

spectris



IMPROVING PERFORMANCE FOR OUR CUSTOMERS

Spectris plc
Interim report 2006

Highlights

	2006 Half year	2005 Half year	Increase
Sales from continuing businesses (£m) [#]	323.4	299.7	8%
Adjusted operating profit from continuing businesses (£m) ^{#*}	32.4	27.4	18%
Sales (£m)	327.3	307.2	7%
Adjusted operating profit (£m)*	32.7	27.8	18%
Adjusted profit before tax (£m)*	27.5	21.1	30%
Adjusted earnings per share (pence)*	15.7	12.7	24%
Statutory			
Profit before tax (£m)	36.9	16.5	124%
Basic earnings per share (pence)	20.7	5.9	251%
Dividend (pence)	5.0	4.6	9%

[#] Continuing businesses excludes Arcom Control Systems which was divested in the first quarter

* For adjusted figures see explanatory notes

- All divisions showed sales growth from continuing businesses
- Operating margins improved to 10%
- Operating profit to cash conversion rate of 113%
- Net debt reduced by £25 million to £95 million
- Dividend increased by 9%

Explanatory notes for reading the interim announcement

1. 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. The differences between the adjusted and unadjusted measures are reconciled in Note 2.

2. The narrative that follows is based on the adjusted measures of operating profit, profit before tax and earnings per share. Unless otherwise stated, all sales and operating profit figures exclude the Arcom business which was divested in the first quarter.

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1. HBM's measurement systems were used to measure acceleration in the curves of the ice track in order to optimise the curvature of the bends in the bobsled run for the 2006 Winter Olympics in Turin.
2. Malvern's particle characterisation instrumentation is used by Xennia Technology to measure the size of particles in inks for inkjet printers. Particle size is key to achieving an ink formulation which does not block the nozzles of the printer and provides a long shelf life.
3. Brüel & Kjær's environmental noise monitoring equipment has been selected by the Civil Aeronautics Administration in Taiwan to supply airport noise monitoring and flight tracking systems for six airports.
4. Red Lion's touchscreens are used by companies such as US car wash equipment manufacturer Dilling-Harris Inc. where they provide pressure and flow adjustments, monitor each bay's operation and calculate the total gross profit for car wash installations.

Improving performance for our customers

Spectris is a leading supplier of precision instrumentation and controls.

Our products help customers to improve product quality and performance, increase productivity and yield and reduce downtime.

Our businesses are market leaders with good technology positions and high calibre people, providing applications and process expertise to customers in a wide range of end-user industries.

Our sales and support offices can be found in all parts of the world, helping customers to improve their productivity wherever they are based. For further information, visit our website at www.spectris.com.

Chairman's statement

Overview

As indicated in the trading update in July, sales, profits and earnings per share all increased in the first half of 2006 compared with the corresponding period in 2005.

Sales in the first half increased by 8% from £299.7 million to £323.4 million and operating profit increased by 18% from £27.4 million to £32.4 million. Operating margins increased from 9.1% to 10.0%, due partly to the growth in volume but also as a result of the continuation of management actions to improve margins, including overhead containment where appropriate.

Earnings per share increased from 12.7p to 15.7p on a tax rate of 29% (2005: 27%). Cash conversion was good with 113% of operating profit converted into cash. Net debt was £95.2 million at the half year compared with £119.9 million at the prior year end. Interest costs were £5.1 million, giving an annualised interest cover of 7.0 times.

The Board proposes to pay an interim dividend of 5.0p (2005: 4.6p), an increase of 9%. The dividend will be paid on 17 November 2006 to shareholders on the register at 20 October 2006.

Board changes

I am pleased to welcome Clive Watson, who will join the Board on 1 October as Group Finance Director to replace Steve Hare. Clive was previously Chief Financial Officer and Executive Vice President for Business Support at Borealis, a leading provider of plastics solutions, and brings with him considerable international financial experience. I should like to take this opportunity to thank Steve for his contribution to Spectris. Non-executive directors Martin Lamb and Professor Leo Murray retired from the Board in May and I should also like to thank them for their contribution to the development of the company. I am pleased to welcome Peter Chambré, who joined the Board in August, as a non-executive director.



John Poulter
Chairman

“Order intake in the first half exceeded sales. The backlog, together with current order trends, gives confidence of continued progress in the second half of 2006”

Outlook

Order intake in the first half exceeded sales. The backlog, together with current order trends, gives confidence of continued progress in the second half of 2006. Cost containment, together with cash generation, continues to receive management attention. These actions represent another step in improving margins to provide a sound base for the further development of the group.

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
5 September 2006

Chief Executive's review

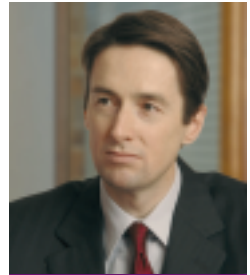
Spectris' results for the first six months of the year represent encouraging progress towards our objective of improving profitability and operating margins.

All three major geographic regions showed growth on a continuing business basis. Asia continued to experience good growth, with overall sales up by 15%, particularly in China where sales were up by 27%. There was a notable increase in North America, with sales up by 12% following strong growth across several industry sectors and an overall appreciation of the US dollar. Sales in South America were up by 36% over the prior period, demonstrating the opportunities in this emerging market. Sales in Europe increased by 1% and although the UK was disappointing this was more than offset by strong growth in Germany.

Gross margins were maintained. Operating margins improved from 9.1% to 10.0%, reflecting the increased volume and a continued focus on overhead containment. Overall headcount was flat, despite some increases in emerging geographies.

Sector performance

All businesses in the **Process Technology** sector achieved sales and profit growth, with sales up by 13% from £141.5 million to £160.0 million and profit up by 53% from £11.0 million to £16.8 million. Operating margins improved from 7.8% to 10.5%. Sales at Brüel & Kjær Sound & Vibration increased, thanks to strong activity in the environmental noise management market, and profits improved significantly. Malvern performed well. In April, Malvern was awarded the Queen's Award for Enterprise, in recognition of the company's export sales, which have increased by 76% over the past six years. At the end of the second quarter, Malvern acquired the business and assets of Spectral Dimensions Inc. This US-based business is a leader in infrared-based chemical imaging instrumentation, primarily for the pharmaceutical and fine chemical industries. Fusion UV Systems benefited from the growth in demand for industrial coatings, with good results in North America and Asia. Particle Measuring Systems grew sales and profits, largely as a result of increased market presence in the pharmaceutical industry. PANalytical saw good growth in sales and



John O'Higgins
Chief Executive

"Spectris' results for the first six months of the year represent encouraging progress towards our objective of improving profitability and operating margins. Actions to reduce costs continue to be a priority for management and will deliver further benefits in the future"

profits, particularly in North America, with the electronics and semiconductor industries proving particularly attractive, and in Asia, where the company acquired its distributor in Korea to provide a direct sales and support operation in this important market.

In-line Instrumentation achieved sales growth of 3% from £95.5 million to £98.1 million with profit growing by 8% from £8.0 million to £8.6 million. Operating margins improved from 8.4% to 8.8%. BTG's Duroblade product range had a strong first half, driven by higher sales as paper manufacturers strive to improve productivity and reduce downtime. However, a continued lack of investment in capital equipment had an impact on sales in the paper instrumentation business. As part of the strategic change at Brüel & Kjær Vibro towards a systems-based business, the company launched its new offering, the VibroControl 6000 safety monitoring system, designed for continuous on-line safety and fault prevention monitoring. Profitability was affected by a one-off cost associated with restructuring the business in Europe to reflect this change in strategy. Sales were flat at Beta LaserMike, but profitability improved due to tight control of overheads. Gross margins improved significantly at Spectrum Inspection Systems on the elimination of lower margin business. As a result, profitability and cash flow also improved. Ircon improved its sales coverage and performed well. NDC grew sales in its key North American market, which benefited from renewed capital expenditure in the web industry, and China also continued to perform strongly. Servomex saw strong demand in North America as refinery and petrochemical plant customers invested in operations following damage to facilities as a result of last year's hurricanes.

Sales in the ***Electronic Controls*** sector increased from £62.7 million in 2005 to £65.3 million and operating profits reduced from £8.4 million to £7.0 million. Operating margins were 10.7% compared with 13.4% in the prior period. The decrease in profits in this sector was due to lower profitability at HBM, where sales were flat but profits were affected by continued product rationalisation and one-off costs relating to the next phase of the transfer of load cell manufacturing to China. Red Lion Controls benefited from buoyant demand in North America and grew market share. Microscan also showed strong growth.

Financial review

At the end of the first quarter of 2006, the group divested the Arcom business. Note 2 of the interim financial statements sets out the impact that this has had on the results of the group. The commentary that follows relates to the total group results including the Arcom business.

Overall sales in the first half increased by 7% from £307.2 million to £327.3 million and adjusted operating profit increased by 18% from £27.8 million to £32.7 million. Aside from the impact from sales growth, operating profits benefited from the continuing actions taken to improve margins. The overall effect of exchange rates was to increase sales by 2%, or £6.6 million, of which the positive contribution to profit was approximately £1.4 million. However this was more than offset by restructuring and other one-off charges. The impact of bolt-on acquisitions on the first half result was modest. Unadjusted operating profits, after including acquisition-related intangible asset amortisation charges of £0.7 million (2005: £0.5 million) increased from £27.3 million to £32.0 million.

Interest charges, including IAS 19 pension charges, reduced from £6.7 million to £5.2 million, reflecting a reduction in net debt over the period of £24.7 million. Adjusted profits before tax increased by 30% from £21.1 million to £27.5 million. After also including acquisition-related intangible asset amortisation charges, £9.5 million profit on disposal of the Arcom business, unrealised gains on the group's cross-currency interest rate swaps of £0.6 million (2005: unrealised loss of £4.5 million including a loss relating to average rate options), and £0.4 million of other financial income in the prior year result, the group's unadjusted profits before tax increased by 124% from £16.5 million to £36.9 million.

Based on the forecast for the full year, the underlying tax rate for the half year was 29% (2005: 27%), reflecting our longer-term expectation of a move towards the weighted average statutory tax rate.

Adjusted earnings per share increased by 24% from 12.7p to 15.7p as the combined effects of higher operating profits and lower interest charges were offset slightly by the higher tax rate. Basic earnings per share increased by 251% from 5.9p to 20.7p. In addition to the factors above, this increase primarily reflects the

profit realised on disposal of the Arcom business, unrealised gains and losses on the group's cross-currency interest rate swaps and average rate options, and inclusion of exceptional tax charges on dividends from EU subsidiaries in the prior half year result.

Cash conversion was high, with 113% of operating profits converted into cash. Factors contributing to the conversion rate in excess of our 100% target included reduced working capital levels as a percentage of sales, capital expenditure below the level of depreciation and some charges for restructuring which have not yet resulted in cash outflows.

Net proceeds from the disposal of Arcom Control Systems were £13.5 million, after taking account of transaction costs. This, together with the cash generated by the group in the first half of the year, has driven net debt down by £24.7 million to £95.2 million, compared with £119.9 million at the start of the year. In July the group repaid its \$100 million US Private Placement loan note borrowings, taken out in 1996, as scheduled. This repayment was funded substantially through the use of surplus cash resources with a small proportion borrowed from existing committed facilities.

Operational priorities

The launch of several new products and applications in the second half will enable our businesses to maintain their leading market positions and grow market share. Actions to reduce costs, including headcount constraints, increasing the sourcing of components from lower-cost regions and reducing inventory, continue to be a priority for management and will deliver further benefits in the future.

A handwritten signature in black ink, appearing to read 'John O'Higgins', written in a cursive style.

John O'Higgins
Chief Executive
5 September 2006

Interim financial statements

CONSOLIDATED INCOME STATEMENT

For the half year to 30 June 2006

	Notes	2006 Half year £m	2005 Half year £m	2005 Full year £m
Continuing operations				
Revenue	3	327.3	307.2	655.9
Cost of sales		(138.7)	(131.0)	(278.6)
Gross profit		188.6	176.2	377.3
Net operating expenses		(156.6)	(148.9)	(312.4)
Operating profit	2	32.0	27.3	64.9
Profit on disposal of business	4	9.5	-	-
Financial income	5	4.1	2.4	6.6
Finance costs	5	(8.7)	(13.2)	(20.7)
Profit before tax		36.9	16.5	50.8
Taxation - UK	6	(0.6)	(2.8)	(0.5)
Taxation - Overseas	6	(10.6)	(6.5)	(15.1)
Profit after tax for the period from continuing operations attributable to equity shareholders		25.7	7.2	35.2
Basic earnings per share	7	20.7p	5.9p	28.8p
Diluted earnings per share	7	20.7p	5.9p	28.8p
Interim and final dividends in respect of the period (per share)	8	5.0p	4.6p	15.8p
Dividends paid during the period (per share)	8	11.2p	10.25p	14.85p

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS. 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.

Reconciliations showing how the adjusted performance measures are derived from those reported under IFRS are set out in Note 2.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the half year to 30 June 2006

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts	1.6	(1.3)	(1.3)
Deferred tax on changes in fair value of forward exchange contracts	(0.5)	-	0.4
Net gain/(loss) on changes in fair value of effective portion of net investment hedge	3.3	2.7	(1.9)
Actuarial gain/(loss) arising on pension schemes	0.4	1.0	(4.1)
Current and deferred tax on actuarial gain on pension schemes	(0.1)	(0.4)	1.3
Foreign exchange translation differences	(5.2)	(11.4)	-
Current tax on foreign exchange differences	-	-	0.4
Net expense recognised in equity in respect of year	(0.5)	(9.4)	(5.2)
Profit for the period	25.7	7.2	35.2
Total recognised income and expense for the period attributable to equity shareholders	25.2	(2.2)	30.0
Change in accounting policy: adoption of IAS 39, <i>Financial Instruments: Recognition and Measurement</i> as at 1 January 2005			
Hedging reserve:			
Fair value of forward exchange contracts	-	0.8	0.8
Deferred tax on forward exchange contracts	-	(0.2)	(0.2)
Retained earnings:			
Fair value of cross-currency interest rate swaps	-	(7.6)	(7.6)
Fair value of average rate options	-	1.7	1.7
Deferred tax on the above	-	1.8	1.8
	-	(3.5)	(3.5)
	25.2	(5.7)	26.5

CONSOLIDATED BALANCE SHEET**At 30 June 2006**

	Notes	2006 Half year £m	2005 Half year £m	2005 Full year £m
Non-current assets				
Goodwill		209.6	211.7	209.5
Other intangible assets		5.1	6.2	4.1
Property, plant & equipment		90.1	91.2	92.8
Deferred tax asset		39.4	36.4	44.6
		344.2	345.5	351.0
Current assets				
Inventories		88.3	96.9	88.2
Derivative financial instruments		1.3	-	-
Taxation recoverable		-	3.4	0.9
Trade and other receivables		137.2	132.2	150.4
Cash and cash equivalents		101.4	42.3	77.1
Assets held for sale	4	-	-	5.9
		328.2	274.8	322.5
Total assets		672.4	620.3	673.5
Current liabilities				
Short-term borrowings		(58.5)	(10.5)	(59.4)
Derivative financial instruments		(18.1)	(0.7)	(0.6)
Trade and other payables		(121.7)	(122.2)	(132.4)
Current tax liabilities		(27.6)	(35.9)	(32.4)
Provisions		(15.8)	(3.9)	(12.3)
Liabilities held for sale	4	-	-	(3.7)
		(241.7)	(173.2)	(240.8)
Net current assets		86.5	101.6	81.7
Non-current liabilities				
Medium and long-term borrowings		(114.7)	(172.6)	(121.6)
Derivative financial instruments		(13.6)	(30.0)	(24.7)
Other payables		(6.4)	(1.3)	(6.7)
Retirement benefit obligations		(21.6)	(19.5)	(22.6)
Provisions		(1.6)	(3.0)	(0.6)
Deferred tax liability		(1.1)	(2.1)	(1.0)
		(159.0)	(228.5)	(177.2)
Total liabilities		(400.7)	(401.7)	(418.0)
Net assets		271.7	218.6	255.5
Equity				
Issued share capital	9	6.2	6.2	6.2
Share premium	9	230.4	228.2	229.1
Retained earnings	9	35.3	(10.3)	20.1
Translation reserve	9	(4.7)	(8.2)	(2.8)
Hedging reserve	9	1.1	(0.7)	(0.5)
Merger reserve	9	3.1	3.1	3.1
Capital redemption reserve	9	0.3	0.3	0.3
Equity shareholders' funds		271.7	218.6	255.5
Total equity and liabilities		672.4	620.3	673.5

CONSOLIDATED CASH FLOW STATEMENT**For the half year to 30 June 2006**

	2006 Half year	2005 Half year	2005 Full year
Notes	£m	£m	£m
Cash flows from operating activities			
Profit after tax	25.7	7.2	35.2
Adjustments for:			
Tax	11.2	9.3	15.6
Profit on disposal of business	(9.5)	-	-
Finance costs	8.7	13.2	20.7
Financial income	(4.1)	(2.4)	(6.6)
Depreciation	6.8	6.4	12.6
Amortisation of intangible assets	0.7	0.5	1.3
Goodwill impairment charge	-	-	7.4
Loss on sale of property, plant & equipment	0.1	0.4	0.3
Equity settled share-based payment expense	0.3	0.1	0.3
Operating profit before changes in working capital and provisions	39.9	34.7	86.8
Decrease/(increase) in trade and other receivables	10.4	11.0	(4.5)
(Increase)/decrease in inventories	(2.0)	(2.8)	6.2
(Decrease)/increase in trade and other payables	(9.2)	(11.5)	2.8
Increase/(decrease) in provisions and employee benefits	2.6	(3.3)	(0.7)
Corporation tax paid	(12.3)	(6.6)	(15.8)
Net cash from operating activities	2	21.5	74.8
Cash flows from investing activities			
Purchase of property, plant & equipment	(4.9)	(5.9)	(12.3)
Proceeds from sale of property, plant & equipment	0.1	-	0.1
Acquisition of businesses, net of cash acquired	(1.7)	(2.0)	(2.3)
Proceeds from disposal of business	13.5	-	-
Interest received	1.3	0.1	1.1
Dividend income	-	-	0.1
Other financial income	-	0.4	1.7
Net cash from investing activities	8.3	(7.4)	(11.6)
Cash flows from financing activities			
Interest paid	(6.5)	(6.6)	(13.8)
Dividends paid to equity holders of the parent	(13.9)	(12.4)	(18.1)
Share options exercised by issue of share capital	1.0	0.4	1.3
Share options exercised from shares held by Employee Benefit Trust	2.7	0.1	1.2
Sale of own shares by Employee Benefit Trust	0.9	5.0	9.5
Repayment of borrowings	-	(0.3)	(0.2)
New borrowings	-	9.1	-
Net cash from financing activities	(15.8)	(4.7)	(20.1)
Net increase in cash and cash equivalents	21.9	9.4	43.1
Cash and cash equivalents at beginning of period	76.1	34.1	34.1
Effect of foreign exchange rate changes	0.7	(2.7)	(1.1)
Cash and cash equivalents at end of period	98.7	40.8	76.1
Reconciliation of changes in cash and cash equivalents to movements in net debt			
Net increase in cash and cash equivalents	21.9	9.4	43.1
Net (increase)/decrease in loans	-	(8.8)	0.2
Increase in finance lease liabilities	-	-	(0.5)
Borrowings acquired on acquisitions	-	(0.7)	(0.7)
Effect of foreign exchange rate changes	2.8	0.4	(3.1)
Movement in net debt	24.7	0.3	39.0
Net debt at start of period	(119.9)	(158.9)	(158.9)
Net debt at end of period	2	(158.6)	(119.9)

Notes to the interim financial statements

1 PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

Spectris plc is a limited company incorporated and domiciled in the United Kingdom under the Companies Act 1985, whose shares are publicly traded on the London Stock Exchange.

The condensed consolidated interim financial statements of the company for the six months ended 30 June 2006 comprise the company and its subsidiaries, together referred to as the group. These condensed consolidated interim financial statements are presented in pounds sterling. The consolidated financial statements of the group for the year ended 31 December 2005 are available upon request from the company's registered office at Station Road, Egham, Surrey TW20 9NP.

These condensed consolidated interim financial statements are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, with the exception of IAS 34 Interim Financial Reporting which has not been applied in these interim condensed consolidated financial statements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group for the year ended 31 December 2005.

The accounting policies applied by the group in these condensed consolidated financial statements are the same as those applied by the group in its consolidated financial statements for the year ended 31 December 2005.

The interim results are unaudited. The audit report on the 2005 Annual Report was unqualified and has been filed with the Registrar of Companies. The 2005 Annual Report did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated statements for the year ended 31 December 2005.

The group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2005.

These condensed consolidated interim financial statements were approved by the Board of Directors on 5 September 2006.

2 ADJUSTED PERFORMANCE MEASURES

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS. 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 (see Note 6).

The adjusted performance measures are derived from the reported figures under IFRS as follows:

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Adjusted operating profit			
Operating profit as reported under IFRS	32.0	27.3	64.9
Amortisation of acquisition-related intangible assets	0.7	0.5	1.2
Goodwill impairment charge	-	-	7.4
Adjusted operating profit	32.7	27.8	73.5

	Process technology	In-line instrumentation	Electronic controls	2006 Half year Total £m
Adjusted operating profit by segment - June 2006				
Segment result under IFRS	16.1	8.6	7.3	32.0
Amortisation of acquisition-related intangible assets	0.7	-	-	0.7
Adjusted operating profit	16.8	8.6	7.3	32.7

	Process technology	In-line instrumentation	Electronic controls	2005 Half year Total £m
Adjusted operating profit by segment - June 2005				
Segment result under IFRS	10.5	8.0	8.8	27.3
Amortisation of acquisition-related intangible assets	0.5	-	-	0.5
Adjusted operating profit	11.0	8.0	8.8	27.8

	Process technology	In-line instrumentation	Electronic controls	2005 Full year Total £m
Adjusted operating profit by segment - December 2005				
Segment result under IFRS	31.2	15.5	18.2	64.9
Amortisation of acquisition-related intangible assets	1.2	-	-	1.2
Goodwill impairment charge	-	7.4	-	7.4
Adjusted operating profit	32.4	22.9	18.2	73.5

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Adjusted profit before tax			
Profit before tax as reported under IFRS	36.9	16.5	50.8
Amortisation of acquisition-related intangible assets	0.7	0.5	1.2
Goodwill impairment charge	-	-	7.4
Profit on disposal of business	(9.5)	-	-
Unrealised (gain)/loss on change in fair value of cross-currency interest rate swaps	(0.6)	2.7	1.1
Unrealised loss on change in fair value of average rate options	-	1.8	1.7
Other financial income	-	(0.4)	(1.7)
Adjusted profit before tax	27.5	21.1	60.5

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Operating cash flow			
Net cash from operating activities under IFRS	29.4	21.5	74.8
Corporation tax paid	12.3	6.6	15.8
Purchase of property, plant & equipment	(4.9)	(5.9)	(12.3)
Proceeds from sale of property, plant & equipment	0.1	-	0.1
Operating cash flow for management purposes	36.9	22.2	78.4

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Adjusted earnings per share			
Profit after tax as reported under IFRS	25.7	7.2	35.2
Adjusted for:			
Amortisation of acquisition-related intangible assets	0.7	0.5	1.2
Goodwill impairment charge	-	-	7.4
Profit on disposal of business	(9.5)	-	-
Unrealised change in fair value of cross-currency interest rate swaps	(0.6)	2.7	1.1
Unrealised change in fair value of average rate options	-	1.8	1.7
Other financial income	-	(0.4)	(1.7)
Tax effect of the above	3.2	0.1	(1.5)
Other tax items not forming part of the underlying tax rate	-	3.5	0.8
Adjusted earnings	19.5	15.4	44.2
Weighted average number of shares outstanding (millions)	124.0	121.3	122.1
Adjusted earnings per share (pence)	15.7p	12.7p	36.2p

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Analysis of net debt for management purposes			
Short-term borrowings	58.5	10.5	59.4
Medium and long-term borrowings	114.7	172.6	121.6
Derivative financial instruments - currency portion of cross-currency interest rate swaps	23.4	17.8	16.0
Total borrowings	196.6	200.9	197.0
Cash balances	(101.4)	(42.3)	(77.1)
Net debt	95.2	158.6	119.9

Additional adjusted performance measures presented following disposal of Arcom business:

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Analysis of turnover by geographical destination - excluding Arcom business			
UK	16.6	18.8	37.7
Continental Europe	118.4	115.3	238.0
North America	84.1	75.1	160.7
Japan	26.5	25.0	54.0
China	24.9	19.6	45.6
Rest of Asia Pacific	36.1	31.8	69.0
Rest of the world	16.8	14.1	34.8
Total excluding Arcom business	323.4	299.7	639.8
Arcom	3.9	7.5	16.1
Group total	327.3	307.2	655.9

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Adjusted group operating profit - excluding Arcom business			
Operating profit as reported under IFRS - excluding Arcom business	31.7	26.9	63.2
Amortisation of acquisition-related intangible assets	0.7	0.5	1.2
Goodwill impairment charge	-	-	7.4
Adjusted operating profit - excluding Arcom business	32.4	27.4	71.8

Excluding the Arcom business, external customer revenue for the Electronic controls segment was £65.3m in the period to 30 June 2006 (30 June 2005: £62.7m; 31 December 2005: £127.4m).

Excluding the Arcom business, adjusted operating profit for the Electronic controls segment was £7.0m in the period to 30 June 2006 (30 June 2005: £8.4m; 31 December 2005: £16.5m).

3 SEGMENTAL ANALYSIS

The group's primary reporting format is business segments and its secondary format is geographical segments.

a) Analysis by business segment

	External customer revenue			Segment result		
	2006	2005	2005	2006	2005	2005
	Half year £m	Half year £m	Full year £m	Half year £m	Half year £m	Full year £m
Process technology	160.0	141.5	310.1	16.1	10.5	31.2
In-line instrumentation	98.1	95.5	202.3	8.6	8.0	15.5
Electronic controls	69.2	70.2	143.5	7.3	8.8	18.2
Total	327.3	307.2	655.9	32.0	27.3	64.9
Profit on disposal of business				9.5	-	-
Financial income				4.1	2.4	6.6
Finance costs				(8.7)	(13.2)	(20.7)
Profit before tax				36.9	16.5	50.8
Tax				(11.2)	(9.3)	(15.6)
Profit after tax				25.7	7.2	35.2

The operating businesses are grouped as follows:

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

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

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

*As described in Note 4, the Arcom business was disposed of on 31 March 2006.

b) Analysis of turnover by geographical segment

The group's business operations are each located in several geographic locations and sell on to external customers in all parts of the world.

The following is an analysis of revenue by geographical destination:

	2006	2005	2005
	Half year £m	Half year £m	Full year £m
UK	17.7	20.4	41.4
Continental Europe	118.6	116.6	240.1
North America	86.6	78.6	169.6
Japan	26.5	25.0	54.0
China	24.9	19.6	45.6
Rest of Asia Pacific	36.1	32.8	70.4
Rest of the world	16.9	14.2	34.8
Total	327.3	307.2	655.9

4 DISPOSAL OF BUSINESS

During the period, the group disposed of the Arcom business, which was previously included in the Electronic controls segment. This business was classified as held for sale at the most recent year end. The total consideration was £15.1m before associated transaction costs. The disposal gave rise to a profit of £9.5m.

5 FINANCIAL COSTS AND FINANCIAL INCOME

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Financial income			
Bank interest receivable	1.4	0.1	1.0
Dividend income	-	-	0.1
Unrealised gain in fair value of cross-currency interest rate swaps	0.6	-	-
Expected return on pension scheme assets	2.1	1.9	3.8
Other financial income	-	0.4	1.7
	4.1	2.4	6.6

Other financial income in 2005 represents a gain made on disposal of the group's remaining interest in Luxtron Corporation.

	2006 Half year £m	2005 Half year £m	2005 Full year £m
Finance costs			
Interest payable on bank loans and overdrafts	0.1	0.4	0.9
Interest payable on other loans	6.4	6.2	12.8
Total interest payable	6.5	6.6	13.7
Unrealised loss in fair value of cross-currency interest rate swaps	-	2.7	1.1
Unrealised loss in fair value of average rate options	-	1.8	1.7
Interest cost on pension scheme liabilities	2.2	2.1	4.2
	8.7	13.2	20.7

Historically the group has used zero cost average rate options to manage, to a greater or lesser extent, both transactional and translational foreign currency exposure. This gave rise to the unrealised loss on the change in fair value of average rate options in 2005. The last such derivative instrument expired on 31 December 2005 and the group has no current intention of using average rate options as a hedging instrument in future.

The group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are typically used to hedge highly probable forecast sale transactions which can be forecast to occur from anything between 1 and 18 months into the future.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the six months to 30 June 2006 is based on an estimate of the effective rate of taxation for the current year. The effective rate of taxation applied to adjusted profits before tax for the half year is 29% (30 June 2005: 27%; 31 December 2005: 27%). A reconciliation of the tax charge on adjusted profits to the actual tax charge is presented below:

	2006 Half year £m	2005 Half year £m	2005 Full year £m
The tax charge is analysed as follows:			
Tax charge on adjusted profits before tax	8.0	5.7	16.3
Tax credit on amortisation of intangible assets and goodwill impairment charge	(0.2)	-	(1.2)
Tax charge/(credit) on unrealised loss on change in fair value of financial instruments	0.2	-	(0.8)
Tax charge on other financial income	-	0.1	0.5
Material transfers from unrecognised tax assets	-	0.7	(2.5)
Material changes in deferred tax rates	-	-	0.5
Tax charge on dividends received from EU subsidiaries	-	2.8	2.8
Tax charge on profit on disposal of business	3.2	-	-
Total	11.2	9.3	15.6

7 EARNINGS PER SHARE

Earnings per share and adjusted earnings per share are calculated as follows:

	2006 Half year	2005 Half year	2005 Full year
Basic earnings per share			
Profit after tax (£m)	25.7	7.2	35.2
Weighted average number of shares outstanding (millions)	124.0	121.3	122.1
Basic earnings per share (pence)	20.7	5.9	28.8

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share of 20.7p (30 June 2005: 5.9p; 31 December 2005: 28.8p) is based on the group profit of £25.7m (30 June 2005: £7.2m; 31 December 2005: £35.2m) and on the diluted weighted average number of 5p ordinary shares in issue during the year of 124.4 million (30 June 2005: 121.5 million; 31 December 2005: 122.4 million).

8 DIVIDENDS

The interim dividend of 5.0p per share (2005 interim dividend: 4.6p per share) will be payable to ordinary shareholders on the register at the close of business on 20 October 2006.

9 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year to 30 June 2006

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2006	6.2	229.1	20.1	(2.8)	(0.5)	3.1	0.3	255.5
Gains and losses - period ended 30 June 2006								
Total recognised income/(expense)	-	-	25.5	(1.9)	1.6	-	-	25.2
Distributions to and transactions with shareholders:								
Dividends paid	-	-	(13.9)	-	-	-	-	(13.9)
Share-based payments	-	-	0.3	-	-	-	-	0.3
Share options exercised by issue of share capital	-	1.3	(0.3)	-	-	-	-	1.0
Share options exercised from shares held by Employee Benefit Trust	-	-	2.7	-	-	-	-	2.7
Sale of own shares by Employee Benefit Trust	-	-	0.9	-	-	-	-	0.9
At 30 June 2006	6.2	230.4	35.3	(4.7)	1.1	3.1	0.3	271.7

10 GROUP FUNDING ARRANGEMENTS

Since 30 June 2006, as expected, the \$100m 1996 US Private Placement loan notes were repaid on 15 July 2006. The repayment was funded predominantly from existing cash resources with the balance funded from available borrowing facilities. Following this repayment, the group's principal borrowings relate to its 2000 and 2003 US Private Placement loan notes which have been swapped into euro denominated borrowings using cross-currency interest rate swaps. In order to readdress the balance between the group's US dollar and euro denominated borrowings, given the group's relative investments in euro and US dollar denominated assets, the group has cancelled the cross-currency interest rate swap attached to the \$75m 2000 US Private Placement loan note borrowings such that they revert to being US dollar denominated borrowings. There is no charge to the income statement arising from the cancellation of this cross-currency swap since the cost of doing so was fully provided for in the balance sheet at 30 June 2006. Full details of the group's 2000 and 2003 US Private Placement loan note borrowings are set out in Note 20 of the group's 2005 Annual Report.

Shareholder information

SHAREHOLDER ENQUIRIES

To receive further copies of the annual or interim reports, please contact Spectris on + 44 (0)1784 470470 or email info@spectris.com

For queries regarding your shareholding, please contact the company's registrar, Lloyds TSB Registrars, at the address below.

Registrars

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

Share price information

The company's ordinary shares are listed on the London Stock Exchange. 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/news.php

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FINANCIAL CALENDAR

Interim results

5 September 2006

Record date for interim dividend

20 October 2006

Interim dividend payable

17 November 2006

2006 preliminary results

February 2007

ADVISERS

Auditors

KPMG Audit Plc

Bankers

Royal Bank of Scotland Plc

Solicitors

Ashurst

Brokers

Merrill Lynch

Corporate finance advisers

Merrill Lynch

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Designed and produced by twenty-six London
Printed by MPG Impressions

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