

spectris

*Enhancing productivity through precision  
instrumentation and controls*

Spe

**2006 Interim results**

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- **First half highlights**
- **First half financial performance**
- **Outlook**

- Sales from continuing businesses up 8%, with all divisions showing growth
- Operating margins improved to 10%
- Cash conversion rate of 113%
- Debt reduced by £25 million to £95 million
- Dividend increased by 9%

	H1 2006	H1 2005	change
Sales from continuing businesses (£m) *	<b>323.4</b>	299.7	+8%
Adjusted operating profit from continuing businesses (£m) *	<b>32.4</b>	27.4	+18%
Sales (£m)	<b>327.3</b>	307.2	+7%
Adjusted operating profit (£m)	<b>32.7</b>	27.8	+18%
Adjusted profit before tax (£m)	<b>27.5</b>	21.1	+30%
Return on sales (%) *	<b>10.0</b>	9.1	
Profit before tax (£m)	<b>36.9</b>	16.5	+124%
Adjusted earnings per share (pence)	<b>15.7</b>	12.7	+24%
Basic earnings per share (pence)	<b>20.7</b>	5.9	+251%
Dividend (pence)	<b>5.0</b>	4.6	+9%
Operating cash (£m)	<b>36.9</b>	22.2	+66%
Net debt (£m)	<b>95.2</b>	158.6	-40%

### Notes

\* Continuing businesses excludes Arcom Control Systems which was divested in the first quarter.

Spectris uses adjusted figures as key performance measures. Adjusted figures are stated before amortisation of acquisition-related intangible assets, goodwill charges, profits or losses on termination or disposal of businesses or major fixed assets, unrealised changes in the fair value of financial instruments, related tax effects and other tax items which do not form part of the underlying tax rate.

£m	H1 2006	H1 2005
Operating profit	<b>32.7</b>	27.8
Depreciation	<b>6.8</b>	6.4
Decrease/(increase) in working capital/other	<u><b>2.2</b></u>	<u>(6.1)</u>
Net cash flow from operating activities excluding capex	<b>41.7</b>	28.1
Capex	<u><b>(4.8)</b></u>	<u>(5.9)</u>
Operating cash flow	<u><b>36.9</b></u>	<u>22.2</u>
<b>Cash conversion</b>	<b>113%</b>	80%

£m	H1 2006	H1 2005
Tax	(12.3)	(6.6)
Interest	(5.2)	(6.5)
Dividends	(13.9)	(12.4)
Acquisitions/disposals	11.8	(2.7)
Sale of treasury shares by Employee Benefit Trust	0.9	5.0
Financial income	-	0.4
Shares issued/options exercised	3.7	0.5
Exchange/other	<u>2.8</u>	<u>0.4</u>
	(12.2)	(21.9)
Operating cash flow	<u>36.9</u>	<u>22.2</u>
Decrease in net debt	<u>24.7</u>	<u>0.3</u>

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# Operating review

## Process technology

	H1 2006	H1 2005	change
Sales (£m)	160.0	141.5	+13%
Operating profit (£m)	16.8	11.0	+53%
Operating margin %	10.5	7.8	

- Sales and profits increased in all companies
- Good first half from Malvern; very strong performances from Brüel & Kjær Sound & Vibration, Fusion, Particle Measuring Systems and PANalytical
- Acquisition of Spectral Dimensions for Malvern end Q2

## In-line instrumentation

	H1 2006	H1 2005	change
Sales (£m)	98.1	95.5	+3%
Operating profit (£m)	8.6	8.0	+8%
Operating margin %	8.8	8.4	

- Servomex benefited from increased demand in North America in oil & gas sector
- Profitability at Beta LaserMike and Spectrum further improved
- BTG's Duroblade business performed well but instrumentation business affected by continued lack of capital investment in pulp & paper industry
- Re-focus on solutions business at Brüel & Kjær Vibro affects profits as a result of restructuring in Europe
- Good performances at Ircon and NDC

### Electronic controls

Continuing businesses *	H1 2006	H1 2005	change
Sales (£m)	65.3	62.7	+4%
Operating profit (£m)	7.0	8.4	-17%
Operating margin (%)	10.7	13.4	

\* Continuing businesses excludes Arcom Control Systems which was divested in the first quarter.

- Profitability at HBM affected by product rationalisation and one-off costs. Good sales growth in emerging markets
- Strong performances from Red Lion and Microscan

## Sales by destination

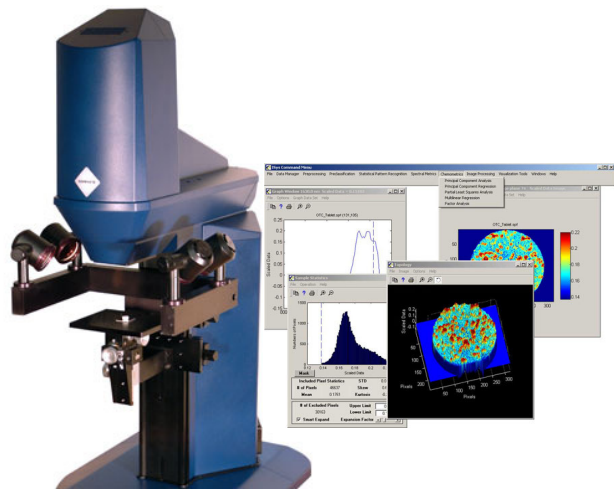
£m	H1 2006	H1 2005	change
Continental Europe	<b>118.4</b>	115.3	+3%
Asia Pacific	<b>87.5</b>	76.4	+15%
Japan	<b>26.5</b>	25.0	+6%
China	<b>24.9</b>	19.6	+27%
North America	<b>84.1</b>	75.1	+12%
Rest of the world	<b>16.8</b>	14.1	+19%
UK	<b>16.6</b>	18.8	-12%
Arcom	<u><b>3.9</b></u>	<u>7.5</u>	
Total	<b>327.3</b>	307.2	



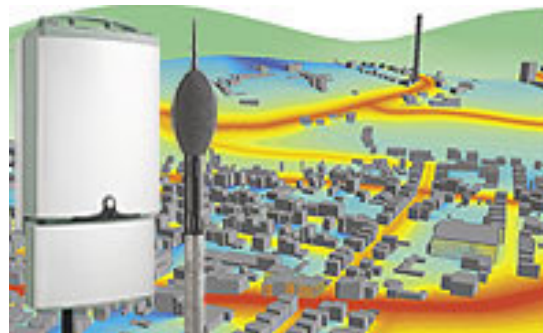
HBM: T12 digital transducer



Brüel & Kjær Vibro: VibroControl 6000



Malvern: NIR chemical image analyzer



Brüel & Kjær Sound & Vibration:  
environmental noise management system



Particle Measuring Systems:  
airborne molecular contamination  
monitoring

# Outlook

- Current order trends are encouraging
- New products and applications to contribute in H2
- Growing demand expected to continue in emerging markets
- Cash generation remains a priority
- Continuing focus on cost management and margin objectives

**Confident of continued progress in the second half**



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