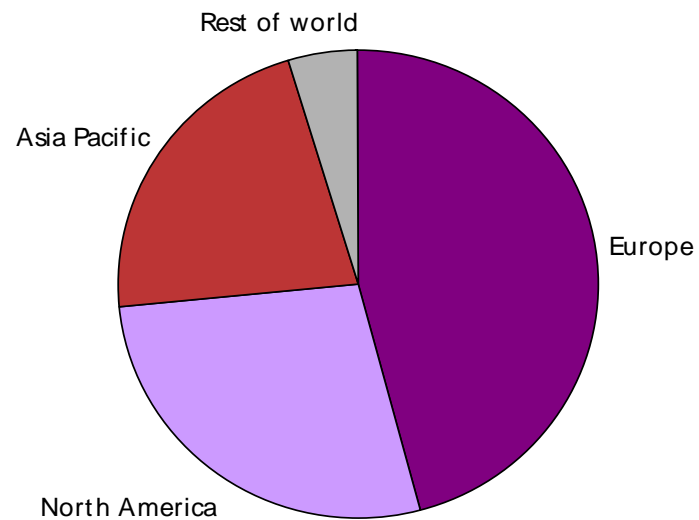
■ Markets

- Pulp & paper: good despite soft end user demand
- Pharmaceutical/R & D: demand healthy
- Technology: year-on-year decline



2003 sales by end user industry

- Geography
 - Europe mixed
 - Continued growth in China
 - Some recovery in North America in Q4



2003 sales by destination

- Markets
 - Pulp & paper: good despite soft end user demand
 - Pharmaceutical/R & D: demand healthy
 - Technology: year-on-year decline
- Geography
 - Europe mixed
 - Continued growth in China
 - Some recovery in North America in Q4
- First full year of PANalytical
- Pricing maintained
- Improved competitive positions

£m	2003	2002
Sales	132.1	117.6
Operating profit	15.8	13.0
Operating margin (%)	12.0%	11.1%

- Sales expansion in all 4 companies, particularly Arcom and HBM
- HBM manufacturing expansion in China



£m	2003	2002
Sales	182.0	172.7
Operating profit	22.3	18.6
Operating margin (%)	12.3%	10.8%

- Sales increase – BTG particularly successful
- Beta LaserMike repositioned, including bolt-on acquisition



£m	2003	2002
Sales	253.9	193.3
Operating profit	21.7	19.9
Operating margin (%)	8.5%	10.3%

- Sales grew 31% due to full year of PANalytical
- Bolt-on acquisition for Malvern
- \$ impact significant: operating profit grew 34% in constant currencies



Financial Results

Graham Zacharias
Finance Director

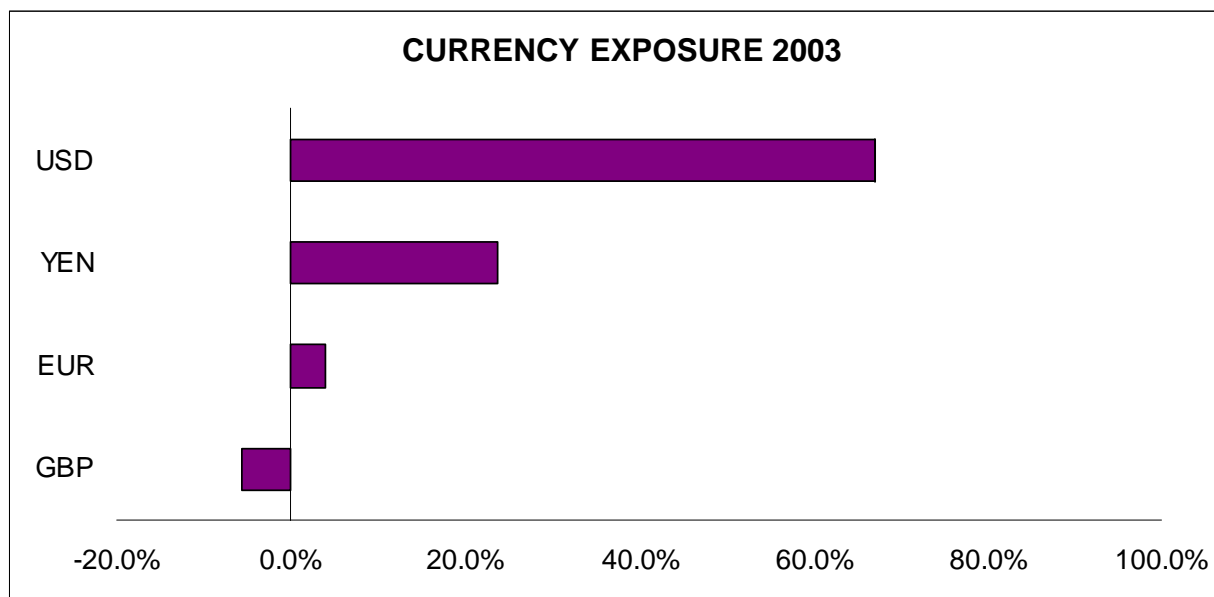
£m	2003	2002
Net cash inflow from operating activities	64.8	54.4
Capital expenditure	(15.7)	(19.9)
Fixed asset disposals	1.3	4.0
Tax	(2.5)	(4.5)
Interest	(8.9)	<u>(8.7)</u>
Free cash flow	<u>39.0</u>	<u>25.3</u>
Dividends	(15.5)	(14.0)
Acquisitions/disposals	(8.2)	(97.1)
Shares issued	0.8	41.5
Sale/purchase of fixed asset investments	<u>0.3</u>	(2.1)
Exchange/other	<u>(2.3)</u>	<u>0.4</u>
Movement in net debt	<u>14.1</u>	<u>(46.0)</u>
Cash conversion *	90%	105%

*Underlying operating cash flow after net capital expenditure as a % of operating profit

- Effective tax rate of 21.0% (2002: 24.4%)
- Major factors contributing to lower rate
 - Income mix weighted favourably towards lower tax jurisdictions, eg Switzerland and China, compared with high tax jurisdictions, eg US
 - Acquired tax losses in Denmark with no corresponding deferred tax asset
 - Successful tax planning initiatives
- Underlying tax charge likely to rise modestly as US recovers

- FRS 17
 - P&L impact minimal
 - Net pension liability increased by £3m to £12m
 - Net company contributions increasing modestly

- International Financial Reporting Standards
 - Mandatory from Jan 2005 with prior year restatements
 - Restatement exercise during 2004



Exchange rates

	€	\$	¥
2002 average	1.59	1.51	188
2003 average	1.44	1.64	189
2003 year end	1.42	1.78	190

- Rolling currency hedging programme to cover net transaction exposure via nil cost average rate options and forward rate contracts
- At current exchange rates, 2003 operating profit would have been £4m lower net of hedge gains of £3.8m
- Focus on rebalancing internal hedging primarily through shifting costs in US\$ and related currencies to counteract Asia Pacific growth impact

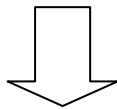
	2003	2002
Gearing *	33%	38%
Interest cover	5.6x	5.7x
Net debt (£m)	163.4	177.5
Debt maturity profile		
< 1 year	-	32%
2-5 years	29%	43%
> 5 years	71%	25%
Trade working capital to sales ratio	16%	18%

* Net debt expressed as a % of total capital employed including goodwill previously written off

Outlook

Hans Nilsson
Chief Executive

- Trends in demand seen in late 2003 maintained
- Build on competitive positions
- Volume growth to offset currency and costs



- Further progress in 2004

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