

Chairman's Statement

John Hughes, Chairman



"The group is in a strong financial and strategic position and we consider that the actions we are taking are appropriate in the near term whilst retaining in our businesses the resources to support growth as market demand recovers."

Introduction

Spectris achieved a good performance in 2008, in spite of an economic environment which deteriorated during the second half of the year. Sales for the full year increased by 19% to £787.1 million compared with £659.8 million in 2007*. On a constant currency basis, sales increased by 7%, of which approximately 4% was from acquisitions.

Operating profit increased by 13% to £118.3 million (2007: £104.3 million). On a constant currency basis, operating profit increased by 2%, of which approximately 3% was from acquisitions. Operating margins were 15.0%, compared with 15.8% in the prior year. Increased expenditure on research and development led to a reduction of 0.4 percentage points (pp) in operating margins, acquisitions resulted in a reduction of 0.2pp and the dilutive effect of foreign exchange reduced margins by 0.1pp. Profit before tax increased by 12% to £110.1 million (2007: £98.0 million) and earnings per share increased by 25% to 72.8 pence (2007: 58.1 pence). The effective tax rate reduced by 4pp to 24%, as a result of a tax-efficient inter-company financing structure and the recognition of tax losses brought forward in the UK.

Cash conversion was strong, with 86% of operating profit converted to operating cash. Capital investment was in excess of depreciation due to investment in a new technical centre for one of our businesses in the UK and investment in IT system upgrades. Net debt at the end of the period was £162.1 million, compared with £77.3 million at the end of December 2007. The increase is due to the cost of acquisitions, capital expenditure and the weakening of sterling. Net interest costs were £8.2 million, giving an annualised cover of 14.4 times.

The group's financial position is strong. At 31 December 2008, the group had cash of £64 million, committed facilities of £257 million (of which £217 million was utilised), and uncommitted facilities of £41 million (of which £10 million was utilised). Since the year end, an additional £50 million, five-year loan facility has been secured.

* Two businesses were divested in 2007. In order to aid understanding of the results for the ongoing business, references in the Chairman's Statement, Chief Executive's Statement, Operating Review and Financial Review to the sales and operating profit results in the 2007 comparatives exclude the results of these two businesses. Unless otherwise stated, figures for operating profit, profit before tax and earnings per share are adjusted measures – for explanation of adjusted figures and reconciliation to the statutory reported figures see Note 3.

The Board proposes to pay a final dividend of 17.0 pence which, combined with the interim dividend of 6.4 pence, gives a total of 23.4 pence (2007: 21.0 pence), an increase of 11%. The dividend will be paid on 26 June 2009 to shareholders on the register on 5 June 2009.

Outlook

The current market conditions continue to be challenging and offer very limited visibility. We have taken, and continue to take, timely actions to reduce operating costs and, should the outlook deteriorate further, we will not hesitate to take additional steps. As a result of the phasing of restructuring costs and their associated benefits, the balance between first and second half year profitability is expected to be materially different from past years. The group is in a strong financial and strategic position and we consider that the actions we are taking are appropriate in the near term whilst retaining in our businesses the resources to support growth as market demand recovers.



John Hughes
Chairman

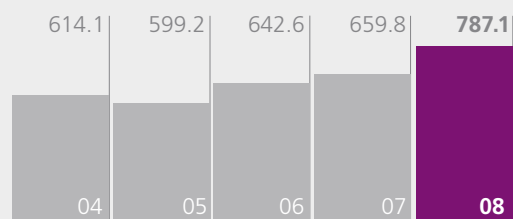
Lasair III

With its larger infrared touchscreen, simpler user interface and quieter operation than competitive instruments, the Lasair III portable particle counter also enables faster detection of particle contamination in cleanrooms, improving productivity for customers in the semiconductor and pharmaceutical industries.

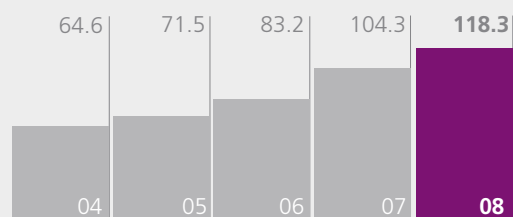


Financial highlights

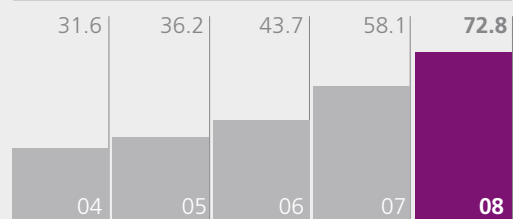
Sales from continuing businesses £m



Adjusted operating profit from continuing businesses £m



Adjusted earnings per share pence



Dividend per share pence

