Spectris plc – 2023 half year results

31 July 2023 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, announces half year results for the six months ended 30 June 2023.

Strong first half performance and upgrade to full year guidance

- **Strong financial performance driven by continued execution of our strategy**
  - Sales up 23% (LFL[1]: 19%) from volume growth, market share gains and pricing
  - Adjusted operating margin increased 180bps to 14.5% (2022: 12.7%)
  - Record adjusted operating profit for the half year up 41% to £102.1 million (2022: £72.3 million)
  - Adjusted earnings per share increased by 55% to 77.2p (2022: 49.8p)
  - Strong order book with book to bill of c.1x with order intake normalising as anticipated
  - Strong cash performance with adjusted cash conversion of 117% (2022: 39%)
  - Dividend per share increase of 5%

- **Great businesses delivering market share gains in structural growth markets**
  - Spectris Scientific: sales up 21% (LFL: 22%); adj. operating margin 17.5% (2022: 16.2%)
  - Spectris Dynamics: sales up 23% (LFL: 13%); adj. operating margin 13.5% (2022: 12.7%)
  - Other: sales up 33% (LFL: 27%); adj. operating margin 19.6% (2022: 11.0%)

- **Investing in organic growth and targeted M&A supported by a strong balance sheet**
  - New product launches in all businesses underpinned by investment in R&D
  - In Spectris Dynamics, agreement to acquire MicroStrain Sensing Systems Business
  - Strong balance sheet with net cash of £214.3 million (2022: net debt of £98.3 million) and active M&A pipeline
  - Continuation of share buyback with £83 million of £300 million programme remaining at 30 June 2023
  - Return on Gross Capital Employed ('ROGCE') increased to 16.7% (2022: 13.8%)

- **Upgrade to guidance for the full year**
  - As a result of our strong first half performance, we now expect organic sales growth for the full year to be ahead of our previous guidance of 6-7%
  - We continue to expect strong progress on margins and expect full year adjusted operating profit to be in the range of £250 million to £265 million, representing strong double-digit year on year growth

Continuing operations	H1 2023	H1 2022	Change	Like-for-like change[1]
Adjusted[1]				
Sales (£m)	**702.5**	570.2	23%	19%
Operating profit (£m)	**102.1**	72.3	41%	35%
Operating margin (%)	**14.5%**	12.7%	180bps	170bps
Profit before tax (£m)	**103.4**	70.3	47%	
Earnings per share (pence)	**77.2p**	49.8p	55%	
Adjusted cash flow conversion (%)	**117%**	39%	78pp	
Return on gross capital employed (%)	**16.7%**	13.8%	290bps	
Statutory				
Sales (£m)	**702.5**	570.2	23%	
Operating profit (£m)	**70.5**	54.3	30%	
Operating margin (%)	**10.0%**	9.5%	50bps	
Profit before tax (£m)	**68.5**	41.8	64%	
Cash generated from operations	**108.9**	43.4	151%	
Basic earnings per share (pence)	**50.0p**	26.5p	89%	
Dividend per share (pence)	**25.3p**	24.1p	5%	

1. **Alternative performance measures ('APMs')** are used consistently throughout this press release and are referred to as 'adjusted' or 'like-for-like' ('LFL'). These are defined in full and reconciled to the reported statutory measures in the appendix.

Commenting on the results, Andrew Heath, Chief Executive, said:
"*We have good momentum in the business and I am delighted to see the progress we are making with our Strategy for Sustainable growth. The strong financial performance in the first half reflects continued strategic execution and the brilliant contribution of my colleagues across the Group.*

In Spectris Dynamics and Spectris Scientific, we have two great premium precision measurement businesses on attractive growth trajectories, more aligned than ever to markets with a strong sustainability focus. Demand for our solutions is being amplified by new products and services addressing these trends. Having repositioned Spectris over the past three years, we are now a higher quality, more customer-focused and resilient business.

While we remain vigilant and alert to the broader macro environment, the strong first half performance and strength of our order book means we are upgrading our guidance for the full year. We continue to drive operational excellence to reduce emissions, improve productivity and efficiency in-line with our ambition to be a leading sustainable, compound-growth business."

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Conference call

A webcast of the presentation will begin at 08:30hrs BST, followed by a conference call for analysts and investors hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer to discuss this statement.

Please register via this link https://www.investis-live.com/spectris/649ad940383e901300144a3c/hdyr to join the presentation and use the following dial-in details to access the Q&A conference call: +44 20 4587 0498 – Pin code: 641903. For replay, please dial +44 (0) 20 3936 3001 – Pin code: 342648. Copies of this press release are available to the public from the registered office at Melbourne House, 44-46 Aldwych, London, WC2B 4LL and on the Company's website at www.spectris.com.

About Spectris

Spectris combines precision with purpose, delivering progress for a more sustainable world. We provide critical insights to our customers through premium precision measurement solutions combined with technical expertise and deep domain knowledge. Precision is at the heart of what we do - our leading, high-tech instruments and software equip our customers to solve some of their greatest challenges to make the world cleaner, healthier and more productive. We are focused on two key Divisions – Spectris Scientific and Spectris Dynamics, which are placed in technology-driven end markets, with strong fundamentals and attractive growth trajectories. We have leading market positions in premium segments and employ 7,300 people located in more than 30 countries, all united behind our purpose to deliver value beyond measure for all our stakeholders. For more information, visit www.spectris.com.

spectris

Chief Executive's review

A strong performance in the first half and continued execution of our strategy

We have made excellent progress during the first half underpinned by the continued strong execution of our strategy and demonstrating our credentials as a leading sustainable, compound growth business. We have maintained strong sales growth momentum, delivering growth well ahead of our markets and record profitability. I would like to thank all my colleagues across Spectris for their support and the high-performance culture we are collectively building.

Our performance in the period is consistent with the medium-term targets laid out at our Capital Markets Day last October as part of our new Strategy for Sustainable Growth. We continue to improve the quality and resilience of our business, giving us confidence in our strategy to compound growth through the cycle, while continuing to expand operating margins.

During the first half, reported sales grew 23%, 19% on a LFL basis, reflecting the strong conversion of our order book, supported by easing supply chains. Reported growth includes 250 bps contribution from acquisitions consistent with our strategy of compounding growth through M&A. LFL sales growth of 19% comprises 11% volume and 8% price consistent with our growth profile in 2022.

Our order book at the end of June remains strong. Despite the strong sales growth in the first half, the order book is equivalent in size to the position at the end of December (after adjusting for foreign exchange), with our book-to-bill c.1x. We continue to expect the order book to settle at around 4-5 months of cover over the medium-term.

As expected, against a strong comparative in 2022 where LFL orders grew by 20%, demand has continued to normalise as supply chains have eased and lead times reduced. Consequently, order intake was down slightly in the first half by 2% (down 5% LFL). On a LFL basis, North America was up 1%, Europe down 5% and Asia down 11%.

We continue to deliver higher quality, more profitable growth reflecting the work we have done to strengthen the business, our focus on operational efficiency and tight cost control. Strong sales growth, alongside positive net pricing, resulted in 140bps increase in adjusted gross margins. Adjusted operating margin of 14.5%, was 180 bps higher than the comparative period (2022: 12.7%) resulting in adjusted operating profit of £102.1 million (2022: £72.3 million) an increase of 41% (35% on a LFL basis).

Adjusted earnings per share grew by 55% to 77.2 pence. Statutory operating profit of £70.5 million (H1 2022: £54.3 million) increased by 30%. This gave a 10.0% statutory operating margin, 50bps higher than 9.5% reported at June 2022.

We continue to generate strong cash flow, with cash conversion of 117% on an adjusted basis in the first half, enabling us to maintain a very strong balance sheet and providing the Group with significant flexibility.

The Spectris Business System ('SBS') is central in improving productivity, with LFL adjusted overheads 30bps lower as a percentage of LFL sales. These savings have contributed to the Group delivering an increased operating margin for the period and we expect to deliver further progress on margins in the second half.

Our performance in the first half demonstrates continued momentum and provides us confidence in delivering our raised guidance for the full year.

Strategy for Sustainable Growth

Our Strategy for Sustainable Growth is delivering compound growth and increased profitability, along with strong cash flow and strong, consistent returns on invested capital. This is reflected in our medium-term performance framework for the Group, to deliver organic sales growth of 6-7% through the cycle and adjusted operating margin of 20%+. The Group's strategy and business model is aligned to delivering this framework, through six key elements:

1. **Great businesses**
   Asset-light, high-quality businesses focused on premium, precision measurement solutions and industry-leading domain expertise, aligned with our Purpose.
2. **Structural growth markets**
   Aligned with attractive, sustainable, structural growth markets with high barriers to entry.
3. **Customer centricity**
   Solving our customers' challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive.
4. **Investing in growth**
   Disciplined capital allocation for the benefit of all stakeholders – investment in growth through R&D and M&A.
5. **Operational excellence**
   Leveraging the Spectris Business System improvement projects, process simplification and our high-performance culture.
6. **Leading sustainable business**
   Sustainability is at the heart of our Purpose to deliver Value Beyond Measure for all our stakeholders.

Great businesses focused on premium, precision measurement solutions

Spectris is built around Spectris Scientific and Spectris Dynamics, two world class, asset-light businesses focused on premium, precision measurement solutions with industry-leading domain expertise which together, represented 85% of Group revenue in the first half.

Spectris Scientific is focused on the high growth end markets of life sciences & pharmaceutical, metals, minerals, mining, semiconductors, and academic research. We are well positioned in high value areas where our domain expertise and analytics are valued by customers throughout the workflow. Our customers need the best measurement, and can't, and won't, compromise.

In the first half, the division delivered very strong growth in both sales and adjusted operating profit, up 22% and 30% on a LFL basis respectively, with 130bps improvement in adjusted operating margins.

Spectris Dynamics is focused on four premium product lines (Virtual Test, Software, Data Acquisition and high-precision Sensors) with high growth prospects, where we have leading positions. The products are complementary for customers and combine to offer the broadest test and measurement solutions in the market. Spectris Dynamics supports customers in the growth markets of automotive (including electric vehicles), aerospace and defence, machine manufacturing and personal audio. These end markets require greater test and measurement functionality and fidelity to accelerate the time to market for new products and manage increasingly sophisticated measurements for automated manufacturing and in-process applications.

During the period, sales were up 23%, 13% on a LFL basis, with an expansion in adjusted operating margins of 80bps generating strong growth in operating profit of 31% and 20%, on an adjusted and LFL basis respectively.

Aligned with attractive, sustainable, structural growth markets

We are more a resilient business today resulting from our focus on attractive markets with strong fundamentals and selectively targeting those segments that are delivering above market growth with leading, differentiated offerings.

In the first half, LFL sales exceeded the expected medium-term market growth rates in each of our major end markets with the exception of Life sciences/Pharmaceutical, where sales grew by 1%. This reflects the earlier normalisation of demand after strong growth in 2022.

Growth across our other major end markets is set out in the table below: Technology-led industrials was up 15%; Automotive up 10%; Electronics and semiconductor up 15%; Metals, minerals, mining up 29%; and Academic research up 45%.

Industry	Sales H1 2023 (£m)	Sales H1 2023 % of total Group	LFL sales Growth	Expected medium-term market growth
Life sciences / pharmaceutical	139	20%	1%	5-7%
Technology-led industrials	103	15%	15%	5-7%
Automotive	81	12%	10%	4-6%
Electronics and semiconductor	74	11%	15%	6-8%
Metals, minerals, mining	66	9%	29%	5-6%
Academic research	67	9%	45%	5-6%

Customer centricity: leading solutions to make the world cleaner, healthier and more productive

During the half year, we continued to collaborate closely with our customers helping them solve some of their most difficult challenges.

In Spectris Scientific we have seen good demand for our X-ray systems, particularly in the areas of green metals, green mining and green construction. For instance, in the first half, we received a large order from a major global cement manufacturer in Asia for over 20 of our Zetium XRF and Aeris XRD systems to detect both the elemental and structural composition to ensure the integrity of the finished product. The customer will utilise our instruments to evaluate raw materials and final product as well as enable the transition to more sustainable manufacturing.

We are also strengthening customer relationships and broadening our aftermarket offering through the introduction of SMART Manager. SMART Manager enables connection to customers' instruments in the field, facilitating early diagnosis, allowing us to service the instruments remotely or equip our engineers with better information thereby improving repair times and customer uptime. We are also exploring how we develop SMART Manager to include different levels of aftermarket service such as customer dashboards. While we are very much at the early stages, we are encouraged by the initial response from customers, with c.1,500 instruments already connected, and excited about its future potential including proactive monitoring, diagnosis and service.

In May, Spectris Dynamics hosted their Zero Prototypes Summit at our virtual test centre of excellence in Udine, Italy attracting over 280 engineering managers and design engineers from automotive OEMs, suppliers, motorsport teams, universities and research centres. The event provided attendees with valuable insights into how major players in the automotive industry use our simulation, driving simulators and Hardware-in-the-Loop technologies to accelerate new vehicle development at lower cost and risk.

The Automotive Testing EXPO in Stuttgart in June provided Spectris Dynamics with the opportunity to showcase our combined solution for automotive customers. We continue to generate strong interest in our overall automotive offering, as we support the customers' drive to virtual innovation and the transition of their fleets to electric. We continue to see strong demand for our electric power testing solutions, software and for our premium data acquisition systems alongside our virtual test and in-process solutions. The combined portfolio of solutions demonstrates how both our virtual and physical test and measurement domain expertise is supporting our customers' need to innovate through the multiple stages of their product lifecycle.

Investing in growth through R&D

We invested £52 million in R&D (2022: £47.6 million) representing 7.4% of sales in line with our stated guidance. We continue to see strong take up from customers and are having significant success in commercialising our technology with a number of new product launches in the period.

Spectris Scientific, launched the NanoSight Pro for measuring the size and concentration of nanomaterials. Powered by machine learning, the NanoSight Pro automates customer workflows, reducing human error and enabling users to generate robust, high-quality nanomaterial characterisation data up to three times faster than previous versions. The instrument is designed to be used primarily in rapidly growing biopharmaceutical applications, providing insight to enable the development of vaccines, cell and gene therapies, and drug delivery systems.

Also during the period, Spectris Scientific launched the FORJ™ fusion sample preparation instrument. Delivering robust and superior quality fused samples for X-ray fluorescence analysis, FORJ™ is the fastest on the market, boosting productivity by up to 25%. Suitable for full-lab integration, it is easy to install and provides a safe and user-friendly interface.

In Spectris Dynamics, we expanded our simulator offering in virtual test with the launch of the COMPACT Full-Spectrum Simulator (FSS). The FSS provides highly accurate motion, vibration and sound effects in a small footprint enabling Human-in-the-Loop simulation allowing test drivers and engineers to closely replicate the experience of driving a real car. In addition, we implemented a number of upgrades to our leading product portfolio across Physical Test and In-Process including multiple software releases and enhanced functionality. We also delivered a significant number of prototypes to our global OEM sensor customers and continued to build the pipeline of growth opportunities in applying precision sensing to customers' hardware.

We expect R&D spend to be at around 8% of sales for the full year, with all our R&D investments expected to return an IRR of at least 15%. In 2022, we introduced our vitality index for the first time. This measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period. The index was 25% by the end of 2022 and we expect this to increase further over the next five years to over a third of total sales.

Investing in growth through M&A

We maintain an active pipeline of potential acquisition targets from early-stage technologies to bolt-on acquisitions of varying sizes, through to larger-scale opportunities. This is an important component of our strategy to compound growth.

In June, we signed an agreement to acquire MicroStrain Sensing Systems Business (MicroStrain), a leading developer of inertial and wireless sensing systems, serving the industrial and aerospace sensing systems market. When the deal completes, MicroStrain will be integrated into Spectris Dynamics, which has a long-established position in high-precision sensing solutions and where it will benefit from leveraging Spectris Dynamics' global sales and service network. The acquisition strengthens our overall sensor offering, particularly in inertial sensors, helping further penetration into the rapidly growing automation and smart manufacturing markets, while also Increasing our North American presence.

The integration of Dytran, which we acquired in September 2022, continues to progress well. The acquisition has strengthened our piezo-electric sensor offering and our position in the US space, aerospace, defence and automotive industries.

In March, we sold the remaining part of Concept Life Sciences (CLS), a business acquired in January 2018, that was part of the Spectris Scientific division (CLS contributed £11.8 million of sales and £0.2 million of profit in H1 2022).

The Group will continue to review divestment opportunities where appropriate and where such activity is aligned to the Group's strategy.

At the end of June we had completed just over £215 million of the £300 million share buyback programme and had net cash of £214.3 million. This strong financial position provides the Group with significant flexibility and headroom to pursue further acquisitions.

Operational excellence: Spectris Business System driving productivity and competitiveness

Following the supply chain challenges experienced across many industries in 2022 and significant growth in customer demand, our focus during the first half has been to continue to meet our commitments to customers with increased production levelling and strong forecast to plan execution. This has meant expanding our capacity efficiently, to convert our strong order book into sales, while at the same time reducing costs and lead times. The improvements delivered have also driven customer satisfaction higher and improved competitiveness.

During the first half, the businesses have continued to further strengthen the deployment of the Spectris Business System (SBS) to deliver this result. Some of the highlights include:

- Significant improvement in productivity and throughput, in excess of 50% in some cases, by: eliminating bottlenecks; improved workflow management to eliminate material shortages; capacity expansion; and daily management by our self-directed work teams;
- A project to extend the life of a key component in one of our instruments has delivered just under £300k of benefits so far this year;
- Improved cleanroom capacity and layout at one of our sites has delivered close to £500k (year-to-date) of benefits by increasing productivity; and
- In Suzhou, we are deploying automation across multiple processes improving labour productivity and at the same site, we have delivered a nearly 30% reduction in lead-time as well as labour and inventory cost savings for a key product family.

The main objectives of SBS are to remove waste, drive efficiency and strengthen competitiveness as we grow the business and enhance margins. I am very pleased with how all the businesses are actively driving our SBS 'Bronze, Silver, Gold' certification programme, with a number of sites preparing for their Bronze certification by the end of the year. In H1 2023, the Group reduced LFL overheads by 30bps as a percentage of LFL sales, supporting our medium-term operating margin target of over 20%.

In addition to SBS, we are also making good progress with the implementation of our new SAP S/4HANA installation which is on track to go-live during the course of 2024. The new system will replace a number of legacy ERP systems and help standardise, simplify and automate processes to enhance our operations, enabling our businesses to become more efficient and scalable.

The reorganisation of Spectris Dynamics at the start of the year around three end-market verticals: Virtual Test, Physical Test and In-Process, to leverage growth and customer intimacy from our domain expertise has gone well. This has been made possible by the commitment of our people, a high-performance culture and our focus on making Spectris Dynamics a great place to work. The construction of our new manufacturing facility in Porto is well underway. This new site, which will be operational in 2024, will help balance our manufacturing footprint between Asia and Europe and strengthen the level of local production for our European customer base.

Leading sustainable business

Sustainability is at the heart of our Purpose to deliver Value Beyond Measure for all our stakeholders. We have a clear ambition to create a positive and lasting impact, for both the sustainability of our operations and for our opportunity to harness the power of precision measurement to make the world cleaner, healthier and more productive.

During the period we continued to make strong progress towards our ambition to become Net Zero across our Scope 1 and 2 emissions by 2030 and across our Scope 3 emissions by 2040 through our SBTi validated targets. We are making very good progress on meeting our Scope 1 and 2 targets and we continue to accelerate our adoption of EcoVadis to firstly understand and then reduce the carbon impact and wider ESG risk in our supply chain.

In April 2023, we worked with Young Professionals to deliver our second virtual STEM work experience event attended by over 700 school students from a range of diverse backgrounds. Students provided great feedback on the event, especially around the opportunity to learn more about the breadth of various STEM-related careers.

We remain a proud sponsor of International Women in Engineering Day which took place in June. This year the day was celebrated in conjunction with The Spectris Foundation, Young Professionals and Techgirlz involving over 275 young women from across the UK and the US exploring different career paths in technology and engineering. Attendees enjoyed an exploration of digital design and heard from colleagues across the Spectris Group who gave inspiring presentations on their personal experiences working in technology and engineering, as well as practical advice and expertise in their fields.

In support of our colleagues with family and friends in Turkey and Syria following the devasting earthquake in February, we made a donation of £100,000 to Care International as part of the Disasters Emergency Committee appeal and we also matched employee donations of over £2,000 to help provide humanitarian aid.

Investing in our people

We are making great progress building a values-based, healthy, high-performance culture across the Group.

We continue to invest in the development of our people. In the first half we graduated the first cohort of our new leadership development programme, called Ascend. Participant feedback has been extremely positive with 360^0 feedback noting an improvement in leadership capabilities as a result of the training.

I am also delighted to report an increase in our engagement scores, with our annual Gallup engagement survey showing positive results in all areas and continuing the upward trend over the last three years. The overall average engagement score rose to 3.92 (out of 5.00), up from 3.86 last year and 3.72 in 2021 with strong levels of participation in the survey at 80% of the global population. While we still have work to do on our engagement journey, I am greatly encouraged that we are heading in the right direction.

Summary and outlook for the full year

I am delighted by our strong financial performance in the first half, reflecting the continued execution of our strategy, conversion of our strong order book and the continued support of my colleagues across the Group.

While we remain vigilant and alert to the broader macro environment, the strong first half performance and strength of our order book means we are upgrading our guidance for the full year. We continue to drive operational excellence to reduce emissions, improve productivity and efficiency in-line with our ambition to be a leading sustainable, compound-growth business.

Andrew Heath
Chief Executive

Financial review

Financial performance

Continuing operations	H1 2023 £m	H1 2022 £m
Sales	**702.5**	570.2
Cost of sales	**(302.0)**	(253.0)
Gross profit	**400.5**	317.2
Indirect production and engineering expenses	**(63.0)**	(53.7)
Sales and marketing expenses	**(129.0)**	(110.4)
Administrative expenses	**(138.0)**	(98.8)
Operating profit	**70.5**	54.3

Sales increased by 23% or £132.3 million to £702.5 million (2022: £570.2 million) on a continuing basis. LFL sales increased by £108.0 million (19%), with the impact of acquisitions, net of disposals, increasing sales by £8.1 million (1%) and foreign exchange movements increasing sales by £16.2 million (3%).

Gross profit increased by £83.3 million primarily driven by higher volumes and price increases that were predominantly implemented in Q4 2022 more than offsetting input cost inflation. LFL adjusted gross margins increased by 140bps to 57.1%.

SG&A expenses increased by £67.1 million reflecting the additional sales volume and £15.5 million of additional configuration and customisation costs carried out by third parties on material SaaS projects.

LFL adjusted overheads were 30bps lower as a percentage of LFL sales. Compared with the first half last year, LFL adjusted overheads increased by 18% resulting from higher salary and other costs (e.g. travel) as volumes have increased, alongside a slight increase in R&D spend. Headcount increased by 2.6% vs the same time last year to support growth with a number of open positions now filled particularly in the US. Investment in R&D (reported in net overheads) amounted to £52.2 million representing 7.4% of sales (H1 2022: £47.6 million or 8.4% of sales).

Statutory operating profit was £70.5 million, an increase of £16.2 million (H1 2022: £54.3 million). Statutory operating margin of 10.0% was 50bps higher than H1 2022 (9.5%).

Continuing operations	H1 2023 £m	H1 2022 £m
Statutory operating profit	**70.5**	54.3
Net transaction-related costs and fair value adjustments	**4.0**	6.8
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**-**	0.1
Configuration and customisation costs carried out by third parties on material SaaS projects	**17.8**	2.3
Amortisation of acquisition-related intangible assets	**9.8**	8.8
Adjusted operating profit	**102.1**	72.3

Net transaction-related costs and fair value adjustments were £4.0 million (H1 2022: £6.8 million) primarily relating to the acquisitions completed during the prior year and the acquisition of MicroStrain, which is anticipated to close in the second half of 2023.

Implementation of the latest SAP cloud-based systems to enable a programme of process redesign and improvement across the Divisions is underway. The Group has completed the initial design phase and has commenced user-testing incurring costs of £17.8 million in the period (H1 2022: £2.3 million). Consistent with the prior period, these material SaaS projects are excluded from adjusted operating profit.

Adjusted operating profit increased by 41% or £29.8 million to £102.1 million (H1 2022: £72.3 million). LFL adjusted operating profit increased by £25.3 million (35%), with the impact of acquisitions, net of disposals, increasing adjusted operating profit by £1.8 million (2%), and foreign exchange movements increasing adjusted operating profit by £2.7 million (4%).

Adjusted operating margins increased by 180bps (170bps on a LFL basis) compared to H1 2022, reflecting the increase in gross margins which more than offset the increase in adjusted overheads.

Statutory profit before tax for the period of £68.5 million (H1 2022: £41.8 million) is calculated after net finance income of £8.2 million (H1 2022: £12.8 million costs) and £11.0 million loss on disposal, predominantly related to the divestment of CLS (H1 2022: £0.2 million profit).

The £21 million improvement in net financial income was mainly due to retranslation of short-term intercompany loan balances that moved from a £10.7 million loss in H1 2022 to a £7.0 million gain in H1 2023. This reflects the strengthening of GBP against both the EUR and USD over the last six months, compared with H1 2022 where the GBP weakened markedly against both currencies.

Bank interest receivable was £3.0 million higher, due to a higher average cash balance and the significant increase in Sterling interest rates during the first half of this year. There have been no drawings against our loan facilities during the period, with interest payable solely relating to the commitment fee on the Revolving Credit Facility and the amortisation of capitalised loan fees relating to this facility.

On 31 March 2023, the Group disposed of the remaining part of CLS, which formed part of the Spectris Scientific Division. The consideration received of £15.5 million, was settled by £15.0 million in cash plus £0.5 million relating to an estimation of the completion accounts true-up. This resulted in a loss on disposal of £9.7 million. Further details are provided in Note 8.

The effective tax rate on adjusted profit before tax for H1 2023 was 22% (H1 2022: 22%). The effective adjusted tax rate for the full year is also expected to be 22%.

Cash flow

Adjusted cash flow increased by £91.8 million to £119.7 million compared to H1 2022, resulting in an adjusted cash conversion rate of 117% (H1 2022: 39%).

Adjusted cash flow from continuing operations	H1 2023 £m	H1 2022 £m
Adjusted operating profit	**102.1**	72.3
Adjusted depreciation and software amortisation[1]	**19.6**	18.8
Working capital and other non-cash movements	**9.7**	(31.6)
Capital expenditure	**(11.7)**	(31.6)
Adjusted cash flow from continuing operations	**119.7**	27.9
Adjusted cash flow conversion from continuing operations	**117%**	39%

1. Adjusted depreciation and software amortisation represent depreciation of property, plant and equipment, software and internal development amortisation, adjusted for depreciation of acquisition-related fair value adjustments to property, plant and equipment.

The Group experienced an increase in adjusted cash flow from continuing operations generated by the increase in adjusted operating profit, a decrease in trade and other receivables and the one-off outflow in H1 2022 of £15.3 million relating to the new manufacturing facility for Particle Measuring Systems ('PMS') in Colorado, US.

Capital expenditure of £11.7 million (H1 2022: £31.6 million) equated to 1.7% of sales, compared to 5.5% in the first half of 2022, which was higher due to the inclusion of the new PMS facility. Capital expenditure was 60% of adjusted depreciation and software amortisation (H1 2022: 168%).

Other cash flows and foreign exchange	H1 2023 £m	H1 2022 £m
Tax paid	**(30.0)**	(20.5)
Net interest paid on cash and borrowings	**2.9**	(0.3)
Dividends paid	**(53.7)**	(53.3)
Share buyback	**(26.7)**	(150.8)
Acquisition of businesses, net of cash acquired	**(2.8)**	(44.3)
Acquisition of investment in associate	**-**	(3.4)
Transaction-related costs paid	**(1.0)**	(6.0)
Proceeds/(outflow) from disposal of businesses	**9.2**	(15.1)
SaaS-related cash expenditure	**(17.8)**	(2.3)
Lease payments and associated interest	**(7.1)**	(7.6)
Restructuring costs paid	**(0.8)**	(2.6)
Net proceeds from exercise of share options	**0.4**	-
Total other cash flows	**(127.4)**	(306.2)
Adjusted cash flow from continuing operations	**119.7**	27.9
Adjusted cash flow from discontinued operations	**-**	7.3
Foreign exchange	**(6.0)**	4.9
Decrease in net cash	**(13.7)**	(266.1)

During the six months ended 30 June 2023, 729,423 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £26.7 million, including transaction fees of £0.1 million.

During the six months ended 30 June 2022, 5,068,643 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £150.8 million, including transaction fees of £1.0 million.

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 30 June 2023 were nil (H1 2022: £228.2 million).

At 30 June 2023, the Group had a cash and cash equivalents balance of £214.3 million. The Group also had various uncommitted facilities and bank overdraft facilities available but undrawn. Gross debt was nil, resulting in a net cash position of £214.3 million, compared to a net debt position of £98.3 million at 30 June 2022, representing a £312.6 million year on year increase in net cash.

As at 30 June 2023, the Group had £393.8 million of committed facilities, consisting entirely of a $500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 30 June 2023 (H1 2022: £220.0 million drawn).

For the twelve months ended 30 June 2023, there was net finance income for covenant purposes of £3.4 million, resulting in the interest cover ratio being n/a (30 June 2022: 144.7 times, 31 December 2022: n/a) The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (30 June 2022: 0.6 times, 31 December 2022: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2027, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 40% over the period under review for the Group to run out of liquidity headroom. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Condensed Consolidated Financial Statements.

Currency

The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade receivables, trade payables and cash balances are held.

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At 30 June 2023, approximately 63% of the estimated transactional exposures of £242.4 million for the next 18 months were hedged using forward exchange contracts, mainly against the Euro, US Dollar, Chinese Yuan Renminbi and Japanese Yen.

The largest translational exposures during the year were to the US Dollar, Euro and Chinese Yuan Renminbi. Translational exposures are not hedged. The table below shows the average and closing key exchange rates compared to Sterling.

	H1 2023 (average)	H1 2022 (average)	Change	**H1 2023 (closing)**	H1 2022 (closing)	Change
US Dollar (USD)	**1.23**	1.30	(6%)	**1.27**	1.22	4%
Euro (EUR)	**1.14**	1.19	(4%)	**1.16**	1.17	(1%)
Chinese Yuan Renminbi (CNY)	**8.55**	8.40	2%	**9.22**	8.14	13%

During the period, currency translation effects resulted in adjusted operating profit being £2.8 million higher (H1 2022: £3.8 million higher) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange loss of £4.6 million (H1 2022: £1.4 million gain) were included in administrative expenses, whilst sales include a gain of £0.9 million (H1 2022: £1.5 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Other Non-reportable Operating Segments

The financial and operating performance of the Spectris Scientific and Spectris Dynamics reportable segments are detailed on the following pages in accordance with IFRS 8. The Red Lion Controls and Servomex businesses are reported within the Other non-reportable operating segments.

On a statutory basis, sales for the segment of £103.9 million increased by 33% compared H1 2022 (H1 2022: £78.1 million) with LFL sales up 27%. Adjusted operating profit for the segment was £20.4 million (H1 2022: £8.6 million), an increase of 137% (123% LFL), with an adjusted operating margin of

19.6%, an increase of 860bps on H1 2022 (840bps LFL). Statutory operating profit rose 143% to £18.2 million (H1 2022: £7.5 million), primarily due to improved gross margins from pricing and volume drop through, with the statutory operating margin improving 790bps to 17.5%.

Red Lion Controls had a very strong first half with both sales and profitability benefiting from a combination of volume growth and revised pricing. Volume growth was driven by easing supply chains and increased capacity due to operational improvements leveraging the Spectris Business System, with the latter also contributing to strong margin improvement.

Servomex also delivered a very good performance with sales growth driven by higher volumes on the back of increased production capacity at our factories in the UK and US and improved material availability. Higher contribution margins due to price increases and easing material cost inflation drove a strong increase in profitability.

Financial Summary

	Spectris Scientific		Spectris Dynamics		Other		Group Costs		Total	
	H1 2023	H1 2022	**H1 2023**	H1 2022	**H1 2023**	H1 2022	**H1 2023**	H1 2022	**H1 2023**	H1 2022
Sales (£m)	**334.1**	277.1	**264.5**	215.0	**103.9**	78.1			**702.5**	570.2
LFL sales growth (%)	**22%**		**13%**		**27%**				**19%**	
Statutory operating profit (£m)	**46.7**	36.1	**18.3**	19.3	**18.2**	7.5	**(12.7)**	(8.6)	**70.5**	54.3
Statutory operating margin (%)	**14.0%**	13.0%	**6.9%**	9.0%	**17.5%**	9.6%			**10.0%**	9.5%
Adjusted operating profit (£m)	**58.6**	44.9	**35.8**	27.4	**20.4**	8.6	**(12.7)**	(8.6)	**102.1**	72.3
LFL adjusted operating profit change (%)	**30%**		**20%**		**123%**				**35%**	
Adjusted operating margin (%)	**17.5%**	16.2%	**13.5%**	12.7%	**19.6%**	11.0%			**14.5%**	12.7%
LFL adjusted operating margin change (bps)	**110bps**		**70bps**		**840bps**				**170bps**	
Sales % of Group sales	**48%**	49%	**38%**	38%	**14%**	13%			**100%**	100%

Spectris Scientific

	H1 2023	H1 2022	Change	LFL change
Statutory sales (£m)	**334.1**	277.1	21%	22%
Adjusted operating profit[1] (£m)	**58.6**	44.9	30%	30%
Adjusted operating margin[1] (%)	**17.5%**	16.2%	130bps	110bps
Statutory operating profit (£m)	**46.7**	36.1	29%	
Statutory operating margin (%)	**14.0%**	13.0%	100bps	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Financial Statements.

A strong first half performance

Spectris Scientific delivered an excellent financial performance in the first half, with sales growth of 21% to £334.1 million (H1 2022: £277.1 million). LFL sales growth was 22% after taking into account the £6.1 million impact of the CLS disposal (-2%) and foreign exchange movements of £4.7 million (2%).

Orders were slightly up (flat on LFL basis) with strong demand in Materials Sciences and Academia, offset by the normalisation of demand in both Life Science and Semiconductor. We saw strong sales growth across all key end markets, with the exception of Life Sciences where sales were slightly above the comparative period reflecting the fact that this market was the first to see the normalisation in ordering patterns.

Adjusted operating profit increased 30% (30% LFL) to £58.6 million (H1 2022: £44.9 million) reflecting the strong sales growth and good operational performance. Adjusted operating margin improved to 17.5%, a 130bps increase compared to H1 2022 (110bps LFL).

Statutory operating profit was £46.7 million which included £8.6 million of additional costs related to the investment in our new ERP system, as part of the business transformation project. Statutory operating margin of 14.0% was in line with the comparative period.

Strongly positioned in high growth end markets supported by sustainability trends

Spectris Scientific is focused on high growth end-markets: Life Sciences, Material Sciences (Primary and Advanced Materials), Semiconductors and Academia. We are well positioned in high value, critical-to-quality areas where precision measurement, domain expertise and analytics are valued by our customers throughout the workflow.

Life Sciences

LFL sales were slightly ahead of the comparative period, with growth in Asia and Europe largely offset by North America. As expected, demand has normalised after strong growth in prior periods. Growth over the medium-term in Life Sciences is underpinned by a number of key drivers including ageing populations, the onshoring of manufacturing and the need to develop new treatments. We continue to maintain a healthy pipeline of customer opportunities.

Material Sciences

Primary materials

We saw strong LFL sales growth particularly in Asia and North America during the first half. We continue to see high levels of demand for our X-Ray instruments in mining and building materials applications, as customers seek to make their extraction and manufacturing processes greener and more sustainable.

Advanced materials

LFL sales in advanced materials also saw grew strongly especially in the energy and battery segments. The growth was driven by the transition in energy and mobility, to more sustainable solutions, where our in-line particle analysers are used by customers to assess the quality and character of raw materials.

This performance also reflects our broad solution portfolio, strong domain knowledge for material characterisation and deep customer relationships. We are a key facilitator of customer innovation, supporting opportunities in the functional performance, sustainability, and recycling of materials.

Semiconductor

Sales into semiconductor and electronics customers grew strongly, notably in North America, reflecting our leading product sensitivity and strong order book as we entered the year. Increased sales were primarily from gas products including our high purity gas particle counters which are installed in new semiconductor fabrication plants during the initial stages of their construction. While the level of order intake has normalised during the first half against a strong comparator, our pipeline remains robust, particularly for our high sensitivity 20 nanometer, gas and microbial air sampler products.

Academia

We are well positioned to take advantage of the academic research that feeds into our end markets, with a strong brand built on high precision measurement and scientific credibility. We saw strong LFL sales growth in the first half including for our XRD systems, consistent with the trends we are seeing across our other end markets.

Spectris Dynamics

	H1 2023	H1 2022	Change	LFL change
Statutory sales (£m)	**264.5**	215.0	23%	13%
Adjusted operating profit[1] (£m)	**35.8**	27.4	31%	20%
Adjusted operating margin[1] (%)	**13.5%**	12.7%	80bps	70bps
Statutory operating profit (£m)	**18.3**	19.3	(5%)	
Statutory operating margin (%)	**6.9%**	9.0%	(210bps)	

1. This is an alternative performance measure ('APM'). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Financial Statements.

A very good financial performance in the first half

Spectris Dynamics delivered a very good financial performance in the first half with double digit sales and operating profit growth.

Sales increased by 23% to £264.5 million (H1 2022: £215.0 million). After taking into account £12.8 million (6%) sales growth from the acquisition of Dytran and £7.8 million (4%) for foreign exchange movements, LFL sales grew by 13%.

Orders were 3% lower (10% lower on LFL basis) than the comparative period with strong demand growth in Aerospace & Defence and flat demand in Academia more than offset by the expected softening order intake across Machine Manufacturing and Automotive. Sales grew across all key end markets, with particularly strong growth in A&D and Academia.

Adjusted operating profit of £35.8 million represented an increase of 31%, 20% on a LFL basis, with adjusted operating margin 80bps higher at 13.5% (70bps higher on a LFL basis) with good gross margin progression, reflecting the impact of top line growth and net pricing, offset by costs relating to organisational restructuring.

Statutory operating profit reduced by 5% to £18.3 million (H1 2022: £19.3 million), with statutory operating margin declining 210bps to 6.9%. This reduction primarily reflects £9.2 million of additional costs relating to the investment in our new ERP system and an increase of £1.8 million in amortisation of acquisition-related intangible assets following the Dytran acquisition in the second half last year.

Well positioned in attractive markets

We are well positioned in attractive growth markets that are benefiting from a number of global mega trends:

- Increased adoption of Virtual Test particularly in automotive to accelerate the innovation cycle;
- Digitisation and the increased use of software to design and test and to process large amounts of more complex data;
- Electrification and the transformation of mobility and energy; and
- Automation to enhance productivity in a more connected world.

These four key growth trends are aligned with our Purpose to Empower the Innovators for a cleaner, healthier, and more productive world and are supporting higher levels of growth within our market segments.

Automotive

LFL sales growth was good in the first half, with a strong performance in Europe partially offset by North America where sales were down. Sales in Asia were slightly ahead of the comparative period. We have seen a softening in demand in the period against a tough comparator reflecting a normalisation in customer ordering patterns, resulting from a combination of easing supply chains with shorter lead-times, and the short-term macro-economic outlook.

During the period, in Physical Test, we saw good order intake for sound and vibration solutions and the renewal of service and software contracts from several automotive OEMs. For In-Process, interest and order intake for our end-of-line testing solution for electric drive systems continued on a similar positive trend as last year.

Over the medium-term, we continue to expect growing demand for automotive testing, driven by growth in both R&D and production budgets, supporting the increasing pace of new EV model launches and increasing demand for advanced driver assistance systems (ADAS) capabilities.

Machine manufacturing

LFL sales grew across all regions, driven by customers wanting to monitor their production processes and deployed assets. In terms of order intake, as with Automotive, we have seen a softening in demand during the first half, notably in Europe and Asia which more than offset growth in North America. We are pleased to have won significant new orders for our loadcells in Europe and OEM sensors for agricultural applications in North America.

We believe that over the medium to longer-term, the move towards greater levels of automation driven by the scarcity of labour and the need for greater efficiency, will continue to drive demand from machine manufacturing customers and in turn, our smart and OEM sensor offering. Sales to this sector continue to be helped by the focus on selected high value end-markets, which has driven demand for our weighing technologies, including for smart OEM-type solutions in medical and healthcare applications, where accurate and reliable sensors are critical.

Aerospace and defence

We saw good sales growth in Europe and North America driven by the ongoing recovery in civil aerospace and continued investment in space and defence spending. We saw strong growth in our virtual test solutions where our leading real-time computation software provides critical measurements in applications where pinpoint accuracy is required. The growth in demand was also supported by a large order from a major defence customer for a sound and vibration solution.

We remain well placed to support long-term innovation projects. OEMs continue to invest in efficiency gaining technologies, especially weight saving and power improvements. We also see demand increasing for energy transition related projects, including electric aircraft and those running on alternative lower-carbon fuels. Our Sound and Vibration and EPT solutions are well placed to capture this.

Consumer electronics and telecoms

LFL sales and demand in consumer electronics and telecoms, which represented 6% of Dynamics sales in the first half, were both down.

Derek Harding
Chief Financial Officer

spectris

Principal Risks and Uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the financial year and could cause actual results to differ materially from expected and historical results. The Group has processes in place for identifying, evaluating and managing the key risks which could have an impact upon the Group's performance.

The current risks, together with a description of how they relate to the Group's strategy and the approach to managing them, are set out on pages 34-38 of the 2022 Annual Report and Accounts which is available on the Group's website at www.spectris.com. The Group has conducted a review and concluded that these risks, as defined in the 2022 Annual Report, will continue to remain relevant for the second half of the financial year and that our assessment of the severity of these risks on both a gross and a net basis is unchanged. The potential impact of these risks on our strategy and financial performance, together with details of our specific mitigation actions, are set out in the 2022 Annual Report.

The full list of principal risks relevant as at the half year comprises:

- **Strategic transformation.** Failure to successfully deliver the Group strategy, including business transformation and key mergers, acquisitions and divestment activity.
- **Cyber threat.** Failure to appropriately protect critical information and other assets from cyber threats, including external hacking, cyber fraud, demands for ransom payments and inadvertent/intentional electronic leakage of critical data.
- **Compliance.** Failure to comply with laws and regulations, leading to reputational damage, substantial fines and potential market exclusion.
- **Geopolitical.** Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy. Includes trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.
- **Market/financial shock.** Material adverse changes in market conditions, such as economic recession, inflation, sudden negative investor sentiment and currency fluctuation.
- **Talent and capabilities.** Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.
- **Business disruption.** Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.
- **Climate change.** Failure to respond appropriately, and sufficiently, to climate change risks or failure to identify the associated potential opportunities in assisting others manage their climate agendas.

These risks are subject to Executive oversight and formal assessment, and we continue to review the effectiveness of existing controls over those risks and to identify further actions where appropriate in order to manage our net exposure.

Responsibility statement of the Directors in respect of the Interim report

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of the principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Andrew Heath
Chief Executive
30 July 2023

Derek Harding
Chief Financial Officer

Independent Review Report to Spectris PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows, and related notes 1 to 11.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion related to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
30 July 2023

Condensed Consolidated Income Statement

Six months ended 30 June 2023

		Six months ended 30 June		Year ended 31 December
		2023	2022	2022
		(Unaudited)	(Unaudited)	(Audited)
Continuing operations	Note	**£m**	£m	£m
Revenue	2	**702.5**	570.2	1,327.4
Cost of sales		**(302.0)**	(253.0)	(576.6)
Gross profit		**400.5**	317.2	750.8
Indirect production and engineering expenses		**(63.0)**	(53.7)	(114.1)
Sales and marketing expenses		**(129.0)**	(110.4)	(233.0)
Administrative expenses		**(138.0)**	(98.8)	(231.1)
Operating profit	2	**70.5**	54.3	172.6
Share of results of associate		**0.1**	0.1	-
Fair value through profit and loss movements on debt investment		**0.7**	-	(4.1)
(Loss)/profit on disposal of businesses		**(11.0)**	0.2	0.3
Financial income	3	**10.3**	0.3	1.9
Finance costs	3	**(2.1)**	(13.1)	(19.2)
Profit before tax		**68.5**	41.8	151.5
Taxation charge	4	**(16.3)**	(12.6)	(36.7)
Profit for the period from continuing operations		**52.2**	29.2	114.8
Profit from discontinued operations		**-**	10.2	286.7
Profit for the period from continuing and discontinued operations attributable to owners of the Company		**52.2**	39.4	401.5
Earnings per share				
From continuing operations				
Basic	6	**50.0p**	26.5p	106.7p
Diluted	6	**49.7p**	26.4p	106.0p
From continuing operations and discontinued operations				
Basic	6	**50.0p**	35.8p	373.1p
Diluted	6	**49.7p**	35.6p	370.7p
Dividends				
Interim and final dividends proposed/paid for the period (per share)	5	**25.3p**	24.1p	75.4p
Dividends paid during the period (per share)	5	**51.3p**	48.8p	72.9p

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2023

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	£m	£m	£m
Profit for the period attributable to owners of the Company	**52.2**	39.4	401.5
Other comprehensive income:			
Items that will not be reclassified to the Condensed Consolidated Income Statement:			
Re-measurement of net defined benefit obligation	**(0.4)**	10.5	13.1
Fair value (loss)/gain and foreign exchange movements translation on investment in equity instruments designated as at fair value through other comprehensive income	**(3.0)**	4.3	5.0
Tax credit/(charge) on items above	**0.1**	(3.1)	(4.0)
	(3.3)	11.7	14.1
Items that are or may be reclassified subsequently to the Condensed Consolidated Income Statement:			
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts on cash flow hedges	**6.7**	(23.8)	0.4
Foreign exchange movements on translation of overseas operations	**(52.2)**	83.1	105.1
Currency translation differences transferred to profit on disposal of businesses	**-**	-	(86.7)
Tax (charge)/credit on items above	**(1.6)**	4.6	-
	(47.1)	63.9	18.8
Total other comprehensive (loss)/income	**(50.4)**	75.6	32.9
Total comprehensive income for the period attributable to owners of the Company	**1.8**	115.0	434.4

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2023

	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 2023	**5.5**	**231.4**	**1,113.0**	**86.0**	**(3.1)**	**3.1**	**1.0**	**1,436.9**
Profit for the period	-	-	52.2	-	-	-	-	52.2
Other comprehensive (loss)/income	-	-	(2.5)	(53.0)	5.1	-	-	(50.4)
Total comprehensive income/(loss) for the period	-	-	49.7	(53.0)	5.1	-	-	1.8
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (note 5)	-	-	(53.7)	-	-	-	-	(53.7)
Own shares acquired for share buyback programme (note 10)	(0.1)	-	(40.0)	-	-	-	0.1	(40.0)
Share-based payments, net of tax	-	-	10.0	-	-	-	-	10.0
Proceeds from exercise of equity-settled share options	-	-	0.4	-	-	-	-	0.4
At 30 June 2023 (Unaudited)	**5.4**	**231.4**	**1,079.4**	**33.0**	**2.0**	**3.1**	**1.1**	**1,355.4**

Condensed Consolidated Statement of Changes in Equity (continued)

Six months ended 30 June 2022

	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 2022	5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3
Profit for the period	-	-	39.4	-	-	-	-	39.4
Other comprehensive income/(loss)	-	-	11.3	83.5	(19.2)	-	-	75.6
Total comprehensive income/(loss) for the period	-	-	50.7	83.5	(19.2)	-	-	115.0
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (note 5)	-	-	(53.3)	-	-	-	-	(53.3)
Own shares acquired for share buyback programme (note 10)	(0.3)	-	(150.8)	-	-	-	0.3	(150.8)
Share-based payments, net of tax	-	-	4.4	-	-	-	-	4.4
At 30 June 2022 (Unaudited)	5.5	231.4	808.6	149.7	(22.7)	3.1	1.0	1.176.6

Condensed Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2022

	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 2022	5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3
Profit for the year	-	-	401.5	-	-	-	-	401.5
Other comprehensive income	-	-	12.7	19.8	0.4	-	-	32.9
Total comprehensive income for the year	-	-	414.2	19.8	0.4	-	-	434.4
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (note 5)	-	-	(78.6)	-	-	-	-	(78.6)
Own shares acquired for share buyback programme (note 10)	(0.3)	-	(191.0)	-	-	-	0.3	(191.0)
Share-based payments, net of tax	-	-	10.6	-	-	-	-	10.6
Proceeds from exercise of equity-settled share options	-	-	0.2	-	-	-	-	0.2
At 31 December 2022 (Audited)	5.5	231.4	1,113.0	86.0	(3.1)	3.1	1.0	1,436.9

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
	£m	£m	£m
ASSETS			
Non-current assets			
Goodwill	**583.6**	571.3	606.1
Other intangible assets	**162.3**	158.0	184.1
Property, plant and equipment	**142.8**	157.6	160.7
Right-of-use assets	**57.5**	60.2	59.7
Investment in equity instruments	**26.3**	28.6	29.3
Investment in debt instruments	**19.6**	23.0	18.9
Investment in associate	**2.9**	3.5	2.9
Derivative financial instruments	**0.7**	-	0.4
Other receivables	**4.4**	4.2	4.2
Deferred tax assets	**20.1**	18.6	16.2
	1,020.2	1,025.0	1,082.5
Current assets			
Inventories	**261.4**	231.3	263.3
Current tax assets	**11.9**	3.0	8.6
Trade and other receivables	**316.6**	331.5	362.5
Derivative financial instruments	**6.3**	-	1.3
Cash and cash equivalents	**214.3**	122.2	228.1
Assets held for sale	**-**	219.2	1.7
	810.5	907.2	865.5
Total assets	**1,830.7**	1,932.2	1,948.0
LIABILITIES			
Current liabilities			
Borrowings	**-**	(8.0)	(0.1)
Derivative financial instruments	**(0.3)**	(25.7)	(2.3)
Trade and other payables	**(355.2)**	(335.4)	(373.7)
Lease liabilities	**(12.1)**	(16.5)	(14.9)
Current tax liabilities	**(9.3)**	(9.7)	(14.2)
Provisions	**(12.2)**	(15.9)	(12.8)
Liabilities held for sale	**-**	(31.9)	-
	(389.1)	(443.1)	(418.0)
Net current assets	**421.4**	464.1	447.5

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2023

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 December 2022 (Audited)
	£m	£m	£m
Non-current liabilities			
Borrowings	**-**	(220.2)	-
Other payables	**(13.7)**	(14.7)	(13.8)
Derivative financial instruments	**-**	-	(0.2)
Lease liabilities	**(50.3)**	(48.7)	(50.2)
Provisions	**(3.0)**	(4.2)	(4.4)
Retirement benefit obligations	**(8.1)**	(11.3)	(8.9)
Deferred tax liabilities	**(11.1)**	(13.4)	(15.6)
	(86.2)	(312.5)	(93.1)
Total liabilities	**(475.3)**	(755.6)	(511.1)
Net assets	**1,355.4**	1,176.6	1,436.9
EQUITY			
Share capital	**5.4**	5.5	5.5
Share premium	**231.4**	231.4	231.4
Retained earnings	**1,079.4**	808.6	1,113.0
Translation reserve	**33.0**	149.7	86.0
Hedging reserve	**2.0**	(22.7)	(3.1)
Merger reserve	**3.1**	3.1	3.1
Capital redemption reserve	**1.1**	1.0	1.0
Total equity attributable to owners of the Company	**1,355.4**	1,176.6	1,436.9

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2023

	Note	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2022 (Audited)
	Note	£m	£m	£m
Cash generated from operations	9	**108.9**	43.4	166.8
Net income taxes paid		**(30.0)**	(20.5)	(46.8)
Net cash inflow from operating activities		**78.9**	22.9	120.0
Cash flows from/(used in) investing activities				
Purchase of property, plant and equipment and intangible assets		**(11.7)**	(32.3)	(44.9)
Proceeds from disposal of property, plant and equipment and software		**2.9**	13.2	13.4
Acquisition of businesses, net of cash acquired		**(2.8)**	(44.3)	(114.7)
Acquisition of investment in an associate		**-**	(3.4)	(2.9)
Inflow/(outflow) from disposal of businesses, net of tax paid of £1.0m (H1 2022: £12.6m and FY 2022: £27.9m)		**9.2**	(15.1)	365.4
Interest received		**3.4**	0.3	1.9
Net cash flows from/(used in) investing activities		**1.0**	(81.6)	218.2
Cash flows (used in)/from financing activities				
Interest paid on borrowings		**(0.5)**	(0.6)	(1.4)
Interest paid on lease liabilities		**(1.2)**	(1.3)	(2.5)
Dividends paid	5	**(53.7)**	(53.3)	(78.6)
Share buyback purchase of shares	10	**(26.7)**	(150.8)	(191.0)
Net proceeds from exercise of share options		**0.4**	-	0.2
Payments on principal portion of lease liabilities		**(5.9)**	(6.3)	(13.9)
Proceeds from borrowings		**-**	326.1	326.2
Repayment of borrowings		**(0.1)**	(98.7)	(326.8)
Net cash flows (used in)/from financing activities		**(87.7)**	15.1	(287.8)
Net (decrease)/increase in cash and cash equivalents		**(7.8)**	(43.6)	50.4
Cash and cash equivalents at beginning of period		**228.1**	167.8	167.8
Effect of foreign exchange rate changes		**(6.0)**	5.7	9.9
Cash and cash equivalents at end of period[1]		**214.3**	129.9	228.1

1. Cash and cash equivalents in the Condensed Consolidated Statement of Cash Flows at 30 June 2023 and 31 December 2022 consisted solely of cash and cash equivalents included in current assets. Cash and cash equivalents in the Condensed Consolidated Statement of Cash Flows at 30 June 2022 consisted of £122.2 million of cash and cash equivalents included in current assets and £7.7 million of cash and cash equivalents included in assets held for sale.

Notes to the condensed set of financial statements
Six months ended 30 June 2023

1. Basis of preparation and accounting policies

a) Basis of accounting
The Condensed Consolidated Interim Financial Statements of the Company for the six months ended 30 June 2023 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Condensed Consolidated Interim Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place, which is the Group's presentational currency. The Consolidated Financial Statements of the Group for the year ended 31 December 2022 are available upon request from the Company's registered office at Melbourne House, 44-46 Aldwych, London, WC2B 4LL, and on the Company's website at www.spectris.com.

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the United Kingdom. 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 2022.

The Condensed Consolidated Financial Statements have been prepared using consistent accounting policies with those of the previous financial year except for the adoption of new accounting standards and interpretations noted below.

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023 are unaudited but have been subject to an independent review by the auditor. They do not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2022 are derived from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The Report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated Financial Statements of the Group for the year ended 31 December 2022. These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 30 July 2023.

New standards and interpretations applied for the first time
There were no standards, amendments or interpretations applied for the first time that had a material impact for the Group.

New standards and interpretations not yet applied
There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

1. Basis of preparation and accounting policies (continued)

b) Going concern

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 30 June 2023 was £nil (H1 2022: £228.2 million; FY 2022: £0.1 million).

In determining the basis of preparation for the Condensed Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of economic factors such as rising interest rates and inflation as well as climate change on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

As at 30 June 2023, the Group had £393.8 million of committed facilities, consisting entirely of a $500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 30 June 2023 (H1 2022: £220 million drawn).

At 30 June 2023, there was net finance income for covenant purposes of £3.4 million, resulting in the interest cover ratio being n/a (30 June 2022: 144.7 times, 31 December 2022: n/a). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (30 June 2022: 0.6 times, 31 December 2022: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

At 30 June 2023, the Group had a cash and cash equivalents balance of £214.3 million. The Group also had various uncommitted facilities and bank overdraft facilities available.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2027, which reflect forecasted changes in revenue across its business and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. The reverse stress test does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Condensed Consolidated Financial Statements.

c) Seasonality

The Group's financial results and cash flows have, historically, been subject to seasonal trends between the first and second half of the financial year. Historically, the second half of the financial year sees higher revenue and profitability. There is no assurance that this trend will continue in the future.

1. Basis of preparation and accounting policies (continued)

d) Critical accounting judgments and key sources of estimation uncertainty update

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The Group's critical accounting judgments and other key sources of estimation uncertainty remain the same as those as set out in the Group's Consolidated Financial Statements for the year ended 31 December 2022.

2. Operating segments

The Group's reportable segments are described below. In the second half of 2022, the Group's reportable operating segments changed following the reorganisation of the Group's businesses announced at the Capital Markets Day in October 2022. The new segmental platform structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The tables below show restated comparative figures for the reportable operating segments for the six months ended 30 June 2022, reflecting the impact of changes the Group made to its operating segments during the year ended 31 December 2022. The segment results include an allocation of head office expenses, where the costs are attributable to a segment. Costs of running the PLC are reported separately as Group costs.

The following summarises the operations in each of the Group's reportable segments:

- Spectris Scientific provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing. The operating companies in this segment are Malvern Panalytical and Particle Measuring Systems;
- Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance;
- The Other non-reportable segments are a portfolio of high value precision in-line sensing and monitoring businesses. The operating companies in this segment are Red Lion Controls and Servomex.
- Group costs consist of the cost of running the PLC.

2. Operating segments (continued)

Information about reportable segments

Six months ended 30 June 2023	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	Total £m
Segment revenues	334.3	264.5	103.9	-	702.7
Inter-segment revenue	(0.2)	-	-	-	(0.2)
External revenue	334.1	264.5	103.9	-	702.5
Operating profit	46.7	18.3	18.2	(12.7)	70.5
Share of results of associate	-	0.1	-	-	0.1
Fair value through profit and loss movements on debt investments[1]					0.7
Loss on disposal of businesses[1]					(11.0)
Financial income[1]					10.3
Finance costs[1]					(2.1)
Profit before tax[1]					68.5
Taxation charge[1]					(16.3)
Profit after tax[1]					52.2

1. Not allocated to reportable segments

Six months ended 30 June 2022	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	Total £m
Segment revenues	277.0	215.0	78.2	-	570.2
Inter-segment revenue	0.1	-	(0.1)	-	-
External revenue	277.1	215.0	78.1	-	570.2
Operating profit	36.1	19.3	7.5	(8.6)	54.3
Share of results of associate	-	0.1	-	-	0.1
Profit on disposal of businesses[1]					0.2
Financial income[1]					0.3
Finance costs[1]					(13.1)
Profit before tax[1]					41.8
Taxation charge[1]					(12.6)
Profit after tax[1]					29.2

1. Not allocated to reportable segments

2. Operating segments (continued)

Year ended 31 December 2022	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	Total £m
Segment revenues	658.0	492.4	177.4	-	1,327.8
Inter-segment revenue	(0.2)	(0.2)	-	-	(0.4)
External revenue	657.8	492.2	177.4	-	1,327.4
Operating profit	118.3	46.5	26.2	(18.4)	172.6
Fair value through profit and loss movements on debt investments[1]					(4.1)
Profit on disposal of businesses[1]					0.3
Financial income[1]					1.9
Finance costs[1]					(19.2)
Profit before tax[1]					151.5
Taxation charge[1]					(36.7)
Profit after tax[1]					114.8

1. Not allocated to reportable segments

Geographical segments

The Group's operating segments are each located in several geographical locations and sell to external customers in all parts of the world. No individual country amounts to more than 3% of revenue by location of customer, other than those noted below. The following is an analysis of revenue from continuing operations by geographical destination.

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	£m	£m	£m
UK	**28.9**	26.0	51.2
Germany	**70.8**	53.6	123.4
France	**23.1**	19.3	44.8
Rest of Europe	**93.8**	77.7	172.4
USA	**188.0**	151.2	359.9
Rest of North America	**19.2**	14.0	30.0
Japan	**39.8**	31.8	69.5
China	**116.8**	96.8	233.6
South Korea	**23.9**	26.0	58.4
Rest of Asia	**65.5**	49.6	125.5
Rest of the world	**32.7**	24.2	58.7
	702.5	570.2	1,327.4

3. Financial income and finance costs

Financial income from continuing operations	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Interest receivable	**(3.3)**	(0.3)	(1.9)
Net gain on retranslation of short-term inter-company loan balances	**(7.0)**	-	-
	(10.3)	(0.3)	(1.9)

Finance costs from continuing operations	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Interest payable on loans and overdrafts	**0.7**	1.1	1.8
Net loss on retranslation of short-term inter-company loan balances	**-**	10.7	14.6
Unwinding of discount factor on lease liabilities	**1.2**	1.2	2.5
Net interest cost on pension plan obligations	**0.2**	0.1	0.3
	2.1	13.1	19.2
Net finance (credit)/costs from continuing operations	**(8.2)**	12.8	17.3

4. Taxation

The tax charge for the six months to 30 June 2023 has been calculated using the effective tax rate which is expected to apply to the Group for the full year, using tax rates substantively enacted at 30 June 2023. The effective tax rate applied to adjusted profit before tax for the half year is 22.0% (H1 2022: 22.0%; FY 2022: 21.7%). The effective tax rate has been estimated using full year projections of adjusted profit before tax by territory and the tax rates applying in those territories. The tax rates applied to adjusting items are established on an individual basis for each adjusting item.

A reconciliation of the tax charge on adjusted profit to the actual tax charge is presented below:

	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Tax charge on adjusted profit before tax	**22.7**	15.5	47.7
Tax credit on amortisation of acquisition-related intangible assets	**(2.4)**	(2.1)	(4.6)
Tax credit on net transaction-related costs and fair value adjustments	**(0.4)**	(0.9)	(0.5)
Tax (credit)/charge on (loss)/profit on disposal of businesses	**(0.1)**	0.1	-
Tax charge on retranslation of short-term inter-company loan balances	**0.5**	0.5	0.6
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	**(4.2)**	(0.5)	(5.1)
Tax charge/(credit) on fair value through profit and loss movements on equity investments	**0.2**	-	(1.4)
Total tax charge	**16.3**	12.6	36.7

4. Taxation (continued)

The UK legislation to implement the OECD BEPS 'Pillar Two' or 'GloBE' minimum tax rules was substantively enacted in June 2023. We anticipate that these legislative changes could give rise to limited upward pressure on the Group's adjusted effective tax rate from FY24, but we do not currently expect that this impact will be material. The impact is expected to primarily arise due to the Group receiving tax incentives for innovation under local laws in certain countries which in limited circumstances can reduce effective tax rates below 15%.

The Group has adopted the mandatory temporary exception included in IAS 12 Income Taxes from recording deferred tax arising from the implementation of 'Pillar Two'. This mandatory temporary exception was included in the narrow scope amendments to IAS 12 published by the International Accounting Standards Board in May 2023.

5. Dividends

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
Amounts recognised and paid as distributions to owners of the Company in the period	**£m**	£m	£m
Final dividend for the year ended 31 December 2022 of 51.3p per share	**53.7**	**-**	-
Final dividend for the year ended 31 December 2021 of 48.8p per share	**-**	53.3	53.3
Interim dividend for the year ended 31 December 2022 of 24.1p per share	**-**	-	25.3
	53.7	53.3	78.6

An interim 2023 dividend of 25.3p per share has been declared and will be payable on 10 November 2023 to ordinary shareholders on the register at the close of business on 5 October 2023.

6. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

Diluted profit per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period but adjusted for the effects of dilutive options. This additional adjustment is not made when there is a net loss attributable to ordinary shareholders.

	Six months ended 30 June		Year ended 31 December
Basic earnings per share from continuing operations	**2023**	2022	2022
Profit after tax from continuing operations (£m)	**52.2**	29.2	114.8
Weighted average number of shares outstanding (millions)	**104.5**	110.0	107.6
Basic earnings per share from continuing operations (pence)	**50.0**	26.5	106.7

6. Earnings per share (continued)

Diluted earnings per share from continuing operations	Six months ended 30 June 2023	2022	Year ended 31 December 2022
Profit after tax from continuing operations (£m)	**52.2**	29.2	114.8
Basic weighted average number of shares outstanding (millions)	**104.5**	110.0	107.6
Weighted average number of dilutive 5p ordinary shares under option (millions)	**0.7**	1.4	0.9
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**(0.2)**	(0.6)	(0.2)
Diluted weighted average number of shares outstanding (millions)	**105.0**	110.8	108.3
Diluted earnings per share from continuing operations (pence)	**49.7**	26.4	106.0

Basic earnings per share from discontinued operations	Six months ended 30 June 2023	2022	Year ended 31 December 2022
Profit after tax from discontinued operations (£m)	**-**	10.2	286.7
Weighted average number of shares outstanding (millions)	**104.5**	110.0	107.6
Basic earnings per share from discontinued operations (pence)	**-**	9.3	266.4

Diluted earnings per share from discontinued operations	Six months ended 30 June 2023	2022	Year ended 31 December 2022
Profit after tax from discontinued operations (£m)	**-**	10.2	286.7
Diluted weighted average number of shares outstanding (millions)	**105.0**	110.8	108.3
Diluted earnings per share from discontinued operations (pence)	**-**	9.2	264.7

The denominators used for diluted earnings per share from discontinued operations are the same as those used for diluted earnings per share from continuing operations.

7. Acquisitions

On 19 June 2023, the Group announced it has signed a purchase agreement to acquire MicroStrain Sensing Systems Business for a headline consideration of $37.6 million (£29.4 million). This amount is subject to potential adjustment through a completion accounts process. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. MicroStrain will be integrated into Spectris Dynamics Division.

The initial accounting for the business combination is incomplete due to the transaction being subject to regulatory approval and is anticipated to close in the third quarter after the interim financial statements being authorised for issue, and the Group is therefore not yet able to provide the disclosure requirements of IFRS 3 paragraph B64, which includes information on the major classes of assets acquired, liabilities assumed and details of transaction-related costs.

8. Business disposals

On 31 March 2023, the Group disposed of 100% of the remaining part of its Concept Life Sciences business, which formed part of the Spectris Scientific Division. The consideration was £15.5 million, settled by £15.0 million cash received plus a £0.5 million estimated completion accounts true-up.

The loss on disposal of the Concept Life Sciences reportable segment was calculated as follows:

	30 June 2023 £m
Goodwill	**3.5**
Other intangible assets	**4.1**
Property, plant and equipment – owned and right of use assets	**14.6**
Inventories	**0.6**
Trade and other receivables	**6.1**
Cash and cash equivalents	**1.9**
Trade and other payables	**(3.0)**
Lease liabilities	**(3.6)**
Current and deferred tax liabilities	**(0.6)**
Net assets of disposed businesses	**23.6**
Consideration received	
Settled in cash	**15.0**
Estimated completion accounts receivable	**0.5**
Total consideration received	**15.5**
Transaction expenses booked to profit on disposal of business	**(1.6)**
Net consideration from disposal of business	**13.9**
Net assets disposed of (including cash and cash equivalents held by disposal group)	**(23.6)**
Loss on disposal of business	**(9.7)**
Net proceeds recognised in the Consolidated Statement of Cash Flows	
Consideration received settled in cash	**15.0**
Cash and cash equivalents held by disposed business	**(1.9)**
Transaction fees paid	**(1.0)**
Net proceeds recognised in the Consolidated Statement of Cash Flows	**12.1**

9. Cash generated from operations

		Six months ended 30 June		Year ended 31 December
		2023	2022	2022
	Note	**£m**	£m	£m
Cash flows from operating activities				
Profit after tax		**52.2**	39.4	401.5
Adjustments for:				
Taxation charge		**16.3**	15.3	56.8
Loss/(profit) on disposal of businesses		**11.0**	(0.2)	(294.2)
Share of results of associate		**(0.1)**	(0.1)	-
Finance costs	3	**2.1**	13.2	19.2
Financial income	3	**(10.3)**	(0.3)	(1.9)
Depreciation and impairment of property, plant and equipment		**16.6**	16.9	34.8
Amortisation, impairment and other non-cash adjustments made of intangible assets		**12.8**	12.6	26.3
Transaction-related fair value adjustments		**1.7**	0.2	1.0
Fair value through profit and loss movements on debt investments		**(0.7)**	-	4.1
(Profit)/loss on disposal and re-measurement of property, plant and equipment and associated lease liabilities		**(0.7)**	(2.1)	(1.5)
Equity-settled share-based payment expense		**7.4**	5.0	10.4
Operating cash flow before changes in working capital and provisions		**108.3**	99.9	256.5
Decrease/(increase) in trade and other receivables		**24.9**	(12.8)	(47.9)
Increase in inventories		**(9.5)**	(51.7)	(75.6)
(Decrease)/increase in trade and other payables		**(12.1)**	10.3	40.9
Decrease in provisions and retirement benefits		**(2.7)**	(2.3)	(7.1)
Cash generated from operations		**108.9**	43.4	166.8

10. Share buyback, treasury shares and employee benefit trust shares

During the six months ended 30 June 2023, 729,423 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £26.7 million, including transaction fees of £0.1 million. The remaining amount of the tranche completed during July 2023.

During the six months ended 30 June 2022, 5,068,643 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £150.8 million, including transaction fees of £1.0 million. At 31 December 2022 6,439,493 shares were repurchased and cancelled, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

At 30 June 2023, the Group held 4,205,234 treasury shares (H1 2022: 4,664,727; FY 2022: 4,596,698). During the period, 390,662 (H1 2022: 102,379; FY 2022: 170,408) of these shares were issued to satisfy options exercised by, and SIP Matching Shares awarded to, employees which were granted under the Group's share schemes.

11. Financial instruments

The following tables show the fair value measurement of financial instruments by level following the fair value hierarchy:

- Level 1: quoted listed stock exchange prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for assets and liabilities derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data.

Six months ended 30 June 2023	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions	-	-	(2.2)	(2.2)
Investment in equity instruments designated at initial recognition at fair value through other comprehensive income	0.5	-	25.8	26.3
Investment in debt instruments	-	-	19.6	19.6
Cash and cash equivalents	-	214.3	-	214.3
Forward exchange contract assets	-	7.0	-	7.0
Forward exchange contract liabilities	-	(0.3)	-	(0.3)
				264.7

There were no movements between the different levels of the fair value hierarchy during the period.

The fair value of deferred and contingent consideration is determined by considering the performance expectations of the acquired entity or the likelihood of non-financial integration milestones whilst applying the entity-specific discount rates. The unobservable inputs are the projected forecast measures that are assessed on a periodic basis. Changes in the fair value of deferred and contingent consideration relating to updated projected forecast performance measures are recognised in the Consolidated Income Statement within administrative expenses in the Consolidated Income Statement in the period that the change occurs.

The level 1 investments in equity instruments is calculated using quoted market prices in an active market at the balance sheet date. The level 3 investment in equity instruments is measured at fair value, using the income approach, with the key input being a discounted cash flow.

The level 3 investment in debt instruments is measured at fair value by establishing an appropriate market yield. The key inputs used were synthetic credit ratings and market interest rates.

The fair value of cash and cash equivalents (including cash and cash equivalents included in assets held for sale) approximates to the carrying amount because of the short maturity of these instruments.

The fair value of floating rate borrowings and bank overdrafts approximates to the carrying amount because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of forward exchange contracts is determined using discounted cash flow techniques based on readily available market data.

11. Financial instruments (continued)

The fair value measurement methodology of all financial instruments remains consistent with the approach disclosed in the Consolidated Financial Statements for the financial year ended 31 December 2022.

Six months ended 30 June 2022	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions	-	-	(2.9)	(2.9)
Investment in equity instruments designated at initial recognition at fair value through other comprehensive income	0.9	-	27.7	28.6
Investment in debt instruments	-	-	23.0	23.0
Financial instruments included in assets held for sale	-	7.7	-	7.7
Cash and cash equivalents (excluding £7.7 million classified as assets held for sale)	-	122.2	-	122.2
Floating rate borrowings and bank overdrafts	-	(228.2)	-	(228.2)
Forward exchange contract liabilities	-	(25.7)	-	(25.7)
				(75.3)

Year ended 31 December 2022	Level 1 fair value £m	Level 2 fair value £m	Level 3 fair value £m	Carrying amount £m
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions	-	-	(3.3)	(3.3)
Investment in equity instruments designated at initial recognition at fair value through other comprehensive income	0.7	-	28.6	29.3
Investment in debt instruments	-	-	18.9	18.9
Cash and cash equivalents	-	228.1	-	228.1
Forward exchange contract assets	-	1.7	-	1.7
Forward exchange contract liabilities	-	(2.5)	-	(2.5)
				272.2

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	£m	£m	£m
Reconciliation of level 3 fair value for investment in equity instruments			
At 1 January	**28.6**	23.1	23.1
Fair value (loss)/gain	**(2.0)**	4.1	4.1
Foreign exchange difference	**(0.8)**	0.5	1.4
At end of period	**25.8**	27.7	28.6

11. Financial instruments (continued)

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Reconciliation of level 3 fair value for investment in debt instruments			
At 1 January	**18.9**	23.0	23.0
Fair value movement on level 3 investment in debt instruments	**0.7**	-	(4.1)
At end of period	**19.6**	23.0	18.9

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Reconciliation of level 3 fair value for deferred and contingent consideration payable on acquisitions			
At 1 January	**(3.3)**	(1.5)	(1.5)
Deferred and contingent consideration arising from current period acquisitions payable in future periods	**-**	(2.2)	(2.2)
Deferred and contingent consideration paid in the current period relating to previous periods' acquisitions	**2.8**	0.8	1.6
Costs charged to the Condensed Consolidated Income Statement:			
Subsequent adjustment on acquisitions and disposals	**(1.7)**	(0.2)	(1.0)
Foreign exchange difference	**-**	0.2	(0.2)
At end of period	**(2.2)**	(2.9)	(3.3)

Appendix - Alternative performance measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like ('LFL') organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items which management have defined for 2023 and 2022 as:

- amortisation of acquisition-related intangible assets;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- configuration and customisation costs carried out by third parties on material SaaS projects;
- profits or losses on termination or disposal of businesses;
- unrealised changes in the fair value of financial instruments;
- fair value through profit and loss movements on debt investments;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see note 4).

LFL measures

Reference is made to LFL and organic measures throughout this document. LFL and organic have the same definition, as set out below.

The Board reviews and compares current and prior period segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the period.

The constant exchange rate comparison uses the current period segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior period's monthly exchange rates, irrespective of the underlying transactional currency.

The incremental impact of business acquisitions is excluded for the first twelve months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

Appendix - Alternative performance measures (continued)

LFL measures (continued)

The tables on the following pages show restated comparative figures for the reportable operating segments for the six months ended 30 June 2022, reflecting the impact of changes the Group made to its reportable operating segments during the year ended 31 December 2022 (see note 2) and the classification of the Omega business as a discontinued operation.

On 31 March 2023, the Concept Life Sciences business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Spectris Scientific segments for 2022 exclude the trading results of the Concept Life Sciences business for the three month period from April 2022 to June 2022.

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

Income statement measures

a) LFL adjusted sales by segment
H1 2023 LFL adjusted sales versus H1 2022 LFL adjusted sales

Six months ended 30 June 2023 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	H1 2023 Total £m
Sales	**334.1**	**264.5**	**103.9**	**702.5**
Constant exchange rate adjustment to H1 2022 exchange rates	**(4.7)**	**(7.8)**	**(3.7)**	**(16.2)**
Acquisitions	**-**	**(12.8)**	**(1.4)**	**(14.2)**
LFL adjusted sales	**329.4**	**243.9**	**98.8**	**672.1**

Six months ended 30 June 2022 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	H1 2022 Total £m
Sales	277.1	215.0	78.1	570.2
Disposal of businesses	(6.1)	-	-	(6.1)
LFL adjusted sales	271.0	215.0	78.1	564.1

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

b) Adjusted operating profit and adjusted operating margin

Six months ended 30 June 2023 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	H1 2023 Total £m
Statutory operating profit	46.7	18.3	18.2	(12.7)	70.5
Net transaction-related costs and fair value adjustments	0.6	1.6	1.8	-	4.0
Configuration and customisation costs carried out by third parties on material SaaS projects	8.6	9.2	-	-	17.8
Amortisation of acquisition-related intangible assets	2.7	6.7	0.4	-	9.8
Adjusted operating profit	58.6	35.8	20.4	(12.7)	102.1
Constant exchange rate adjustment to H1 2022 exchange rates	(1.2)	(0.7)	(0.9)	0.1	(2.7)
Acquisitions	-	(2.3)	(0.3)	-	(2.6)
LFL adjusted operating profit	57.4	32.8	19.2	(12.6)	96.8

Six months ended 30 June 2022 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	H1 2022 Total £m
Statutory operating profit	36.1	19.3	7.5	(8.6)	54.3
Net transaction-related costs and fair value adjustments	3.9	2.0	0.9	-	6.8
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.1	-	-	-	0.1
Configuration and customisation costs carried out by third parties on material SaaS projects	1.1	1.2	-	-	2.3
Amortisation of acquisition-related intangible assets	3.7	4.9	0.2	-	8.8
Adjusted operating profit	44.9	27.4	8.6	(8.6)	72.3
Disposal of businesses	(0.8)	-	-	-	(0.8)
LFL adjusted operating profit	44.1	27.4	8.6	(8.6)	71.5

Year ended 31 December 2022 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2022 Total £m
Statutory operating profit	118.3	46.5	26.2	(18.4)	172.6
Net transaction-related costs and fair value adjustments	5.1	2.8	0.4	-	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	8.7	13.0	-	-	21.7
Amortisation of acquisition-related intangible assets	7.7	11.3	0.6	-	19.6
Adjusted operating profit	140.0	73.6	27.2	(18.4)	222.4

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

b) Adjusted operating profit and adjusted operating margin (continued)

Six months ended 30 June 2023 operating margin	Spectris Scientific %	Spectris Dynamics %	Others %	H1 2023 Total %
Statutory operating margin[1]	**14.0**	**6.9**	**17.5**	**10.0**
Adjusted operating margin[2]	**17.5**	**13.5**	**19.6**	**14.5**
LFL adjusted operating margin[3]	**17.4**	**13.4**	**19.4**	**14.4**

Six months ended 30 June 2022 operating margin	Spectris Scientific %	Spectris Dynamics %	Others %	H1 2022 Total %
Statutory operating margin[1]	13.0	9.0	9.6	9.5
Adjusted operating margin[2]	16.2	12.7	11.0	12.7
LFL adjusted operating margin[3]	16.3	12.7	11.0	12.7

Year ended 31 December 2022 operating margin	Spectris Scientific %	Spectris Dynamics %	Others %	2022 Total %
Statutory operating margin[1]	18.0	9.4	14.8	13.0
Adjusted operating margin[2]	21.3	15.0	15.3	16.8

1. Statutory operating margin is calculated as statutory operating profit divided by sales
2. Adjusted operating margin is calculated as adjusted operating profit divided by sales
3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

c) Adjusted gross profit and adjusted gross margin

H1 2023 LFL adjusted gross profit versus H1 2022 LFL adjusted gross profit

Six months ended 30 June 2023 adjusted gross profit	H1 2023 Total £m
Statutory gross profit	**400.5**
Constant exchange rate adjustment to H1 2022 exchange rates	**(10.5)**
Acquisitions	**(6.1)**
LFL adjusted gross profit	**383.9**

Six months ended 30 June 2022 LFL adjusted gross profit	H1 2022 Total £m
Statutory gross profit	317.2
Disposal of businesses	(3.0)
LFL adjusted gross profit	314.2

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

c) Adjusted gross profit and adjusted gross margin (continued)

Six months ended 30 June 2023 gross margin	H1 2023 Total %
Statutory gross margin[1]	**57.0**
LFL adjusted gross margin[2]	**57.1**

Six months ended 30 June 2022 gross margin	H1 2022 Total %
Statutory gross margin[1]	55.6
LFL adjusted gross margin[2]	55.7

1. Statutory gross margin is calculated as statutory gross profit divided by sales
2. LFL adjusted gross margin is calculated as LFL adjusted gross profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/gross profit respectively) to LFL adjusted sales/LFL adjusted gross profit.

d) LFL Adjusted overheads

Six months ended 30 June 2023 LFL adjusted overheads	H1 2023 Total £m
Statutory indirect production and engineering expenses	**(63.0)**
Statutory sales and marketing expenses	**(129.0)**
Statutory administrative expenses	**(138.0)**
Total overheads	**(330.0)**
Net transaction-related costs and fair value adjustments	**4.0**
Configuration and customisation costs carried out by third parties on material SaaS projects	**17.8**
Amortisation of acquisition-related intangible assets	**9.8**
Constant exchange rate adjustment to H2 2022 exchange rates	**7.8**
Acquisitions	**3.5**
LFL adjusted overheads	**(287.1)**

Six months ended 30 June 2022 LFL adjusted overheads	H1 2022 Total £m
Statutory indirect production and engineering expenses	(53.7)
Statutory sales and marketing expenses	(110.4)
Statutory administrative expenses	(98.8)
Total overheads	(262.9)
Net transaction-related costs and fair value adjustments	6.8
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.1
Configuration and customisation costs carried out by third parties on material SaaS projects	2.3
Amortisation of acquisition-related intangible assets	8.8
Disposal of businesses	2.2
LFL adjusted overheads	(242.7)

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

d) LFL Adjusted overheads (continued)

Six months ended 30 June 2023 LFL adjusted overheads as a percentage of sales	H1 2023 Total %
LFL adjusted overheads as a percentage of sales[1]	**42.7**

Six months ended 30 June 2022 LFL adjusted overheads as a percentage of sales	H1 2022 Total %
LFL adjusted overheads as a percentage of sales[1]	43.0

1. LFL overheads as a percentage of sales is calculated as LFL adjusted overheads divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/total overheads respectively) to LFL adjusted sales/LFL adjusted overheads.

e) Adjusted net finance costs

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	£m	£m	£m
Statutory net finance credit/(cost)	**8.2**	(12.8)	(17.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(7.0)**	10.7	14.6
Adjusted net finance credit/(costs)	**1.2**	(2.1)	(2.7)

f) Adjusted profit before taxation

	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	£m	£m	£m
Adjusted operating profit	**102.1**	72.3	222.4
Share of results of associate	**0.1**	0.1	-
Adjusted net finance credit/(costs)	**1.2**	(2.1)	(2.7)
Adjusted profit before taxation	**103.4**	70.3	219.7

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

g) Adjusted earnings per share from continuing operations

Adjusted earnings	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Statutory profit after tax from continuing operations	**52.2**	29.2	114.8
Adjusted for:			
Net transaction-related costs and fair value adjustments	**4.0**	6.8	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**-**	0.1	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	**17.8**	2.3	21.7
Amortisation of acquisition-related intangible assets	**9.8**	8.8	19.6
Fair value through profit and loss movements on debt investments	**(0.7)**	-	4.1
Loss/(profit) on disposal of businesses	**11.0**	(0.2)	(0.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(7.0)**	10.7	14.6
Tax effect of the above and other non-recurring items	**(6.4)**	(2.9)	(11.0)
Adjusted earnings	**80.7**	54.8	172.0

Adjusted earnings per share from continuing operations	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Weighted average number of shares outstanding (millions)	**104.5**	110.0	107.6
Adjusted earnings per share (pence)	**77.2**	49.8	159.9

Basic earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in note 6.

Financial position measures

h) Net cash/(debt)

	Six months ended 30 June 2023 £m	2022 £m	Year ended 31 December 2022 £m
Bank overdrafts	**-**	(8.0)	(0.1)
Bank loans unsecured	**-**	(220.2)	-
Total borrowings	**-**	(228.2)	(0.1)
Cash and cash equivalents included in assets held for sale	**-**	7.7	-
Cash and cash equivalents included in current assets	**214.3**	122.2	228.1
Net cash/(debt)	**214.3**	(98.3)	228.0

Appendix - Alternative performance measures (continued)

Financial position measures (continued)

h) Net cash/(debt) (continued)

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

Reconciliation of changes in cash and cash equivalents to movements in net cash/(debt)	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Net (decrease)/increase in cash and cash equivalents	**(7.8)**	(43.6)	50.4
Proceeds from borrowings	**-**	(326.1)	(326.2)
Repayment of borrowings	**0.1**	98.7	326.8
Effect of foreign exchange rate changes	**(6.0)**	4.9	9.2
Movement in net (debt)/cash	**(13.7)**	(266.1)	60.2
Net cash at beginning of year	**228.0**	167.8	167.8
Net cash/(debt) at end of period	**214.3**	(98.3)	228.0

Cash flow measures

i) Adjusted cash flow

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Cash generated from operations (from continuing and discontinued operations)	**108.9**	43.4	166.8
Net income taxes paid	**(30.0)**	(20.5)	(46.8)
Net cash inflow from operating activities	**78.9**	22.9	120.0
Transaction-related costs paid	**1.0**	6.0	6.5
Restructuring cash outflow	**0.8**	2.6	7.6
Net income taxes paid	**30.0**	20.5	46.8
Purchase of property, plant and equipment and intangible assets (from continuing and discontinued operations)	**(11.7)**	(32.3)	(44.9)
SaaS-related cash expenditure	**17.8**	2.3	21.7
Proceeds from disposal of property, plant and equipment and software	**2.9**	13.2	13.4
Adjusted cash flow from discontinued operations	**-**	(7.3)	(7.3)
Adjusted cash flow from continuing operations	**119.7**	27.9	163.8
Adjusted cash flow conversion[1]	**117%**	39%	74%

1. Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

Appendix - Alternative performance measures (continued)

Other measures

j) Return on gross capital employed ('ROGCE')

The return on gross capital employed is calculated as adjusted operating profit from continuing and discontinued operations for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Net (cash)/debt (see APM h)	**(214.3)**	98.3	(228.0)
Accumulated impairment losses on goodwill including items transferred to assets held for sale	**40.1**	167.0	76.2
Accumulated amortisation and impairment of acquisition-related intangible assets including items transferred to assets held for sale	**140.5**	253.1	185.7
Shareholders equity	**1,355.4**	1,176.6	1,436.9
Gross capital employed	**1,321.7**	1,695.0	1,470.8
Average gross capital employed (current and prior period)[1]	**1,508.4**	1,582.9	
Adjusted operating profit from continuing and discontinued operations for six months to June 2023 and 2022	**102.1**	86.3	
Adjusted operating profit from continuing and discontinued operations for six months to December 2022 and 2021	**150.1**	132.6	
Total adjusted operating profit for last 12 months	**252.2**	218.9	
Return on gross capital employed	**16.7%**	13.8%	

1. Average gross capital employed is calculated as current period gross capital employed divided by comparative period gross capital employed.

k) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £2.3 million (H1 2022: £6.6 million; FY 2022: £7.3 million) that have been recognised in the continuing Condensed Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £1.7 million (H1 2022: charge of £0.2 million; FY 2022: charge of £1.0 million).

Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £1.0 million (H1 2022: £6.0 million; FY 2022: £6.5 million) have been excluded from the adjusted cash flow.

Appendix - Alternative performance measures (continued)

Other measures (continued)

l) Order intake, order book and book-to-bill

Order intake is defined as the monetary value of contractual commitments towards future product fulfilment recorded within the financial period. The order book is defined as the volume of outstanding contractual commitments for future product fulfilment measured at period end. Book-to-bill is defined as the ratio of order intake to sales within the financial period. These measures cannot be reconciled because they do not derive from the Consolidated Financial Statements, and are presented because they are indicative of potential future revenues.

m) Vitality index

Vitality index measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period. This measure cannot be reconciled because it cannot be derived from the Consolidated Financial Statements and represents the effectiveness of the Group's research & development expenditure.

Dividend timetable – H1 2023 interim dividend

Event	Date – 2023
Ex-dividend date	5 October
Record date	6 October
Payment date	10 November

Cautionary statement

This press release may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this press release. All forward-looking statements contained in this press release are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this press release to reflect any change in circumstances or its expectations.