

Chairman's Statement

2009 was a challenging year, in which customer spending in many of our markets was severely curtailed. The actions we have taken, together with our strong strategic and financial position, have enabled us to partially offset the effects of the weaker demand.



John Hughes
Chairman

Spectris achieved a commendable performance in 2009, despite a challenging year in which customer spending in many of our markets was severely curtailed. We took decisive action to manage our costs in response. Nevertheless, we continued to make progress on our strategy with further investments in research and development and strategic acquisitions, and in developing our distribution channels globally, particularly in emerging markets.

On a reported basis, sales were flat compared with the prior year, but decreased by 10% on a constant currency basis, with the year-on-year growth from acquisitions contributing 6%. The company took prompt action to limit the impact on profitability from the reduced volume, with the result that operating profit for the year declined by 33% to £79.2 million*, after incurring a one-off charge of £14.0 million for post-acquisition integration costs and restructuring activities. Operating margins were 10.1% compared with 15.0% in the prior year. Profit before tax decreased by 38% to £68.2 million (2008: £110.1 million). Earnings per share decreased by 38% from 72.8 pence to 45.4 pence, reflecting the impact of the decrease in profit before tax. The effective tax rate was 23.2% (2008: 23.7%).

Cash conversion was robust, with 133% of operating profit converted into operating cash, largely due to a reduction in trade working capital of approximately £35 million. Net debt decreased by £38.2 million from £162.1 million to £123.9 million. Net interest costs were £11.0 million.

Spectris is in a strong financial position. At 31 December 2009, the group had cash of £36.8 million and committed facilities of £281 million, of which £157 million was drawn.

The Board is proposing to pay a final dividend of 17.85 pence, which, combined with the interim dividend of 6.4 pence, gives a total for the year of 24.25 pence (2008: 23.4 pence), an increase of 3.6%. This is the company's twenty-first annual dividend increase in a row since its listing and reflects the Board's confidence in the company's medium- to long-term growth prospects. The dividend will be paid on 25 June 2010 to shareholders on the register at the close of business on 4 June 2010.

24.25 pence

Dividend up 3.6%

Outlook

The actions we have taken, together with our strong strategic and financial position, have enabled us to partially offset the effects of the weaker demand. We had previously noted that year-on-year trading in the last quarter of 2009 was improving and this has continued into 2010. Although we expect further benefits from the restructuring and integration actions, these will be offset by the reversal of some, or all, of the temporary cost savings. We continue to plan for a modest recovery and are confident that our continued focus on new products and applications, together with our reduced cost base, leaves us well positioned as our markets return to growth.

A handwritten signature in black ink, appearing to read 'John Hughes', written over a white background.

John Hughes
Chairman

*Unless stated otherwise, 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.