



*Enhancing productivity*

# Spectris plc

## 2006 Preliminary results

A decorative horizontal bar consisting of two stacked rectangular segments. The top segment is dark purple and the bottom segment is a lighter shade of purple.

John O'Higgins – Chief Executive  
Clive Watson – Group Finance Director

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- Highlights
- Financial performance
- Business update
- Outlook

- Sales from continuing businesses up 7% (8% at constant currencies)
- Operating margins improved to 12.9%
- Restructuring charge of £7.7 million (£2.5 million in 2005)
- Progress on acquisitions and disposals
- Cash conversion rate of 107%
- Debt reduced by £48 million to £72 million
- Dividend increased by 11%
- Share buy-back of up to £75 million over 12 months

# Financial performance

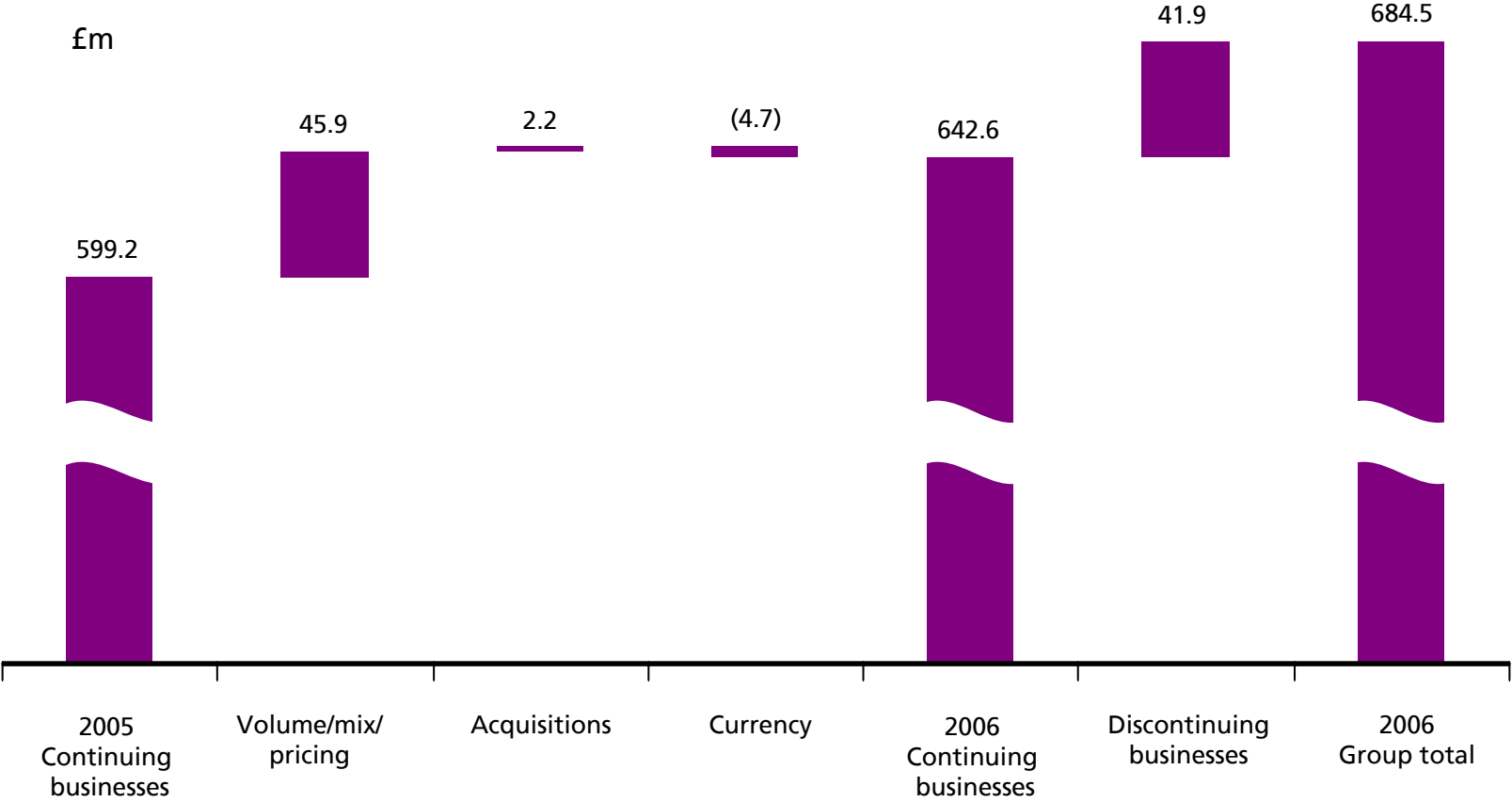
Clive Watson  
Finance Director

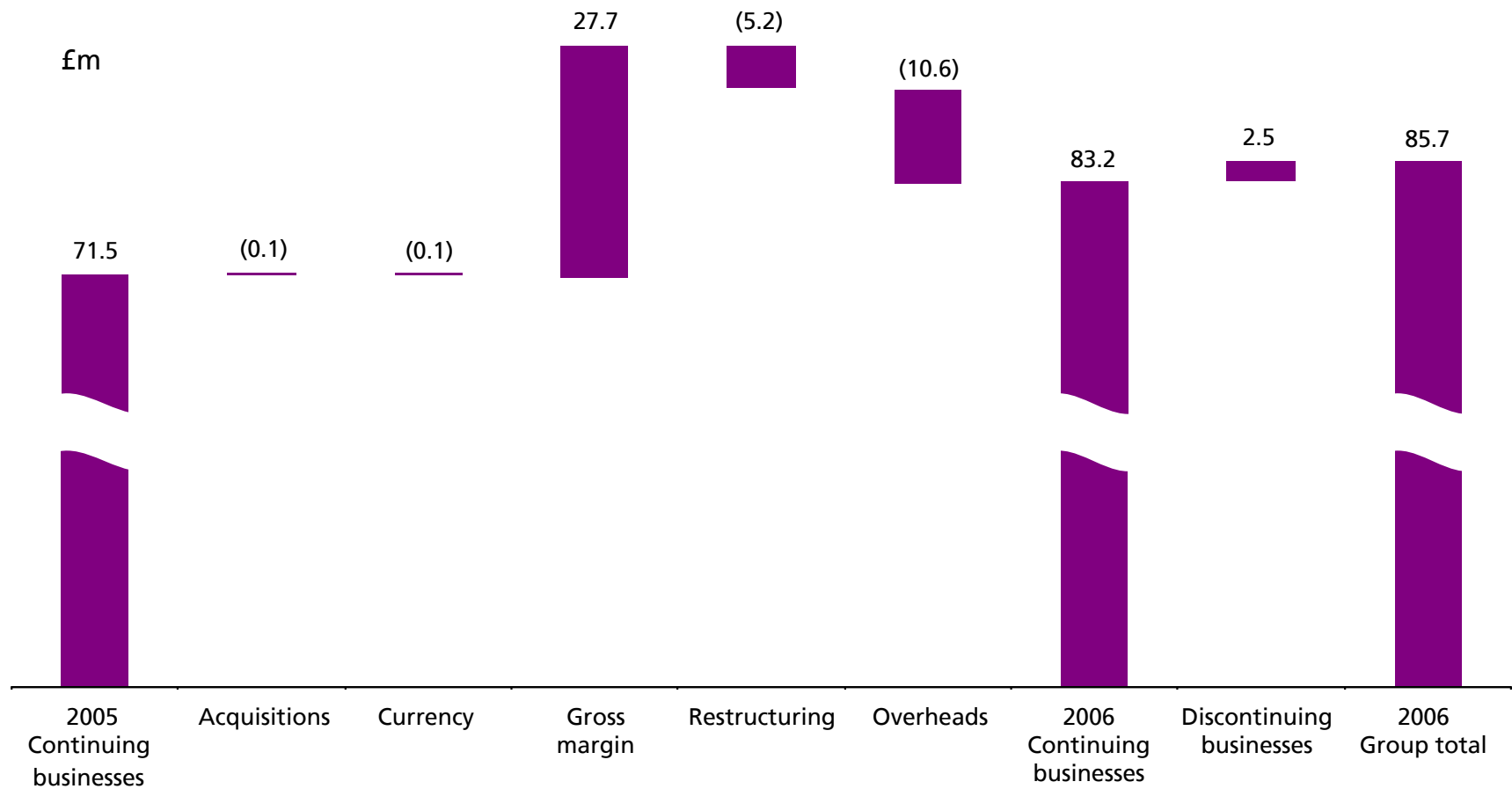
	2006	2005	change
Sales from continuing businesses (£m) *	642.6	599.2	+7%
Adjusted operating profit from continuing businesses (£m) **	83.2	71.5	+16%
Sales (£m)	684.5	655.9	+4%
Adjusted operating profit (£m)	85.7	73.5	+17%
Adjusted profit before tax (£m)	76.3	60.5	+26%
Return on sales (%) *	12.9	11.9	+1pp
Profit before tax (£m)	85.6	50.8	+69%
Adjusted earnings per share (pence)	43.7	36.2	+21%
Basic earnings per share (pence)	49.4	28.8	+72%
Dividend (pence)	17.5	15.8	+11%
Operating cash (£m)	91.5	78.4	+17%
Net debt (£m)	71.7	119.9	down £48m

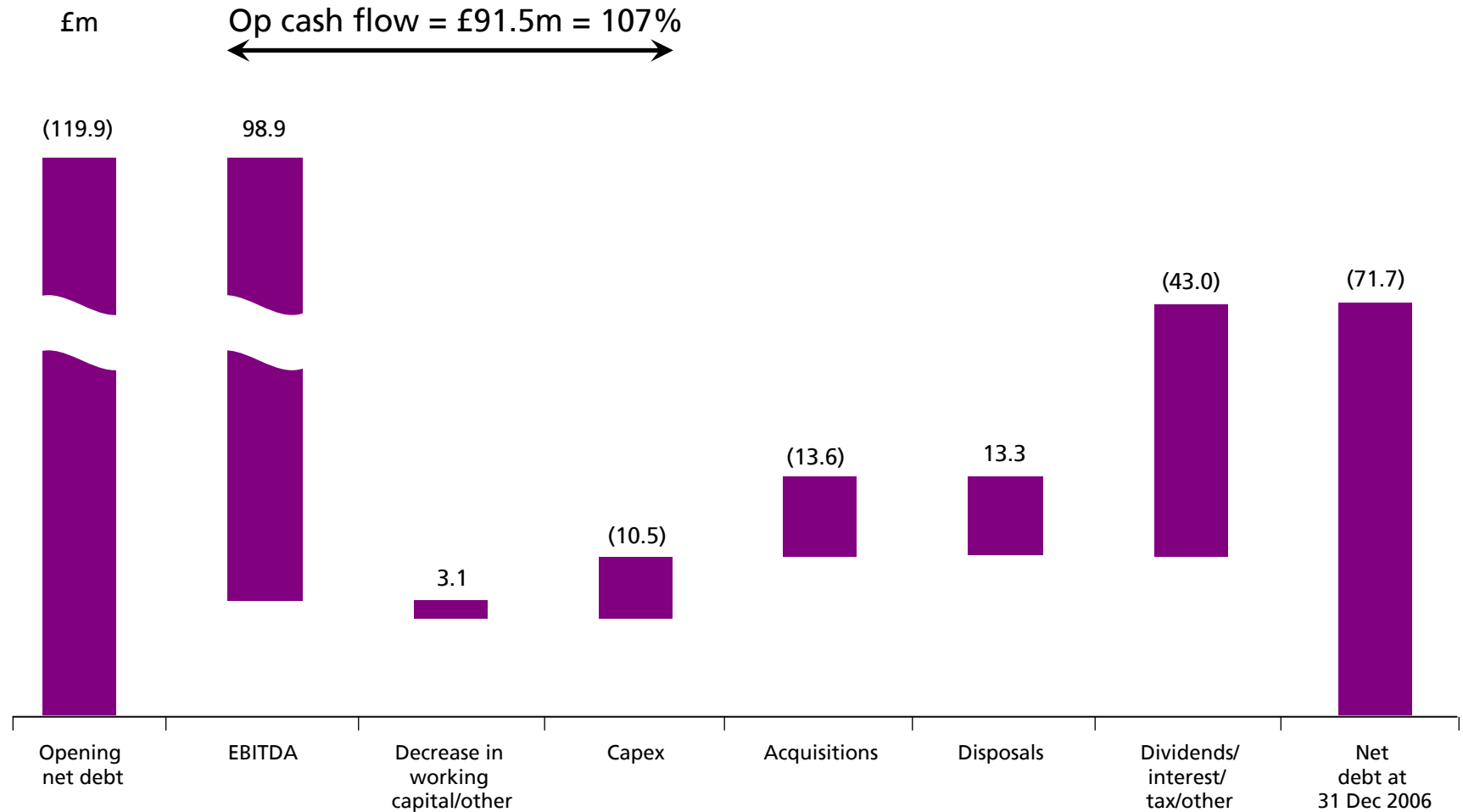
Notes

\* Continuing businesses excludes businesses sold and held for sale

\*\* 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.







- 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 to sterling
  - This is not hedged

- Net debt reduced to £72m
- Up to £75m share buy-back over next 12 months
- Improves balance sheet efficiency
- Maintains financial flexibility for business development

# Business update

John O'Higgins  
Chief Executive

### Process technology

	2006	2005	change
Sales (£m)	343.6	310.1	+11%
Operating profit (£m)	45.2	32.4	+40%
Operating profit before restructuring (£m)	47.1	34.9	+35%
Operating margin (%)	13.2	10.4	
Operating margin before restructuring (%)	13.7	11.3	

- Strong growth in pharmaceutical and life sciences market
- Acquisition of Spectral Dimensions
- Minerals and mining investment continues
- R&D investment producing several new product platforms

### In-line instrumentation

	2006	2005	change
Continuing businesses			
Sales (£m)	164.2	161.7	+2%
Operating profit (£m)	21.1	22.6	-7%
Operating profit before restructuring (£m)	26.2	22.6	+16%
Operating margin (%)	12.9	14.0	
Operating margin before restructuring (%)	16.0	14.0	

- Strong demand from energy/oil & gas industries
- Pulp & paper customer activity improving
- Elimination of lower-margin business moderates sales growth
- £5.1m restructuring to improve profitability
- Acquisition of IPI and disposals

### Electronic controls

	2006	2005	change
Continuing businesses			
Sales (£m)	134.8	127.4	+6%
Operating profit (£m)	16.9	16.5	+2%
Operating profit before restructuring (£m)	17.6	16.5	+7%
Operating margin (%)	12.5	13.0	
Operating margin before restructuring (%)	13.1	13.0	

- Global growth in general manufacturing industry
- New automotive sector offerings and demand in Germany positive for HBM
- Improvement in operating margins at HBM in H2
- Growth at Red Lion Controls and Microscan from new product launches

## Sales by destination

£m	2006	2005	change	change at constant currencies
Europe	273.1	258.5	+6%	+6%
Germany	84.9	77.7	+9%	+10%
Asia Pacific	179.2	164.4	+9%	+11%
Japan	55.5	53.5	+4%	+10%
China	49.0	44.0	+11%	+11%
North America	157.0	143.6	+9%	+10%
Rest of the world	33.3	32.7	+2%	+2%
Continuing businesses	642.6	599.2	+7%	+8%

- Europe robust, particularly Germany
- Asia continues positively, also via indirect shipments
- North America strong throughout year
- Currency translation affected H2 sales

## New product introductions



Particle Measuring Systems: laser particle counting spectrometer for pharmaceutical cleanrooms



Servomex: process gas analysers



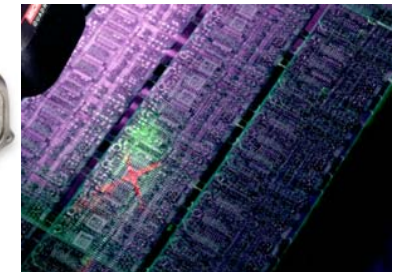
Red Lion Controls: CUB5 Series for general manufacturing



PANalytical: MiniPal 4 for trace metal analysis



BTG: IPI metering rods for paper coating



Microscan: Quadrus MINI ESD Safe for industrial product identification

# Outlook

- Robust demand continues in key end user markets
- Good geographical balance with demand in high growth markets expected to continue
- Rising environmental health and safety standards beneficial
- Recent order trends are encouraging

- Committed to delivering further margin improvements in 2007
- Growth from new products and applications
- Group-wide focus on more competitive purchasing of goods and services
- Pursue acquisition opportunities and complete divestiture activity
- Cash flow remains a key performance metric

**Confident of continued good progress in 2007**

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## Appendix 1: Exchange rates

	2006 (average)	2005 (average)
US\$	1.84	1.82
€	1.47	1.46
Yen	214	200

	2006	2005
Average working capital to sales ratio	13.7%	15.4%
Year end working capital to sales ratio	14.8%	15.7%
Capex to sales ratio	1.5%	1.9%
Interest cover	9.4x	5.8x
Net debt (£m)	71.7	119.9
Debt maturity profile		
< 1 year	4%	30%
1-5 years	31%	29%
> 5 years	65%	41%

## 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 as a percentage of adjusted operating profit

**Continuing businesses** – Results from continuing businesses represent the total group result adjusted to exclude the results of businesses that have either been disposed or are classified as held for sale because they are in the process of being divested

**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)

**Inventory turns** – Inventory turns represents the number of times in a year that the inventory balance (excluding demonstration stocks but taking account of advances received from customers) 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 cash flow** – Operating cash flow represents operating profit adjusted to reflect the impact on cash flow from changes in trade working capital, to add back non-cash charges to the income statement for items such as depreciation and share option charges, and after deducting the cash flows arising from capital expenditure

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

**Working capital** – 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). Year end working capital refers to the position at a point in time at 31 December. Average working capital represents the average position at the end of each month over a 12-month period

**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

**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