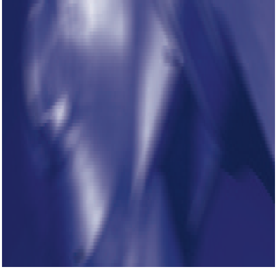

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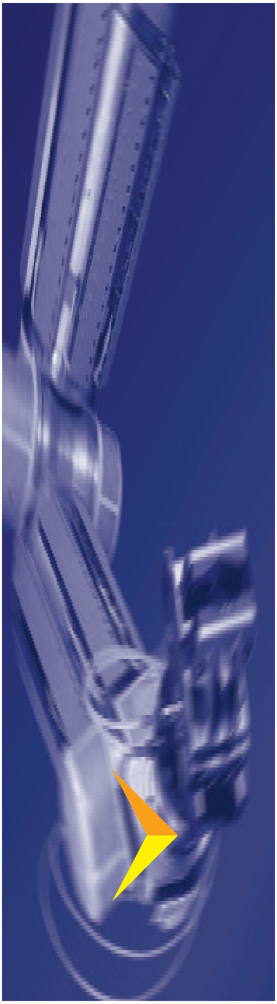

Robotic Technology Systems PLC

Interim Results

for the Six Months ended 30 June 2003

Robotic Technology Systems PLC

Interim Results for the Six Months ended 30 June 2003

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Robotic Technology Systems PLC

Interim Results for the Six Months ended 30 June 2003

Chairman's Statement

Overview

As reported at the Company's AGM in June 2003, the monthly order input in our US-based business, which has experienced extremely difficult market conditions since the second quarter of 2001, has improved progressively this year. This will benefit the financial performance of the Group more in the second half of the year than in the first half due to the book-to-build period of an average 6-9 months. The US operation's order book at 30 June 2003 was some $6 million higher than at the beginning of March 2003. The two UK-based businesses, Life Science and Nuclear Solutions, have continued to progress in line with expectations in the first half. I am very pleased to report that a consortium led by Nuclear Solutions has recently been appointed as one of three Multi-Disciplined Design Houses ("MDDH") to BNFL for the provision of engineering solutions at its Sellafield plant.

EBITDA before exceptional items was a negative £0.5 million, reduced from a negative £2.5million in the comparative period. The loss after tax before goodwill amortisation and restructuring costs for the period was £2 million, some £2.9 million better than the comparative period. The savings in distribution and administrative expense resulting from the substantial restructuring programme in the US during 2002 and the first quarter of 2003, which included the closure of the Phoenix plant in March 2003, are being realised to expectations and should amount to some £8 million on an annualised basis. Whilst US headcount has been reduced by 300 during that time, core capabilities remain across all functions and business groups.

I am pleased to welcome John Mowinckel who joins the Board today as a non-executive director. Since 1992, John has been a director of various Investindustrial Group companies and is based in London. Prior to that, John worked for Bankers Trust Company and then First National Bank of Chicago where he was Managing Director with responsibility for corporate finance activity primarily between Europe and the US. John will bring a tremendous amount of commercial and corporate finance experience to the Board particularly in the geographic markets which we principally serve.

Chairman's Statement

Financial *Review*

Turnover for the six months ended 30 June 2003 decreased by 25% to £28.5 million from £38.2 million in the comparative period due to the very difficult trading conditions in the US industrial market place over the last two years which resulted in a lower opening backlog this year compared to 2002. There was also a foreign currency impact on translation amounting to some £1.8 million. The fall in turnover came mainly from decreases in Assembly Systems and Process Systems of £2.9 million and £4.3 million respectively. The UK-based businesses in Life Science and Nuclear Solutions each increased turnover versus the comparative period by £0.5 million to £8.2 million and £6.8 million respectively.

As a result of the higher proportion of Group turnover against the comparative period originating from the UK-based businesses, together with the improved operating efficiencies and quality of the order book in the US operation, gross margin increased to 27.4% from 25.8% in the comparative period.

The considerable downsizing of the main US operation during 2002 and the first quarter of 2003, and rigorous management of costs generally, has resulted in a substantial reduction of £5.1 million in distribution and administrative expenses to £10.3 million (2002 : £15.4 million). For the year as a whole, this should result in a reduction in underlying distribution and administrative expense, on a like-for-like basis, of some £8 million when compared to the year ended 31 December 2002.

EBITDA before exceptional items in the period was a negative of £0.5 million compared to a negative £2.5 million in the comparative period. The second quarter of 2003 produced a breakeven position at the EBITDA level. The loss before and after tax was £2.9 million compared to a loss before and after tax of £6.3 million and £6.6 million respectively. The basic loss per share was 4.79p (2002: loss 11.19p). The loss before and after tax, excluding acquisition goodwill amortisation and restructuring costs, was £2 million compared to loss before and after tax of £4.6 million and £4.9 million respectively. The adjusted basic loss per share was 3.23p (2002: loss 7.38p).

Despite the continuing difficult market conditions in the period, the balance sheet and liquidity of the Company remain sound. The net tangible worth of the Group amounted to £32.7 million at the period end

Chairman's Statement

Financial *Review Continued*

and the current ratio increased in the period to 1.82 : 1. The increase in net debt during the period was held to £1.2 million mainly due to tight working capital management. At the end of the period, the Group had undrawn borrowing facilities of £4.5 million and liquid investments of nearly £2 million.

The Company has signed Heads of Terms to sell and lease back its freehold facility in Manchester, (which has a book value of approximately £2.9 million), for net proceeds of some £2.75 million. This transaction is expected to complete in the next few weeks. It is the Board's intention to use the proceeds to prepay £2.1 million of term debt and retain £650,000 for additional working capital. The downsizing of our US operations in Nashville has rendered two freehold properties surplus to requirements. The Company has accepted an offer, subject to contract, to sell one of these properties for $2.4 million.

Operational *Review*

The Group's Life Science and UK-based business in Nuclear Solutions, which both operate in niche markets, continued to perform well during the period. Those business groups which are central to the US industrial market have generally shown improvement in order input during the first half of the year although market conditions in that territory continue to remain challenging.

Life Science's order input in the first half was in line with budget and included the first order for an Ultra High Throughput Screening Factory amounting to £2 million. As part of a strategic programme to develop Life Science's product offer, the Sample Store was launched towards the end of the period targeted at bio-techs and major pharmaceutical companies operating satellite screening centres. The current order book of Life Science, the Group's highest margin business, stands at £14 million.

An RTS Nuclear Solutions-led consortium of four companies, following a rigorous selection process, has recently been engaged by BNFL under its MDDH initiative as one of three consortia to provide multi-discipline engineering solutions at its Sellafield plant. Trial packages of work are due to be placed later this month. This initiative is part of BNFL's ongoing strategy aimed at increasing the level of outsourcing whilst reducing the number of supplier interfaces. The MDDH initiative is seen by BNFL as being key to the success of their business re-alignment strategy.

Following the initial trial period, this should present a major business growth opportunity. In addition, Nuclear Solutions in the UK has been successful in winning its first contract to provide design services for BNFL Environmental Services at the Berkley Magnox power station as part of its site clean-up programme. This further develops RTS' standing within the UK nuclear industry as a premier supplier of engineering solutions for dealing with the nuclear waste legacy.

The Nuclear Solutions business unit based in the US has won its first significant order at the Hanford nuclear site. We are quoting for a number of other packages of work at Hanford and other nuclear sites in the US and consider that we are well placed to win a good share of orders as they are awarded.

Chairman's Statement

Operational *Review Continued*

On a like-for-like basis, Flexible Systems, which has operated solely from the UK since February 2003 following the closure of the Phoenix plant, grew sales in the first half to £719,000. Its order book has increased during the period by 40% to £900,000. The business pipeline is building in targeted markets such as technology-based packaging and product handling applications for the UK food industry.

The main US operation, based in Nashville, improved its order input in every month during the first half of the year except February. Assembly Systems, Build-to-Print, Process Systems and Tooling Systems business groups are led from Nashville. Assembly Systems, which has borne the brunt of the severe recession over the last two years, is showing a trend of higher order input this year which should translate through into an increased level of turnover in the second half of 2003. Good orders have been won in the growing medical devices market, in which we are well positioned, including participation in a multi-million dollar programme with a Fortune 500 company. Both Build-to-Print and Process Systems' turnover has been depressed by low opening order backlogs and weak order input in the first quarter, although better order input has been achieved since. Both of these business groups have relatively low overhead structures and in the lower activity periods skilled resources have been used in the busier areas such as Assembly Systems.

Outlook

The Group's order book currently stands at nearly £40 million which is a similar level to that at the start of the year. The UK-based businesses in Life Science and Nuclear Solutions have strong order books and good prospects. The MDDH selection is a major win for Nuclear Solutions and has the potential to expand very significantly over the next few years.

The key to a continuing and sustainable improvement in financial performance for RTS is, to a large extent, dependent upon the US industrial markets. So far there are some encouraging signs. Our US operations order book has risen by $6 million since February, which facilitates better resource and operational planning than at lower activity levels. On a macro-economic basis, the US industrial marketplace appears to be improving based on recently reported US manufacturing indices. Additionally the inventories index dropped to 42.5 in August from 45.9 in July from which it would not be unreasonable to expect that manufacturers will restock at some stage. We continue, however, to be extremely cautious in our view of what may be early signs of a slow recovery in capital spend. If this possible recovery in manufacturing is sustained, it is reasonable to expect that this will increase demand for automation systems over a period of time. The considerably lower cost base in our US operations, coupled with the benefit stemming from its programme of change which is now well-advanced, has made it more competitive and better positioned to enjoy an increasing share of any recovering market.

Chris Brown

Chairman

17 September 2003

Interim Results for the Six Months ended 30 June 2003

Group Profit and Loss Account

	Notes	6 month period ended 30/06/03 (Unaudited) £'000	6 month period ended 30/06/02 (Unaudited) £'000	12 month period ended 31/12/02 (Audited) £'000
Turnover	**2, 3**	28,478	38,242	70,559
Cost of sales		(20,681)	(28,357)	(52,363)
Gross profit		7,797	9,885	18,196
Distribution and administrative expenses before exceptional items		(10,256)	(15,401)	(29,502)
Exceptional items				
Acquisition goodwill impairment		-	-	(16,400)
Impairment of intangible fixed assets		-	-	(308)
Legal and professional fees		-	-	(816)
Restructuring costs		(290)	(397)	(648)
Total distribution and administrative expenses		(10,546)	(15,798)	(47,674)
Other operating income		70	46	54
Operating loss	**3, 4**	(2,679)	(5,867)	(29,424)
Loss on termination of business segments		-	(417)	(4,972)
Loss on ordinary activities before interest and taxation		(2,679)	(6,284)	(34,396)
Net interest payable		(248)	(38)	(215)
Loss on ordinary activities before taxation		(2,927)	(6,322)	(34,611)
Taxation		-	(255)	(839)
Loss on ordinary activities		(2,927)	(6,577)	(35,450)
Minority interests		(3)	(4)	(7)
Loss on ordinary activities after taxation transferred to reserves	**4,6**	(2,930)	(6,581)	(35,457)
Loss per share				
Basic loss per share	**5**	(4.79)p	(11.19)p	(59.20)p
Fully diluted loss per share	**5**	(4.79)p	(11.19)p	(59.20)p
Adjusted basic loss per share before amortisation of acquisition goodwill and before exceptional items	**5**	(3.23)p	(7.38)p	(17.01)p

Group Balance Sheet at 30 June 2003

	Notes	At 30/06/03 (Unaudited) £'000	At 30/06/02 (Unaudited) £'000	At 31/12/02 (Audited) £'000
Fixed Assets				
Intangibles		20,535	42,511	21,245
Tangibles		26,594	29,123	28,522
Investments		35	36	35
		47,164	71,670	49,802
Current assets				
Stocks		13,605	16,278	15,107
Debtors		10,567	11,585	12,036
Investments		2,214	1,748	2,184
Cash at bank and in hand		876	6,621	3,645
		27,262	36,232	32,972
Creditors: amounts falling due within one year		(14,968)	(13,228)	(18,472)
Net current assets		12,294	23,004	14,500
Total assets less current liabilities		59,458	94,674	64,302
Creditors: amounts falling due after more than one year		(5,443)	(7,215)	(6,268)
Provisions for liabilities and charges		(748)	(225)	(1,357)
Net assets		53,267	87,234	56,677
Capital and reserves				
Called up share capital	6	611	610	611
Share premium account	6	74,497	74,468	74,490
Shares to be issued	6	120	167	120
Merger reserve	6	-	13,228	-
Other reserve	6	637	527	571
Profit and loss account	6	(22,637)	(1,803)	(19,155)
Equity shareholders' funds		53,228	87,197	56,637
Equity minority interest		39	37	40
		53,267	87,234	56,677

Consolidated Cash Flow Statement

	Notes	6 month Period Ended 30/06/03 (Unaudited) £'000	6 month Period Ended 30/06/02 (Unaudited) £'000	12 month Period Ended 31/12/02 (Audited) £'000
Net cash outflow from operating activities	**7**	(399)	(5,119)	(6,023)
Returns on investments and servicing of finance		(221)	(54)	(232)
Taxation		(246)	(311)	(880)
Capital expenditure and financial investment	**8**	(325)	(1,752)	(5,752)
Acquisitions and disposals		-	(1,142)	(1,142)
Cash outflow before management of liquid resources		(1,191)	(8,378)	(14,029)
Financing	**8**	(1,564)	6,860	9,496
Management of liquid resources		-	(1,650)	3,100
Decrease in cash in the period		(2,755)	(3,168)	(1,433)
Reconciliation of net cash flow to movement in net funds				
Decrease in cash in the period		(2,755)	(3,168)	(1,433)
Cash inflow/(outflow) from increase in liquid resources		-	1,650	(3,100)
Cash inflow/(outflow) from increase in debt		1,555	(6,841)	(9,426)
Movement in net funds resulting from cashflows in the period		(1,200)	(8,359)	(13,959)
Finance lease payments		16	17	-
		(1,184)	(8,342)	(13,959)
Net (debt)/funds at 1 January 2003		(5,890)	8,069	8,069
Net debt at 30 June 2003		(7,074)	(273)	(5,890)

Group Statement of Total Recognised Gains and Losses

	6 month period ended 30/06/03 (Unaudited) £'000	6 month Period Ended 30/06/02 (Unaudited) £'000	12 month Period Ended 31/12/02 (Audited) £'000
Loss for the financial period/year	(2,930)	(6,581)	(35,457)
Currency translation differences on foreign currency net investments	(552)	(2,222)	(4,028)
Total recognised losses for the period/year	(3,482)	(8,803)	(39,485)

Interim Results for the Six Months ended 30 June 2003

Notes to the Financial Information

1. Basis of Preparation

The interim results have been prepared using the accounting policies set out in the Group's Annual Report and Financial Statements. The figures for the period ended 31 December 2002 are abridged and have been extracted from the Annual Report and Financial Statements which have been filed with the Registrar of Companies. The auditors' report on those Financial Statements was unqualified and did not contain any statements under Section 237(2) or (3) of the Companies Act 1985. The financial information set out in this document does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

2. Turnover

Geographical Destination:	6 month period ended 30/06/03 (Unaudited) £'000	6 month Period Ended 30/06/02 (Unaudited) £'000	12 month Period Ended 31/12/02 (Audited) £'000
United Kingdom	8,722	9,398	19,389
Other European Countries	1,337	3,512	5,594
North America	18,354	21,461	42,054
Rest of the World	65	3,871	3,522
	28,478	38,242	70,559

Class of business:	6 month period ended 30/06/03 (Unaudited) £'000	6 month period ended 30/06/02 Continuing Activities £'000	Discontinued Activities (Unaudited) £'000	Total £'000
Assembly Systems	7,893	10,793	-	10,793
Build-to-Print	1,546	1,346	-	1,346
Flexible Systems	719	2,257	-	2,257
Life Science	8,165	7,379	243	7,622
Nuclear Solutions	6,807	6,285	-	6,285
Process Systems	584	4,874	-	4,874
Support Services	787	939	428	1,367
Tooling Systems	1,977	3,698	-	3,698
	28,478	37,571	671	38,242

2. Turnover *Continued*

Class of business:	12 month period ended 31/12/02 (Audited) Continuing Activities £'000	Discontinued Activities £'000	Total £'000
Assembly Systems	19,143	-	19,143
Build-to-Print	3,213	-	3,213
Flexible Systems	983	3,401	4,384
Life Science	15,352	265	15,617
Nuclear Solutions	12,755	-	12,755
Process Systems	6,869	-	6,869
Support Services	1,696	-	1,696
Tooling Systems	6,882	-	6,882
	66,893	3,666	70,559

3. Continuing and discontinued activities

The results of continuing and discontinued activities in prior periods were as follows:

	6 month period ended 30/06/02 (Unaudited)			12 month period ended 31/12/02 (Audited)		
	Continuing Activities £'000	Discontinued Activities £'000	Total £'000	Continuing Activities £'000	Discontinued Activities £'000	Total £'000
Turnover	37,571	671	38,242	66,893	3,666	70,559
Cost of sales	(27,886)	(471)	(28,357)	(49,104)	(3,259)	(52,363)
Gross profit	9,685	200	9,885	17,789	407	18,196
Distribution and administration expenses before exceptional items	(14,966)	(435)	(15,401)	(25,735)	(3,767)	(29,502)
Exceptional items						
Acquisition goodwill impairment	-	-	-	(16,400)	-	(16,400)
Impairment of intangible fixed assets	-	-	-	(308)	-	(308)
Legal and professional fees	-	-	-	(816)	-	(816)
Restructuring costs	(397)	-	(397)	(648)	-	(648)
Other operating income	46	-	46	39	15	54
Operating Loss	(5,632)	(235)	(5,867)	(26,079)	(3,345)	(29,424)

4. EBITDA and adjusted loss after tax

	6 month period ended 30/06/03 (Unaudited) £'000	6 month period ended 30/06/02 (Unaudited) £'000	12 month period ended 31/12/02 (Audited) £'000
Operating loss	(2,679)	(5,867)	(29,424)
Amortisation	831	1,732	2,459
Depreciation	1,107	1,223	2,358
EBITDA	(741)	(2,912)	(24,607)
Exceptional items	290	397	18,172
EBITDA before exceptional items	(451)	(2,515)	(6,435)
Loss after tax	(2,930)	(6,581)	(35,457)
Exceptional items	290	397	18,172
Loss on termination of business segments	-	417	4,972
Acquisition goodwill amortisation	642	1,429	2,128
Adjusted loss after tax	(1,998)	(4,338)	(10,185)

5. Earnings Per Share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant period. The calculation of both basic and diluted earnings per share for the six months ended 30 June 2003 are based upon a loss after tax of £2,930,000 (six months ended 30 June 2002 a loss after tax of £6,581,000, 12 month period ended 31 December 2002 a loss after tax of £35,457,000). The weighted average number of shares used in the basic calculation is 61,100,204 (30 June 2002: 58,773,901; 31 December 2002: 59,884,638).

The calculation of diluted loss per ordinary share is identical to that used for the basic loss per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

Adjusted basic loss per share has been calculated on adjusted loss after tax (note 4).

6. Shareholders' Funds

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2003	611	74,490	120	571	(19,155)	56,637
Share scheme options exercised	-	7	-	-	-	7
UITF 17 share option charges	-	-	-	66	-	66
Exchange differences	-	-	-	-	(552)	(552)
Loss for the period	-	-	-	-	(2,930)	(2,930)
At 30 June 2003	611	74,497	120	637	(22,637)	53,228

7. Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

	6 month period ended 30/06/03 (Unaudited) £'000	6 month period ended 30/06/02 (Unaudited) £'000	12 month period ended 31/12/02 (Audited) £'000
Operating loss	(2,679)	(5,867)	(34,396)
Depreciation and amortisation	1,938	2,699	25,321
Decrease in stocks	1,901	925	1,024
Decrease in debtors	2,071	4,997	2,826
Decrease in creditors	(3,046)	(8,014)	(2,413)
Profit/(loss) on disposal of current asset investment	(37)	16	(84)
Loss on disposal of tangible fixed assets	16	-	58
Loss on disposal of intangible fixed assets	-	-	7
Charge in respect of provisions	16	125	307
Restructuring provision	(579)	-	1,327
Net cash outflow from operating activities	(399)	(5,119)	(6,023)

8. Notes to the Cashflow Statement

	6 month period ended 30/06/03 (Unaudited) £'000	6 month period ended 30/06/02 (Unaudited) £'000	12 month period ended 31/12/02 (Audited) £'000
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets	-	(249)	(307)
Payments to acquire tangible fixed assets	(238)	(2,249)	(6,209)
Payments/(receipts) from current asset investments	(87)	746	764
	(325)	(1,752)	(5,752)
Financing			
Issue of share capital	7	45	70
Loan advances	1,555	6,832	9,452
Capital element of finance leases	(16)	(17)	(26)
	(1,564)	6,860	9,496

9. Dividend

The directors do not recommend the payment of a dividend.

Independent Review Report to Robotic Technology Systems PLC

Introduction

We have been engaged by the company to review the financial information for the six months ended 30 June 2003 on pages 9 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors.

Review Work Performed

We conducted our review in accordance with guidance in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc
Chartered Accountants
Manchester
17 September 2003

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