Press Release

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2019 HALF YEAR RESULTS

30 July 2019 - Spectris plc (SXS: LSE), the productivity-enhancing instrumentation and controls company, announces half year results for the six months ended 30 June 2019.

Headlines

- Sales of £759.1 million, reflecting a 1% LFL[1] sales increase
- Adjusted operating profit of £83.5 million, up 4%, and adjusted operating margin up 0.3pp, on a LFL basis
- Strong operating cash flow conversion of 89%
- Adjusted earnings per share up 4%, dividend per share increase of 7%
- Strategic review completed and now focused on executing our strategy for profitable growth
- Benefits from profit improvement programme in 2019 now expected at the upper end of the £15-20 million range; 2019 exit run rate of £30 million re-confirmed
- Further restructuring as part of the strategic review, leading to a charge of £35.1 million relating to an impairment of goodwill and £45.8 million relating to other intangibles

	H1 2019	H1 2018	Change	Like-for-like change[1]
Adjusted[1]				
Sales (£m)	**759.1**	728.0	4%	1%
Operating profit (£m)	**83.5**	77.2	8%	4%
Operating margin (%)	**11.0%**	10.6%	0.4pp	0.3pp
Profit before tax (£m)	**77.2**	74.1	4%	
Earnings per share (pence)	**52.4p**	50.4p	4%	
Operating cash flow conversion (%)	**89%**	69%	20pp	
Return on gross capital employed (%)	**13.4%**	14.2%	(0.8pp)	
Statutory				
Sales (£m)	**759.1**	728.0	4%	
Operating (loss)/profit (£m)	**(46.1)**	45.5	n/a	
Operating margin (%)	**(6.1%)**	6.3%	(12.4pp)	
(Loss)/profit before tax[2] (£m)	**(50.1)**	96.6	n/a	
Basic (loss)/earnings per share (pence)	**(41.8p)**	74.6p	n/a	
Dividend per share (pence)	**21.9p**	20.5p	7%	

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 statutory measures in Note 2 to the Condensed Financial Statements. Consistent with the Group Consolidated Financial Statements for the year ended 31 December 2018, adjusted measures are presented before restructuring costs.

2 The main adjusting items to statutory profit before tax in H1 2019 were goodwill impairment of £35.1 million, impairment of intangible assets of £45.8 million and restructuring costs of £29.1 million, reducing basic earnings per share by 95.1 pence. The main adjusting items in H1 2018 were a profit on disposal of business of £57.0 million and restructuring costs of £6.7 million, increasing basic earnings per share by 53.5 pence.

Commenting on the results, Andrew Heath, Chief Executive, said: *"*We have delivered results in line with expectations in the first half, despite the more challenging macroeconomic environment. While our LFL sales growth moderated in the first half of 2019, profitability and cash conversion improved.

Our expectations for the full year remain unchanged, while recognising that the current macroeconomic conditions make it more challenging. We will continue to focus on what we can control; implementing targeted growth initiatives, refocusing the portfolio and driving operating margin expansion, with increased benefits from our profit improvement programme coming through in the second half.

We have completed our strategic review and are clear on the opportunities and potential ahead of us. We are now focused on executing our strategy for profitable growth and creating significant value for our customers, shareholders and employees.*"*

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A meeting with analysts will be held at 9:30am BST today at the offices of FTI Consulting. This will be available as a live webcast on the company's website at www.spectris.com and a recording will be posted on the website after the meeting.

Copies of this press release are available to the public from the registered office at Heritage House, Church Road, Egham, Surrey TW20 9QD and on the company's website at www.spectris.com.

About Spectris

Spectris plc is a leading supplier of productivity-enhancing instrumentation and controls. The Company's products, technologies and services help customers to improve product quality and performance, improve core manufacturing processes, reduce downtime and wastage and reduce time to market. Its global customer base spans a diverse range of end-user markets. Spectris operates across four business segments which reflect the applications and industries it serves: Materials Analysis, Test and Measurement, In-line Instrumentation and Industrial Controls. Headquartered in Egham, Surrey, United Kingdom, the Company employs approximately 10,000 people located in more than 30 countries. For more information, visit www.spectris.com.

CHIEF EXECUTIVE'S REVIEW

H1 2019 results overview[1]

As anticipated, organic sales growth in the first half of the year moderated against a tough comparator in 2018, reflecting the more challenging macroeconomic environment. Sales in the first half of the year increased by 4% to £759.1 million (H1 2018: £728.0 million), a 1% increase on an organic, constant currency (like-for-like, 'LFL') basis. Acquisitions, net of disposals, contributed 1% to sales growth and there was a 2% positive impact from foreign currency exchange movements.

Sales by segment	LFL sales change
Materials Analysis	6%
Test and Measurement	(3%)
In-line Instrumentation	7%
Industrial Controls	(7%)
Group	**1%**

Sales by destination	LFL sales change
North America	(3%)
Europe	(2%)
Asia	7%
Rest of the world	14%
Group	**1%**

Materials Analysis posted good LFL sales growth of 6%, with a particularly strong performance in the semiconductor industry and a rebound in academic research activity. Sales into Asia were notably strong. In Test and Measurement, the 3% LFL sales decline primarily reflected a tough comparator in the automotive sector in Europe and Asia. In-line Instrumentation delivered an improved operational performance with good growth, albeit against an easier comparator, across the majority of its end markets, outside the converting and film extrusion industries which were again weaker. Industrial Controls recorded a 7% decline in LFL sales, impacted by USA-China tariffs, slowing US industrial production and a temporary disruption to activity following the launch of the new digital platform at Omega in April.

LFL sales were lower in both North America and in Europe. Asia continues to deliver good growth broadly spread across the region, except for China where LFL sales were marginally lower, reflecting disruption caused by the USA-China tariffs. By industry, there was notable LFL sales growth across the semiconductor, energy/utilities and academic research sectors.

Adjusted operating profit increased by 8% to £83.5 million (H1 2018: £77.2 million). On a LFL basis, the increase was 4%, after adjusting for the impact of acquisitions, net of disposals, of 1% and a 3% positive currency impact. Helped by the initiatives being implemented under our profit improvement programme, the operating margin improved to 11.0% (H1 2018: 10.6%), 0.3pp higher on a LFL basis.

The Group's adjusted operating cash conversion rate was 89%. The improvement resulted from the growth in profitability and changes to the classification of lease payments, and also from favourable working capital and capex movements.

The Board is proposing to pay an interim dividend of 21.9 pence per share, an increase of 7%. This is consistent with our policy of making progressive dividend payments based upon affordability and sustainability. The dividend will be paid on 8 November 2019 to shareholders on the register at the close of business on 11 October 2019. The ex-dividend date is 10 October 2019.

Strategy for profitable growth

Spectris serves a diverse set of end markets with a number of high-quality businesses, which have strongly recognised brands in their target markets. We believe there are significant opportunities to improve the operational performance of the Group and to drive shareholder value creation through increasing our operating margin and by taking a more focused approach to portfolio composition, asset optimisation and capital allocation.

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 statutory measures in Note 2 to the Condensed Financial Statements.

The work on the strategic review has now been completed and we are now focused on executing our strategy for profitable growth. We believe that Spectris represents an exciting opportunity to make a good company even stronger. We are moving away from a number of disparate businesses to a smaller number of highly attractive platforms, investing to maintain and build their leadership positions and differentiation into the future.

The strategic review confirmed the initial assessment of Malvern Panalytical, HBK and Omega being platforms for growth. At our Capital Markets Day event in June, we presented the attributes and opportunities for each of these businesses:

- **Malvern Panalytical** is a leader in the advanced measurement and characterisation of materials. It provides best in class sensor technologies, insightful data science and extensive domain knowledge and through this, creates superior solutions that enable its customers to accelerate innovation and be more efficient in research, development and manufacturing. It operates in an addressable served market of £3.2 billion growing at 4-5% per annum and has opportunities to drive growth through market share gain, expanding its capabilities into more predictive and prescriptive solutions and adjacent M&A.
- **HBK** provides a strongly differentiated and integrated physical sensing, testing, modelling and simulation solution which helps customers accelerate product development. It is positioned in a £3.6 billion addressable served market with demand for test and measurement hardware and software growing at 4-6% per annum. The merger of BKSV and HBM commenced at the start of the 2019 so the near-term focus for management is on fully integrating the two businesses to deliver operating margin expansion. The end markets in which HBK operates again provide organic headroom expansion as well as adjacent M&A opportunities.
- **Omega** is a market-leading, specialist, sensor provider to process engineers providing a curated and differentiated product offering. It offers strong application expertise and a leading e-commerce experience. Its primary served market is North America – a £2.0 billion market with growth potential of 4-5% per annum. The launch of its new digital platform enables Omega to drive growth and gain market share in the fragmented North American market, with further potential from expanding its product offering into near adjacencies in specialty distribution.
- **Industrial Solutions division** - the remainder of the portfolio has been grouped together as the Industrial Solutions division and comprises a portfolio of high-value, niche businesses that compete globally. These are now operating under a new leadership team with a focus on operational and financial performance. The portfolio comprises companies with platform potential, which have strong market positions, good growth prospects and margins but require additional scale and, where appropriate, will receive targeted investments to deliver their potential; and other companies which will be managed for value to optimise their performance and potentially divested.

As well as reviewing the Group's operating company portfolio, the strategic review also focused on capital allocation and returns. Going forward, the Group will adopt an even more rigorous capital allocation approach and has established a new investment framework to ensure that future investment results in stronger profit growth and value creation. A part of this, the Group is now utilising return on gross capital employed ('ROGCE')[2] as a key metric. Over the medium term, it is our ambition to improve the overall ROGCE of the Group.

Profit improvement programme

Implementation of the initiatives under the profit improvement programme have been underway across all of our operating companies. Benefits and savings are arising from improving the sales mix, product profitability, site rationalisation, improving organisational effectiveness and driving Lean through our operations. In addition, the size of the centre is being reduced and it will be focused on Group-level governance, managing financial performance and capital allocation across the Group, driving strategy execution, Lean and organisation and talent development. Progress to date includes closures of facilities at Malvern Panalytical, NDCT and CLS; reduced headcount through organisational restructuring at most of our operating companies and at the centre; and the retirement of certain lower margin products at NDCT.

2 For the calculation for ROGCE, please see Note 2 to the Condensed Financial Statements.

The gross recurring benefit achieved year to date totalled £8 million and the one-off restructuring costs incurred were £29 million. We now expect the benefits in 2019 to be at the upper end of the £15-20 million range previously announced, and still anticipate an exit rate of £30 million by the year end. This will require one-off restructuring costs during 2019 of around £45 million, with the increase reflecting the impact of additional strategic decisions made to realign certain activities, the largest of these being related to the restructuring at CLS. The total cash cost of restructuring in 2019 is expected to be around £35 million, of which £13 million was incurred in the first half.

In addition, we have undertaken a number of activities to foster a continuous improvement culture and focus on Lean as part of the Spectris Business Systems ('SBS') initiatives. The first half of the year has been a very active period with successful kaizen events in the majority of our operating companies, primarily focusing on improving on-time delivery. In addition, there have been several larger commercially-oriented kaizens focusing on the flow from lead generation opportunity to order conversion, and supporting our sales, marketing and inside sales teams to become more effective and efficient, demonstrating the extensive application opportunities for the SBS tools. The objective of these events is to help our businesses drive more profitable growth, as well as support increased value selling.

All these initiatives are focused on improving gross margin and constraining overheads to drive future operating margin expansion and return our operating margin to at least our previous highs.

Restructuring activities

As we have undertaken this strategic review, we have critically assessed and appraised all our assets and business. As well as identifying the future growth drivers for Spectris, we have also assessed if there are businesses which might be underachieving. As a result of this assessment, it has been concluded that the cessation of a business line within the Test and Measurement segment and restructuring at Concept Life Sciences ('CLS') is required.

Performance at CLS was below expectations in the first half of the year, reporting an underlying loss of £4.9 million, despite the remedial action to improve operational effectiveness that had been put in place. This unexpected under-performance is attributable to the exit of its major customer in the pharmaceutical development/integrated drug development services business ('IDDS'), as well as continued losses in the environmental analytical services division. The senior management for CLS were replaced in the second quarter and a detailed strategic review of the businesses was undertaken. Subsequently, it is proposed, subject to consultation and legal requirements, that the environmental analytical laboratories be closed. Management believe these laboratories will not be able to recapture share in this market, without significant investment, which cannot be justified. As a result, an impairment of goodwill of £35.1 million and of other intangible assets of £32.4 million has been charged to the income statement.

Going forward, CLS will primarily focus on the pharmaceutical, life sciences and food markets, where we see customers continuing to outsource more analytical services and pharmaceutical development work. From 1 July, CLS will move within the Malvern Panalytical platform, as previously announced, where the combination of the two businesses will provide the opportunity to develop differentiated instrument and CRO offerings.

	2019 Half year £m	2018 Half year £m
Adjusted operating profit	**83.5**	77.2
Restructuring costs	**(29.1)**	(6.7)
Net transaction-related costs and fair value adjustments	**(6.3)**	(5.8)
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**(0.4)**	(0.4)
Profit on disposal of property	**5.2**	-
Impairment of goodwill	**(35.1)**	-
Amortisation and impairment of acquisition-related intangible assets	**(63.9)**	(18.8)
Statutory operating (loss)/profit	**(46.1)**	45.5

Executive Committee changes

As a result of the shift in the strategic focus for the Group, the structure and composition of the Spectris Executive Committee has been changed. Derek Harding joined the Board and Executive Committee as Chief Financial Officer in March. The Presidents of the three platform businesses - Malvern Panalytical - Paolo Carmassi, HBK - Joe Vorih and Omega - Greg Wright and the new Industrial Solutions segment Business Group Director, Mark Fleiner, are now members of the Executive Committee.

Reflecting these changes, from 1 July the Group will also change its reporting format and will reclassify its segmental reporting to disclosures on the three platforms, providing greater transparency on these businesses which comprise approximately 60% of Group revenue and operating profit. The financials for the Industrial Solutions operating companies will be consolidated and be presented as a combined division. Pro-forma numbers will be provided later in the year.

Summary and outlook

We have delivered results in line with expectations in the first half, despite the more challenging macroeconomic environment. While our LFL sales growth moderated in the first half of 2019, profitability and cash conversion improved.

Our expectations for the full year remain unchanged, while recognising that the current macroeconomic conditions make it more challenging. We will continue to focus on what we can control; implementing targeted growth initiatives, refocusing the portfolio and driving operating margin expansion, with increased benefits from our profit improvement programme coming through in the second half.

We have completed our strategic review and are clear on the opportunities and potential ahead of us. We are now focused on executing our strategy for profitable growth and creating significant value for our customers, shareholders and employees.

Andrew Heath
Chief Executive

FINANCIAL REVIEW

Financial performance

Sales increased by 4% to £759.1 million (H1 2018: £728.0 million). Growth from acquisitions, net of disposals, contributed £7.1 million (1%), favourable foreign exchange movements contributed £15.7 million (2%) and LFL sales increased by £8.3 million (1%).

Adjusted operating profit increased by 8% to £83.5 million (H1 2018: £77.2 million). Growth from acquisitions, net of disposals, contributed £0.5m (1%), favourable foreign exchange movements contributed £2.5 million (3%) and LFL adjusted operating profit increased by £3.3m (4%).

LFL gross margin decreased to 55.2% (0.7pp) in H1 2019 caused by input cost inflation, adverse product mix and higher production overheads. This was more than offset by a LFL overheads decrease of 1.2% (H1 2018: up 5.6%) reflecting lower marketing and consultancy spend and strong control of employee costs which remained broadly flat. This resulted in adjusted operating margin improving by 0.4pp to 11.0%, with the LFL adjusted operating margins improving by 0.3pp compared to H1 2018.

Investment in our R&D programmes amounted to total spend (including £3.5 million of capitalised development costs) of £49.3 million or 6.5% of sales (H1 2018: £51.5 million or 7.1% of sales) and decreased by 4% on a LFL basis in the period.

Statutory operating profit reduced by £91.6 million resulting in a loss of £46.1 million (H1 2018: profit of £45.5 million) as the improvement in adjusted operating profit was offset by restructuring costs of £29.1 million (H1 2018: £6.7 million); net transaction-related costs, depreciation and fair value adjustments of £6.7 million (H1 2018: £6.2 million); impairment of goodwill of £35.1 million; amortisation and impairment of acquisition-related intangible assets of £63.9 million (H1 2018: £18.8 million); and a profit on disposal of property of £5.2 million (H1 2018: nil). Statutory margins of 6.1% were 12.4pp lower than the prior period.

Statutory net finance costs decreased by £4.7 million to £1.2 million (H1 2018: £5.9 million) principally due to foreign exchange gains arising during the period on retranslation of short-term intercompany loan balances compared to foreign exchange losses arising in respect of the same items in the first half of 2018. Adjusted net finance costs were up £0.4 million at £3.5 million (H1 2018: £3.1 million) as a result of higher interest charges driven by higher average borrowings.

Statutory profit before tax decreased from £96.6 million in H1 2018 to a loss before tax of £50.1 million in the period. Statutory profit before tax in the prior period benefited from the profit on disposal of the EMS B&K business of £57.0 million, whilst statutory profit before tax in H1 2019 has been impacted by the adjustments noted above. Adjusted profit before tax increased by 4% to £77.2 million.

The effective tax rate on adjusted profit before tax for the half year was 21.5% (H1 2018: 19.0%), 2.5pp higher than the prior period as a result of changes in tax laws reducing the benefits arising from intra-group financing arrangements. Based on the forecast for the full year, the effective adjusted tax rate for the full year is also estimated to be 21.5%.

Adjusted earnings per share increased by 4% from 50.4p to 52.4p, reflecting the net impact of the 4% increase in adjusted profit before tax and the decrease in the weighted average number of shares from 119.0 million in H1 2018 to 115.7 million in H1 2019, following the share buyback, partly offset by the increase in the effective tax rate. Statutory basic earnings per share decreased from 74.6p to a loss per share of 41.8p.

Acquisitions and disposals

The Group completed one acquisition during the period with a total cost of acquisition of £3.8 million. A net £1.9 million was paid in respect of prior years' acquisitions, making the net cash outflow in the year £5.7 million. Furthermore, an amount of £1.7 million was spent on transaction-related costs, which makes the total transaction-related cash outflow for the period £7.4 million.

Cash flow and financing

Adjusted operating cash flow generation of £73.9 million during the period resulted in an adjusted operating cash flow conversion rate of 89%, compared to 69% in H1 2018. The improvement resulted from the growth in profitability and changes to the classification of lease payments, and also from favourable working capital and capex movements. Capital expenditure (net of grants) of £39.3 million decreased by £0.7 million and included investment at Millbrook of £18.4 million (H1 2018: £16.5 million). During the period, there was a net inflow of working capital of £1.7 million (H1 2018: net inflow of £0.1 million). Average trade working capital expressed as a percentage of sales, increased by 1.2pp to 12.6%.

The Group finances its operations from both retained earnings and third-party borrowings, with a broadly even split of the period-end gross debt balance between fixed rate and floating rate borrowings. During the period, net debt increased by £15.5 million (H1 2018: increase of £181.0 million) from £297.1 million to £312.6 million.

Return on gross capital employed ('ROGCE')

The return on gross capital employed is calculated as adjusted operating profit 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 debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill. ROGCE for the 12 months ended 30 June 2019 was 13.4% compared to 14.2% in the comparable period, a decrease of 0.8pp. The main driver of the decrease is the full year impact of the acquisition of CLS in the first half of 2019 compared to the average capital employed at the first half 2018.

Currency

The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of overseas company results into Sterling.

The largest translational exposures are to the US Dollar, Euro, Danish Krone, Japanese Yen and Swiss Franc. Translational exposures are not hedged. The table below shows the average and closing key exchange rates compared to Sterling.

	H1 2019 (average)	H1 2018 (average)	Change	**H1 2019 (closing)**	H1 2018 (closing)	Change
US Dollar (USD)	**1.29**	1.38	(6%)	**1.27**	1.31	(3%)
Euro (EUR)	**1.14**	1.14	1%	**1.12**	1.13	(1%)
Japanese Yen (JPY)	**142**	150	(5%)	**137**	146	(6%)
Swiss Franc (CHF)	**1.29**	1.33	(3%)	**1.24**	1.31	(5%)

During the period, currency translation effects resulted in operating profit being £2.5 million higher (H1 2018: £1.6 million lower) than it would have been if calculated using prior year exchange rates. Transactional foreign exchange losses of £1.0 million (2018: £1.6 million gains) were included in administrative expenses, whilst sales include a loss of £1.2 million (2018: £0.5 million gain) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Brexit

The Group operates in a range of end-user markets around the world and may be affected by Brexit developments in the future. Mitigating actions have been put in place through an enhanced analysis including stress testing for Brexit to determine severe but plausible potential scenarios and the Group is continuously monitoring events. As part of this analysis, management have considered the measurement impact on the Group's balance sheet. Although the outcome of Brexit is difficult to quantify, we do not expect the direct consequences of Brexit to have a material impact to the Group.

USA-China tariffs

The Group has a number of activities which are being or have the potential of being impacted by the introduction of tariffs between China and the USA. An assessment has been made as to the annualised impact of the proposed tariffs. Separate assessments have been made with respect to the anticipated impact of tariffs on our North American business' sourcing of goods from China – either directly or via other parties in their supply chains and tariffs on sales of goods manufactured in China by Group companies to customers in the USA. We are working on the assumption that the current planned tariffs continue for the foreseeable future. Based upon this assessment, we believe that USA-China tariffs could have the potential to impact the Group by £4 million to £8 million of adjusted operating profit over the course of a full year.

Dividends

The Board has declared an interim dividend of 21.9 pence per share, an increase of 7% compared to the prior period.

OPERATING REVIEW

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	H1 2019	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
Sales (£m)	**254.6**	233.9	**238.2**	239.8	**156.1**	141.8	**110.2**	112.5	**759.1**	728.0
LFL sales growth (%)	**6%**		**(3%)**		**7%**		**(7%)**		**1%**	
Adjusted operating profit (£m)	**29.7**	28.7	**17.6**	17.2	**18.4**	11.2	**17.8**	20.1	**83.5**	77.2
LFL adjusted operating profit growth (%)	**3%**		**(3%)**		**56%**		**(16%)**		**4%**	
Adjusted operating margin (%)	**11.7%**	12.2%	**7.4%**	7.2%	**11.8%**	7.9%	**16.2%**	17.9%	**11.0%**	10.6%
LFL adjusted operating margin growth (pp)	**(0.2pp)**		**-**		**3.6pp**		**(1.9pp)**		**0.3pp**	
Statutory operating (loss)/profit (£m)	**(54.7)**[1]	19.6	**(12.4)**[2]	7.8	**6.5**	5.3	**14.5**	12.8	**(46.1)**	45.5
Statutory operating margin (%)	**(21.5%)**	8.4%	**(5.2%)**	3.3%	**4.2%**	3.7%	**13.2%**	11.4%	**(6.1%)**	6.3%

Sales % of Group sales	**34%**	32%	**31%**	33%	**21%**	20%	**14%**	15%	**100%**	100%

1 The statutory operating loss of £54.7 million was largely impacted by the £67.5 million impairment of goodwill and intangible assets in CLS.
2 The statutory operating loss of £12.4 million was largely impacted by the costs of restructuring and impairment of intangible assets arising as a result of the strategic review.

Throughout this Operating Review, all commentary refers to the adjusted LFL measures unless otherwise stated. A reconciliation of adjusted measures to statutory measures for all segments can be found in Note 2 to the Condensed Financial Statements.

MATERIALS ANALYSIS

Our Materials Analysis operating companies provide products and services that enable customers to determine structure, composition, quantity and quality of particles and materials, during their research and product development processes, when assessing materials before production, or during the manufacturing process. The operating companies in this segment are Malvern Panalytical, Particle Measuring Systems ('PMS') and Concept Life Sciences ('CLS', acquired January 2018).

Segment performance

	H1 2019	H1 2018	Change	LFL change
Sales (£m)	**254.6**	233.9	9%	6%
Adjusted operating profit[1] (£m)	**29.7**	28.7	3%	3%
Adjusted operating margin[1] (%)	**11.7%**	12.2%	(0.5pp)	(0.2pp)

1 Adjusted operating profit excludes restructuring costs of £10.6m (H1 2018: £1.7m).

Sales growth of 6% for the period was driven by strong demand in Asia, with the growth widely spread across the region. In North America and Europe, sales were lower, reflecting a tough comparator against the first half of 2018.

Adjusted operating profit was up 3%, while adjusted operating margins decreased by 0.2pp. Adjusted operating margins were higher at both Malvern Panalytical and PMS reflecting good sales growth and improved pricing, combined with good overhead cost control at Malvern Panalytical. This was offset by the dilutive impact from CLS which made a loss in the period.

Sales at **Malvern Panalytical** have continued to benefit from the re-organised sales and marketing functions that have been aligned to three market sectors: advanced materials, pharma and food and primary materials. Alongside a key account structure, these have been focused on value-based selling in order to benefit our customers and create differentiation from the competition, through combining our high-spec technology and application expertise. We are looking to further differentiate our offering and deliver increasing value to our customers by developing more predictive and prescriptive solutions. Through our partnership with the University of Bristol, one of the leading universities in digital technologies, we have now opened a new data science office to develop this.

New product launches by Malvern Panalytical in the period include the latest generation of Epsilon 1 X-ray fluorescence spectrometers. It enables fast and reproducible elemental analysis with greater flexibility and precision than before. It has the capabilities of a larger instrument in a compact system which means the instrument can be taken directly to the sample and used in situ. This can deliver substantial cost-savings for the customer associated with both the class-leading sensitivity and performance of the new system, and also eliminates sample preparation and transportation requirements. For example, a major energy company has used this product in combination with a Mastersizer 3000 in situ on its offshore oil rig to analyse drilling samples, enabling results delivery in minutes and eliminating the costs and time delays of taking the samples onshore for testing.

Also launched was the newest member of the laser particle size analyser family, Topsizer Plus for the Chinese market. Topsizer Plus retains the main optical structure consistent with the original product but with enhanced functionality and capability. This provides an extended test range and detection capability and a new intelligent software platform which provides more customised reporting capabilities.

PMS launched new Pharmaceutical Net® Pro cleanroom monitoring software for data and collection management, reporting and automation. The software is used with its FacilityPro® Processors which connect directly to environmental sensors, temperature/humidity sensors, HMI stations, as well as light towers for visual alarm indication. With regulation continuing to evolve and become more stringent, PMS' monitoring solutions are key to helping customers meet industry requirements. We have been working with a large global pharmaceutical leader, where we have a long-standing relationship, to upgrade their existing environmental monitoring system to meet their expanding capacity requirements and new industry regulations. The combination of the leading solutions combined with our expertise and a deep customer knowledge enables us to expand this project to other customers.

Sales to the **pharmaceuticals and fine chemicals** industries were flat, although underlying demand remains robust and our order book here remains good. They were notably lower in North America, reflecting a tough comparator against a very strong growth period in 2018. Sales increased in Europe and Asia, with growth in the latter driven by China and South Korea reflecting strong demand for new products launched in 2018.

The **metals, minerals and mining** sector saw a decrease in sales, with weaker sales into the metals industry, partly offset by good demand in minerals and mining. Sales into the metals industry are weaker as a result of a lower level of exploration activity and a slower iron and steel market resulting from the trade disputes. Other areas such as building materials have shown good growth and system orders in advanced materials were strong, notably in academia.

Sales to **academic research** customers in the first half of the year continued the positive trend from the second half of 2018, with strong growth across all key regions. A significant pick-up in demand continued in North America and Asia as increased government funding led to greater market activity. Innovation in our products also helped drive demand – for example, a partnership between Malvern Panalytical and the University of Pittsburgh's Energy Innovation Center was announced for research into rechargeable battery systems utilising the latest innovations in our X-ray diffraction products**.**

Sales to the **semiconductor and electronics** industries posted strong growth, particularly in Asia reflecting a strong order backlog as we entered 2019. There has been some softness in the electronics sector in this region, but this is expected to recover in the second half as demand for consumer electronics and IIoT applications continues to increase. The growth in semiconductor capital spending has eased in the first half of 2019, but our order backlog and the appeal of our high-accuracy products has supported demand, in such areas as high purity process chemicals and leading-edge microelectronic processes which require very clean process chemicals that are highly filtered and regulated to a particle size of 20 nm or below.

Segment market trends

In the **pharmaceutical** sector, the global growth in disposable incomes and consequent demand for effective healthcare continues to result in sustained investment in R&D. Alongside this, an increasing awareness of total lifecycle cost awareness is pushing customers to reduce both development costs and time to market for new products, underpinning an increased need for new solutions and services. Increasing regulatory compliance and sterility assurance for drug manufacturing processes is also continuing to drive demand for our hardware and services.

In the **metals, mining and materials** sector, we expect to see some softness in demand in metals and mining, although the materials order book remains robust. Our focus here is on customers involved in the research, development and manufacturing of novel materials and complex systems and devices.

After a strong first half, with its dependence on government funding, we expect growth in the **academic research** market to be variable, although demand in Asia is benefiting from a number of government initiatives.

Within the **semiconductor** industry, after an exceptionally strong year in 2018 the semiconductor capital equipment market will be down in 2019. Recovery is expected to begin in the second half, with further growth expected in 2020.

TEST AND MEASUREMENT

Our Test and Measurement operating companies supply test, measurement and analysis equipment, software and services for product design optimisation, manufacturing control and microseismic monitoring. The operating companies in this segment are ESG Solutions ('ESG'), HBK (Hottinger, Brüel & Kjær, the merger of Brüel & Kjær Sound & Vibration and HBM since January 2019), Millbrook and VI-grade Group ('VI-grade', acquired August 2018).

Segment performance

	H1 2019	H1 2018	Change	LFL change
Sales (£m)	**238.2**	239.8	(1%)	(3%)
Adjusted operating profit[1] (£m)	**17.6**	17.2	2%	(3%)
Adjusted operating margin[1] (%)	**7.4%**	7.2%	0.2pp	-

1 Adjusted operating profit excludes restructuring costs of £9.0m (H1 2018: £1.8m).

Sales declined by 3%, down in North America and Europe, with a more marked decline in Asia where market conditions have been more challenging.

Adjusted operating profit decreased 3% and operating margins were flat. The impact of the lower sales volumes and higher depreciation at Millbrook was mostly contained by lower overheads for the segment and ESG moving into profitability.

Since the start of 2019, BKSV and HBM have been merged into **HBK** (Hottinger, Brüel & Kjær). The businesses are being combined in order to leverage the strengths and complementary expertise across the measurement chain to enhance our customer proposition, as well as to realise synergies between the two complementary businesses. An extended leadership team is being formed and has established the strategy for the combined group. The execution plan for that strategy, including an integrated go-to-market model for the joint sales organisation, is being implemented. Overall, sales fell in the first half of the year reflecting a number of high one-off orders in 2018, some disruption in sales and marketing from merger-related activities and increased production lead times for vibration test systems products. However, there has been good growth in new software products.

During 2019, HBK launched a new entry-level sound level meter, the B&K 2245, for users new to sound measurement, or those who only make measurements occasionally. It is compact and lightweight, and can be paired with apps on a smartphone or tablet to provide a large touchscreen display and easy remote control, tailored to different customer use cases.

Sikorsky has selected HBK as a partner to deploy a fleet of its DAQ systems. Development of such a complex machine as a helicopter requires a multitude of systems to be tested and qualified and HBK's modular, scalable and flexible architecture met Sikorsky's requirements, with its easily- and quickly-reconfigurable system which supports an extremely wide range of sensors and transducers. Airbus, in the development of its H160 helicopter, has been utilising HBK's Aircraft Noise Certification Test System to take noise measurements (both internal and external) as part of an aircraft's certification process. Having access to accurate noise measurements during the R&D phase helps make the development process more efficient.

Despite the slowdown in automotive, we continue to see strong demand for our products in support of the proliferation of new product platforms. **VI-grade** has established a partnership with Multimatic in the USA for an advanced vehicle development and driving simulation centre to be located near Detroit, to meet customer demand for rapid, cost-effective development of next-generation vehicle systems with features such as driver assistance and autonomous operation.

Millbrook had a slower than expected start to the year, however the continued expansion of its testing capacity and capability provides for incremental growth in the second half of the year. The first eight new battery test chambers commenced operation in the first half, with the remaining four due to start up through the third quarter. A second four-wheel drive climatic emissions chassis dynamometer was commissioned in June. The facility is used to simulate road driving conditions in a temperature-controlled environment for powertrain development and type approval testing of light duty vehicles. We increased our capacity for testing advanced driver assistance systems ('ADAS') and connected and autonomous ('CAV') vehicle technologies via a new, secure test facility and a full range of equipment required for performing all EuroNCAP 2020 and a wide range of non-standard CAV and ADAS test scenarios. The development and validation of CAVs is further supported by the installation of a 5G-enabled network at Millbrook. At Test World in Finland, further indoor tyre testing capacity has been brought into operation, allowing controlled and repeatable tyre testing on snow, ice, and wet and dry asphalt, 365 days a year. Test World won 'Tire Industry Supplier of the Year' category at the Tire Technology International Awards for Innovation and Excellence 2019. In the USA, Millbrook RE is growing strongly and has doubled its capacity in Detroit within the last 12 months. It is now establishing a new test facility in California, to support the development of electric vehicles.

At **ESG**, sales of our new microseismic data acquisition, processing and analysis product, FRACMAP® Clarity, launched in 2018, have continued to be good. It enables more strategic well planning, better completions strategies and optimal reservoir drainage, bringing greater insight for our oil and gas customers which becomes an even greater focus for producers when prices are lower/more volatile. However, sales declined overall reflecting the more volatile oil and gas price backdrop.

Within the **automotive** sector, sales declined in the first half of the year reflecting a tough comparator, and some slowdown in activity in Asia (especially China) and Europe, with North America posting a small growth in sales. We continue to see robust underlying demand for testing equipment and services given the growth in electric, hybrid and CAV vehicles globally as well as policy changes in certain markets. Our primary audience are focused within the R&D part of the automotive OEMs and although new car registrations/sales have eased, customers continue to invest in new product development.

In **machine manufacturing**, a significant portion of which represents sales into the automotive supply chain, sales declined marginally. Sales rose in Europe with good growth in Germany, although we expect this pace to ease, and fell in Asia, driven by a slower performance in China.

In the **aerospace and defence** sector, sales were slightly lower with growth in North America and Europe offset by a decline in Asia. We continue to see good R&D investment in the industry and have been building our pipeline of opportunities.

Sales to our **consumer electronics and telecoms** customers were only slightly higher in 2019, primarily reflecting fewer new telecoms product launches by customers this year and lower growth in Asia. Underlying demand from consumer electronics companies continues to be good with our electro-acoustic products helping manufacturers deliver the higher sound quality that customers now demand from their mobile devices and speakers.

Sales into **academic research** institutes increased, with growth in North America and Europe partly offset by lower sales into Asia after growth in 2018, driven by very good growth in China.

Conditions in **global oil and gas** and mining markets had improved in 2018, however there was a rapid decline in the WTI oil price in the fourth quarter of 2018 due to fears of oversupply. The WTI oil price increased steadily in the first quarter of 2019 but was more volatile in the second quarter, with the total number of rigs down in North America versus 2018. A reduction of capital from financial institutions and investors also caused some oil and gas producers to reduce spending. This has led to a sales decline versus the strong first half of 2018. Consolidation activity in the market also had an impact on sales as it affected some key clients.

Segment market trends

Despite some near-term headwinds in the **automotive** industry, such as weaker-than-expected demand in China and other emerging markets, we continue to expect significant R&D spending by vehicle manufacturers as they comply with tightening environmental regulations and look to improve their competitive position in the development of electric vehicles and propulsion systems. The growth in battery development continues at pace as does the testing of connected and autonomous vehicles, where our hardware and software offerings and new capacity coming onstream at Millbrook will drive future revenues.

In **aerospace**, overall demand will be driven by new development programmes and advanced testing requirements, where we are well positioned given our expertise in serving complex testing requirements.

Demand for audio quality testing in both R&D and production applications in the **consumer electronics and telecoms** market remain healthy, in our view. The prevalence of new product launches will be a key driver of demand for our applications.

Market conditions in the **oil and gas** industry are harder to predict, with the continued volatility in oil and gas prices likely to have an impact on capital expenditure by many energy market producers. Our new product offerings continue to position us strongly but ultimately, demand will be determined by the level of commercial activity at our customers which looks more uncertain.

IN-LINE INSTRUMENTATION

In-line Instrumentation operating companies provide process analytical measurement, asset monitoring and on-line controls, as well as associated consumables and services for both primary processing and the converting industries. The operating companies in this segment are Brüel & Kjær Vibro, BTG, NDC Technologies ('NDCT') and Servomex.

Segment performance

	H1 2019	H1 2018	Change	LFL change
Sales (£m)	**156.1**	141.8	10%	7%
Adjusted operating profit[1] (£m)	**18.4**	11.2	64%	56%
Adjusted operating margin[1] (%)	**11.8%**	7.9%	3.9pp	3.6pp

1 Adjusted operating profit excludes restructuring costs of £7.0m (H1 2018: £1.3m).

Sales increased 7%, with three of the operating companies in this segment posting sales growth. On a regional basis, sales rose in both Asia and North America, however were down marginally in Europe.

Adjusted operating profit increased 56% and adjusted operating margins increased 3.6pp. This reflected the higher sales and gross margins at BTG and Servomex, the segment's larger two operating companies, with a notably strong performance overall at Servomex.

In the **pulp and paper** markets, sales for **BTG** increased compared with 2018, led by strong growth in tissue manufacturing in Europe and Asia. Packaging and graphic paper performance has been performing well, despite the decline in the coated paper market and a slowdown in China, reflecting the ongoing trade tensions with the USA. The Process Solutions business is focused on executing several pulping solution projects including an important strategic project win earlier this year in Asia. These solution projects combine innovative measurement, leading software and expert services, which deliver sustainable gains in business performance to our pulping customers and providing a means to deliver further cost optimisation. A Brazilian pulp and paper producer selected BTG for the supply of instruments and advanced process controls for its plant. BTG will deliver a comprehensive process optimisation solution to optimise chemical usage and reduce final brightness variability.

In the **energy and utilities** market, sales rose, with notably strong growth in Asia and North America more than offsetting lower sales in Europe, with the higher oil price supporting steady project investment in both upstream and downstream projects. In this space, increasing environmental legislation, specifically in relation to emissions monitoring and control, also continues to drive opportunities for **Servomex's** products. This type of application has helped good order growth in the hydrocarbon and industrial gas segments, but gas monitoring applications are equally in demand in other industries outside of energy.

Our condition monitoring business for rotating machinery continues to expand in the growing LNG segment with shipments of our VibroControl 6000 system to customers in Africa and Australia. Our latest system VibroControl 8000 is gaining ground in Asia with new wins in the oil and gas and energy segment in Indonesia and China. VibroControl 8000 combines the capability of protecting critical assets with condition monitoring especially focused on rotating machinery in the industrial sector. Our wind segment continues to grow based on strong performance of our OEM base where we deploy our state-of-the-art monitoring solution DDAU 3/VibroSuite. Current activities focus on widening our customer base to Asia and expanding our service offering through accelerated investments in advanced software, built on our deep asset domain knowledge to automatically detect performance anomalies and suggest corrective actions.

At **NDCT**, sales to **web and converting industries** were down overall, albeit with a rise in Europe, with markedly lower sales in North America and Asia, reflecting the impact of the USA-China tariff situation. This also reflects the demand softness experienced in 2018, driven by industry consolidation and customers delaying projects to focus on consolidating production lines, however the order backlog has been built-up going into second half. Sales to the food, drink and tobacco sector have seen robust growth in North America supported by a strong backlog entering the year, partially offset by weakness in Europe.

An important development and opportunity has been our work on lithium-ion batteries and NDCT continues to progress activities to further penetrate this market. With the successful completion of NDCT's innovative measurement system, a leading global lithium ion battery cell manufacturer is now equipped with the industry's latest gauging technology. This solution consists of NDC's new photon sensor and the company's new Micro-Caliper Thickness Sensor that is optimised for providing high-accuracy, high-resolution thickness measurements. NDCT is seeing growing interest for its new measurement solution from other leading lithium ion battery cell manufacturers.

Segment market trends

We continue to drive the mix shift in our **pulp and paper** business to be less dependent on graphic paper, a long-term declining market, into the higher growth areas of tissue, packaging and pulp markets. Tissue growth is driven by increasing consumer penetration in emerging markets and packaging from the rise in online shopping. We also expect to continue to capture new opportunities with our Process Solutions business, including reliability services.

Despite an improving oil price since the start of the year, the market environment in global **oil and gas** markets is difficult to predict, given current contrary macroeconomic signals. The requirements for emissions monitoring, as regulation becomes more stringent, should support demand for our gas analysis products. In the **wind energy** sector, investment is expected to continue to grow and we are working on expanding our offering into new wind farm owners and operators as well as OEMs.

We expect an improved performance in the **web and converting** industries in the second half of the year, and will continue to focus on key areas of growth such as the lithium-ion battery market. In the **food and bulk materials** market, activity is expected to remain robust.

INDUSTRIAL CONTROLS

Industrial Controls operating companies provide products and solutions that measure, monitor, control and inform during the production process. The operating companies in this segment are Omega Engineering ('Omega') and Red Lion Controls ('Red Lion').

Segment performance

	H1 2019	H1 2018	Change	LFL change
Sales (£m)	**110.2**	112.5	(2%)	(7%)
Adjusted operating profit[1] (£m)	**17.8**	20.1	(11%)	(16%)
Adjusted operating margin[1] (%)	**16.2%**	17.9%	(1.7pp)	(1.9pp)

1 Adjusted operating profit excludes restructuring costs of £2.5m (H1 2018: £1.9m).

Sales decreased by 7% in the period. This segment has a high exposure to North America (c. 70%), where sales were lower, partly reflecting slowing US industrial production and were also lower in Asia as a result of the continuing USA-China tariff situation.

Adjusted operating profit decreased 16% and operating margins declined by 1.9pp, reflecting the lower sales volumes. To offset the slower demand, a greater focus on operational improvement and Lean initiatives is underway.

At **Omega,** in addition to the macroeconomic impact, the lower sales in the USA reflected initial disruption with outsourcing of a product line to a third-party supplier, a temporary disruption to order flows from the launch of the new digital platform in the USA as users learned to navigate the new website, and some high one-off government orders in 2018.

Following the initial launch in Canada in December 2018, Omega launched its new e-commerce platform in its primary US market in April in order to strengthen its market presence and further facilitate customer experiences. Combining Omega's strong application knowledge and technical support with enhanced online capabilities, including the ability for customers to configure and customise products, the new website positions Omega well to take advantage of the demographic shift in the engineering workforce towards greater online adoption, and accelerate its plans to grow market share.

Omega continued its product refresh programme and launched key new products to expand its portfolio and access growing technologies, in order to supplement its traditional temperature, pressure and flow business. In electronics, Omega expanded its offering with new panel meters and data loggers. Its new data logger includes eight channel inputs to simultaneously measure current, voltage, temperature and pulse, and display real-time analysis via a colour touch screen. In the level market, Omega released new ultrasonic liquid level sensors products that deliver reliable level measurement for applications such as bulk storage tanks for chemicals, water, wastewater or oil. In temperature, new hand-held thermal imagers have been launched featuring a mobile app for data capturing and continuous analysis typically used in applications such as electronic thermal distribution analysis, solar panel and HVAC inspection, and fatigue testing of materials through long-term detection. Omega's other product launches have been focused on refreshing the technology of the portfolio for example, its new line of high precision digital pressure gauges, providing both the highest level of precision and local temperature indication, and its next level of thermocouple calibrators, providing ease-of-use and laboratory grade calibrations in a highly portable package.

As well as focusing on products, Omega's strategic accounts programme to identify and target key customers has secured pressure and load business in transducers for military applications while continuing to develop opportunities in the renewable energy space in Europe and China. It is also co-developing custom design products with an industry leader for safety-related use in the maritime industry.

In April, **Red Lion** launched its new brand identity that reflects its strength and positioning in the market. For example, this year Red Lion has been recognised as one of the 50 most promising IoT Solutions Provider 2019 by CIO review and as a Technology Innovator during the 32nd Annual Control Engineering Engineer's Choice Awards whilst also being named as a 'First Team Supplier' by the readers of Automation World magazine for the eighth consecutive year.

Red Lion has also been refreshing its product lines. In February, Red Lion introduced new capabilities for its award-winning Crimson® software, which allows customers to simplify their system architectures, increase scalability and accelerate data integration initiatives with no additional hardware or expensive software customisation required. This ensures the reliable transmission of real-time and historical data directly to enterprise business systems using a single, easy-to-use environment. In June, Red Lion released a new full range of signal conditioners that boost signal strength while allowing for longer cable runs through industrial environments. These new products offer amplification, isolation, and conversion capabilities, ensuring signal integrity in harsh environments and across long distances, with the option to change the signal to the desired input needed dependent upon the application.

Red Lion's strategic focus on the key vertical markets of factory automation, water and wastewater, transportation and energy continued - for example, Red Lion worked with a customer to help provide reliable communication infrastructure to remotely monitor a pipeline delivering water to a treatment facility.

Segment market trends

Given the predominance of sales in the North American market, the performance of this segment will be influenced by industrial markets in that region, where growth in 2019 has been subdued.

As online traffic flows rebound and customers become accustomed to the new website, the enhanced digital e-commerce platform, in combination with the launch of new products and a focus on key accounts, is expected to recover order volume in the second half for Omega.

In the medium term, the demand from industrial companies wishing to drive productivity and operational efficiencies, by having effortless and secure access to their manufacturing data, is expected to increase. Our ability to provide connected devices, digital monitoring and optimisation solutions enables our customers to benefit from our deep applications knowledge, as we apply our process applications and products expertise to address their industrial optimisation requirements.

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 32 to 36 of the 2018 Annual Report and Accounts which is available on the Group's website at www.spectris.com. The Group has reviewed these risks and concluded that they will continue to remain relevant for the second half of the financial year. 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 2018 Annual Report.

The full list of principal risks relevant as at the half year comprises:
- Acquisitions
- Strategy execution
- People
- Compliance with laws and regulations
- New product development
- Political and economic risks
- Competitive activity
- Fluctuations in exchange rates
- Supply chain dependencies and disruption
- Intellectual property
- Information security

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	**Derek Harding**
Chief Executive	Chief Financial Officer

30 July 2019

INDEPENDENT REVIEW REPORT TO SPECTRIS PLC

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 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity of, the condensed consolidated statement of cash flows and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 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. 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.

Conclusion

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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Reading, UK
30 July 2019

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

Continuing operations	Note	2019 Half year £m	2018 Half year £m	2018 Full year £m
Revenue	3	**759.1**	728.0	1,604.2
Cost of sales		**(342.0)**	(319.9)	(696.8)
Gross profit		**417.1**	408.1	907.4
Indirect production and engineering expenses		**(54.7)**	(58.0)	(106.8)
Sales and marketing expenses		**(175.4)**	(175.5)	(352.1)
Administrative expenses		**(233.1)**	(129.1)	(272.1)
Adjusted operating profit	2	**83.5**	77.2	248.3
Restructuring costs	2	**(29.1)**	(6.7)	(15.6)
Net transaction-related costs and fair value adjustments	2	**(6.3)**	(5.8)	(12.2)
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	2	**(0.4)**	(0.4)	(0.8)
Profit on disposal of property	2	**5.2**	-	-
Impairment of goodwill	2	**(35.1)**	-	-
Amortisation and impairment of acquisition-related intangible assets	2	**(63.9)**	(18.8)	(43.3)
Operating (loss)/profit	2,3	**(46.1)**	45.5	176.4
Share of post-tax results of joint venture		**(2.8)**	-	(1.2)
Profit on disposal of businesses	12	**-**	57.0	56.3
Financial income	4	**4.4**	0.3	2.5
Finance costs	4	**(5.6)**	(6.2)	(16.0)
(Loss)/profit before tax		**(50.1)**	96.6	218.0
Taxation credit/(charge)	5	**1.7**	(7.8)	(32.8)
(Loss)/profit for the year from continuing operations attributable to owners of the Company		**(48.4)**	88.8	185.2
Basic (loss)/earnings per share	7	**(41.8p)**	74.6p	157.6p
Diluted (loss)/earnings per share	7	**(41.8p)**	74.2p	156.9p
Adjusted earnings per share	2	**52.4p**	50.4p	164.9p
Interim and final dividends paid/proposed for the period (per share)	6	**21.9p**	20.5p	61.0p
Dividends paid during the period (per share)		**40.5p**	37.5p	58.0p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

	2019 Half year £m	2018 Half year £m	2018 Full year £m
(Loss)/profit for the period attributable to owners of the Company	**(48.4)**	88.8	185.2
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation, net of foreign exchange	**(9.1)**	(2.3)	5.4
Tax on items above	**1.5**	0.4	(1.4)
	(7.6)	(1.9)	4.0
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net loss on effective portion of changes in fair value of forward exchange contracts on cash flow hedges	**(0.3)**	(2.2)	(2.4)
Foreign exchange movements on translation of overseas operations	**3.6**	7.2	27.9
Share of joint venture other comprehensive income	**0.4**	-	-
Currency translation differences transferred to profit on disposal of business	**-**	(5.1)	(5.1)
Tax on items above	**0.1**	0.3	0.5
	3.8	0.2	20.9
Total other comprehensive (loss)/income	**(3.8)**	(1.7)	24.9
Total comprehensive (loss)/income for the period attributable to owners of the Company	**(52.2)**	87.1	210.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2019

	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 2019	6.0	231.4	828.7	167.1	(3.9)	3.1	0.5	1,232.9
Adoption of IFRS 16	-	-	(3.7)	-	-	-	-	(3.7)
At 1 January 2019 (restated)	6.0	231.4	825.0	167.1	(3.9)	3.1	0.5	1,229.2
Loss for the period	-	-	(48.4)	-	-	-	-	(48.4)
Other comprehensive (loss)/income	-	-	(7.6)	4.0	(0.2)	-	-	(3.8)
Total comprehensive (loss)/income for the period	-	-	(56.0)	4.0	(0.2)	-	-	(52.2)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(46.9)	-	-	-	-	(46.9)
Share-based payments, net of tax	-	-	3.1	-	-	-	-	3.1
Proceeds from exercise of equity-settled options	-	-	0.6	-	-	-	-	0.6
At 30 June 2019	6.0	231.4	725.8	171.1	(4.1)	3.1	0.5	1,133.8

For the six months ended 30 June 2018

	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 2018	6.2	231.4	820.8	144.3	(2.0)	3.1	0.3	1,204.1
Adoption of IFRS 9 and IFRS 15	-	-	(19.8)	-	-	-	-	(19.8)
At 1 January 2018 (restated)	6.2	231.4	801.0	144.3	(2.0)	3.1	0.3	1,184.3
Profit for the period	-	-	88.8	-	-	-	-	88.8
Other comprehensive income	-	-	(1.9)	2.1	(1.9)	-	-	(1.7)
Total comprehensive income for the period	-	-	86.9	2.1	(1.9)	-	-	87.1
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(44.5)	-	-	-	-	(44.5)
Own shares acquired for share buyback programme	-	-	(100.0)	-	-	-	-	(100.0)
Share-based payments, net of tax	-	-	4.8	-	-	-	-	4.8
Proceeds from exercise of equity-settled options	-	-	0.1	-	-	-	-	0.1
At 30 June 2018	6.2	231.4	748.3	146.4	(3.9)	3.1	0.3	1,131.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) CONTINUED

For the year ended 31 December 2018

	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 2018	6.2	231.4	820.8	144.3	(2.0)	3.1	0.3	1,204.1
Adoption of IFRS 9 and IFRS 15	-	-	(18.6)	-	-	-	-	(18.6)
At 1 January 2018 (restated)	6.2	231.4	802.2	144.3	(2.0)	3.1	0.3	1,185.5
Profit for the year	-	-	185.2	-	-	-	-	185.2
Other comprehensive income	-	-	4.0	22.8	(1.9)	-	-	24.9
Total comprehensive income for the year	-	-	189.2	22.8	(1.9)	-	-	210.1
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(68.2)	-	-	-	-	(68.2)
Own shares acquired for share buyback programme	(0.2)	-	(100.5)	-	-	-	0.2	(100.5)
Share-based payments, net of tax	-	-	5.1	-	-	-	-	5.1
Proceeds from exercise of equity-settled options	-	-	0.9	-	-	-	-	0.9
At 31 December 2018	6.0	231.4	828.7	167.1	(3.9)	3.1	0.5	1,232.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	Note	2019 Half year £m	2018 Half year £m	2018 Full year £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill	8	**736.6**	742.1	766.3
Other intangible assets	8	**206.0**	258.5	263.3
	8	**942.6**	1,000.6	1,029.6
Property, plant and equipment		**398.0**	308.5	331.5
Investment in joint venture		**2.6**	6.0	5.0
Other receivable – joint venture		**40.6**	38.4	38.9
Deferred tax assets		**11.3**	10.5	11.3
		1,395.1	1,364.0	1,416.3
Current assets				
Inventories		**240.0**	212.8	216.4
Current tax assets		**4.4**	3.5	1.6
Trade and other receivables		**347.1**	311.9	381.5
Derivative financial instruments		**-**	-	0.4
Cash and cash equivalents		**70.4**	58.0	73.1
Assets held for sale		**-**	-	3.9
		661.9	586.2	676.9
Total assets		**2,057.0**	1,950.2	2,093.2
LIABILITIES				
Current liabilities				
Borrowings		**(27.3)**	(30.0)	(23.7)
Derivative financial instruments		**(2.4)**	(2.0)	(2.2)
Trade and other payables		**(353.8)**	(395.9)	(344.1)
Current tax liabilities		**(15.8)**	(19.3)	(22.5)
Provisions		**(28.4)**	(26.9)	(31.6)
		(427.7)	(474.1)	(424.1)
Net current assets		**234.2**	112.1	252.8
Non-current liabilities				
Borrowings		**(355.7)**	(259.5)	(346.5)
Other payables		**(73.4)**	(27.1)	(27.4)
Provisions		**(7.5)**	-	-
Retirement benefit obligations		**(41.7)**	(36.8)	(32.1)
Deferred tax liabilities		**(17.2)**	(20.9)	(30.2)
		(495.5)	(344.3)	(436.2)
Total liabilities		**(923.2)**	(818.4)	(860.3)
Net assets		**1,133.8**	1,131.8	1,232.9
EQUITY				
Share capital		**6.0**	6.2	6.0
Share premium		**231.4**	231.4	231.4
Retained earnings		**725.8**	748.3	828.7
Translation reserve		**171.1**	146.4	167.1
Hedging reserve		**(4.1)**	(3.9)	(3.9)
Merger reserve		**3.1**	3.1	3.1
Capital redemption reserve		**0.5**	0.3	0.5
Total equity attributable to owners of the Company		**1,133.8**	1,131.8	1,232.9

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2019

	Note	2019 Half year £m	2018 Half year £m	2018 Full year £m
Cash generated from operations	9	**97.1**	82.9	215.8
Net income taxes paid		**(17.8)**	(19.9)	(37.7)
Net cash inflow from operating activities		**79.3**	63.0	178.1
Cash flows used in investing activities				
Purchase of property, plant and equipment and intangible assets		**(43.1)**	(42.6)	(97.0)
Proceeds from disposal of property, plant and equipment and software		**10.5**	3.7	5.6
Acquisition of businesses, net of cash acquired	11	**(5.7)**	(173.3)	(196.4)
(Payments)/proceeds on disposal of businesses, net of tax paid of £0.1m (2018: £0.6m)		**(0.4)**	43.7	43.8
Loan to joint venture		**-**	(2.3)	(0.9)
Proceeds from government grants		**3.8**	2.6	2.9
Interest received		**0.1**	0.3	0.6
Net cash flows used in investing activities		**(34.8)**	(167.9)	(241.4)
Cash flows used in financing activities				
Interest paid on borrowings		**(3.0)**	(2.7)	(9.4)
Interest paid on lease liabilities		**(1.4)**	-	-
Dividends paid	6	**(46.9)**	(44.5)	(68.2)
Share buyback purchase of shares		**-**	(25.3)	(100.5)
Proceeds from exercise of equity-settled options		**0.6**	0.1	0.7
Payments on principal portion of lease liabilities		**(8.5)**	-	-
Proceeds from borrowings		**72.7**	90.1	175.5
Repayment of borrowings		**(64.3)**	-	-
Net cash flows used in financing activities		**(50.8)**	17.7	(1.9)
Net decrease in cash and cash equivalents		**(6.3)**	(87.2)	(65.2)
Cash and cash equivalents at beginning of period		**67.3**	136.7	136.7
Effect of foreign exchange rate changes		**-**	(4.0)	(4.2)
Cash and cash equivalents at end of period		**61.0**	45.5	67.3

Reconciliation of changes in cash and cash equivalents to movements in net debt	Note	2019 Half year £m	2018 Half year £m	2018 Full year £m
Net decrease in cash and cash equivalents		**(6.3)**	(87.2)	(65.2)
Proceeds from borrowings		**(72.7)**	(90.1)	(175.5)
Repayment of borrowings		**64.3**	-	-
Effect of foreign exchange rate changes		**(0.8)**	(3.7)	(5.9)
Movement in net debt		**(15.5)**	(181.0)	(246.6)
Net debt at beginning of period		**(297.1)**	(50.5)	(50.5)
Net debt at end of period	2	**(312.6)**	(231.5)	(297.1)

NOTES TO THE ACCOUNTS

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 2019 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. The Consolidated Financial Statements of the Group for the year ended 31 December 2018 are available upon request from the Company's registered office at Heritage House, Church Road, Egham, Surrey TW20 9QD, 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 European Union. 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 2018.

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019 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 2018 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 2018.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 30 July 2019.

b) Going concern

Having made enquiries and reviewed the Group's plans and available resources, 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.

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.

d) Principal accounting policies

The accounting policies applied by the Group in these Condensed Interim Financial Statements are the same as those applied by the Group in the Consolidated Financial Statements of the Group for the year ended 31 December 2018, except for the adoption of IFRS 16 'Leases' which became effective for the Group on 1 January 2019.

IFRS 16 'Leases'

IFRS 16 provides a single model for lessees which recognises a right-of-use asset and lease liability for all leases, with exceptions available for short-term and low-value leases. The impact of IFRS 16 is to recognise a lease liability and corresponding asset in the Statement of Financial Position for leases previously classified as operating leases. The most significant impact has been that the Group's land, building and car leases are now recognised on the Statement of Financial Position. Previously rentals payable under operating leases were not recognised on the Statement of Financial Position and were charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease. The Group has adopted IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application on 1 January 2019 with no restatement of comparative information. Right-of-use assets for all leases have been measured on transition as if IFRS 16 had always been applied.

The key judgements in applying IFRS 16 for the Group are: the selection of discount rates and determining whether lease extension and termination options included in the contract are reasonably certain to be exercised.

d) Principal accounting policies (continued)
The Group has applied the exemptions available in IFRS 16 for excluding low-value assets and short-term leases from the requirements of the standard and right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 31 December 2018 instead of performing impairment reviews under IAS 36.

The impacts of the adoption of IFRS 16 at 1 January 2019 were: a decrease in retained earnings of £3.7m, an increase in property, plant and equipment of £63.7m, an increase trade and other payables of £68.5m (including lease liabilities of £70.8m), a decrease in provisions of £0.5m, a decrease in trade and other receivables of £0.4m and an increase in deferred tax assets of £1.0m. In H1 2019, the Group incurred a finance charge of £1.4m, reflecting the unwinding of discount on lease liabilities, with depreciation of £9.0m and impairment of £3.1m on right-of-use assets. These items effectively replace the operating lease rentals previously charged to profit before taxation under IAS 17 'Leases'. For the year ended 31 December 2018, operating lease rentals charged to profit before tax amounted to £20.1m. The lease liabilities recognised at 1 January 2019 are £8.2m less than the total operating lease commitments of £79.0m disclosed in the Annual Report and Accounts for 2018, which were prepared under IAS 17. The difference is due to the impact of discounting on lease liabilities introduced under IFRS 16 and the exclusion of low-value assets and short-term leases from IFRS 16. The right-of-use assets are shown within property, plant and equipment and the lease liabilities are presented within trade and other payables in the Condensed Consolidated Statement of Financial Position.

New Accounting Policy under IFRS 16
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in substance fixed payments), less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or a lease contract is modified, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2. 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 better 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 as:

- restructuring costs;
- amortisation and impairment of acquisition-related goodwill and other intangible assets;
- depreciation of acquisition-related fair value adjustments to property, plant and equipment;
- transaction-related costs, deferred and contingent consideration fair value adjustments;
- profits or losses on termination or disposal of businesses;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- 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 5).

During the period, a profit on disposal of property of £5.2m in the Industrial Controls segment has been treated as an adjusting item since it is significant in quantum and would distort the underlying trading performance if included.

LFL measures

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

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

Within the In-line Instrumentation segment, the BTG business has large functional currency mismatches against its underlying transaction currencies which distort LFL comparison at times of significant currency movements. Accordingly, the Group has modified the basis on which BTG's LFL results are translated into Sterling by using the actual underlying transaction currency mix for determining transactional gains/losses to provide more accurate and reliable information on BTG's underlying performance.

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. The EMS B&K business was disposed of on 31 May 2018 and the segmental LFL adjusted sales and adjusted operating profit for 2018 exclude the trading results of EMS for the first five months of 2018.

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.

2. Alternative performance measures (continued)

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

Income statement measures

a) LFL and adjusted sales by segment

2019 Half year - sales by segment	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2019 Half year Total £m**
Sales	**254.6**	**238.2**	**156.1**	**110.2**	**759.1**
Constant exchange rate adjustment	**(3.8)**	**(2.8)**	**(3.7)**	**(5.4)**	**(15.7)**
Acquisitions	**(3.8)**	**(12.1)**	**-**	**-**	**(15.9)**
LFL adjusted sales	**247.0**	**223.3**	**152.4**	**104.8**	**727.5**

2018 Half year - sales by segment	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2018 Half year Total £m
Sales	233.9	239.8	141.8	112.5	728.0
Disposal of businesses	-	(8.8)	-	-	(8.8)
LFL adjusted sales	233.9	231.0	141.8	112.5	719.2

b) Adjusted operating profit, operating margin and adjusted EBITDA

2019 Half year - adjusted operating profit	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2019 Half year Total £m**
Statutory operating (loss)/profit	**(54.7)**	**(12.4)**	**6.5**	**14.5**	**(46.1)**
Restructuring costs	**10.6**	**9.0**	**7.0**	**2.5**	**29.1**
Net transaction-related costs and fair value adjustments	**(0.3)**	**2.7**	**3.3**	**0.6**	**6.3**
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.1**	**0.3**	**-**	**-**	**0.4**
Profit on disposal of property	**-**	**-**	**-**	**(5.2)**	**(5.2)**
Impairment of goodwill	**35.1**	**-**	**-**	**-**	**35.1**
Amortisation and impairment of acquisition-related intangible assets	**38.9**	**18.0**	**1.6**	**5.4**	**63.9**
Adjusted operating profit	**29.7**	**17.6**	**18.4**	**17.8**	**83.5**
Constant exchange rate adjustment	**(0.6)**	**-**	**(0.9)**	**(1.0)**	**(2.5)**
Acquisitions	**0.5**	**(0.6)**	**-**	**-**	**(0.1)**
LFL adjusted operating profit	**29.6**	**17.0**	**17.5**	**16.8**	**80.9**

2. Alternative performance measures (continued)

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

2018 Half year - adjusted operating profit	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2018 Half year Total £m
Statutory operating profit	19.6	7.8	5.3	12.8	45.5
Restructuring costs	1.7	1.8	1.3	1.9	6.7
Net transaction-related costs and fair value adjustments	0.5	1.7	3.5	0.1	5.8
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.1	0.3	-	-	0.4
Amortisation of acquisition-related intangible assets	6.8	5.6	1.1	5.3	18.8
Adjusted operating profit	28.7	17.2	11.2	20.1	77.2
Disposal of businesses	-	0.4	-	-	0.4
LFL adjusted operating profit	28.7	17.6	11.2	20.1	77.6

2018 Full year - adjusted operating profit	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2018 Full year Total £m
Statutory operating profit	72.1	42.8	32.2	29.3	176.4
Restructuring costs	4.4	5.2	3.0	3.0	15.6
Net transaction-related costs and fair value adjustments	1.4	6.4	4.2	0.2	12.2
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.6	-	-	0.8
Amortisation and impairment of acquisition-related intangible assets	17.3	12.2	3.2	10.6	43.3
Adjusted operating profit	95.4	67.2	42.6	43.1	248.3

2019 Half year - operating margin	**Materials Analysis** %	**Test and Measurement** %	**In-line Instrumentation** %	**Industrial Controls** %	**2019 Half year Total** %
Statutory operating margin	**(21.5)**	**(5.2)**	**4.2**	**13.2**	**(6.1)**
Adjusted operating margin	**11.7**	**7.4**	**11.8**	**16.2**	**11.0**
LFL adjusted operating margin	**12.0**	**7.6**	**11.5**	**16.0**	**11.1**

2018 Half year - operating margin	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2018 Half year Total %
Statutory operating margin	8.4	3.3	3.7	11.4	6.3
Adjusted operating margin	12.2	7.2	7.9	17.9	10.6
LFL adjusted operating margin	12.2	7.6	7.9	17.9	10.8

2018 Full year - operating margin	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2018 Full year Total %
Statutory operating margin	13.3	8.2	10.3	12.8	11.0
Adjusted operating margin	17.6	12.9	13.6	18.9	15.5

2. Alternative performance measures (continued)

b) LFL and adjusted operating profit by segment and EBITDA (continued)

Restructuring costs	2019 Half year £m	2018 Half year £m	2018 Full year £m
Profit improvement programme	29.1	-	4.8
Project Uplift costs	-	6.7	10.8
Restructuring costs	29.1	6.7	15.6

Adjusted EBITDA	2019 Half year £m	2018 Half year £m	2018 Full year £m
Statutory operating (loss)/profit	(46.1)	45.5	176.4
Depreciation and impairment of owned assets	18.3	14.1	30.3
Depreciation and impairment of right-of-use assets	12.1	-	-
Amortisation and impairment of intangible assets	70.0	21.4	49.1
Impairment of goodwill	35.1	-	-
EBITDA	89.4	81.0	255.8
Restructuring costs excluding impairment of owned, right-of-use and intangible assets	21.0	6.7	15.6
Profit on disposal of property classified as an adjusting item	(5.2)	-	-
Net transaction-related costs and fair value adjustments	6.3	5.8	12.2
Adjusted EBITDA	111.5	93.5	283.6

EBITDA is calculated as statutory operating profit before depreciation and amortisation and impairment of property, plant and equipment, intangible assets and goodwill. Adjusted EBITDA is calculated as EBITDA excluding other adjusting items as defined previously.

c) Adjusted net finance costs

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Statutory net finance costs	(1.2)	(5.9)	(13.5)
Net (gain)/loss on retranslation of short-term inter-company loan balances	(2.6)	2.5	7.2
Unwinding of discount factor on deferred and contingent consideration	0.3	0.3	0.6
Adjusted net finance costs	(3.5)	(3.1)	(5.7)

d) Adjusted profit before taxation

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Adjusted operating profit	83.5	77.2	248.3
Share of post-tax results of joint venture	(2.8)	-	(1.2)
Adjusted net finance costs	(3.5)	(3.1)	(5.7)
Adjusted profit before taxation	77.2	74.1	241.4

2. Alternative performance measures (continued)

e) Adjusted earnings per share

Adjusted earnings	2019 Half year £m	2018 Half year £m	2018 Full year £m
Statutory (loss)/profit after tax	**(48.4)**	88.8	185.2
Adjusted for:			
Restructuring costs	**29.1**	6.7	15.6
Net transaction-related costs and fair value adjustments	**6.3**	5.8	12.2
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.4**	0.4	0.8
Profit on disposal of property classified as an adjusting item	**(5.2)**	-	-
Impairment of goodwill	**35.1**	-	-
Amortisation and impairment of acquisition-related intangible assets	**63.9**	18.8	43.3
Profit on disposal of businesses	**-**	(57.0)	(56.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(2.6)**	2.5	7.2
Unwinding of discount factor on deferred and contingent consideration	**0.3**	0.3	0.6
Tax effect of the above and other non-recurring items	**(18.3)**	(6.3)	(14.8)
Adjusted earnings	**60.6**	60.0	193.8

Adjusted earnings per share	2019 Half year	2018 Half year	2018 Full year
Weighted average number of shares outstanding (millions)	**115.7**	119.0	117.5
Adjusted earnings per share (pence)	**52.4**	50.4	164.9

Basic earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in Note 7.

Financial position and cash flow measures

f) Net debt

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Bank overdrafts	**9.4**	12.5	5.8
Bank loans unsecured	**373.6**	277.0	364.4
Total borrowings	**383.0**	289.5	370.2
Cash and cash equivalents	**(70.4)**	(58.0)	(73.1)
Net debt	**312.6**	231.5	297.1

Net debt excludes lease liabilities arising under IFRS 16 as this aligns with the Group's bank covenants.

g) Adjusted operating cash flow

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Net cash inflow from operating activities	**79.3**	63.0	178.1
Transaction-related costs paid	**1.7**	1.7	10.8
Restructuring cash outflow	**13.0**	5.3	8.6
Net income taxes paid	**17.8**	19.9	37.7
Purchase of property, plant and equipment and intangible assets	**(43.1)**	(42.6)	(97.0)
Proceeds from government grants	**3.8**	2.6	2.9
Proceeds from disposal of property, plant and equipment and software[2]	**1.4**	3.7	5.6
Adjusted operating cash flow	**73.9**	53.6	146.7
Adjusted operating cash flow conversion[1]	**89%**	69%	59%

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

2 Excludes the proceeds from disposal of property of £9.1m in H1 2019 classified as an adjusting item.

2. Alternative performance measures (continued)

g) Adjusted operating cash flow (continued)

The net cash inflow from operating activities in H1 2019 excludes cash outflows of £9.9m arising from lease payments as a result of the implementation of IFRS 16 from 1 January 2019 which requires these cash flows to be treated as a financing cash flow. Prior to 1 January 2019, these cash flows were included in the net cash inflow from operating activities.

h) Return on gross capital employed (ROGCE)

The return on gross capital employed is calculated as adjusted operating profit 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 debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	30 June 2019 £m	30 June 2018 £m	30 June 2017 £m
Net debt	**312.6**	231.5	155.5
Accumulated impairment losses on goodwill	**185.4**	146.3	147.4
Accumulated amortisation and impairment of acquisition-related intangible assets	**371.0**	276.1	253.9
Shareholders' equity	**1,133.8**	1,131.8	1,047.7
Gross capital employed	**2,002.8**	1,785.7	1,604.5
Average gross capital employed (current period and prior period)	**1,894.2**	1,695.1	
Adjusted operating profit for six months to June 2019 and 2018	**83.5**	77.2	
Adjusted operating profit for six months to December 2018 and 2017	**171.1**	163.5	
Total adjusted operating profit for last 12 months	**254.6**	240.7	
Return on gross capital employed	**13.4%**	14.2%	

i) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise costs of £3.8m (Half year 2018: £5.8m; Full year 2018: £7.4m) that have been recognised in the 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 £2.5m (Half year 2018: nil; Full year 2018: charge of £4.8m). 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 costs paid of £1.7m (Half year 2018: £1.7m; Full year 2018: £10.8m) have been excluded from the adjusted operating cash flow.

3. Operating segments

The Group has four reportable segments, which are the Group's strategic business units. These units offer different applications, assist companies at various stages of the production cycle and are focused on specific industries. These segments reflect the 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 segment results include an allocation of head office expenses.

Information about reportable segments	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2019 Half year Total £m**
Segment revenues	**254.6**	**238.9**	**156.2**	**110.3**	**760.0**
Inter-segment revenue	**-**	**(0.7)**	**(0.1)**	**(0.1)**	**(0.9)**
External revenue	**254.6**	**238.2**	**156.1**	**110.2**	**759.1**
Operating (loss)/profit	**(54.7)**	**(12.4)**	**6.5**	**14.5**	**(46.1)**
Share of post-tax results of joint venture[1]					**(2.8)**
Financial income[1]					**4.4**
Finance costs[1]					**(5.6)**
Loss before tax[1]					**(50.1)**
Taxation credit[1]					**1.7**
Loss after tax[1]					**(48.4)**

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2018 Half year Total £m
Segment revenues	234.3	240.0	141.8	112.6	728.7
Inter-segment revenue	(0.4)	(0.2)	-	(0.1)	(0.7)
External revenue	233.9	239.8	141.8	112.5	728.0
Operating profit	19.6	7.8	5.3	12.8	45.5
Profit on disposal of businesses[1]					57.0
Financial income[1]					0.3
Finance costs[1]					(6.2)
Profit before tax[1]					96.6
Taxation charge[1]					(7.8)
Profit after tax[1]					88.8

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2018 Full year Total £m
Segment revenues	541.4	524.2	312.4	228.4	1,606.4
Inter-segment revenue	(0.3)	(1.6)	(0.2)	(0.1)	(2.2)
External revenue	541.1	522.6	312.2	228.3	1,604.2
Operating profit	72.1	42.8	32.2	29.3	176.4
Share of post-tax results of joint venture[1]					(1.2)
Profit on disposal of businesses[1]					56.3
Financial income[1]					2.5
Finance costs[1]					(16.0)
Profit before tax[1]					218.0
Taxation charge[1]					(32.8)
Profit after tax[1]					185.2

1 Not allocated to reportable segments

3. Operating segments (continued)

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. Individual country revenues which amount to more than 3% of total revenue by location of customer are shown below in the analysis of revenue by geographical destination.

	2019 Half year £m	2018 Half year £m	2018 Full year £m
UK	**61.8**	63.3	133.2
Germany	**67.7**	69.2	151.4
France	**25.1**	23.0	51.2
Rest of Europe	**101.2**	100.4	211.9
USA	**218.2**	206.7	447.7
Rest of North America	**24.0**	24.8	52.4
Japan	**41.2**	36.3	82.4
China	**96.4**	97.5	221.5
South Korea	**27.1**	20.6	51.2
Rest of Asia	**61.2**	54.8	127.3
Rest of the world	**35.2**	31.4	74.0
	759.1	728.0	1,604.2

4. Financial income and finance costs

Financial income	2019 Half year £m	2018 Half year £m	2018 Full year £m
Interest receivable	**(0.1)**	(0.3)	(0.5)
Income on receivable from joint venture	**(1.7)**	-	(2.0)
Net gain on retranslation of short-term inter-company loan balances	**(2.6)**	-	-
	(4.4)	(0.3)	(2.5)

Finance costs	2019 Half year £m	2018 Half year £m	2018 Full year £m
Interest payable on loans and overdrafts	**3.5**	3.1	7.3
Net loss on retranslation of short-term inter-company loan balances	**-**	2.5	7.2
Unwinding of discount factor on lease liabilities	**1.4**	-	-
Unwinding of discount factor on deferred and contingent consideration	**0.3**	0.3	0.6
Net interest cost on pension plan obligations	**0.3**	0.3	0.6
Other finance costs	**0.1**	-	0.3
	5.6	6.2	16.0
Net finance costs	**1.2**	5.9	13.5

5. Taxation

The tax charge for the six months to 30 June 2019 is based on an estimate of the effective rate of taxation for the full year. The effective rate of taxation applied to adjusted profit before tax for the half year is 21.5% (Half year 2018: 19.0%; year ended 31 December 2018: 19.7%). A reconciliation of the tax charge on adjusted profit before tax to the total tax charge is presented below.

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Tax charge on adjusted profit before tax	**16.6**	14.1	47.6
Tax charge on profit on disposal of business	**-**	0.4	0.4
Tax credit on net transaction-related costs and fair value adjustments	**(0.2)**	(0.3)	(0.6)
Tax charge on profit on disposal of property	**1.3**	-	-
Tax credit on amortisation and impairment of acquisition-related intangible assets[1]	**(12.8)**	(4.7)	(9.6)
Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment	**(0.1)**	(0.1)	(0.1)
Tax credit arising from net impact of US tax reform measures	**-**	-	(0.9)
Tax credit on retranslation of short-term inter-company loan balances	**-**	(0.1)	(0.5)
Tax credit on restructuring costs	**(6.5)**	(1.5)	(3.5)
Total tax (credit)/charge	**(1.7)**	7.8	32.8

1 Includes £5.5m relating to the impairment of CLS intangible assets.

In April 2019, the EU Commission published its final decision in connection with the State Aid investigation into an exemption which was introduced within the UK's Controlled Foreign Company (CFC) regime in 2013. The Commission concluded that some, but not all, aspects of the exemption (as it applied for the years 2013 to 2018) constituted State Aid and that they would therefore require the UK to assess and recover the amount of State Aid that each affected taxpayer had received over those years. As previously disclosed, the Group has benefited from this exemption and at 30 June 2019 has a maximum exposure of £19.0m in respect of tax and £0.9m in respect of interest. Both the Group and the UK government have appealed in the EU Courts against the Commission's decision.

There is currently significant uncertainty surrounding HMRC's likely approach to the assessment and recovery of amounts which they consider to be due. In view of this uncertainty, no provision has been made in the Group accounts since we do not consider it possible at this stage to determine the realistic probable outcome for the Group.

6. Dividends

The interim 2019 dividend of 21.9p per share (2018 interim dividend: 20.5p) will be payable on 8 November 2019 to ordinary shareholders on the register at the close of business on 11 October 2019. The ex-dividend date is 10 October 2019.

The estimated interim dividend to be paid is £25.4m and has not been recognised in these accounts.

Amounts recognised and paid as distributions to owners of the Company in the period	2019 Half year £m	2018 Half year £m	2018 Full year £m
Prior year final dividend paid	**46.9**	44.5	44.5
Current year interim dividend	**-**	-	23.7
	46.9	44.5	68.2

7. Earnings per share

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

Diluted earnings 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 year but adjusted for the effects of dilutive options.

Basic (loss)/earnings per share	**2019 Half year**	2018 Half year	2018 Full year
(Loss)/profit after tax (£m)	**(48.4)**	88.8	185.2
Weighted average number of shares outstanding (millions)	**115.7**	119.0	117.5
Basic (loss)/earnings per share (pence)	**(41.8)**	74.6	157.6

Diluted (loss)/earnings per share	**2019 Half year**	2018 Half year	2018 Full year
(Loss)/profit after tax (£m)	**(48.4)**	88.8	185.2
Basic weighted average number of shares outstanding (millions)	**115.7**	119.0	117.5
Weighted average number of dilutive 5p ordinary shares under option (millions)	**n/a**	1.5	0.6
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**n/a**	(0.8)	(0.1)
Diluted weighted average number of shares outstanding (millions)	**115.7**	119.7	118.0
Diluted (loss)/earnings per share (pence)	**(41.8)**	74.2	156.9

8. Goodwill and other intangible assets

Cost	Goodwill £m	Other intangible assets £m	Total £m
At 1 January 2019	915.1	619.7	1,534.8
Additions	2.4	11.7	14.1
Disposals	-	(0.5)	(0.5)
Foreign exchange difference	4.5	3.8	8.3
At 30 June 2019	922.0	634.7	1,556.7
Accumulated amortisation and impairment			
At 1 January 2019	148.8	356.4	505.2
Charge for the period	-	24.2	24.2
Impairment	35.1	45.8	80.9
Disposals	-	(0.5)	(0.5)
Foreign exchange difference	1.5	2.8	4.3
At 30 June 2019	185.4	428.7	614.1
Carrying amount			
At 30 June 2019	736.6	206.0	942.6
At 1 January 2019	766.3	263.3	1,029.6

Impairment of goodwill

Results at Concept Life Sciences ('CLS'), which was acquired in January 2018, were below expectations during the initial period of ownership to 31 December 2018. Performance was impacted by a reduction in project work from two major customers, delays in gaining accreditations and sub-optimal performance at the Environmental laboratories. This was partly attributable to internal issues reflecting the state of the business on acquisition by the Group, which was in the process of integrating previous acquisitions into two divisions, as well as distraction and disruption caused by the acquisition. In February 2019, management considered that remedial action was having a positive impact, progress was being made and that the end markets for CLS were still strong as customers look to outsource analytical services and pharmaceutical development.

During the six months ended 30 June 2019, performance has not improved as anticipated, with sales declining by 9% on a LFL basis and resulting gross margin lower than 2018. This under-performance is attributable to the exit of its major customer in the pharmaceutical development/integrated drug development services business as well as continued sub-optimal performance in the environmental analytical services division. The analytical services division, despite continued focus on on-time delivery, has been impacted by high staff attrition rates and a deterioration in customer relationships. New senior management for CLS were in place by June and a detailed strategic review of the CLS businesses was undertaken. In agreement with the Spectris Group Executive, it is proposed, subject to consultation and legal requirements, that the environmental analytical laboratories be closed. New management believe that in their current state, these laboratories will not be able to recapture share in this market. Management believe that the market for pharmaceutical development/integrated drug development services remains strong and attractive and existing activities here will be strengthened.

As a result of this, an impairment of CLS goodwill of £35.1m has been charged to the income statement in the period. This impairment reflects the loss of value from the acquired workforce particularly in the analytical service division, the loss of expected future customer relationships across both divisions and reduced synergies from cross-selling instruments and services. The estimated recoverable amount of the CLS cash generating unit is £105.3m which has been determined on a value in use basis using a pre-tax discount rate of 10.0% (31 December 2018: 13.4%).

Impairment of other intangible assets

Impairment of other intangible assets includes £32.4m relating to customer relationships and technology acquired as part of the CLS acquisition. The remaining £13.4m relates to intangible assets impaired as a result of restructuring activities undertaken following the strategic review.

9. Cash generated from operations

	2019 Half year £m	2018 Half year £m	2018 Full year £m
Cash flows from operating activities			
(Loss)/profit after tax	**(48.4)**	88.8	185.2
Adjustments for:			
Taxation (credit)/charge	**(1.7)**	7.8	32.8
Profit on disposal of businesses	**-**	(57.0)	(56.3)
Share of post-tax results of joint venture	**2.8**	-	1.2
Finance costs	**5.6**	6.2	16.0
Financial income	**(4.4)**	(0.3)	(2.5)
Depreciation and impairment of property, plant & equipment	**30.4**	14.1	30.3
Amortisation and impairment of intangible assets	**70.0**	21.4	49.1
Impairment of goodwill	**35.1**	-	-
Acquisition-related fair value adjustments	**2.2**	-	4.8
Profit on disposal of property, plant and equipment	**(5.2)**	(0.2)	(1.9)
Equity-settled share-based payment expense	**2.3**	4.6	5.1
Operating cash flow before changes in working capital and provisions	**88.7**	85.4	263.8
Decrease/(increase) in trade and other receivables	**33.6**	30.4	(30.4)
Increase in inventories	**(22.2)**	(16.9)	(17.4)
Decrease in trade and other payables	**(8.3)**	(12.8)	(3.6)
Increase/(decrease) in provisions and retirement benefits	**5.3**	(3.2)	3.4
Cash generated from operations	**97.1**	82.9	215.8

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

At 30 June 2019, the Group held 5,245,693 treasury shares (Half year 2018: 5,683,891; Full year 2018: 5,636,153). During the period, 390,460 (Half year 2018: 63,469; Full year 2018: 111,207) 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. No ordinary shares were repurchased and cancelled by the Group during the period (Half year 2018: 945,982 repurchased and 921,799 cancelled; Full year 2018: 3,825,802 repurchased and cancelled).

11. Acquisitions

The Group completed the acquisition of 100% of RightHook Inc. on 25 February 2019 for a gross consideration of £3.8m. RightHook Inc. is an engineering software provider based in the USA. The provisional fair value of net assets acquired was £1.4m, including £1.8m of intangible assets and £0.4m of deferred tax liabilities, which generated provisional goodwill of £2.4m. The acquisition is included in the Test and Measurement segment.

Analysis of cash outflow in Condensed Consolidated Statement of Cash Flows	2019 Half year £m	2018 Half year £m	2018 Full year £m
Net consideration in respect of acquisitions during the year	**3.8**	173.8	195.7
Deferred and contingent consideration on acquisitions during the year to be paid in future years	**-**	(2.0)	(6.0)
Cash paid during the year in respect of acquisitions during the year	**3.8**	171.8	189.7
Cash paid in respect of prior years' acquisitions	**1.9**	1.5	6.7
Net cash outflow relating to acquisitions	**5.7**	173.3	196.4

12. EMS B&K joint venture

The Group has a long-term receivable from EMS B&K which arose on the formation of the joint venture. The recoverable amount is based on the future value which is expected to be achieved upon an ultimate exit of the joint venture. This estimate is derived from operating company cash flow forecasts, future growth rates and multiples achieved from the sale of similar entities in the same sector. The joint venture is delivering a nascent business plan and as such, future events could change the assumptions used to determine the recoverable amount. The current carrying value of the receivable is £40.6 million.

In H1 2018, the disposal of EMS B&K into the joint venture resulted in a profit on disposal of business of £57.0m.

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.