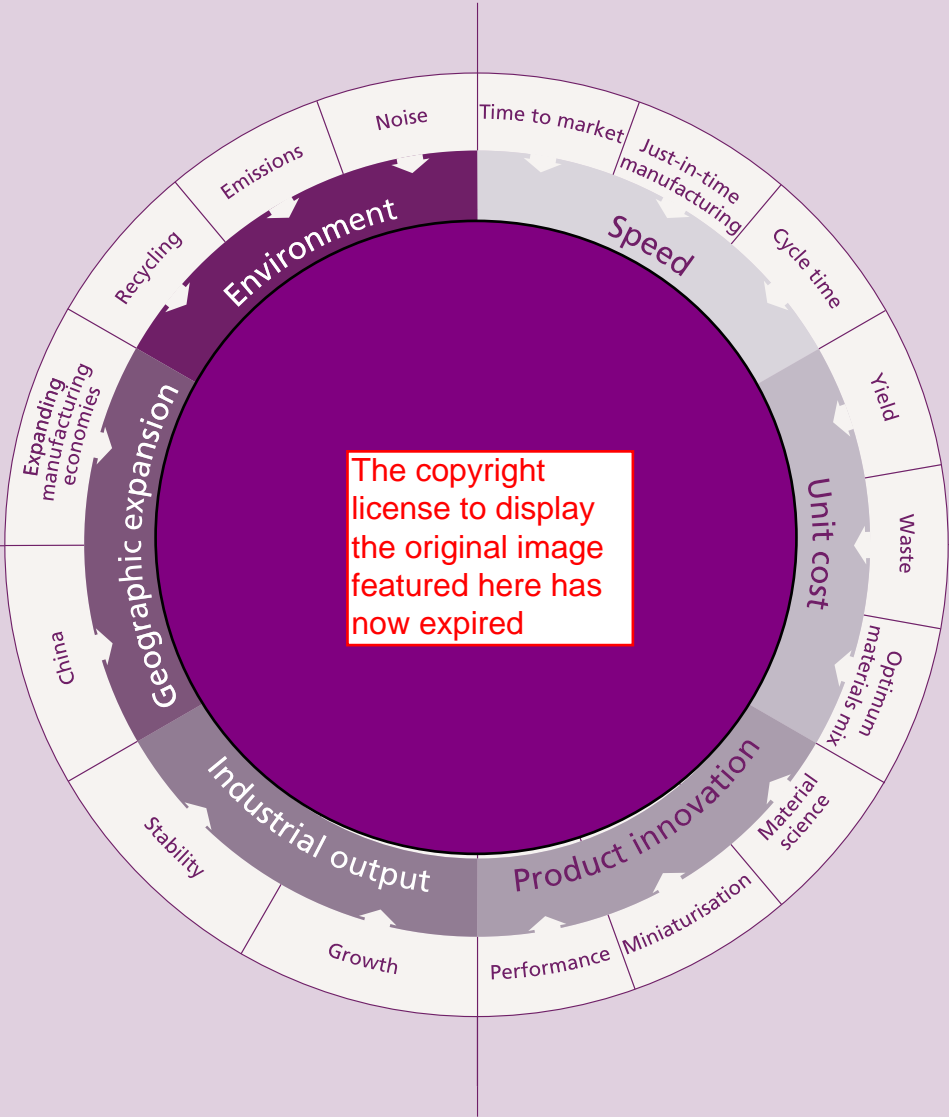


Enhancing
productivity
through
precision
instrumentation
and controls

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Sustainable demand drivers



Our strategy is to focus on niche applications which have a direct impact on process performance for end-user customers

Strong, defensible positions

Strong competitive positions

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

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Real value to customers

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

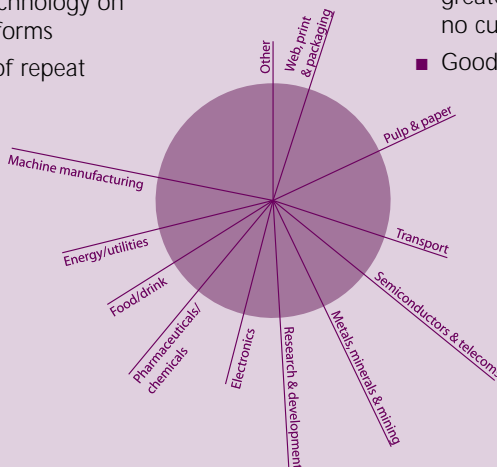


Applications know-how

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

Diversity

- Approximately 80% of sales to existing capacity
- No market sector greater than 15% of sales, no customer greater than 1%
- Good geographical balance



Highlights

£m	Half year 2003	Half year 2002	% change
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 of £ nil (2002: £2.3m credit) and goodwill amortisation of £6.2m (2002: £3.7m)

NB: Unless otherwise stated, all profit and earnings per share figures exclude exceptional items and goodwill amortisation

- Organic order growth of 5%
- Gross margins maintained
- Earnings per share up 12% to 10.4p
- Dividend increased by 4%

Commenting on the results, Hans Nilsson, Chief Executive, said:



"Spectris has again produced a creditable performance against a background of challenging markets. As a consequence of the growth in earnings in the first half, organic growth in orders of 5% and in anticipation of a full year's contribution from PANalytical, we look forward to further progress in the second half of the year."

Chairman's statement



John Poulter Chairman

The positive start to the year, indicated in our AGM statement in May, has been maintained. Performance in the first half improved, compared with a weak result for the same period in the previous year. The company achieved organic growth in orders of 5%. However, sales lagged, partly as a consequence of the SARS outbreak in Asia which resulted in travel restrictions leading to delays in both orders and sales. Sales activities in Asia have now returned to normal levels.

Turnover (excluding operations disposed) increased by 21% to £264.7m (£219.1m), largely as a result of the contribution from PANalytical, acquired last September, which achieved sales of £41m in the first half. Profit before tax rose from £14.2m to £17.0m, an increase of 20%. Timing issues, which are expected to reverse in the second half, resulted in cash generation being lower than is typical, with 40% of operating profit converted into cash. Earnings per share increased by 12% to 10.4p (9.3p), on a tax rate of 26%.

Currency effects on individual companies differed, with PANalytical being the most affected. The spread of businesses and customers around the world provides a degree of operational hedging against exchange rate movements. The weakening of the pound against the euro was largely offset by the strengthening of the pound against the dollar, with the net effect of currency movements in the period being marginally adverse for the group as a whole.

The Board proposes to pay an interim dividend of 4.05p, an increase of 4%. The dividend will be paid on 14 November to shareholders on the register on 17 October 2003.

Stephen Harris, who previously held senior executive positions at Powell Duffryn and APV, was appointed Business Group Director and joined the Board in June.

Outlook

In the current hesitant industrial environment customers remain reluctant to make commitments. However, Spectris will continue its emphasis on sales and market penetration, whilst maintaining a tight focus on cost control. The growth in orders is supported by the investment which the company has made in sales resources in countries such as China and Mexico which have an expanding manufacturing base. A full year's contribution from PANalytical, together with the traditional Spectris bias towards the second half, leads us to reiterate expectations of progress for the full year.

A handwritten signature in black ink, reading "John Poulter". The signature is written in a cursive style with a large, looping initial "J".

John Poulter Chairman

9 September 2003

Chief Executive's review



Hans Nilsson Chief Executive

Demand in the businesses improved in the first half compared with the prior year, resulting in organic growth in orders of 5%. The growth in orders was the result of specific new product initiatives and continued investment in, and re-allocation of, sales resources rather than to an improvement in market conditions. Organic sales grew at a more modest 2%. In addition to the SARS outbreak, the increased lag between orders and sales was also due to the number of orders from original equipment manufacturers (OEMs) in areas where lead times are longer than is average for Spectris.

Gross margins were maintained and overhead costs remained under tight control with the only increase in headcount resulting from added manufacturing capacity at HBM in China. The lower operating cash conversion was primarily as a result of inventory build arising from the opening of HBM's factory extension in China and the timing of certain payments which are not expected to affect full year cash generation.

After adjusting for currency movements (see Note 3b), the geographical distribution of sales for the group remained essentially the same as in the equivalent period of the prior year.

Sector performance

Electronic controls

Sales increased by 9% to £62.2m (£57.0m) and operating profit increased by 23% to £6.9m (£5.6m) compared with the equivalent period in the prior year. All four companies improved as a result of sales and marketing initiatives

supported by new product offerings. Many of the orders came from OEM wins (an area which is more typical of the electronic controls sector than the rest of Spectris) and, in particular, for HBM's operations in China. Despite a weak manufacturing environment, Microscan's recently launched new barcode scanners achieved rapid acceptance by industrial customers worldwide. In addition, both Arcom and Red Lion won orders from OEMs in new applications.

In-line instrumentation

Sales were essentially flat year-on-year, at £86.8m compared with £87.2m in the prior year period. Operating profit was similarly comparable at £8.7m (£8.8m). Demand varied across the businesses, with BTG's growth in sales to pulp and paper customers offset by weak demand in Beta LaserMike's wire and cable markets. Beta LaserMike took steps to realign its product portfolio and sales resources towards markets with better prospects, such as pipe and tubing. The other companies experienced only slight differences in demand.

Process technology

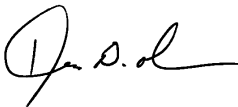
This sector now includes PANalytical, which accounted for the sales increase to £115.7m from £74.9m in the prior year period. Similarly, operating profit increased to £6.4m from £4.4m. Excluding PANalytical, year-on-year sales were flat and operating profit declined somewhat. The year-on-year decline in the telecoms markets was compensated by good progress in penetrating other markets and territories, such as Brüel & Kjær Sound & Vibration and Fusion in automotive and Particle Measuring Systems and Malvern in pharmaceuticals.

The integration of PANalytical, acquired in September 2002, has been completed. Demand measured in local currencies was strong and was backed by a pipeline of new product introductions. The cost reductions identified at the time of

the acquisition are on track and PANalytical's management team are actioning other initiatives to help mitigate the negative effects of currency movements.

Maintained priorities

Our businesses compete from strong market positions. The focus on sales coverage continues, in particular in countries with an expanding manufacturing base, as well as in Japan. Product development resources have been maintained during the economic downturn. Growth resulting from increased sales coverage should lead to improved operating margins through operational gearing.

A handwritten signature in black ink, appearing to read 'Hans Nilsson', written in a cursive style.

Hans Nilsson Chief Executive

9 September 2003

Group results

for the half year to 30 June 2003

	Notes	2003 Half year £m	2002 Half year £m	2002 Full year £m
Turnover				
Existing businesses		264.7	219.1	483.6
Operations disposed or to be disposed		–	4.1	6.5
Continuing operations	3	264.7	223.2	490.1
Operating profit before goodwill amortisation and exceptional items				
Existing businesses		22.0	18.8	51.5
Operations disposed or to be disposed		–	(0.3)	(0.8)
Continuing operations	3	22.0	18.5	50.7
Goodwill amortisation		(6.2)	(3.7)	(8.7)
Operating exceptional items		–	2.3	2.3
Operating profit		15.8	17.1	44.3
Loss on sale of business		–	(1.1)	(12.9)
Profit before interest and taxation		15.8	16.0	31.4
Net interest payable		(5.0)	(4.3)	8.2
Profit before taxation		10.8	11.7	23.2
Taxation on operating profit	4	(4.4)	(4.0)	(10.4)
Exceptional taxation	4	–	–	2.5
Profit after taxation		6.4	7.7	15.3
Dividends		(4.9)	(4.7)	(15.3)
Retained profit		1.5	3.0	–
Average number of shares in issue (millions)		120.4	109.3	114.4
Earnings per ordinary share	5	5.3p	7.0p	13.4p
Diluted earnings per share	5	5.3p	7.0p	13.3p
Earnings per share before goodwill amortisation and exceptional items	5	10.4p	9.3p	28.1p
Dividends per ordinary share		4.05p	3.90p	12.75p
Operating profit before goodwill amortisation and exceptional items, continuing operations		22.0	18.5	50.7
Net interest payable		(5.0)	(4.3)	(8.2)
Profit before taxation and before goodwill amortisation and exceptional items		17.0	14.2	42.5

Balance sheet summary

	30 June 2003 £m	29 June 2002 £m	31 December 2002 £m
Intangible assets	222.4	139.4	213.6
Tangible fixed assets	95.1	84.4	89.1
Fixed asset investments	15.8	14.8	15.9
Working capital	102.6	97.9	96.6
Taxation	(14.5)	(17.4)	(11.4)
Dividends payable	(4.9)	(4.7)	(10.6)
Provisions	(16.8)	(23.9)	(18.0)
Net pension assets/(liabilities)	(9.0)	0.9	(9.0)
	390.7	291.4	366.2
Net borrowing	(191.5)	(135.9)	(177.5)
Net assets	199.2	155.5	188.7
Share capital	6.2	5.6	6.2
Reserves	193.0	149.9	182.5
Equity shareholders' funds	199.2	155.5	188.7
Reconciliation of movements in shareholders' funds			
Retained profit	1.5	3.0	–
Foreign exchange adjustments	8.9	6.4	6.4
New share capital subscribed	0.1	2.0	41.5
Actuarial revaluation of pension funds	–	–	(10.5)
Goodwill realised	–	0.3	7.5
Net increase	10.5	11.7	44.9
Opening shareholders' funds	188.7	143.8	143.8
Closing shareholders' funds	199.2	155.5	188.7

Cash flow summary

	2003 Half year £m	2002 Half year £m	2002 Full year £m
Cash inflow from operating activities	15.8	12.5	54.4
Net capital expenditure	(6.9)	(5.8)	(15.9)
Net interest paid	(5.2)	(4.0)	(8.7)
Tax (paid)/recovered	(1.5)	0.2	(4.5)
Free cash flow	2.2	2.9	25.3
Dividends paid	(10.7)	(9.3)	(14.0)
Share issues	0.1	2.0	41.5
Purchase of fixed asset investments	–	(1.0)	(2.1)
Purchase of subsidiaries	0.5	–	(98.7)
Sale of subsidiaries	–	2.0	1.6
Exchange adjustment	(6.1)	(1.0)	0.4
Movement in net debt in the period	(14.0)	(4.4)	(46.0)
Net debt at the beginning of the period	(177.5)	(131.5)	(131.5)
Net debt at the end of the period	(191.5)	(135.9)	(177.5)

Reconciliation of operating profit to cash inflow from operating activities

Operating profit	15.8	17.1	44.3
Depreciation	6.5	5.8	13.9
Goodwill amortisation	6.2	3.7	8.7
Profit on sale of tangible fixed assets	–	(0.7)	(0.6)
(Increase)/decrease in working capital	(10.6)	(6.6)	2.7
Utilisation in provisions	(2.1)	(6.8)	(14.6)
Cash inflow from operating activities	15.8	12.5	54.4

Notes to the accounts

1 Principal accounting policies and basis of preparation

The interim report has been prepared on the basis of the accounting policies set out in the Group's 2002 statutory accounts and approved by the Board on 9 September 2003. This report does not constitute statutory accounts for the company. The interim figures for 30 June 2003 and 29 June 2002 are unaudited. The results for 2002 are not the statutory accounts but an abridged version of the full accounts which have received an unqualified report by the auditors and have been filed with the Registrar of Companies.

2 Taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences that have originated but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable.

3 Segmental analysis

a) Analysis by class of business

	2003 Half year £m	2002 Half year £m	2002 Full year £m
Turnover			
Electronic controls	62.2	57.0	117.6
In-line instrumentation	86.8	87.2	172.7
Process technology	115.7	74.9	193.3
Existing businesses	264.7	219.1	483.6
Operations disposed or to be disposed	–	4.1	6.5
Total continuing operations	264.7	223.2	490.1
Operating profit			
Electronic controls	6.9	5.6	13.0
In-line instrumentation	8.7	8.8	18.6
Process technology	6.4	4.4	19.9
Existing businesses	22.0	18.8	51.5
Operations disposed or to be disposed	–	(0.3)	(0.8)
Total continuing operations	22.0	18.5	50.7
Goodwill amortisation	(6.2)	(3.7)	(8.7)
Operating exceptional items	–	2.3	2.3
Operating profit	15.8	17.1	44.3

The operating businesses are grouped as follows:

Electronic controls: Arcom Control Systems, HBM, Microscan, Red Lion Controls.

In line instrumentation: Beta LaserMike, Brüel & Kjær Vibro, BTG, Ircon, Loma Systems, NDC Infrared Engineering, Servomex.

Process technology: Brüel & Kjær Sound & Vibration, Fusion UV Systems, Malvern Instruments, PANalytical, Particle Measuring Systems.

Notes to the accounts

b) Analysis of turnover by geographical destination

	2003 Half year £m	2002 Half year £m	2002 Full year £m
UK	17.6	13.6	32.3
Continental Europe	106.7	80.7	188.1
North America	73.9	74.3	147.7
Japan	19.1	14.2	31.0
China	14.8	10.6	24.6
Rest of Asia Pacific	22.3	17.5	45.6
Rest of the world	10.3	8.2	14.3
Discontinued	–	4.1	6.5
Total	264.7	223.2	490.1

4 Tax on profit on ordinary activities

The taxation charge for the six months to 30 June 2003 is based on an estimate of the effective rate of taxation for the current year (excluding exceptional items and goodwill amortisation) of 26%. (For the year to 31 December 2002: 24.4%)

The tax charge is analysed as follows:

	2003 £m	2002 £m
UK	0.8	–
Overseas	3.6	4.0
	4.4	4.0
Tax credit on operating exceptional items	–	–
Tax charge on sale of businesses	–	–
	4.4	4.0

Notes to the accounts

5 Earnings per share

Earnings per share before goodwill amortisation and exceptional items is calculated as follows:

	Earnings		Earnings per share	
	2003 Half year £m	2002 Half year £m	2003 Half year pence	2002 Half year pence
Earnings and earnings per share	6.4	7.7	5.3	7.0
Earnings and earnings per share attributable to:				
Operating exceptional items	–	(2.3)	–	(2.0)
Goodwill amortisation	6.2	3.7	5.1	3.3
Loss/(profit) on sale of businesses	–	1.1	–	1.0
Earnings and earnings per share before goodwill amortisation and exceptional items	12.6	10.2	10.4	9.3

The weighted average number of 5p ordinary shares in issue during the period was 120.4 million (2002: 109.3 million).

The calculation of diluted earnings per share is based upon the group profit of £6.7 million and on the diluted weighted average number of shares in issue during the period of 120.4 million.

6 Pension schemes

The net pension liability of the group at 31 December 2002 was £9.0m. The company's actuaries have estimated that at 30 June 2003 the net pension liability was £12.0m. The estimated actuarial loss has not been accounted for in the interim statement.

Shareholder information

Financial calendar

2003 Interim results	9 September 2003
Record date for 2003 Interim dividend	17 October 2003
2003 Interim dividend payable	14 November 2003
2003 Preliminary results	16 March 2004

Registrars

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 7DA

The registrars also provide a range of services on-line at www.shareview.co.uk.

Share price information

The company's ordinary shares are listed on the London Stock Exchange (symbol: SXS). The latest share price is available via the company's website at www.spectris.com

E-mail news service

To receive details of press releases and other announcements as they are issued, register with the e-mail alert service on the company's website at www.spectris.com/news.

spectris

Spectris plc
Station Road
Egham
Surrey TW20 9NP
UK

Tel : +44 (0)1784 470470
Fax: +44 (0)1784 470848

Email: headoffice@spectris.com
www.spectris.com

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