Enhancing productivity through precision instrumentation and controls

2005 Preliminary Results

John Poulter – Chairman

John O'Higgins – Chief Executive

Steve Hare – Finance Director

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Agenda

2005 highlights	John Poulter
2005 financial performance	Steve Hare
Outlook	John O'Higgins

Financial performance

	2005	2004	% change
Sales (£m)	**655.9**	614.1	+7
Adjusted operating profit (£m)	**73.5**	64.6	+14
Adjusted profit before tax (£m)	**60.5**	50.5	+20
Profit before tax (£m)	**50.8**	35.9	+42
Adjusted earnings per share (pence)	**36.2**	31.6	+15
Basic earnings per share (pence)	**28.8**	19.5	+48
Dividend (pence)	**15.8**	14.5	+9
Operating cash (£m)	**78.4**	48.7	+61
Net debt (£m)	**119.9**	158.9	

Notes

The results for the year ended 31 December 2005 represent the group's first preliminary accounts prepared in accordance with its accounting policies under International Financial Reporting Standards (IFRS). The 2004 comparative results have been restated.

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.

Highlights

- Increased sales and operating profit in all three sectors
- Operating margins increased to 11.2%
- Under-performing businesses restored to profitability
- Overhead restraint results in unchanged year end headcount
- 107% cash conversion of operating profit
- Significant reduction in net debt

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Sales by destination

£m	**2005**	2004	Change
UK	**41.4**	39.4	+5%
Continental Europe	**240.1**	242.1	-1%
North America	**169.6**	157.3	+8%
Japan	**54.0**	46.2	+17%
China	**45.6**	40.3	+13%
Rest of Asia Pacific	**70.4**	59.1	+19%
Rest of the world	**34.8**	29.7	+17%
Total	**655.9**	614.1	+7%

Electronic controls

	2005	2004	change
Sales (£m)	**143.5**	139.7	+3%
Operating profit (£m)	**18.2**	17.2	+6%
Operating margin %	**12.7**	12.3	

- Operating profits increased at all companies
- Microscan and Red Lion performed well
- Fewer large projects at HBM, however profitability improved
- Agreement signed for disposal of Arcom

In-line instrumentation

	2005	2004	change
Sales (£m)	202.3	198.4	+2%
Operating profit (£m)	22.9	20.6	+11%
Operating margin %	11.3	10.4	

- Apart from BTG, all businesses improved profit performance
- Servomex benefited from upturn in demand from oil industry
- Beta LaserMike and Spectrum restored to profitability

Process technology

	2005	2004	change
Sales (£m)	**310.1**	276.0	+12%
Operating profit (£m)	**32.4**	26.8	+21%
Operating margin %	**10.4**	9.7	

- Sales increased in all companies
- Continued strong performance in Asia Pacific
- Very strong performances from Malvern and PANalytical

Financial Performance

Steve Hare
Finance Director

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Sector performance

	2005			2004		
	Sales (£m)	**Operating profit (£m)**	**Operating margin (%)**	Sales (£m)	Operating profit (£m)	Operating margin (%)
Electronic controls	**143.5**	**18.2**	**12.7**	139.7	17.2	12.3
In-line instrumentation	**202.3**	**22.9**	**11.3**	198.4	20.6	10.4
Process technology	**310.1**	**32.4**	**10.4**	276.0	26.8	9.7
Total	**655.9**	**73.5**	**11.2**	614.1	64.6	10.5

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Operating cash flow

£m	2005	2004
Operating profit	**73.5**	64.6
Depreciation	**12.6**	13.4
Working capital movement	**4.5**	(13.7)
Net cash flow from operating activities excluding capex	**90.6**	64.3
Capex	**(12.2)**	(15.6)
Operating cash flow	**78.4**	48.7
Cash conversion	**107%**	75%

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Non-operating cash flow

£m	2005	2004
Tax	**(15.8)**	(7.7)
Interest	**(12.7)**	(13.9)
Dividends paid	**(18.1)**	(16.3)
Acquisitions	**(3.0)**	(10.5)
Sale of own shares held by Employee Benefit Trust	**10.7**	-
Financial income	**1.8**	0.1
Shares issued	**1.3**	0.7
Finance leases	**(0.5)**	-
Exchange	**(3.1)**	3.4
	(39.4)	(44.2)
Operating cash flow	**78.4**	48.7
Movement in net debt	**39.0**	4.5

Taxation

- Effective tax rate of 27%, as expected (2004: 24%)
- Factors affecting the rate
  - Profitability in continental Europe and US
  - Normalising towards weighted average tax rate
- Trend towards weighted average rate likely to continue
- Tax charge of £2.8m on intra-group dividends

IFRS – modest effect

- Revenue recognition
- Pensions
- Goodwill
- IAS 39
- Share options

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Currency

- Forward exchange contracts used where reasonable certainty of exposure
- Transactional exposure
  - Main transactional exposure is US$
  - Transactional exposure is actively managed through forward exchange contracts
- Translational exposure
  - Main translational exposure is US$ and Euro/DKK to sterling
  - This is not hedged

Outlook

John O'Higgins
Chief Executive

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First impressions

- High quality businesses
- Strong brands
- Good proprietary technology
- Leading market positions
- Broad range of end-user industries

Priorities

- Increasing focus on:
  - Investment by customers in emerging markets
  - Value-added services and new product introductions in established markets
- Strategy to continue:
  - Organic growth and acquisitions
  - Improve margins
  - Maintain focus on cash

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Outlook

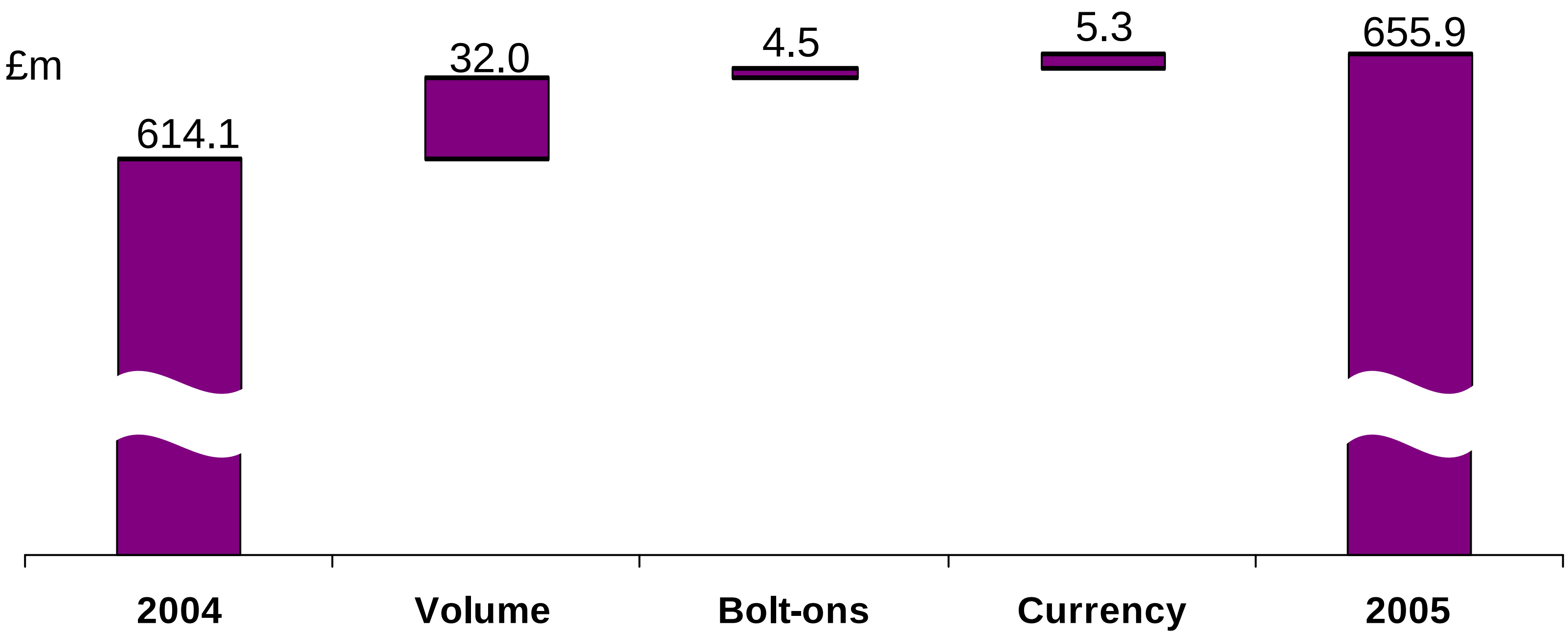
- Growth in Asia Pacific, including Japan, expected to continue
- Evolving demand from other emerging markets, particularly Latin America, Eastern Europe, India, Middle East
- High oil and commodity demand leading to investment in petrochemical, mining and metals industries
- Rising environmental health and safety standards beneficial
- Recent order trends are encouraging

Confident of continued good progress in 2006

2005 Preliminary results

Appendix 1: currency

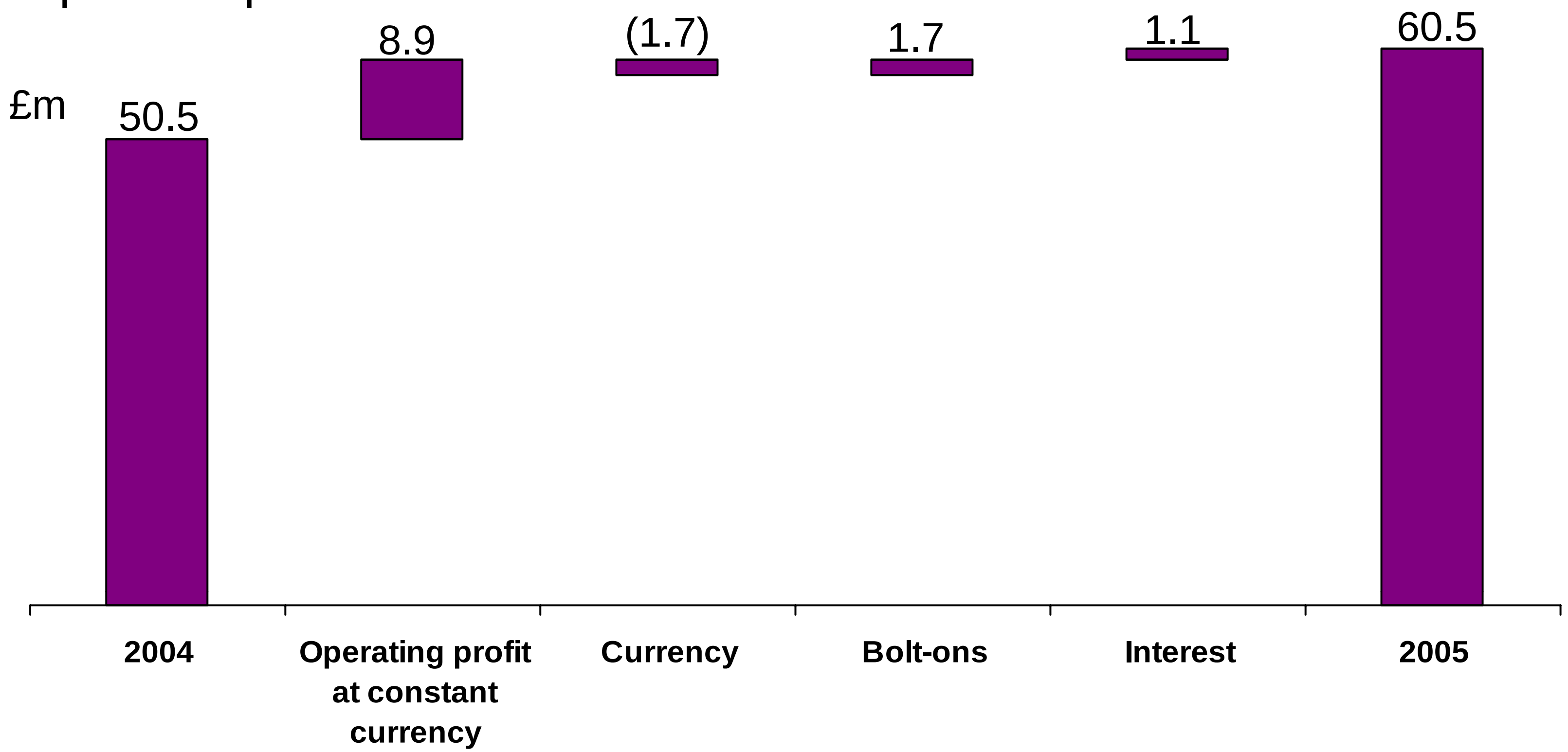
Impact on sales



- Overall sales growth of 7%
- Organic sales growth of 6%

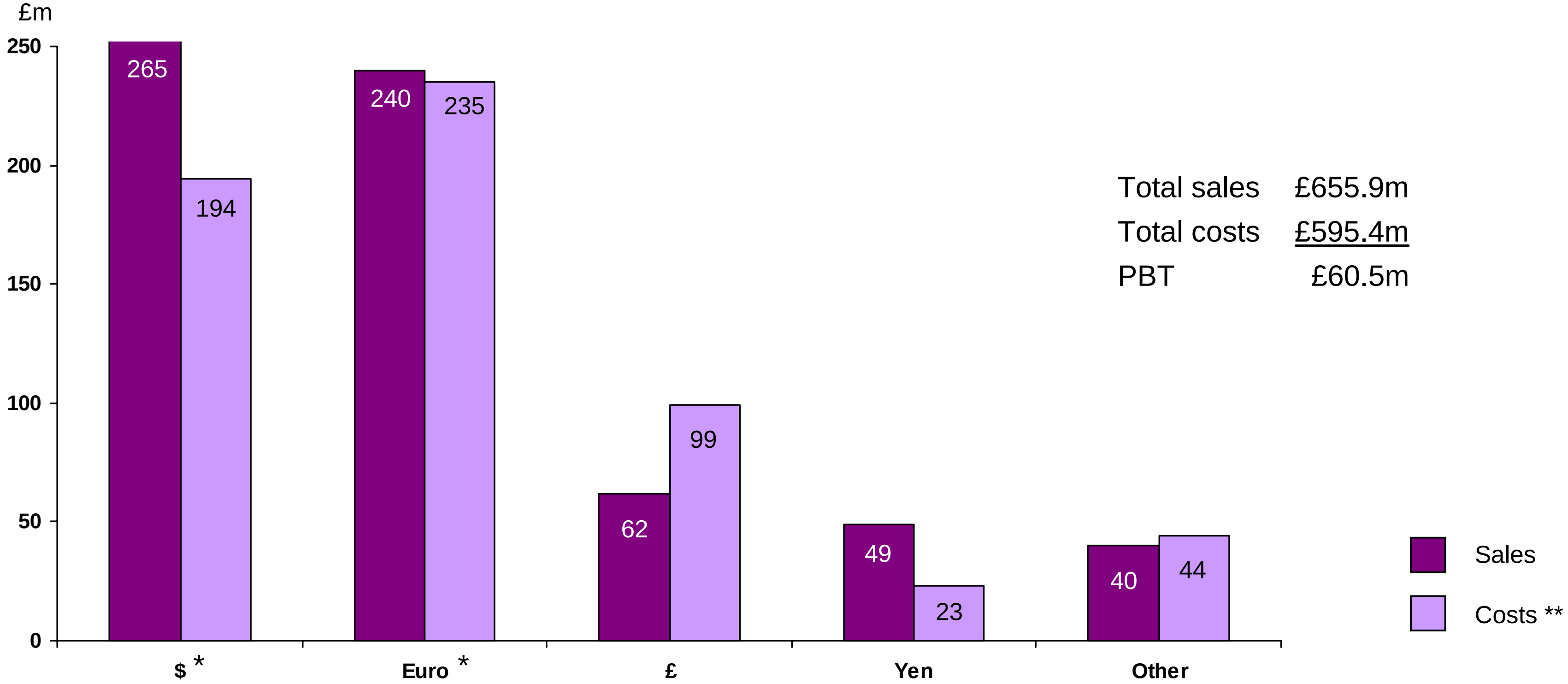
Appendix 2: currency & interest

Impact on profit



- Gross margins of 57%
- Interest down due to reduction in net debt and improvements in cash pooling

Appendix 3: currency exposure



Total sales	£655.9m
Total costs	£595.4m
PBT	£60.5m

- Good US and Asian sales coverage by European businesses (PANalytical, Brüel & Kjær S&V, BTG and Malvern) gives rise to dollar exposure

* Dollar/euro categories include tracking currencies

** Costs include interest

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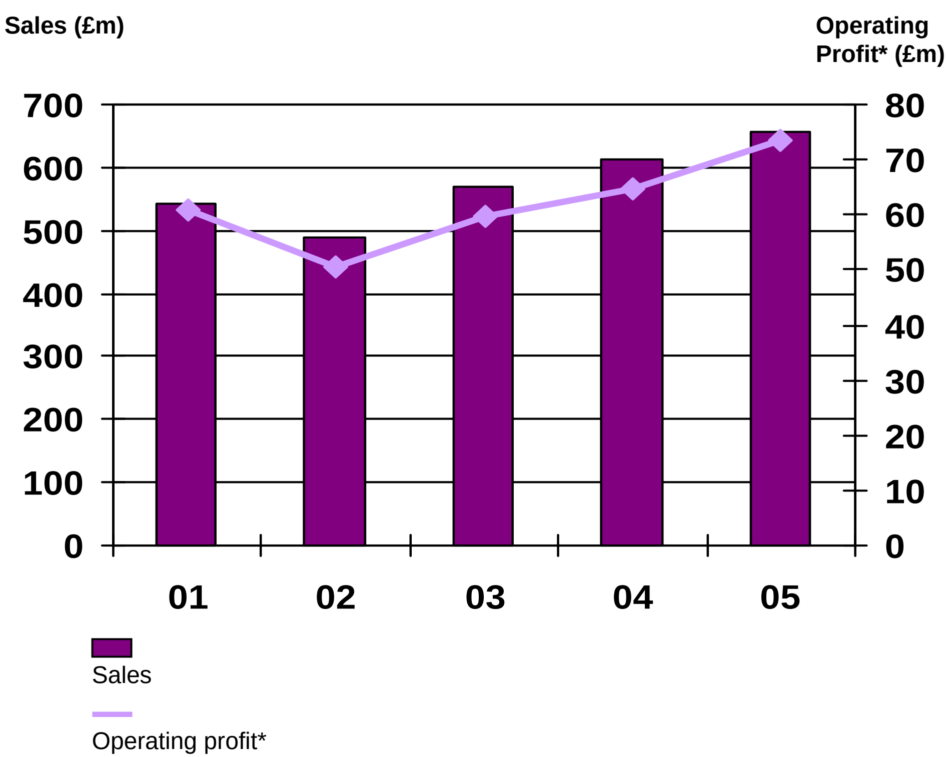
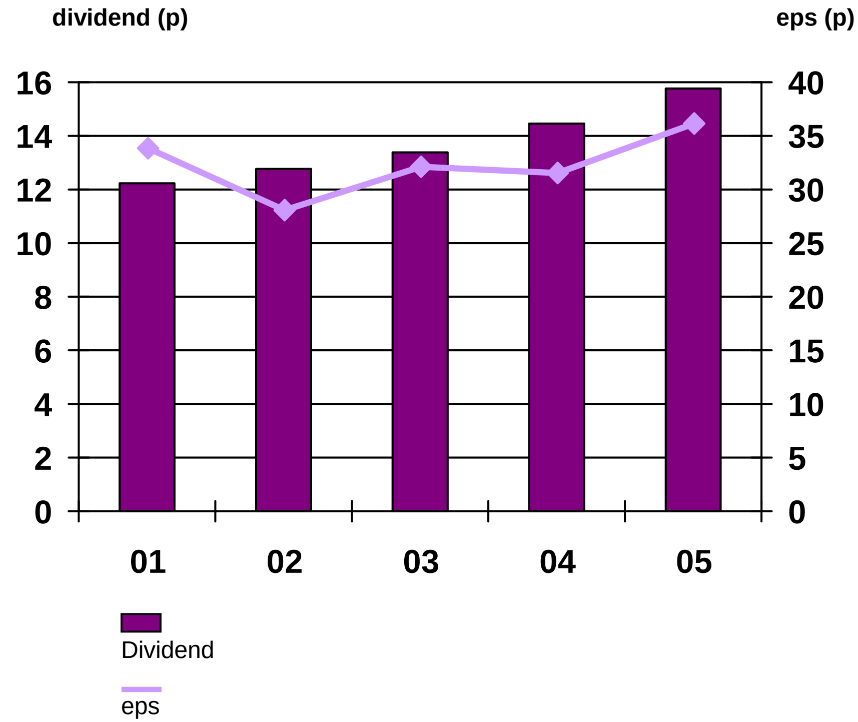
Appendix 4: 5-year performance

Five-year sales and operating profit



* Operating profit is before exceptional items and goodwill amortisation

Dividend and eps



Figures for 2004 and 2005 are under IFRS, previous years are under UK GAAP

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Appendix 5: financial metrics

	2005	2004
Trade working capital to sales ratio	**16%**	16%
Capex to sales ratio	**1.9%**	2.5%
Capex to depreciation ratio	**97%**	116%
Interest cover	**5.8x**	4.7x
Net debt (£m)	**119.9**	158.9
Debt maturity profile		
‹ 1 year	**30%**	nil
1-5 years	**29%**	27%
› 5 years	**41%**	73%

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Glossary of terms

Adjusted profit and earnings per share – 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.

Cash conversion – Cash conversion represents operating cash flow (after deducting capital expenditure) as a percentage of adjusted operating profit

Creditor days – Creditor days represents the number of days' costs (looking backwards into the most recent history and excluding salary costs and depreciation), comprising the trade creditor balance at a fixed point in time

Debt – Debt represents net debt but excludes cash

Debtor days – Debtor days represents the number of days' sales (looking backwards into the most recent sales history) comprising the trade debtor balance at a fixed point in time

Dividend cover – adjusted earnings per share divided by dividend per share

Gearing – Gearing represents year end net debt as a percentage of shareholders' funds (adjusted to add back goodwill previously written off to reserves)

Gross margin – presented as a percentage being gross margin (sales less costs of sales which includes material costs, production labour and production overhead) as a proportion of sales

Interest cover – Interest cover is calculated by dividing adjusted operating profit by interest costs (excluding the interest cost arising from the IAS 19 pension cost)

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Appendix 6 cont.

Inventory turns –Inventory turns represents the number of times in a year that the inventory balance (excluding demonstration stocks) at a fixed point in time would turn over based on forecast cost of sales in the next 3 months

Net debt – Net debt represents the net total of cash, bank overdrafts, bank and other loans together with the unamortised element of capitalised debt issue costs and the currency position of cross-currency interest rate swaps

Operating margin – presented as a percentage being adjusted operating profit as a proportion of sales

Organic growth – Organic growth represents the growth (in sales or adjusted profits) excluding acquisitions and disposals, at actual exchange rates

Organic growth at constant currencies –Organic growth at constant currencies represents the growth (in sales or adjusted profits) excluding acquisitions and disposals, at constant exchange rates

Return on capital employed – Return on capital employed represents adjusted operating profit as a percentage of the average level (on a rolling 12-month average basis) of capital employed (being trade working capital plus property, plant and equipment)

Trade working capital – Trade working capital represents inventories (including work in progress and demonstration stocks), trade and other debtors, trade and other creditors, accruals and operating provisions
(e.g provisions for warranty commitments given in the ordinary course of business)

Transactional currency exposure – Transactional currency exposures arises where the currency of sale or purchase invoices differs from the functional currency in which a company prepares its local accounts. It can include the impact where foreign currency denominated trade debtor, trade creditor and cash balances are converted into the local functional currency of the company concerned

Translational currency exposure – Translational currency exposure arises where the results of an overseas company are translated on consolidation into the presentational currency of the parent company