Press Release

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2021 half year results

29 July 2021 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, announces half year results for the six months ended 30 June 2021.

- Fully adapted to the new operating environment and well positioned as markets recover
- Delivering our Strategy for Profitable Growth:
  - Portfolio optimisation programme well progressed - divestments of B&K Vibro, ESG and Millbrook completed in H1 – strengthening the quality of the Group
  - Less complex, more focused, asset-light business, aligned to key end markets with attractive growth profiles
  - Reduced cost base, with stronger operating leverage opportunity and balance sheet optionality
  - Acquisition of Concurrent Real-Time strengthens HBK's simulation offering
- Delivered strong financial performance:
  - 14% like-for-like ('LFL') sales growth, reflecting market recovery and new product launches, only 2% lower than in 2019; statutory reported sales +0.5%
  - Orders 16% higher on a LFL basis, providing momentum into the second half
  - Strong operating leverage - adjusted operating margin of 12.8%, up from 11.0% in 2019; statutory operating margin 10.1%
  - Strong adjusted cash flow conversion of 122% and divestment proceeds result in net cash position of £272.8 million
  - Dividend per share increase of 5%
- Expect full-year LFL sales growth in the range of 10-12%
- Placing sustainability at the core of our strategy and embedding a sustainable approach in our operations:
  - Ambitious Net Zero targets set – Scope 1 and 2 emissions by 2030, and Scope 3 by 2040
  - Developing products and services that accelerate our customers' journey to net zero

	H1 2021	H1 2020	Change	Like-for-like change vs 2020[1]	Like-for-like change vs 2019[1]
Adjusted[1]					
Sales (£m)	**601.8**	599.0	0.5%	13.7%	(2.3%)
Operating profit (£m)	**76.8**	44.1	74.2%	74.2%	14.0%
Operating margin (%)	**12.8%**	7.4%	540bps	450bps	190bps
Profit before tax (£m)	**73.7**	40.4	82.4%		
Earnings per share (pence)	**49.7p**	27.2p	183%		
Adjusted cash flow conversion (%)	**122%**	201%	(790bps)		
Return on gross capital employed (%)	**12.2%**	11.3%	90bps		
Statutory					
Sales (£m)	**601.8**	599.0	0.5%		
Operating profit/(loss) (£m)	**60.6**	(56.2)	n/a		
Operating margin (%)	**10.1%**	(9.4%)	1950bps		
Profit/(loss) before tax (£m)	**187.0**	(65.5)	n/a		
Cash generated from operations	**96.7**	99.9	(3.2%)		
Basic earnings/(loss) per share (pence)	**155.8p**	(57.3p)	n/a		
Dividend per share (pence)	**23.0p**	21.9p	5%		

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

Commenting on the results, Andrew Heath, Chief Executive, said: "Spectris is emerging from the pandemic a less complex, more focused, leaner and stronger business. I am very pleased with the progress on executing our Strategy for Profitable Growth. The actions and approach we have taken over the past two years have positioned us well to benefit from the faster than anticipated economic recovery that we are now experiencing. We expect the recovery to continue through the remainder of the year and we are also benefiting from our investment in innovation, enhancing our customer offering through our latest product and service launches. We anticipate LFL sales growth for the full year to be in the range of 10-12%.

Uncertainties clearly remain, with potential further COVID-19-related disruption, inflationary pressures and supply chain constraints. However, while our end markets are moving at varying paces, our continuing strong order intake provides good momentum going into the second half of the year, giving us confidence for the full year performance. Growth at the top end of the range will require some additional investment, although we will work to mitigate this where possible, as we continue to focus on enhancing our margin.

Our ambition is to be a leading sustainable business. Equipping our customers to make the world cleaner, healthier and more productive and helping accelerate their own journeys to Net Zero, will not only make a difference to our planet, but also underpin future growth. We also recognise the importance of improving the sustainability of our own operations, and I am delighted to announce the publication of our Net Zero ambition. We are committed to taking a leading role in minimising the emissions footprint of our own activity, and the activity across our value chain.

Through the great support of our people, we delivered a strong financial performance in the first half. All our businesses made great progress and we also completed the acquisition of Concurrent Real-Time in July. Our cash position provides us with notable balance sheet optionality for future acquisitions. With good momentum in our businesses and a very robust balance sheet position, we are well positioned to deliver long-term, sustainable financial progress."

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Conference call

A webcast and conference call for analysts and investors will be hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer, at 08.00 today to discuss this statement. To access the call, please dial +44 (0) 20 3936 2999/0800 640 6441 – Pin code: 613004. Or for replay, please dial +44 (0) 20 3936 3001 – Pin code: 986100#. Questions will also be taken via the webcast at www.spectris.com

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' global group of businesses are focused on delivering value beyond measure for all our stakeholders. We target global, attractive and sustainable markets, where growth and high returns are supported by long-term drivers. Precision is at the heart of what we do. We provide customers with expert insight through our advanced instruments and test equipment, augmented by the power of our software and services. This equips customers with the ability to reduce time to market, improve processes, quality and yield. In this way, Spectris know-how creates value for our wider society, as our customers design, develop, test and manufacture their products to make the world a cleaner, healthier and more productive place. Headquartered in Egham, Surrey, United Kingdom, the Company employs approximately 7,650 people located in more than 30 countries. For more information, visit www.spectris.com.

Chief Executive's review

Purpose-led

We are establishing Spectris as a purpose-led, growth business, delivering value beyond measure for all of its stakeholders. We are pleased with how the execution of our Strategy for Profitable Growth, alongside the balanced and socially responsible approach we have taken to managing our business, is delivering for us. With our portfolio optimisation programme well progressed, we are a less complex and more focused business, aligned to key end markets with attractive growth trajectories. We are now starting to move into the next phase of our Strategy for Profitable Growth, with an even greater focus on our purpose to harness the power of precision measurement to equip our customers to make the world cleaner, healthier and more productive.

Although many of the challenges of COVID-19 are still with us as a society, we have adapted well to our new operating environment. We continue to ensure we protect the health, safety and wellbeing of our employees and their families, the communities in which we operate, and to maintain high levels of service to our customers. Our operating companies have embraced new ways of working, as have our customers who continue to be supplied with the products, services and expertise they need.

The last two years have been characterised by restructuring, cost reduction, and investment for future growth, with less reliance on the macro-economy. With a much brighter macro environment, and many of our end markets recovering strongly, we are now benefiting from the higher quality of the retained businesses within our portfolio, our profit improvement programme and our lower cost base. Equally, we are seeing growth above the market because of our recent investments and concentration on higher growth segments.

A sustainable business

Our ambition is to be a leading sustainable business, ensuring we have strong relationships with our employees, customers, suppliers and communities, and in turn, delivering attractive returns for our shareholders. The new business environment that has emerged provides us with strong prospects. We play an important role in sectors that are transforming rapidly, such as pharmaceutical, energy, automotive, mining, which in turn offers significant opportunities for growth. Our new product development activities are well placed to address a number of the challenges our customers face, and we continue to focus on those end markets that have the biggest impact on performance, particularly those underpinned by sustainability trends.

Consequently, we are placing sustainability at the very core of our strategy. In recognition of this and our broader responsibility, we are embedding a sustainable approach in our operations. We are proud to be making our pledge today, to achieve Net Zero across our value chain, including all Scope 1, 2 and 3 emissions, covering everything from the electricity used in our manufacturing processes to goods and services purchased, as well as the efficiency of our products. Equally, we see a growing role in helping our customers accelerate their journeys to net zero. We have set ambitious targets that we are fully committed to achieving, to ensure we are dedicated to helping address the climate change agenda.

- We commit to reducing absolute Scope 1 and 2 emissions by 85% by 2030 from 2020 and achieving Net Zero by 2030; and
- We commit to reducing absolute Scope 3 emissions by 42% by 2030 from 2020 and achieving Net Zero by 2040.

Both targets are aligned with climate science and the Paris Agreement's goal to limit global warming to 1.5 degrees Celsius above pre-industrial levels.

We have submitted both targets to the Science Based Targets initiative for validation.

Well positioned

We have worked hard to ensure that the Company is well positioned for the recovery in 2021, and beyond. With the actions taken, the commitment of our people and the strengths of our culture and values, the business today is stronger, more resilient, and better positioned as markets recover and we align ourselves with the sustainability and net zero ambitions of our customers and other stakeholders.

Delivered strong financial performance in the first half

As a result, we have delivered like-for-like sales growth of 13.7% in the first half of the year and there was a 74% increase in adjusted operating profit to £76.8 million (H1 2020: £44.1 million). This resulted in an adjusted operating margin of 12.8% (H1 2020: 7.4%), reflecting the growth in sales, the cost actions and the higher margin mix of the portfolio following the divestments. Statutory reported sales growth was 0.5%, statutory operating profit was £60.6 million (H1 2020 statutory loss: £56.2 million) and statutory operating margin was 10.1% (H1 2020: (9.4%)). Our cash conversion remains strong and, in combination with the disposal proceeds, resulted in a net cash position at 30 June of £272.8 million. The strength of our balance sheet provides considerable optionality and I am pleased that we recently completed the acquisition of Concurrent Real-Time in July. Compounding growth through M&A remains a core part of our strategy.

Even more so, when comparing to 2019, although sales in the first half are 2.3% below 2019 on a LFL basis, the profitability has improved by 14.0% resulting in a 190bps improvement in the operating margin. It is clear that both the underlying quality of the retained businesses in the portfolio and the level of operational improvement achieved in the last two years, has materially improved the quality of the Group. We are making good progress on returning Spectris to beyond its previous margin highs, in excess of 18%, and through the deployment of our Spectris Business System, we strive to continuously improve every day.

As end markets continue their recovery and reflecting the strong financial position of the Group, the Board is proposing to pay an interim dividend of 23.0 pence per share, 5.0% growth year-on-year (2020 interim dividend of 21.9 pence). This is in line with our underlying policy of making progressive dividend payments based upon affordability and sustainability.

Sales growth being delivered

The first half saw a return to organic sales growth in all our businesses and good momentum in our order book, assisted by new product launches over the past 24 months, with like-for-like sales 14% higher year-on-year. All our platform and retained Industrial Solutions businesses posted organic growth in the first half of the year, with a strong performance in the second quarter, albeit against a very weak comparator in 2020. This reflected the economic recovery across many of our end markets, although there are some that are later cycle and yet to fully recover. It has also been driven by the introduction of new and enhanced products at many of our businesses, and we have seen some market share gains.

Sales by geography and business – LFL growth vs 2020

	Q1	Q2	H1		Q1	Q2	H1
North America	(2%)	20%	**8%**	Malvern Panalytical	20%	26%	**23%**
Europe	(1%)	21%	**9%**	HBK	(3%)	20%	**8%**
Asia	24%	25%	**25%**	Omega	1%	28%	**14%**
Rest of the World	(15%)	48%	**9%**	Industrial Solutions	2%	22%	**12%**
Total sales	5%	23%	**14%**		5%	23%	**14%**
Total orders	5%	28%	**16%**		5%	28%	**16%**

All our businesses are growing strongly, above GDP and the market, supported by the implementation of our strategic growth projects. Malvern Panalytical has seen a strong rebound in demand, particularly in pharmaceutical. HBK is later cycle but is seeing its end markets come back sequentially. Machine manufacturing has remained especially resilient, supported by a strong fit with HBK's product offering. Omega is making good progress as US industrial production recovers, and in Asia, and is benefiting from the revised strategic focus and management changes. Industrial Solutions has benefited particularly from growth in pharmaceutical and semiconductor market investment.

By end market, the pharmaceutical, semiconductor and machine manufacturing industries stood out as the strongest performers. Automotive, energy and utilities remain weaker than last year, albeit the rate of decline is easing, with growth posted in the second quarter. Academic research, which was notably impacted in 2020, by research institutes being closed due to COVID-19 restrictions, has seen a steady recovery.

As well as challenges, COVID-19 presents further prospects in many of our end markets. In direct response to the pandemic, our businesses have witnessed rising demand in areas such as:

- the pharmaceutical market, which has seen a material increase in vaccine development driving demand at Malvern Panalytical, PMS and Servomex;
- the requirement for remote monitoring and increased automation, with access curtailed, has led to a rise in demand for process control products from Omega and Red Lion.

In addition, the pandemic has accelerated our customers' sustainability and digitisation agendas, as they seek more resilient supply chains, decarbonisation and electrification. For example:

- an increased desire to de-risk the global supply chain by onshoring drug manufacturing is prompting investment in pharmaceutical facilities, which will support demand for both Malvern Panalytical and PMS technologies, services and expertise;
- a similar onshoring trend is being witnessed in the semiconductor space, supporting demand for products at PMS and Servomex which are utilised to ensure purity in the manufacturing process;
- an increased focus on the environment and sustainability:
    - in automotive, is leading to a proliferation of new technologies which HBK is well placed to support with its e-drive products and simulation technologies;
    - in industries such as mining, hydrocarbon and petrochemicals, it is underpinning demand for Servomex's gas analyser products to provide greater environmental monitoring and Malvern Panalytical's structural and elemental analysis technologies to improve yield and quality control;
- the demand for digital solutions is increasing, for example, in mining remote locations and lower ore grades is promoting companies towards digitalisation, automation and real time monitoring to stay competitive, supporting demand for Malvern Panalytical's fully automated analytical laboratory solutions.

COVID-19 has prompted the acceleration of these economic and societal trends, and in a more changeable and volatile world, the desire to keep costs under control via efficiency improvements is also driving demand for a variety of our productivity-enhancing products and solutions. Through our Strategy for Profitable Growth, we identified those markets which would be attractive given these themes and have positioned ourselves accordingly. In turn, the businesses themselves have been focusing their customer offerings to best address the challenges our customers face and the higher-growth sectors.

Our purpose is very much aligned with these trends, which is not only generating demand today, but will also underpin our future growth. We are focused on harnessing the power of precision measurement to equip our customers in helping make the world cleaner, healthier and more productive. As such, we are well placed to meet these customers' needs, sustainably driving our future growth and profitability.

Our strategic initiatives are driving growth

As well as benefiting from the economic recovery, the strategic initiatives being implemented by our businesses, and an even greater focus on our customers, and higher growth opportunities, is helping underpin the growth in sales. Through the course of 2020, we launched a range of new products and services, innovating and extending our offering to continue to meet customer requirements and provide the valuable insights they need to develop and manufacture their own products and services.

We have seen strong demand for these products. For example, orders for Malvern Panalytical's Zetasizer Advance have been nearly double those forecast; Servomex's Ultra Oxygen and Moisture range have helped them take market share and deliver order growth of 25% in that business segment; and orders for PMS' Minicapt Mobile and IsoAir products are both exceeding expectations and helping to underpin notable growth in their order pipeline.

To continue product development and innovation, we maintained our level of spend on R&D in 2020 and have increased investment this year. In the first half of 2021, we launched a number of further key products to help drive future growth:

- Malvern Panalytical introduced Smart Manager, a cloud based 'control room' that connects and monitors its X-ray fluorescence ('XRF') systems, providing customers with a clear picture of the real-time utilisation and health of their instruments. This digital, smart monitoring provides customers greater information and deeper insights, so they can get the most out of their equipment, and improve process and team productivity.

- HBK has continued to see strong interest for its simulator solutions and good momentum for its noise vibration and harshness ('NVH') products. Enhancements to these offerings continued in the first half of 2021 with the NVH Simulator 2021.0, the latest release of its NVH simulator software, incorporating many new features and capabilities to enable easier use and accessibility. HBK also released the latest version of its Tescia® Repetitive Testing system, its one-of-a-kind data acquisition software for repetitive testing and dynamic measurement of large complex machinery such as gas turbines, with signals from many transducers distributed around the test object, via the use of high channel-count data acquisition systems.
- Omega launched 94 new product lines during 2020. The new product strategy has now shifted to fewer, but higher impact, products. A key example of that for 2021 has been the launch of HANI – a high accuracy non-invasive temperature sensor which achieves the same accuracy and fast response times as invasive in-pipe temperature sensors, without the cost and risk.

Reception to these products from our customers has been very positive. Enhancing and innovating our products to ensure our customers get the insights and analysis and they need to meet their own challenges, helps underpin future growth and profitability for our shareholders.

Profit improvement programme and portfolio optimisation delivering improved operating leverage

Continuing to improve operating leverage remains a key focus, with the aim of returning our margin to at least previous highs. The return to sales growth in the first half has helped drive an improvement in the Group's operating margin, but it has also been driven by the cost control actions taken over the past few years, with a resulting 190bps LFL improvement in the operating margin since 2019.

Inflationary impacts have been prevalent in the wider economy during the first half, with well reported disruptions in global supply chains, as well as elevated logistics costs and higher raw material prices. We are not immune to these impacts; however, to date, they have been manageable, and not material. We expect these inflationary costs to be mostly offset by price increases and our continued focus on costs.

To mitigate against such external cost pressures as well as improve our own efficiency, we continue to invest in strengthening and deploying the Spectris Business System. Even with the remote working and social distancing that has continued into 2021, we have delivered virtual or socially distanced kaizens, training and process improvements. For example, the reorganisation of a production line at Malvern Panalytical lead to a 12% reduction in lead time and doubled throughput per person, and Omega's kaizen events in its manufacturing facility increased productivity by 10% and reduced scrap by 22%. We launched further SBS training across the senior leadership teams in each of the businesses in the first half to further strengthen execution. There is strong momentum in its adoption across all functions, with proven effects on productivity gains.

As well as the self-help initiatives, the portfolio optimisation activities have also improved the Group's operating leverage. In the first half of 2021, we completed the divestments of B&K Vibro, ESG and Millbrook. The disposals align with the Group's Strategy for Profitable Growth in that they reduce the complexity of the business, focusing the Group on fewer end markets where we see the best growth potential. In addition, with all three of the businesses earning a lower than Group average margin, operational leverage of the Group has been enhanced following their disposals. Further portfolio management of lower margin activities is planned in 2021, including the sale of the remaining business identified in the 2019 disposal programme.

Acquisitions to supplement growth and margin expansion

To further support our twin goals of growth and margin expansion, M&A remains a core part of the strategy and we were pleased to announce in April, the acquisition of Concurrent Real-Time ('Concurrent-RT'), which completed in July. We anticipate it to contribute sales of £15 million and adjusted operating profit of £3 million this year.

Concurrent-RT is a leading developer and supplier of real-time operating systems ('RTOS') for high performance simulation applications, especially for aerospace, defence and automotive customers. Concurrent-RT's RTOS hardware and software solutions are used for testing critical systems to ensure they work correctly, within real-time applications, and are already used by HBK to power its VI-grade simulators.

In HBK's technology-driven industries, there is a growing demand from customers for more realistic simulation to help bring higher quality products to market faster and at lower cost. The acquisition of Concurrent-RT combined with VI-grade's leading position in virtual testing strengthens HBK's current and future simulation offerings and is a further step in building a position of scale in the high growth, rapidly developing and exciting simulation market. The combination also positions HBK to meet a currently unmet market need by combining hardware-in-the-loop ('HiL') features with driver-in-the-loop systems – a turnkey solution customers are increasingly demanding and are unable to source today.

Virtual test and simulation is a strategic growth initiative of HBK, particularly in the automotive and aerospace and defence sectors. With an expansion in new technologies and platforms being developed in these sectors, plus increasing product complexity and regulation, there is an increasing demand for real-time simulation. Customers want to achieve product innovation in shorter time scales, at lower cost and risk, to bring products to market, ahead of their competitors. Providing innovative off-line and real-time simulation solutions is a key component in meeting these aims.

We continue to review and renew our opportunity pipeline to seek further suitable acquisition targets, that are synergistic to our businesses and align with our purpose and strategic goals. Our balance sheet gives us good optionality to do so. The M&A market remains buoyant, following the pick-up in activity in the second half of 2020. Delivering long-term, sustainable value creation for shareholders, in a capitally-disciplined manner, remains a priority.

Executing our sustainability strategy and Net Zero targets set
In October 2020, the Board approved a Group-wide sustainability strategy to ensure that we remain a sustainable employer, partner, supplier and investment proposition.

We have an important role in assisting the transformation of sectors that have to change quickly, such as pharmaceutical, energy and automotive, which offers significant opportunities for sustainable growth. We are targeting markets where our compelling and differentiated offerings equip customers to make the world heathier, cleaner and more productive, driving our long-term growth, resilience and profitability.

In setting out our sustainability strategy, we previously identified three areas of focus: our people, the environment and our operations, which form the basis of our sustainability strategy aligned to the UN Sustainable Development Goals. Adopting a common approach across the Group, in relation to these areas, will accelerate our progress and help to ensure that we continue to deliver value beyond measure for all our stakeholders.

As a key milestone in the development of our sustainability strategy, we are pleased to announce the publication of our Net Zero ambition. We are committed to taking a leading role in minimising the emissions footprint of our own activity, and the activity across our value chain. In doing so, we are aligning with the 1.5°C climate warming scenario, using 2020 as the baseline.

Today, we have pledged to achieve Net Zero emissions by 2030 across Scope 1 and 2 emissions. To support this pledge, we will be:

- Prioritising absolute emissions reduction, with 85% abatement of emissions and 15% neutralisation by 2030;
- Committing to sourcing 100% renewable electricity across our operations by 2030 as part of our RE100 commitment;
- Accelerating our transition to all electric business and fleet vehicles by 2030 as part of our EV100 commitment; and
- Supporting employee engagement and consciousness around our Net Zero commitment through the Giki Zero app.

We recognise that decarbonising our own operations represents only a fraction of our role in fighting climate change in comparison to our wider value chain. In recognition of this challenge, we are also pledging to achieve Net Zero emissions by 2040 across our Scope 3 emissions. To support this pledge, we will be:

- Prioritising absolute emissions reduction, with an interim science-based target of 42% abatement by 2030, with overall estimated abatement of 74% and 26% neutralisation by 2040;
- Engaging with our supply chain on their environmental and wider sustainability commitments via the EcoVadis platform;
- Committing to achieve zero waste to landfill by 2030; and
- Prioritising the development of the efficiency and circularity of our products, building off pilot work undertaken by Servomex in 2021.

This is a serious and significant commitment and will require additional operational and capital investment, which we anticipate being in the region of £3 million per annum over the first five years of the target period.

In support of both targets, we have submitted a commitment letter to the Science Based Targets initiative ('SBTi'). We will provide an annual update to investors on our abatement activity and our progress towards Net Zero.

We recognise that the greatest difference we can make to a net zero world is through our products and solutions which support our customers to accelerate their own journey to net zero. We will continue to prioritise our strategy of developing products and services that support our customers on their own decarbonisation journey as part of our wider purpose to make the world cleaner, healthier and more productive.

We have also made considerable progress in our alignment with the Task Force on Climate-related Financial Disclosures ('TCFD'). Climate risk scenario analysis has been undertaken within each platform aligned to a 2°C and a 4°C scenario and the results of analysis on both the physical and transition risks identified are currently being reviewed and built into the Group's risk management framework. The detailed outcome of this work will be included in the 2021 annual report and accounts.

For our people, our focus in the first half of the year has been the continued support of our employees to ensure that their mental health, wellbeing and resilience are maintained. Our work on diversity, inclusion, equity and belonging continues, with the wider leadership community participating in a workshop to initiate our 'Belonging' programme in conjunction with Wondrous, and a co-mentoring pilot being established. In June, we were proud to be an official sponsor of International Women in Engineering Day, a global awareness campaign to raise the profile of women in engineering and promote career opportunities. As part of our celebrations, we held an open career-based Q&A for all employees with senior women leaders from our Board and Executive team and we plan to build on this event with further Q&A sessions with senior leaders. In April, we undertook our first global employee survey, the results of which will feed into future initiatives in this area.

Activities to establish the Spectris Foundation have continued. As announced in our full-year results, the Spectris Foundation will receive a one-off investment of £15 million from Spectris and will adopt a general charitable purpose, to donate to a wide variety of charities with a focus on those that promote STEM education. The Foundation has been approved by the UK Charities Commission, a funding framework supporting the £15 million investment has been agreed, and trustees appointed. To ensure a robust approach to both the management of the Foundation and our wider approach to STEM within the Group, we have appointed a Group Head of STEM Strategy who is working with external institutes, organisations and charities to inform our funding strategy and prepare proposals to put to the Foundation. COVID-19 has had an impact on access to opportunities and a key aim of the foundation will be to improve access to a quality STEM education. The foundation is on track to make its first investment before the end of the year.

As a Group, we are positioning sustainability at the very core of our strategy. With our customers, we are at the heart of market-leading sustainable solutions and we recognise that embedding sustainability throughout the Group protects and creates long-term value for all our stakeholders and will secure our long-term success.

Board changes

In June, Dr. Ravi Gopinath was appointed to the Board as a Non-executive Director. Ravi is Chief Strategy Officer and Chief Cloud Officer at AVEVA and brings over 25 years of diverse, global engineering and software experience and with a proven track record in setting up, scaling and transforming high-growth and profitable technology businesses. He brings valuable expertise and insight and further strengthen the Spectris Board.

Ahead of achieving nine years of service to the Board, Martha Wyrsch made the decision to retire in May. On behalf of the Board, I would like to thank Martha for the significant contributions she has made over the past nine years. We will miss Martha's presence in our meetings and wish her the best for her next venture.

The Board acknowledge the importance of diversity within the boardroom and remain committed to meeting the levels of representation recommended by the Hampton-Alexander and Parker reviews, and to ensuring that the Board is diverse in the broadest sense.

Summary and outlook

Spectris is emerging from the pandemic a less complex, more focused, leaner and stronger business. I am very pleased with the progress on executing our Strategy for Profitable Growth. The actions and approach we have taken over the past two years have positioned us well to benefit from the faster than anticipated economic recovery that we are now experiencing. We expect the recovery to continue through the remainder of the year and we are also benefiting from our investment in innovation, enhancing our customer offering through our latest product and service launches. We anticipate LFL sales growth for the full year to be in the range of 10-12%.

Uncertainties clearly remain, with potential further COVID-19-related disruption, inflationary pressures and supply chain constraints. However, while our end markets are moving at varying paces, our continuing strong order intake provides good momentum going into the second half of the year, giving us confidence for the full year performance. Growth at the top end of the range will require some additional investment, although we will work to mitigate this where possible, as we continue to focus on enhancing our margin.

Our ambition is to be a leading sustainable business. Equipping our customers to make the world cleaner, healthier and more productive and helping accelerate their own journeys to Net Zero, will not only make a difference to our planet, but also underpin future growth. We also recognise the importance of improving the sustainability of our own operations, and I am delighted to announce the publication of our Net Zero ambition. We are committed to taking a leading role in minimising the emissions footprint of our own activity, and the activity across our value chain.

Through the great support of our people, we delivered a strong financial performance in the first half. All our businesses made great progress and we also completed the acquisition of Concurrent Real-Time in July. Our cash position provides us with notable balance sheet optionality for future acquisitions. With good momentum in our businesses and a very robust balance sheet position, we are well positioned to deliver long-term, sustainable financial progress.

Andrew Heath
Chief Executive

Financial review

Financial performance

Statutory reported sales increased by 0.5% or £2.8 million to £601.8 million (H1 2020: £599.0 million), LFL sales increased by £75.9 million (+14%) with the impact of disposals, net of acquisitions reducing sales by £44.8 million (-8%) and foreign exchange movements reducing sales by £28.3 million (-5%).

The statutory operating profit was £60.6 million, an increase of £116.8 million compared to the H1 2020 statutory operating loss of £56.2 million. Statutory operating margins of 10.1% were 1950bps higher than H1 2020 (-9.4%). The increase results from a £19.5 million volume and pricing-driven gross profit increase and a £97.3 million decrease in SG&A expenses.

Restructuring costs in the period were £3.8 million and include £2.2 million of employee-related costs, including redundancy and related costs, and £1.6 million of other costs.

Net transaction-related costs and fair value adjustments were £3.4 million, primarily related to the acquisition of Concurrent Real-Time. The group incurred £8.9 million of ongoing amortisation of acquisition-related intangible assets in the period.

	2021 Half year £m	2020 Half year £m
Statutory operating profit/(loss)	**60.6**	(56.2)
Restructuring costs	**3.8**	3.0
Net transaction-related costs and fair value adjustments	**3.4**	2.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.1**	0.4
Impairment of goodwill	**-**	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**8.9**	36.5
Adjusted operating profit	**76.8**	44.1

Adjusted operating profit increased by 74% or £32.7 million to £76.8 million on a reported basis (H1 2020: £44.1 million). LFL adjusted operating profit increased by £35.0 million (+74%), with the impact of disposals increasing adjusted operating profit by £3.3 million (+7%), and foreign exchange movements reducing adjusted operating profit by £5.6m (-12%).

Adjusted operating margins increased by 540bps, with LFL adjusted operating margins up 450bps compared to H1 2020. The improvement in the LFL operating margin was due to a 120bps increase in LFL gross margin at 56.3% (H1 2020: 55.1%), reflecting the incremental volume and favourable pricing. This was partially offset by an expected 5.6% increase in LFL overheads, with the reversal of £6 million prior period COVID-19 overseas government subsidies, some inflationary pressures and sales volume-related costs impacting the cost base.

Investment in our R&D programmes amounted to £43.4 million or 7.2% of sales (H1 2020: £46.4 million or 7.7% of sales). The cost of R&D investment has increased by 0.6% on a like-for-like basis in the half-year results to 30 June 2021. Statutory profit before tax of £187.0 million (H1 2020: £65.5 million loss before tax) is calculated after a £117.7 million profit on disposal of businesses, which predominantly arose on the disposal of Brüel & Kjær Vibro, and a net finance credit of £8.7 million (H1 2020: £14.4 million charge), predominantly due to foreign exchange gains in H1 2021 of £6.7 million and a £5.1 million interest credit on release of a provision on settlement of an EU dividends tax claim.

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU-based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8 million of provision for current tax liabilities, a £5.1 million accrued interest liability and a deferred tax asset of £1 million related to accrued interest liabilities were released to the condensed consolidated income statement in H1 2021.

The effective tax rate on adjusted profit before tax for H1 2021 was 22.0% (H1 2020: 22.0%). Based on the forecast for the full year, the effective adjusted tax rate for the full year is estimated to be 22.0%.

Disposals

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business based in Cambridge, which formed part of the Malvern Panalytical operating segment. The consideration received was £6.2 million, settled in cash received.

On 2 February 2021, the Group disposed of 100% of its Millbrook business, which formed part of the Industrial Solutions operating segment. The consideration received was £119.2 million, consisting of £71.2 million of cash received, €27.5 million (£25.0 million) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0 million Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of 100% of its Brüel & Kjær Vibro business, which formed part of the Industrial Solutions operating segment. The consideration received was £154.7 million, settled in cash received.

On 3 May 2021, the Group disposed of 100% of its ESG business, which formed part of the Industrial Solutions operating segment. The consideration received was £3.3 million, settled by £3.4 million cash received less a £0.1 million estimated completion accounts true-up.

Further details of the £117.7 million profit on disposal and the £208.8 million cash received on disposals is provided in note 8 of the condensed consolidated financial statements.

Cash flow

Adjusted cash flow improved by £4.6 million to £93.4 million during the period, resulting in an adjusted cash flow conversion rate of 122% (H1 2020: 201%).

Adjusted cash flow	**Half year 2021 £m**	Half year 2020 £m
Adjusted operating profit	**76.8**	44.1
Adjusted depreciation and software amortisation[1]	**20.7**	31.0
Working capital and other non-cash movements	**15.0**	36.9
Capital expenditure, net of grants related to capital expenditure	**(19.1)**	(23.2)
Adjusted cash flow	**93.4**	88.8
Adjusted cash flow conversion	**122%**	201%

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

The improvement principally resulted from a favourable working capital movement mainly attributable to a reduction in trade receivables due to improved credit control, partly offset by a growth-related increase in inventories and lower capital expenditure,

Capital expenditure (net of grants related to capital expenditure) on property, plant and equipment and intangible assets during the period of £19.1 million (H1 2020: £23.2 million) equated to 3.2% of revenue (H1 2020: 3.9%) and was 92% of adjusted depreciation and software amortisation (H1 2020: 75%).

Other cash flows and foreign exchange	**Half year 2021 £m**	Half year 2020 £m
Tax paid	**(17.2)**	(11.5)
Net interest paid on cash and borrowings	**(2.5)**	(1.8)
Dividends paid	**(53.6)**	-
Share buyback	**(79.7)**	-
Acquisition of businesses, net of cash acquired	**(1.3)**	(7.1)
Transaction-related costs paid	**(9.0)**	(3.9)
Proceeds from disposal of equity investments	**38.3**	-
Proceeds from disposal of businesses	**208.8**	21.4
Loan repaid by joint venture	**-**	3.0
Lease payments and associated interest	**(7.3)**	(9.8)
Restructuring costs paid	**(6.8)**	(8.2)
Net proceeds from exercise of share options	**0.3**	0.1
Total other cash flows	**70.0**	(17.8)
Adjusted cash flow	**93.4**	88.8
Foreign exchange	**3.3**	(10.2)
Increase in net cash	**166.7**	60.8

During the period, 2,537,540 ordinary shares were repurchased and 2,417,148 were cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £79.7 million (H1 2020 and FY 2020: nil). At 30 June 2021, the Group was irrevocably committed to making a further £18 million of buyback payments and has therefore recognised a liability for this portion of the ongoing buyback programme.

The Group received £38.3 million in relation to the stake in the US-listed company where the acquisition by a third-party completed in April (H1 2020 and FY 2020: nil). The investment balance was valued at £38.3 million at the start of 2021 and therefore there was no 2021 income statement impact from this transaction.

Financing and treasury

The Group finances its operations from both retained earnings and third-party borrowings. The 30 June 2021 gross debt balance consists entirely of bank overdrafts of £0.2 million.

In determining the basis of preparation for the Condensed Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

During the period, the Group repaid in full a seven-year €116.2 million (£99.8 million) term loan which was due to mature in September 2022. As at 30 June 2021, the Group had £578.7 million of committed facilities, consisting entirely of an $800.0 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 30 June 2021. The Group is in the process of reviewing its $800 million committed facility with a view to agreeing a reduction in size to $500 million by the end of the third quarter of 2021.

The RCF has a leverage (net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 30 June 2021, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was 48 times (30 June 2020: 35 times; 31 December 2020: 42 times), against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero (30 June 2020 and 31 December 2020: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 30 June 2021, the Group had a cash and cash equivalents balance of £273.0 million and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £272.8 million, an increase of £166.7 million from £106.1 million at 31 December 2020.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2022, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as experienced in recent months since the outbreak of COVID-19 occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the entire going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

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

Currency

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

After matching the currency of revenue with the currency of costs wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cashflows where there is reasonable certainty of an exposure. At 30 June 2021, approximately 62% of the estimated transactional exposures for 2021 of £211.2 million were hedged using forward exchange contracts, mainly against Sterling, the Euro, the US Dollar and the Danish Krone.

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

	Half year 2021 (average)	Half year 2020 (average)	Change	**Half year 2021 (closing)**	Half year 2020 (closing)	Change
US Dollar (USD)	**1.39**	1.26	10%	**1.38**	1.23	12%
Euro (EUR)	**1.15**	1.14	1%	**1.16**	1.10	5%
Chinese Yuan Renminbi (CNY)	**8.98**	8.86	1%	**8.93**	8.68	3%

During the period, currency translation effects resulted in adjusted operating profit being £5.6 million lower (H1 2020: £1.0 million higher) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange gains of £0.1 million (H1 2020: £1.9 million gains) were included in administrative expenses, whilst sales include a gain of £1.1 million (H1 2020: £1.3 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Operating segments – financial summary

	Malvern Panalytical		HBK		Omega		Industrial Solutions		Total	
	H1 2021	H1 2020	**H1 2021**	H1 2020	**H1 2021**	H1 2020	**H1 2021**	H1 2020	**H1 2021**	H1 2020
Sales (£m)	**178.5**	151.0	**188.0**	179.4	**64.3**	60.9	**171.0**	207.7	**601.8**	599.0
LFL sales growth (%)	**23%**		**8%**		**14%**		**12%**		**14%**	
Statutory operating profit/(loss) (£m)	**18.3**	4.8	**15.7**	10.9	**3.0**	(0.9)	**23.6**	(71.0)[1]	**60.6**	(56.2)
Statutory operating margin (%)	**10.3%**	3.2%	**8.4%**	6.1%	**4.7%**	(1.5%)	**13.8%**	(34.2%)	**10.1%**	(9.4%)
Adjusted operating profit (£m)	**23.0**	8.4	**22.5**	16.4	**6.5**	2.9	**24.8**	16.4	**76.8**	44.1
LFL adjusted operating profit change (%)	**186%**		**44%**		**145%**		**41%**		**74%**	
Adjusted operating margin (%)	**12.9%**	5.6%	**12.0%**	9.1%	**10.1%**	4.8%	**14.5%**	7.9%	**12.8%**	7.4%
LFL adjusted operating margin change (bps)	**730bps**		**310bps**		**550bps**		**320bps**		**450bps**	
Sales % of Group sales	**30%**	25%	**31%**	30%	**11%**	10%	**28%**	35%	**100%**	100%

1. The statutory operating loss of £71.0 million was largely impacted by the £75.8 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

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 the appendix.

Malvern Panalytical

	Half year 2021	Half year 2020	Half year 2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	**178.5**	151.0	200.2	18%	23%	(3%)
Adjusted operating profit[1] (£m)	**23.0**	8.4	18.5	175%	186%	28%
Adjusted operating margin[1] (%)	**12.9%**	5.6%	9.2%	730bps	730bps	310bps
Statutory operating profit/(loss) (£m)	**18.3**	4.8	(63.2)			
Statutory operating margin (%)	**10.3%**	3.2%	(31.6%)			

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

Financial performance

Statutory reported sales increased 18% to £178.5 million, with a 23% increase in LFL sales supported by both a strong market recovery and the impact of new products like Zetasizer Advance and OmniTrust launched in 2020.

All regions saw strongly improved LFL sales with Asia seeing the strongest performance, particularly China which was impacted early by the lockdown in 2020. Equally, Malvern Panalytical's orderbook has also seen a strong recovery in demand, particularly in pharmaceutical, growing 30% in the period.

Statutory operating profit increased from £4.8 million to £18.3 million and on a LFL basis, adjusted operating profit increased 186% and adjusted operating margins rose 730bps, predominantly due to cost management, pricing movements and increased service revenues leveraging the installed base. The gross margin improved, reflecting volume impact as well as a positive mix effect and the higher service revenues, with overheads higher given 2020 benefited from government subsidies.

The strong recovery in the first half means that Malvern Panalytical's sales compared with 2019, are only 3% lower on a LFL basis, with LFL adjusted operating profit 28% higher reflecting the strong operating leverage on the back of cost management over the past two years.

Delivering the strategy

During the first half of 2021, Malvern Panalytical continued with its programme of launching new and enhanced product offerings, with software, services and analytics being a key focus area. The strong sales growth in the year to date has been underpinned by orders for the new product ranges, particularly the Zetasizer Advance and Omnitrust, both launched in 2020. The Zetasizer Advance has been well received by pharmaceutical customers for R&D and quality control applications, in particular supporting vaccine development and production. Likewise Omnitrust, the new suite of data integrity and compliance software solutions for regulated environments, has seen good traction in pharmaceutical development and manufacture.

In April, Malvern Panalytical introduced Smart Manager, a cloud based 'control room' that connects and monitors its Zetium and Axios-mAX X-ray fluorescence ('XRF') systems. In one simple web-based dashboard, it provides customers with a clear picture of both the real-time utilisation and health of their instruments, wherever they are located. It also continually analyses the data giving customers better information and deeper insights, to maximise the benefit of their equipment, and improve process and team productivity. We fully expect this new offering to be attractive to customers in the mining, metals, and building materials markets, with a global metals trader and producer already becoming an early adopter.

Following its initial launch in 2017, a newer version of the Aeris compact X-ray diffractometer ('XRD') was introduced in February. This new version contains capabilities previously only seen in much larger systems, enabling a wider range of customers to carry out in-depth materials analysis and optimise their processes.

Similarly, an enhanced version of the Epsilon XRF analyser was launched to meet certain fuel specification standards, being an out-of-the-box solution for the analysis of low sulphur content. It provides a quick, safe and simple method of sample preparation, with higher accuracy and more reproducible data compared to other techniques.

Market trends and outlook

Pharmaceutical and food

LFL sales to the pharmaceutical sector were up strongly, almost 40%, in the first half of 2021, as the market continued the recovery which started in the second half of 2020. Sales are now above 2019 levels, with strong growth in all regions. This is supported by an increase in onshoring in the traditional small molecule area, prompting investment in pharmaceutical facilities as customers look to increase the robustness of supply chains.

Malvern Panalytical is supporting the global effort to develop treatments and vaccines, providing analytical instruments, expert support and services to pharmaceutical companies around the world. For example, a collaboration with Leukocare AG was announced to help improve the availability of vaccines for COVID-19. The collaboration combines Leukocare's pioneering expertise in biopharmaceutical formulation development with Malvern Panalytical's extensive analytical know-how to understand how the stability of vaccines can be improved, increasing production and simplifying distribution to ensure wider availability.

We continue to see high demand for vaccine and viral vector development and manufacturing solutions. The platforms developed in the response to COVID-19 are now being used for other vaccines and treatments, being highly adaptable and therefore speeding up vaccine development times. The growth rate of the vaccine market is projected to double as a result, with the largest markets being North America, Europe, China and India.

The ongoing demand for vaccines as well as the high-growth biologics/cell and gene therapy space supports a continued strong opportunity pipeline for Malvern Panalytical's life sciences solutions. We see many opportunities for our new Amplify Analytics solutions. Customers are seeking access to additional expertise, to de-risk and accelerate their method development pipelines, and Amplify Analytics helps them rapidly identify those drug candidates that meet bio-availability and processability requirements.

We are starting to see activity levels return within academia, with an increase in growth in the second quarter. We are also working across the industry, including pharmaceutical companies, to develop opportunities in advanced research, in response to increased government funding as part of the response to COVID-19.

LFL sales to the food sector also improved year-on-year. The continued focus on sustainable sourcing and manufacture, food quality and safety, represent opportunities relevant to our solution portfolio, for example, the development of digital solutions for improving yield in agricultural applications.

Primary materials

LFL sales were notably higher year-on-year, with 16% growth. Asia saw the strongest regional performance (+33%) and we also achieved good growth in aftersales revenues. We have booked the first revenues from our new digital, connected instrument solution offering, as a prelude to driving additional service revenues through our extensive installed base.

In the metals and minerals market, which has proven to be more resilient, demand continues to improve, as witnessed by growth in our order book. The continued economic recovery is underpinning a more widespread improvement in demand, beyond the initial regional upswing we saw in a number of countries in late 2020 (India, south-east Asia and Australia).

Amongst oil and chemicals customers, performance has been variable, with growth at North American chemical companies, but slower activity in Europe. Although the oil price has returned to pre-COVID-19 levels and there has been some signs of increased activity and new capex projects, oil and petrochemical companies are generally continuing to keep an eye on cost constraint.

Against this variable backdrop, customers are looking at delivering improved yields, productivity, product quality and lowering cost. As a result, we are seeing the greater use of automation and digital solutions. This plays to Malvern Panalytical's process automation solutions, for example in mining, where we offer fully automated analytical laboratories to help improve quality and yield, while reducing risk and improving safety.

A focus on sustainable practices and environmental matters is also a helpful underpin for Malvern Panalytical's products, services and specialised solutions. For example, a new mine water monitoring solution, Epsilon Xflow, provides real-time information about the quality of process and waste water from mining operations, detecting traces of toxic metals and other elements to enable immediate countermeasures to prevent environmental damage. It was selected by the Geological Survey of Finland for their R&D projects dedicated to waste water treatment, resource recovery and recycling the process water in the mineral processing pilot plant.

Advanced materials

LFL sales to advanced materials customers have improved considerably (+29%) year-on-year, as research institutes re-open, after lockdowns have eased. We have seen improvements in sectors such as semiconductor, energy technologies (batteries), and additive manufacturing, where new technology developments continue.

Within the additive manufacturing space, we expect investment to expand. This versatile technology can help with shorter production runs, on-demand solutions and more resilient supply chains, providing customers with greater flexibility, which has been particularly helpful against the backdrop of COVID-19-related disruptions and restrictions.

Demand for emerging battery technologies, electric vehicles and other new applications is supporting investment in new facilities to accelerate development in material analysis and characterisation. Alongside batteries, fuel cells will also be an element of smart energy infrastructure, within the global energy and transportation landscape, providing localised energy generation for both stationary and mobile applications. Our analytical solutions support many of the material advancements in fuel cell development and optimisation. We expect this to further underpin the recovery in demand as we go through the second half of 2021, with Asia being the key driver.

HBK

	Half year 2021	Half year 2020	Half year 2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	**188.0**	179.4	193.5	5%	8%	(1%)
Adjusted operating profit[1] (£m)	**22.5**	16.4	16.7	37%	44%	40%
Adjusted operating margin[1] (%)	**12.0%**	9.1%	8.6%	290bps	310bps	350bps
Statutory operating profit (£m)	**15.7**	10.9	(8.2)			
Statutory operating margin (%)	**8.4%**	6.1%	(4.2%)			

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

Financial performance

Statutory reported sales at HBK increased 5% to £188.0 million, 8% on a LFL basis.

LFL sales in both Europe and Asia increased, with notable growth in the latter, with North America lower, compared to a resilient second quarter 2020 comparison. In general, markets globally continue to recover with increased customer activity, most pronounced in China and the USA. Machine manufacturing was the strongest end market.

Statutory operating profit has improved by £4.8 million to £15.7 million and adjusted operating profit increased 44% on a LFL basis, while LFL adjusted operating margin increased 310bps. This reflected an improved gross margin, reflecting the higher sales and productivity improvements, partly offset by marginally higher net overheads.

Compared with 2019, HBK sales are broadly flat on a LFL basis and LFL adjusted operating profit is 40% higher, reflecting the operational improvements and merger benefits that continue to be delivered.

Delivering the strategy

The strategic growth objectives at HBK include completing the merger and strengthening the organisation, along with investment in organic growth projects aligned to the strongest market sector growth opportunities, such as electrification, simulation and digitisation. In addition, customers appreciate having the ability to work with a single supplier across a large range of physical and virtual testing needs, as well as sensing requirements.

As part of its ongoing merger initiatives, the new go-to-market model is in place and the new CRM system will be deployed, starting in the second half of the year. The system will enable a full digital buying experience, thereby enhancing the sales and marketing effort to further drive growth and strengthen customer relationships.

HBK's strategic growth drivers focus on virtual testing and simulation; physical testing (including electric power train development); smart sensors and software. Recent new product offerings, as well as product re-positionings and enhancement, have concentrated on three of these areas, with smart sensor products being launched later in the year.

The acquisition of Concurrent-RT is a major milestone in adding to HBK's virtual test and simulation offering. It is being integrated with the VI-grade real-time simulation business to form HBK's Virtual Test Division to meet the growing demand from customers for more realistic simulation in helping bring ever more sophisticated products to market faster, at lower cost and risk. The acquisition will add industry diversification, especially in aerospace and defence, and integrate driver-in-the-loop and hardware-in-the-loop ('HiL') capabilities into a single simulator offering; an unmet need in the automotive industry today.

Elsewhere in virtual testing, HBK has continued to see strong interest for its simulator solutions. In March, VI-grade released NVH Simulator 2021.0, the latest release of its NVH simulator software, incorporating significant new features and capabilities to enable easier technology use and accessibility. These enable a highly accurate experience of sound and vibration data and comprise a comprehensive set of solutions including desktop NVH simulators, full-vehicle static NVH simulators, exterior sound simulators, and sound solutions providing accurate sound in concert with any driving simulator. Together these solutions provide automotive product development professionals with the tools they need to accelerate product development across a wide range of automotive applications and - and especially demanding electric vehicle platforms – and all from a single supplier.

In physical testing, HBK have added new technology to their QuantumX line-up of flexible and sophisticated data acquisition systems. The release of the MXFS optical interrogator module provides the opportunity to combine mechanical, electrical and fibre-optic measurements in one system. This significantly simplifies complex measurement solutions in battery electric drive-trains, hydrogen fuel applications and structural health monitoring.

HBK has also expanded and streamlined its engineering software offering. Following the launch in 2020 of Tescia®, a one-of-a-kind data acquisition software for repetitive testing and real-time noise measurement analysis, HBK released the latest version of its Tescia® Repetitive Testing system. The software features enable faster testing, improved product quality, and time to market. With its origin in the aerospace and defence industry, a key win has been with Air France in the performance testing of its aircraft engines. The test processes and uses, common to A&D customers, are also relevant in other industries, such that the product has applicability to large complex machinery, as well as those with simpler measurement needs.

HBK's highly regarded fatigue and durability engineering software solutions have also been upgraded. The release of nCode 2021 sees key improvements in functionality and performance, including new capabilities to aid the post-processing of large amounts of measured electric motor test data, with enhanced analytics functions, speeding up the optimisation cycles for electric drive-trains.

Market trends and outlook

Automotive

Within automotive, LFL sales were 9% lower year-on-year, with an easing in the rate of decline through the first half, and growth in Asia. This reflected the continued slowdown in the overall automotive sector, and some delays to VI-grade simulator installations given continued COVID-19-related customer access restrictions. The decline also reflected some larger, one-off orders in early 2020.

Overall, while the picture is mixed, we are seeing a positive trend and an improving outlook. With many automotive OEMs committing to increased development and production of electric vehicles, and newcomers continuing to enter this market, R&D budgets in this area remain resilient. Orders for VI-grade's simulators during the first half demonstrates how we can help companies enhance and shorten their development phases. For example, Aston Martin Lagonda ('AML') adopted Vi-grade's compact simulator to meet increasingly complex vehicle targets allowing AML to move to a more virtual environment, saving cost and resources in the development of new vehicles. Politecnico di Milano also saw the first commercial installation of VI-grade's new (and largest yet) DiM400 driving simulator.

The DiM400, along with the majority of HBK solutions sold to the automotive market, are instrumental for customers to design and realise new environmentally friendly vehicles. Our solutions are being used to develop components and complete structures with innovative materials, optimising fuel consumption, reducing noise profiles and verifying advanced driver-assistance systems and applications for autonomous driving, to create cleaner and safer solutions in transportation.

Machine manufacturing

LFL sales to the machine manufacturing sector rose strongly, over 40%, during the first half of the year, and were particularly strong into North America. This continued the buoyant performance seen in 2020, reflecting the very positive outlook for agriculture, food and medical equipment and the strong fit of our sensor applications in this sector.

The above market growth has also been driven by HBK's initiative to provide OEM sensor capabilities to selected high value asset markets. Demand for HBK's weighing technologies overall, and specifically OEM-type solutions in agriculture and medical applications, to optimise farming and improve healthcare, has been strong. A higher quality offering and increased production capacity has also helped meet the increase in demand.

Aerospace and defence

LFL sales have continued to improve, with growth of 3% in the first half, driven by demand for HBK's transducers and shaker systems. Growth in Asia and Europe more than offset lower LFL sales in North America.

The commercial aerospace sector continues to be impacted by COVID-19, however indicators are that demand will improve against last year, by about 10%. HBK's exposure to commercial aviation is limited and aerospace firms have kept large investment programmes running. Key orders were received to equip updated acoustics labs for a large passenger aircraft manufacturer, as well as orders for sensor supply for rotary aircraft systems.

HBK is more exposed to defence and satellite/space markets where there has been less of an impact on spending. A key win in this area was to supply a system consisting of one of the largest water-cooled shakers that HBK manufactures to a major US university affiliated research centre for defence technologies.

Consumer electronics and telecoms
LFL sales to electronics and telecoms customers were higher overall in the first half of year. We are seeing increasing requirements for support for voice recognition technologies with more widespread deployment in such products as smartphones and voice-activated, smart home products. With consumer satisfaction closely linked to how well smart speakers understand voice commands, HBK's market-leading mouth and ear simulators are well matched to meet the increased requirements for speech intelligibility and overall sound quality.

Omega

	Half year 2021	Half year 2020	Half year 2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	**64.3**	60.9	69.3	6%	14%	(2%)
Adjusted operating profit[1] (£m)	**6.5**	2.9	9.9	124%	145%	(30%)
Adjusted operating margin[1] (%)	**10.1%**	4.8%	14.3%	530bps	550bps	(420bps)
Statutory operating profit (£m)	**3.0**	(0.9)	9.6			
Statutory operating margin (%)	**4.7%**	(1.5%)	13.9%			

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

Financial performance

Statutory reported sales increased 6% to £64.3 million, 14% on a LFL basis. Omega has a high exposure to North America (68%), where growth has been above that of the market, with strong demand from its strategic accounts and from market share gains. Similarly, LFL sales growth was strong in Asia, with Europe flat year-on-year.

Statutory operating profit improved to £3.0 million and on a LFL basis, adjusted operating profit increased 145% and LFL operating margins rose 550bps. This resulted from the higher LFL sales, higher gross margins and flat overheads.

Compared with 2019, Omega sales are 2% lower on a LFL basis with LFL adjusted operating profit also lower, given the higher cost base following the website investment.

Delivering the strategy

Achieving greater scale through organic sales growth is the key requirement for the recovery in performance at Omega. Four focused initiatives have been enacted to drive above market growth and in turn, recover lost margin: enhancing the digital experience; expanding the sales channels; accelerating new product development and improving operational performance. Omega has continued to make progress across each of these focus areas in the first half of 2021.

The refinements to the digital platform to simplify the user experience and improve search functionality are having a positive impact with some good improvements in key metrics in the first half. Web orders have returned to 2018 levels, achieving record average order values and improved conversion rate. In addition, Omega continues to improve product findability and enhance its search engine optimisation rankings.

Efforts to increase sales growth through focusing on under-penetrated channels and on key accounts are helping to drive the above market growth. Omega continues to execute on its sales channel expansion strategy. Sales through the partnership with Newark in North America have doubled year-over-year. Omega is also working to extend this relationship to a global account, expanding its reach in Europe and Asia.

Investment in new products remains a key strategic aim. As well as increasing its engagement with customers, Omega is working to expand its network of university and research lab contacts, staying close to emerging technologies to further enhance the new product development pipeline.

Following the launch in 2020 of 94 new products, the new product innovation strategy has shifted to fewer, more impactful launches in key growth areas. Such an example, has been the launch of a new, innovative high accuracy non-invasive temperature sensor ('HANI') in the first half. This clamp-on sensor achieves the same accuracy and fast response times as state-of-the-art invasive in-pipe temperature sensors, without the cost and risk, and at a lower price point to current equivalent offerings. Omega recently partnered with the Food Innovation Center at Rutgers University (a food business incubator and accelerator) as a beta site to test the HANI sensor in one of their food production lines. The sensor has been installed on the outside of the pipe so that there is no contact with the product and, therefore, zero chance of cross-contamination. The accuracy of the Omega sensor is just as good as, or better than, the thermocouples they replaced and installation was achieved in minutes, rather than the days-long shutdown needed to install an in-line sensor. Food and beverage is a key initial target end market, although other applications for the technology are being planned for other end markets.

Omega continued to expand its IIoT solutions range to access further opportunities in the growing wireless sensing market. Following the launch in 2020 of its Layer N products to sense, store and process data via a fully customised wireless solution, Omega is adding further products to the range, with smart acceleration/vibration sensors scheduled to launch in the fourth quarter and smart differential pressure sensors scheduled to launch early in 2022.

Market trends and outlook

Omega's 14% LFL sales growth was driven by strong market tailwinds in US industrial production, combined with market share gains related to its strategic initiatives. The market recovery and share gain initiatives have been much stronger than the modest growth expected, driving double-digit growth and delivering above market growth for the first half. Omega has almost fully recovered to pre-COVID-19 levels in first half 2019.

In North America, LFL sales were up, led by distribution, reflecting the strong relationship with Newark. Omega has also seen strength with key customers in semiconductor, aerospace, defence and R&D.

In Asia, LFL sales were up significantly, led by China, driven by a key distributor plus other broad-based market gains, and South Korea, driven by key project wins and strong semiconductor demand.

In Europe, the recovery continues to lag other key regions, with LFL sales flat through the first half of the year. However, the trend is improving with sequential gains each month since February. The UK is recovering faster than the rest of Europe.

Industrial Solutions

	Half year 2021	Half year 2020	Half year 2019	Change vs 2020	LFL change vs 2020	LFL change vs 2019
Statutory reported sales (£m)	**171.0**	207.7	296.1	(18%)	12%	(4%)
Adjusted operating profit[1] (£m)	**24.8**	16.4	38.4	51%	41%	4%
Adjusted operating margin[1] (%)	**14.5%**	7.9%	13.0%	660bps	320bps	110bps
Statutory operating profit/(loss) (£m)	**23.6**	(71.0)	15.7			
Statutory operating margin (%)	**13.8%**	(34.2%)	5.3%			

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

Financial performance

Statutory reported sales decreased 18% to £171.0 million, a 12% increase on a LFL basis. The divestments of B&K Vibro, ESG and Millbrook reduced sales by 22%.

A strong market recovery and the impact of product launches in 2020 has helped underpin growth. LFL sales increased in all regions, with a very strong performance in Asia. By end market, LFL sales growth was strongest into semiconductor and pharmaceutical customers, while LFL sales into energy and utilities were still lower year-on-year, although orders into this sector demonstrate the market is recovering, being up year-on-year by 4%.

Statutory operating profit increased to £23.6 million and LFL adjusted operating profit increased 41% and LFL adjusted operating margins increased 320bps. This primarily resulted from the increase in LFL sales and mix. PMS, which is higher margin, delivered LFL sales growth of 30%. Gross margin was higher, also reflecting the higher volume and some mix effects, and overheads were flat year on year. The improvement in statutory profit also reflected the prior year £75.8 million impairment of goodwill, other acquisition-related intangible assets and other property, plant and equipment at Millbrook.

Compared with 2019, ISD sales are 4% lower and adjusted operating profit is 4% higher on a LFL basis.

Delivering the strategy

Further progress has been made in executing each of the operating company strategies, improving the performance of the businesses, in parallel with the divestment programme.

The divestments of B&K Vibro and Millbrook were completed and sales proceeds of £225.9 million in cash were received in the first quarter. In May, the divestment of ESG was completed to SCF Partners, a private equity investor group, via an existing company in its portfolio Deep Imaging Technologies, Inc. for £3.3 million.

All three of the disposed businesses were dilutive to the Division's and Group's profitability. We expect the portfolio rationalisation strategy, as identified in 2019, to be completed during the second half of this year.

For the remaining ISD businesses, the strategic direction will be centred around being a leading provider of high precision, in-line sensing and monitoring solutions. Here too, the product development strategy has been focused around enhancing the portfolio to meet customers' evolving requirements – for example higher sensitivities, faster measurements and enhanced product capabilities – and targeting high-growth areas such as pharmaceutical and semiconductors, as well as automation and digitisation solutions.

PMS has been actively releasing new products to meet demand from pharmaceutical customers for its cleanroom monitoring solutions. For example, in May, PMS launched the new Lasair® Pro Airborne Particle Counter. Leveraging the capabilities of its existing, flagship Lasair III particle counter, this new addition to the PMS portfolio supports a variety of applications including clean area monitoring (portable and remote) and classification, while meeting international cleanroom certification standards.

PMS also released the adaptable, new IsoAir® Pro-Plus - another option in its customisable cleanroom monitoring solutions. This new product is the smallest footprint remote particle counter on the market, but with extensive features to meet the needs of environmental monitoring for the pharmaceutical manufacturing industry, where high accuracy, flexible connectivity, instrument durability and world-class service and support are valued.

For the semiconductor market, Servomex's new range of gas purity analysers launched in 2020, the Ultra Oxygen and Moisture product range, has positioned Servomex well, driving order growth in the first half, notably above that of the market. The Ultra Series provides higher accuracy measurement for ultra-high purity gas analysis, at a low cost compared to competing technologies, with fast response times, low detection levels and is easy to use and maintain.

NDCT released the next generation of two key products. The AccuScan Pro Series provides higher-accuracy, single-axis diameter measurement for plastic pipe/hose/tube, wire, cable and other extruded or drawn cylindrical, flat or unique profile products. The SlimTrak II, is a space-saving scanning measurement system for narrow processes.

At Red Lion, the product refresh programme continues to make good progress, with its new products, especially the FlexEdge, Intelligent Edge Automation Platform, seeing robust demand as new customer project opportunities continue to grow. Work on its next-generation indication platform ahead of launch in the fourth quarter continues, and the product is getting good support from customers in in pre-launch demos.

Market trends and outlook

Semiconductor and electronics

Sales into semiconductor customers increased notably, with strong demand for PMS' particle measuring counters and cleanroom monitoring products and for Servomex's gas purity analysers, with good demand for the latter's new purity range.

PMS' Chem-20 and Ultra-DI 20 continue to perform well in the semiconductor and electronics market. PMS' performance also reflected market share gains and the strong backlog it had entering 2021. Its sales pipeline funnel continues to expand, underpinning the outlook for the second half of the year. This is in line with the rising demand for chips, which is driving an increase in global fabricated equipment spending in 2021, as well as the onshoring of production to mitigate the risk associated with overseas supply of critical computer chips.

Sales in electronics were down slightly in the first half of the year, after a robust performance in 2020. The pipeline for sales into the electronics industry continues to strengthen supported by LED demand in consumer products, cloud computing and 5G infrastructure roll-out, as well as the development of new consumer 'smart' electronic products.

Pharmaceutical and life sciences

The pharmaceutical and life sciences industries saw notable LFL sales growth in the first half, continuing the strong performance in 2020, and were up notably at both PMS and Servomex.

As well as the underlying growth in the pharmaceutical and life sciences market, demand from pharmaceutical customers has been supported by the notable investment in vaccine production taking place across many countries and the trend for nearshoring of production, to ensure unrestricted access to critically required pharmaceutical products.

In 2020, demand rapidly increased for the Paracube oxygen sensors, manufactured by Servomex's sensor technology brand Hummingbird, which are used in ventilators to monitor the amount of oxygen administered, and sales have continued to be good in the first half of the year. The demand of sensors in the medical equipment industry is normalising after the high demand due to COVID-19, but has been stronger than expected due to the requirements to increase ventilator inventory across many countries.

Energy and utilities

In energy, LFL sales at Servomex were lower year-on-year, reflecting the order book coming into 2021 and a slower recovery in the hydrocarbon sector. Orders in the first half have fared better, supported by strong growth in Asia, in particular as a result of the successful performance of the 2500 SpectraExact product.

The need to reduce emissions, driven by climate change concerns, is expected to create demand for Servomex's products which deliver effective solutions for process control, safety and quality in a wide range of midstream and downstream applications.

Industrial and other markets

In our other end markets, Red Lion posted higher LFL sales. Orders fared even better, being up in all regions and driven by a strong second quarter. Additionally, Red Lion was awarded the Control Design Readers' Choice Award for their panel meters, where over 15,000 industrial automation participants vote.

At NDCT, LFL sales were higher with growth, driven by an increase in sales in the converting and film extrusion industries, and in cable and tubing. Following the strong growth in sales into food and beverage customers in 2020, with notable orders into two major North American food manufacturing companies, LFL sales were lower in this sector.

Derek Harding
Chief Financial Officer

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 44 to 48 in the 2020 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 2020 Annual Report.

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

- **Business Disruption** - Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.
- **Compliance -** Failure to comply with laws and regulations, leading to reputational damage, substantial fines and potential market exclusion.
- **Cyber Threat** - Failure to appropriately protect critical information/physical assets from cyber threats, including external hacking, cyber fraud, and inadvertent/intentional electronic leakage of critical data.
- **Market / Financial Shock** - Material adverse changes in market conditions, such as economic recession, sudden negative investor sentiment and currency fluctuation.
- **Political** - Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy, including trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.
- **Talent and Capabilities** - Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.
- **Strategic Transformation -** Failure to successfully deliver the Group strategy, including business transformation and key mergers, acquisitions and divestments activity.

During 2021, we have seen a further decrease in disruption to our businesses caused by the COVID-19 pandemic. Market/financial shock remains an external risk to the Group in 2021. Both risks are existing principal risks, and therefore have been subject to Executive oversight and formal assessment prior to and during the pandemic. Our crisis management efforts and mitigations continue to operate effectively, and we have maintained the resilience demonstrated in 2020. The economic/disruption impact to the business continues to be limited to an appropriately managed net exposure.

Responsibility statement of the Directors in respect of the Interim report

We confirm that to the best of our knowledge:

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

By order of the Board

Andrew Heath	**Derek Harding**
Chief Executive	Chief Financial Officer

28 July 2021

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 2021 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows and related notes 1 to 11. 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.

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 will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

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 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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.

Deloitte LLP

Statutory Auditor

Reading, UK

28 July 2021

Condensed Consolidated Income Statement (unaudited)

For the six months ended 30 June 2021

		2021 Half year	2020 Half year	2020 Full year
Continuing operations	Note	**£m**	£m	£m
Revenue	2	**601.8**	599.0	1,336.2
Cost of sales		**(261.8)**	(278.5)	(599.8)
Gross profit		**340.0**	320.5	736.4
Indirect production and engineering expenses		**(46.4)**	(48.9)	(96.7)
Sales and marketing expenses		**(118.9)**	(131.8)	(268.3)
Administrative expenses		**(114.1)**	(196.0)	(394.7)
Statutory operating profit/(loss)	2	**60.6**	(56.2)	(23.3)
Fair value through profit and loss movements on equity investments		**-**	-	23.2
Profit on disposal of businesses	8	**117.7**	5.1	4.4
Financial income	3	**11.9**	0.6	1.8
Finance costs	3	**(3.2)**	(15.0)	(10.2)
Profit/(loss) before tax		**187.0**	(65.5)	(4.1)
Taxation charge	4	**(6.7)**	(1.0)	(12.9)
Profit/(loss) for the period from continuing operations attributable to owners of the Company		**180.3**	(66.5)	(17.0)
Basic earnings/(loss) per share	6	**155.8p**	(57.3p)	(14.6p)
Diluted earnings/(loss) per share	6	**155.3p**	(57.3p)	(14.6p)
2021 interim dividend declared/2020 interim dividend and additional interim dividend paid for the period (per share)	5	**23.0p**	21.9p	111.6p
Dividends paid during the period (per share)	5	**46.5p**	-	65.1p

Condensed Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2021

	Note	**2021 Half year £m**	2020 Half year £m	2020 Full year £m
Profit/(loss) for the period attributable to owners of the Company		**180.3**	(66.5)	(17.0)
Other comprehensive income:				
Items that will not be reclassified to the Consolidated Income Statement:				
Re-measurement of net defined benefit obligation		**2.2**	(1.6)	8.5
Fair value (loss)/gain on investment in equity instruments designated as at fair value through other comprehensive income		**(0.6)**	(0.1)	0.1
Tax (charge)/credit on items above		**(0.1)**	0.4	(1.3)
		1.5	(1.3)	7.3
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		**-**	(3.7)	(0.6)
Foreign exchange movements on translation of overseas operations		**(27.0)**	62.4	(0.6)
Currency translation differences transferred to profit on disposal of businesses	8	**(3.8)**	-	-
Tax credit on items above		**-**	0.7	0.1
		(30.8)	59.4	(1.1)
Total other comprehensive (loss)/income		**(29.3)**	58.1	6.2
Total comprehensive income/(loss) for the period attributable to owners of the Company		**151.0**	(8.4)	(10.8)

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2021

	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 2021	**6.0**	**231.4**	**901.5**	**98.0**	**(1.9)**	**3.1**	**0.5**	**1,238.6**
Profit for the period	**–**	**–**	**180.3**	**–**	**–**	**–**	**–**	**180.3**
Other comprehensive income/(loss)	**–**	**–**	**1.5**	**(30.8)**	**–**	**–**	**–**	**(29.3)**
Total comprehensive income/(loss) for the period	**–**	**–**	**181.8**	**(30.8)**	**–**	**–**	**–**	**151.0**
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	**–**	**–**	**(53.6)**	**–**	**–**	**–**	**–**	**(53.6)**
Own shares acquired for share buyback programme (see note 10)	**(0.1)**	**–**	**(97.8)**	**–**	**–**	**–**	**0.1**	**(97.8)**
Share-based payments, net of tax	**–**	**–**	**4.6**	**–**	**–**	**–**	**–**	**4.6**
Proceeds from exercise of equity-settled share options	**–**	**–**	**0.3**	**–**	**–**	**–**	**–**	**0.3**
At 30 June 2021	**5.9**	**231.4**	**936.8**	**67.2**	**(1.9)**	**3.1**	**0.6**	**1,243.1**

For the six months ended 30 June 2020

	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 2020	6.0	231.4	983.3	98.6	(1.4)	3.1	0.5	1,321.5
Loss for the period	–	–	(66.5)	–	–	–	–	(66.5)
Other comprehensive (loss)/ income	–	–	(1.3)	62.4	(3.0)	–	–	58.1
Total comprehensive (loss)/income for the period	–	–	(67.8)	62.4	(3.0)	–	–	(8.4)
Transactions with owners recorded directly in equity:								
Share-based payments, net of tax	–	–	0.1	–	–	–	–	0.1
Proceeds from exercise of equity-settled share options	–	–	0.1	–	–	–	–	0.1
At 30 June 2020	6.0	231.4	915.7	161.0	(4.4)	3.1	0.5	1,313.3

For the year ended 31 December 2020

	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 2020	6.0	231.4	983.3	98.6	(1.4)	3.1	0.5	1,321.5
Loss for the year	–	–	(17.0)	–	–	–	–	(17.0)
Other comprehensive income/(loss)	–	–	7.3	(0.6)	(0.5)	–	–	6.2
Total comprehensive loss for the year	–	–	(9.7)	(0.6)	(0.5)	–	–	(10.8)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	(75.7)	–	–	–	–	(75.7)
Share-based payments, net of tax	–	–	3.3	–	–	–	–	3.3
Proceeds from exercise of equity-settled share options	–	–	0.3	–	–	–	–	0.3
At 31 December 2020	6.0	231.4	901.5	98.0	(1.9)	3.1	0.5	1,238.6

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2021

	Note	2021 Half year £m	2020 Half year £m	2020 Full year £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill		**564.4**	621.8	577.0
Other intangible assets		**122.4**	162.1	133.5
		686.8	783.9	710.5
Property, plant and equipment		**182.4**	368.9	187.1
Investment in equity instruments	8	**24.1**	0.8	39.4
Investment in debt instruments	8	**23.0**	–	–
Deferred tax assets		**14.5**	9.0	14.6
		930.8	1,162.6	951.6
Current assets				
Inventories		**178.0**	221.8	168.5
Current tax assets		**5.1**	4.1	4.1
Trade and other receivables		**273.8**	298.1	291.8
Derivative financial instruments		**1.9**	1.5	1.9
Cash and cash equivalents		**273.0**	287.0	222.2
Assets held for sale		**-**	–	178.7
		731.8	812.5	867.2
Total assets		**1,662.6**	1,975.1	1,818.8
LIABILITIES				
Current liabilities				
Borrowings		**(0.2)**	(86.6)	(13.1)
Derivative financial instruments		**–**	(4.1)	(0.1)
Trade and other payables		**(309.2)**	(306.8)	(288.3)
Lease liabilities		**(13.4)**	(14.8)	(12.9)
Current tax liabilities	4	**(5.9)**	(14.3)	(16.7)
Provisions		**(14.7)**	(24.6)	(24.7)
Liabilities held for sale		**–**	–	(37.3)
		(343.4)	(451.2)	(393.1)
Net current assets		**388.4**	361.3	474.1
Non-current liabilities				
Borrowings		**–**	(106.1)	(104.5)
Other payables		**(20.3)**	(17.8)	(24.7)
Lease liabilities		**(25.0)**	(45.0)	(26.0)
Provisions		**(4.6)**	(4.8)	(3.8)
Retirement benefit obligations		**(17.8)**	(29.5)	(20.4)
Deferred tax liabilities		**(8.4)**	(7.4)	(7.7)
		(76.1)	(210.6)	(187.1)
Total liabilities		**(419.5)**	(661.8)	(580.2)
Net assets		**1,243.1**	1,313.3	1,238.6
EQUITY				
Share capital		**5.9**	6.0	6.0
Share premium		**231.4**	231.4	231.4
Retained earnings		**936.8**	915.7	901.5
Translation reserve		**67.2**	161.0	98.0
Hedging reserve		**(1.9)**	(4.4)	(1.9)
Merger reserve		**3.1**	3.1	3.1
Capital redemption reserve		**0.6**	0.5	0.5
Total equity attributable to owners of the Company		**1,243.1**	1,313.3	1,238.6

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2021

	Note	**2021 Half year £m**	2020 Half year £m	2020 Full year £m
Cash generated from operations	9	**96.7**	99.9	254.6
Net income taxes paid		**(17.2)**	(11.5)	(28.6)
Net cash inflow from operating activities		**79.5**	88.4	226.0
Cash flows used from/(used in) investing activities				
Purchase of property, plant and equipment and intangible assets		**(19.1)**	(23.4)	(43.1)
Proceeds from disposal of property, plant and equipment and software		**-**	-	4.1
Acquisition of businesses, net of cash acquired	7	**(1.3)**	(7.1)	(10.9)
Purchase of equity investments		**-**	-	(15.2)
Proceeds from disposal of equity investments		**38.3**	-	-
Proceeds from disposal of businesses, net of tax paid of £nil (2020 Half year: £1.0m; 2020 Full year: £2.3m)	8	**208.8**	21.4	20.6
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets		**-**	0.2	0.2
Interest received		**0.1**	0.5	2.4
Net cash flows from/(used in) investing activities		**226.8**	(8.4)	(41.9)
Cash flows used in financing activities				
Interest paid on borrowings		**(2.6)**	(2.3)	(6.9)
Interest paid on lease liabilities		**(0.7)**	(1.3)	(2.3)
Dividends paid	5	**(53.6)**	-	(75.7)
Share buyback purchase of shares	10	**(79.7)**	-	-
Net proceeds from exercise of share options		**0.3**	0.1	0.3
Payments on principal portion of lease liabilities		**(6.6)**	(8.5)	(19.3)
Loan repaid by joint venture		**-**	3.0	3.0
Proceeds from borrowings		**-**	-	0.3
Repayment of borrowings		**(99.8)**	-	(86.4)
Net cash flows used in financing activities		**(242.7)**	(9.0)	(187.0)
Net increase/(decrease) in cash and cash equivalents		**63.6**	71.0	(2.9)
Cash and cash equivalents at beginning of period		**210.9**	213.1	213.1
Effect of foreign exchange rate changes		**(1.5)**	2.9	0.7
Cash and cash equivalents at end of period[1]		**273.0**	287.0	210.9

1. Cash and cash equivalents in the Condensed Consolidated Statement of Cash Flows at 30 June 2021 and 30 June 2020 consisted solely of cash and cash equivalents included in current assets. Cash and cash equivalents in the Condensed Consolidated Statement of Cash Flows at 31 December 2020 consisted of £222.2 million of cash and cash equivalents included in current assets, £3.7 million of cash and cash equivalents included in assets held for sales less £12.8 million of notional cash-pool related bank overdrafts included in current borrowings and £2.2 million of notional cash-pool related bank overdrafts included in liabilities held for sale.

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 2021 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Condensed Consolidated Interim Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place, which is the Group's presentational currency. The Consolidated Financial Statements of the Group for the year ended 31 December 2020 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 2020.

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

New standards and interpretations applied for the first time

On 1 January 2021, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) as issued by the IASB. The adoption has not had a material impact on the interim Condensed Consolidated Financial Statements. Apart from this change, the accounting policies set out in the 2020 Annual Report and Accounts have been applied consistently to both periods presented in these Condensed Consolidated Financial Statements.

New standards and interpretations not yet applied

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

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2021 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 2020 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 2020. These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 28 July 2021.

1. Basis of preparation and accounting policies (continued)

b) Going concern

In determining the basis of preparation for the Condensed Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of COVID-19 on the Group, which are described in the Chief Executive's Review, Financial Review and Operating Review.

During the period, the Group repaid in full a seven-year €116.2 million (£99.8 million) term loan which was due to mature in September 2022. As at 30 June 2021, the Group had £578.7 million of committed facilities, consisting entirely of an $800.0 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 30 June 2021. The Group is in the process of reviewing its $800 million committed facility with a view to agreeing a reduction in size to $500 million by the end of the third quarter of 2021.

The RCF has a leverage (net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 30 June 2021, interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net finance charges) was 48 times (30 June 2020: 35 times; 31 December 2020: 42 times), against a minimum requirement of 3.75 times, and leverage (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net cash/(debt)) was less than zero (30 June 2020 and 31 December 2020: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 30 June 2021, the Group had a cash and cash equivalents balance of £273.0 million and various uncommitted facilities and bank overdraft facilities available, resulting in a net cash position of £272.8 million, an increase of £166.7 million from £106.1 million at 31 December 2020.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2022, which reflect forecasted changes in revenue across its business as set out and compared these to a reverse stress test of the forecasts to determine the extent of downturn which would result in a breach of covenants. Assuming similar levels of cash conversion as experienced in recent months since the outbreak of COVID-19 occurred, a monthly decline of revenue well in excess of that experienced in any month during 2020 would need to persist throughout the entire going concern period for a covenant breach to occur, which is considered very unlikely. In addition, the reverse stress test does not take in account any mitigating actions which the Group would implement in the event of a severe and extended revenue decline, which would increase the headroom further. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

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

c) Seasonality

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

1. Basis of preparation and accounting policies (continued)

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

In determining and applying accounting policies, judgement is often required where the choice of specific policy, assumption or accounting estimate to be followed could materially affect the reported amounts of assets, liabilities, income and expenses, should it be determined that a different choice be more appropriate. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including the impact of COVID-19 on the Group.

At 31 December 2020, management concluded that determining the provision for tax was a key source of estimation uncertainty. During the half year ended 30 June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. Further details are provided in note 4. As this matter has now been settled, management believes that the determination of the provision for tax no longer has sufficient estimation uncertainty to cause a material adverse impact on the results and net position of the Group within the next twelve months and have therefore removed this as a source of key estimation uncertainty.

The Group's critical accounting judgments and other key sources of estimation uncertainty remain the same as those as set out in the Group's Consolidated Financial Statements for the year ended 31 December 2020.

2. Operating segments

The Group has four reportable segments, as described below. The segmental platform structure reflects 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 operating segment results include an allocation of head office expenses. The following summarises the operations in each of the Group's reportable segments:

- The Malvern Panalytical platform provides 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 and Concept Life Sciences.

- The HBK platform supplies test, measurement and analysis equipment, software and services for product design optimisation, and manufacturing control. The operating companies in this segment are Hottinger, Brüel & Kjær and VI-grade.

- The Omega platform is a global leader in the technical marketplace, offering products for measurement and control of temperature, humidity, pressure, strain, force, flow, level, pH and conductivity. Omega also provides a complete line of data acquisition, electric heating and custom-engineered products. The operating company in this segment is Omega Engineering.

- The Industrial Solutions division ('ISD') comprises a portfolio of high-value, niche businesses. A number of ISD companies have platform potential, with strong market positions, growth prospects and margins. The operating companies in this segment are NDC Technologies, Particle Measuring Systems, Red Lion Controls, Servomex, Brüel & Kjær Vibro (disposed 1 March 2021), ESG Solutions (disposed 3 May 2021) and Millbrook (disposed 2 February 2021).

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Half year Total £m
Segment revenues	**178.6**	**188.1**	**64.3**	**171.2**	**602.2**
Inter-segment revenue	**(0.1)**	**(0.1)**	**-**	**(0.2)**	**(0.4)**
External revenue	**178.5**	**188.0**	**64.3**	**171.0**	**601.8**
Statutory operating profit	**18.3**	**15.7**	**3.0**	**23.6**	**60.6**
Profit on disposal of businesses[1]					**117.7**
Financial income[1]					**11.9**
Finance costs[1]					**(3.2)**
Profit before tax[1]					**187.0**
Taxation charge[1]					**(6.7)**
Profit after tax[1]					**180.3**

1. Not allocated to reportable segments

2. Operating segments (continued)

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Half year Total £m
Segment revenues	151.0	179.7	60.9	207.9	599.5
Inter-segment revenue	-	(0.3)	-	(0.2)	(0.5)
External revenue	151.0	179.4	60.9	207.7	599.0
Statutory operating profit/(loss)	4.8	10.9	(0.9)	(71.0)	(56.2)
Profit on disposal of businesses[1]					5.1
Financial income[1]					0.6
Finance costs[1]					(15.0)
Loss before tax[1]					(65.5)
Taxation charge[1]					(1.0)
Loss after tax[1]					(66.5)

1. Not allocated to reportable segments

Information about reportable segments	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Full year Total £m
Segment revenues	372.6	393.3	119.3	452.2	1,337.4
Inter-segment revenue	(0.1)	(0.7)	(0.1)	(0.3)	(1.2)
External revenue	372.5	392.6	119.2	451.9	1,336.2
Statutory operating profit/(loss)	44.6	14.2	1.2	(83.3)	(23.3)
Fair value through profit and loss movements on equity investments[1]					23.2
Profit on disposal of businesses[1]					4.4
Financial income[1]					1.8
Finance costs[1]					(10.2)
Loss before tax[1]					(4.1)
Taxation charge[1]					(12.9)
Loss after tax[1]					(17.0)

1 Not allocated to reportable segments

Geographical segments

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

	2021 Half year £m	2020 Half year £m	2020 Full year £m
UK	**28.3**	48.0	101.4
Germany	**53.0**	53.8	114.7
France	**19.3**	17.8	41.9
Rest of Europe	**85.5**	78.3	182.2
USA	**169.6**	182.9	386.3
Rest of North America	**17.6**	17.7	37.9
Japan	**31.8**	34.2	73.0
China	**97.7**	79.0	190.4
South Korea	**20.1**	16.1	41.6
Rest of Asia	**53.8**	44.9	106.3
Rest of the world	**25.1**	26.3	60.5
	601.8	599.0	1,336.2

3. Financial income and finance costs

Financial income	2021 Half year £m	2020 Half year £m	2020 Full year £m
Interest receivable	**(0.1)**	(0.6)	(1.8)
Interest credit on release of provision on settlement of EU dividends tax claim (see note 4)	**(5.1)**	-	-
Net gain on retranslation of short-term inter-company loan balances	**(6.7)**	-	-
	(11.9)	(0.6)	(1.8)

Finance costs	2021 Half year £m	2020 Half year £m	2020 Full year £m
Interest payable on loans and overdrafts	**2.5**	2.7	6.0
Net loss on retranslation of short-term inter-company loan balances	**-**	10.4	0.8
Unwinding of discount factor on lease liabilities	**0.7**	1.3	2.3
Unwinding of discount factor on deferred and contingent consideration	**-**	0.3	0.4
Net interest cost on pension plan obligations	**-**	0.2	0.4
Other finance costs	**-**	0.1	0.3
	3.2	15.0	10.2
Net finance (credit)/costs	**(8.7)**	14.4	8.4

4. Taxation

The tax charge for the six months to 30 June 2021 has been calculated using the effective tax rate which is expected to apply to the Group for the full year, using tax rates substantively enacted at 30 June 2021. The effective tax rate applied to adjusted profit before tax for the half year is 22.0% (Half year 2020: 22.0%; Full year 2020: 21.8%). The effective tax rate has been estimated using full year projections of adjusted profit before tax by territory and the tax rates applying in those territories. The tax rates applied to adjusting items are established on an individual basis for each adjusting item.

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

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Tax charge on adjusted profit before tax	**16.2**	8.9	36.3
Tax credit on amortisation and impairment of acquisition-related intangible assets and other property, plant and equipment	**(1.8)**	(6.6)	(18.8)
Tax credit on net transaction-related costs and fair value adjustments	**(0.1)**	(0.1)	(1.6)
Tax credit on impairment of goodwill	**-**	(0.9)	(0.9)
Tax charge on profit on disposal of businesses	**-**	1.1	1.1
Tax charge/(credit) on retranslation of short-term inter-company loan balances	**0.3**	(0.6)	(0.4)
Tax credit on depreciation of acquisition-related fair value adjustments to property, plant and equipment	**-**	(0.1)	(0.1)
Tax credit on release of provision on settlement of EU dividends tax claim	**(7.0)**	-	-
Tax charge on fair value through profit and loss movements on equity investments	**-**	-	1.8
Tax credit on restructuring costs	**(0.9)**	(0.7)	(4.5)
Total tax charge	**6.7**	1.0	12.9

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8.0 million of provision for current tax liabilities and a deferred tax asset of £1.0 million related to accrued interest liabilities were released to the condensed consolidated income statement in the half year ending 30 June 2021. In addition, £5.1 million of accrued interest liabilities were released to the Condensed Consolidated Income Statement, as disclosed in note 3.

5. Dividends

Amounts recognised and paid as distributions to owners of the Company in the period	**2021 Half year £m**	2020 Half year £m	2020 Full year £m
Interim dividend for the year ended 31 December 2020 of 21.9p per share	**-**	-	25.5
Additional interim dividend for the year ended 31 December 2020 of 43.2p per share	**-**	-	50.2
Final dividend for the year ended 31 December 2020 of 46.5p per share	**53.6**	-	-
	53.6	-	75.7

An interim 2021 dividend of 23.0p per share has been declared and will be payable on 12 November 2021 to ordinary shareholders on the register at the close of business on 8 October 2021.

6. Earnings/(loss) per share

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

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

Basic earnings/(loss) per share	**2021 Half year**	2020 Half year	2020 Full year
Profit/(loss) after tax (£m)	**180.3**	(66.5)	(17.0)
Weighted average number of shares outstanding (millions)	**115.7**	116.0	116.1
Basic earnings/(loss) per share (pence)	**155.8**	(57.3)	(14.6)

Diluted earnings/(loss) per share	**2021 Half year**	2020 Half year	2020 Full year
Profit/(loss) after tax (£m)	**180.3**	(66.5)	(17.0)
Basic weighted average number of shares outstanding (millions)	**115.7**	116.0	116.1
Weighted average number of dilutive 5p ordinary shares under option (millions)	**0.5**	n/a	n/a
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**(0.1)**	n/a	n/a
Diluted weighted average number of shares outstanding (millions)	**116.1**	116.0	116.1
Diluted earnings/(loss) per share (pence)	**155.3**	(57.3)	(14.6)

7. Acquisitions

The Group paid £1.3 million during the half year ended 30 June 2021 in respect of deferred consideration on prior years' acquisitions (Half year 2020 £7.1 million; Full year 2020: £8.3 million).

On 9 July 2021, the Group acquired 100% of Concurrent Real-Time ('Concurrent-RT') for a headline net purchase consideration of $166.1 million (£120.9 million) in cash. This amount is subject to potential adjustment through a completion accounts process. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its platform and potential platform businesses. Concurrent-RT will be integrated into HBK.

The initial accounting for the business combination is incomplete due to the short time between completion of the business combination and the interim financial statements being authorised for issue, and the Group is therefore not yet able to provide the disclosure requirements of IFRS 3 paragraph B64, which includes information on the major classes of assets acquired, liabilities assumed and details of transaction-related costs.

For the 12 months ending 30 June 2021, Concurrent-RT's revenues are expected to be $42 million, with a CAGR of 6% pa since 2018, and an expected EBITDA of $10.4 million.

8. Disposal of businesses and equity investments

On 5 January 2021, the Group disposed of Concept Life Sciences' legacy food testing business based in Cambridge, which formed part of the Malvern Panalytical operating segment. The consideration received was £6.2 million, settled in cash received.

On 2 February 2021, the Group disposed of 100% of its Millbrook business, which formed part of the Industrial Solutions operating segment. The consideration received was £119.2 million, consisting of £71.2 million of cash received, €27.5 million (£25.0 million) of investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group) and a £23.0 million Vendor Loan Note Receivable.

On 1 March 2021, the Group disposed of 100% of its Brüel & Kjær Vibro business, which formed part of the Industrial Solutions operating segment. The consideration received was £154.7 million, settled in cash received.

On 3 May 2021, the Group disposed of 100% of its ESG business, which formed part of the Industrial Solutions operating segment. The consideration received was £3.3 million, settled by £3.4 million cash received less a £0.1 million estimated completion accounts true-up.

Also included in profit on disposal of businesses is £0.8 million credit relating to prior year disposals. The total profit on disposal of businesses was £117.7 million, calculated as follows:

2021	Brüel & Kjaer Vibro £m	Millbrook £m	Other disposals £m	Total £m
Net assets disposed				
Goodwill	14.9	–	1.1	16.0
Other intangible assets	1.0	0.5	–	1.5
Property, plant and equipment	2.8	108.7	6.2	117.7
Current and deferred tax assets	–	1.8	1.6	3.4
Inventories	3.4	2.9	0.5	6.8
Trade and other receivables	8.2	23.9	2.9	35.0
Cash and cash equivalents	6.2	7.1	1.7	15.0
Trade and other payables	(6.9)	(14.0)	(1.5)	(22.4)
Lease liabilities	(1.1)	(9.8)	(1.1)	(12.0)
Current and deferred tax liabilities	(0.9)	–	–	(0.9)
Provisions	(0.5)	(0.3)	(0.1)	(0.9)
Retirement benefit obligations	(0.6)	–	–	(0.6)
Net assets of disposed businesses	26.5	120.8	11.3	158.6
Consideration received				
Settled in cash	154.7	71.2	9.6	235.5
Investment in equity instruments	–	25.0	–	25.0
Vendor Loan Note Receivable	–	23.0	–	23.0
Estimated completion accounts payable	–	–	(0.1)	(0.1)
Total consideration received	154.7	119.2	9.5	283.4
Transaction expenses booked to profit/(loss) on disposal of business	(7.1)	(3.3)	(0.5)	(10.9)
Net consideration from disposal of businesses	147.6	115.9	9.0	272.5
Net assets disposed (including cash and cash equivalents held by disposal group)	(26.5)	(120.8)	(11.3)	(158.6)
Currency translation differences transferred from translation reserve	3.3	0.4	0.1	3.8
Profit/(loss) on disposal of businesses	124.4	(4.5)	(2.2)	117.7
Net proceeds recognised in the Condensed Consolidated Statement of Cash Flows				
Consideration received settled in cash	154.7	71.2	9.6	235.5
Cash and cash equivalents held by disposed businesses	(6.2)	(7.1)	(1.7)	(15.0)
Transaction fees paid	(7.1)	(3.6)	(1.0)	(11.7)
Net proceeds recognised in the Condensed Consolidated Statement of Cash Flows	141.4	60.5	6.9	208.8

8. Disposal of businesses and equity investments (continued)

The disposals in the period did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

The Group received £38.3 million in relation to the stake in the US-listed company where the acquisition by a third-party completed in April 2021 (H1 2020 and FY 2020: nil). The investment balance was valued at £38.3 million at the start of 2021 and therefore there was no 2021 income statement impact from this transaction.

9. Cash generated from operations

	Note	**2021 Half year £m**	2020 Half year £m	2020 Full year £m
Cash flows from operating activities				
Profit/(loss) after tax		**180.3**	(66.5)	(17.0)
Adjustments for:				
Taxation charge	4	**6.7**	1.0	12.9
Profit on disposal of businesses	8	**(117.7)**	(5.1)	(4.4)
Finance costs	3	**3.2**	15.0	10.2
Financial income	3	**(11.9)**	(0.6)	(1.8)
Depreciation and impairment of property, plant and equipment		**15.5**	33.0	108.9
Amortisation and impairment of intangible assets		**14.2**	34.9	57.9
Impairment of goodwill		**-**	58.4	58.4
Transaction-related fair value adjustments		**(0.1)**	(1.3)	(2.2)
Fair value through profit and loss movements on equity investments		**-**	-	(23.2)
Profit on disposal of property, plant and equipment and associated lease liabilities		**-**	(0.4)	(0.1)
Equity-settled share-based payment expense		**3.8**	0.2	2.9
Operating cash flow before changes in working capital and provisions		**94.0**	68.6	202.5
Decrease in trade and other receivables		**9.9**	48.3	8.0
(Increase)/decrease in inventories		**(13.8)**	(14.2)	24.4
Increase in trade and other payables		**12.0**	1.4	24.5
Decrease in provisions and retirement benefits		**(5.4)**	(4.2)	(4.8)
Cash generated from operations		**96.7**	99.9	254.6

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

During the half year ended 30 June 2021, 2,537,540 ordinary shares were repurchased and 2,417,148 were cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021 (Half year 2020 and Full year 2020: nil), resulting in a cash outflow of £79.7 million (H1 2020 and FY 2020: nil). At 30 June 2021 the Group was irrevocably committed to making a further £18 million of buyback payments and has therefore recognised a liability for this portion of the ongoing buyback programme.

At 30 June 2021, the Group held 4,807,386 treasury shares (Half year 2020: 5,060,339; Full year 2020: 4,934,567). During the period, 127,181 (Half year 2020: 122,027; Full year 2020: 247,799) of these shares were issued to satisfy options exercised by, and SIP Matching Shares awarded to, employees which were granted under the Group's share schemes.

11. Financial instruments

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

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

				30 June 2021
	Level 1 fair value	**Level 2 fair value**	**Level 3 fair value**	**Carrying amount**
	£m	**£m**	**£m**	**£m**
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions and disposals	**-**	**-**	**(1.6)**	**(1.6)**
Investment in equity instruments	**0.5**	**-**	**23.6**	**24.1**
Investment in debt instruments	**-**	**-**	**23.0**	**23.0**
Forward exchange contract assets	**-**	**1.9**	**-**	**1.9**
Cash and cash equivalents	**-**	**273.0**	**-**	**273.0**
Floating rate borrowings and bank overdrafts	**-**	**(0.2)**	**-**	**(0.2)**
				320.2

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

The level 3 £23.6 million of investment in equity instruments consists of the investment units in EZ Ring FPCI (the fund holding the combined UTAC-Millbrook group), recognised in the period as part of the sales proceeds from the Millbrook business disposal (see note 8). This investment was recognised at fair value, using the income approach, with the key input being a discounted cash flow.

The level 3 £23.0 million of investment in debt instruments consists of a Vendor Loan Note Receivable received as part of the sales proceeds from the Millbrook business disposal (see note 8). This investment was recognised at fair value by establishing an appropriate market yield. The key inputs used were synthetic credit ratings and market interest rates.

The fair value measurement methodology of other financial instruments remains consistent with the approach disclosed in the Consolidated Financial Statements for the financial year ended 31 December 2020.

				30 June 2020
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying amount
	£m	£m	£m	£m
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions and disposals	-	-	(2.7)	(2.7)
Investment in equity instruments	0.8	-	-	0.8
Forward exchange contract assets	-	1.5	-	1.5
Cash and cash equivalents	-	287.0	-	287.0
Fixed rate borrowings	-	(196.5)	-	(192.7)
Forward exchange contract liabilities	-	(4.1)	-	(4.1)
				89.8

11. Financial instruments (continued)

				31 December 2020
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying amount
	£m	£m	£m	£m
Fair value hierarchy categorisation of financial instruments measured at fair value				
Deferred and contingent consideration payable on acquisitions and disposals	-	-	(3.1)	(3.1)
Financial instruments included in assets held for sale	-	3.7	-	3.7
Financial instruments included in liabilities held for sale	-	(2.2)	-	(2.2)
Investment in equity instruments	39.4	-	-	39.4
Forward exchange contract assets	-	1.9	-	1.9
Cash and cash equivalents (excluding £3.7m classified as assets held for sale)	-	222.2	-	222.2
Floating rate borrowings and bank overdrafts (excluding £2.2m classified as liabilities held for sale)	-	(13.1)	-	(13.1)
Fixed rate borrowings	-	(107.4)	-	(104.5)
Forward exchange contract liabilities	-	(0.1)	-	(0.1)
				144.2

Appendix - Alternative performance measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to 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 from significant programmes;
- amortisation and impairment of acquisition-related goodwill and other intangible assets
- impairment of property, plant and equipment;
- bargain purchase on acquisition;
- 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;
- impairment of non-current receivable from joint venture and share of impairment of investment in joint venture;
- unwinding of the discount factor on deferred and contingent consideration;
- unrealised changes in the fair value of financial instruments;
- Interest credit on release of provision on settlement of EU dividends tax claim;
- gains or losses on retranslation of short-term inter-company loan balances; and
- related tax effects on the above and other tax items which do not form part of the underlying tax rate (see Note 4).

In November 2018, the Group announced the implementation of a Group-wide profit improvement programme. The total costs of implementation of this programme are considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme are excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme costs. The ongoing benefits arising from this programme are considered to be part of underlying trading.

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 period.

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

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

Appendix - Alternative performance measures (continued)

To allow a better comparison with 2019 performance, the Group has extended the existing LFL measure for revenue and operating profit to apply to 2019, so that 2021 is retranslated at 2019 foreign exchange rates, adjusted for Group scope changes.

On 31 January 2020, Malvern Panalytical's rheology business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Malvern Panalytical for half year 2020 exclude the trading results of the rheology business.

On 2 February 2021, Industrial Solutions' Millbrook business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for half year 2020 exclude the trading results of the Millbrook business for the five-month period from February 2020 to June 2020.

On 1 March 2021, Industrial Solutions' Brüel & Kjaer Vibro business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for half year 2020 exclude the trading results of the Brüel & Kjaer Vibro business for the four-month period from March 2020 to June 2020.

On 3 May 2021, Industrial Solutions' ESG business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for Industrial Solutions for half year 2020 exclude the trading results of the ESG business for the two-month period from May 2020 to June 2020.

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

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

Income statement measures

a) LFL adjusted sales by segment

1. 2021 Half year LFL adjusted sales versus 2020 Half year LFL adjusted sales

2021 Half year sales by segment	**Malvern Panalytical £m**	**HBK £m**	**Omega £m**	**Industrial Solutions £m**	**2021 Half year Total £m**
Sales	**178.5**	**188.0**	**64.3**	**171.0**	**601.8**
Constant exchange rate adjustment to 2020 half year exchange rates	**6.2**	**6.9**	**4.9**	**10.3**	**28.3**
Acquisitions	**-**	**(1.0)**	**-**	**-**	**(1.0)**
LFL adjusted sales	**184.7**	**193.9**	**69.2**	**181.3**	**629.1**

2020 Half year sales by segment	**Malvern Panalytical** £m	**HBK** £m	**Omega** £m	**Industrial Solutions** £m	**2020 Half year Total** £m
Sales	151.0	179.4	60.9	207.7	599.0
Disposal of businesses	(0.6)	-	-	(45.2)	(45.8)
LFL adjusted sales	150.4	179.4	60.9	162.5	553.2

Appendix - Alternative performance measures (continued)

2. 2021 Half year LFL adjusted sales versus 2019 Half year LFL adjusted sales

2021 Half year sales by segment	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Half year Total £m
Sales	**178.5**	**188.0**	**64.3**	**171.0**	**601.8**
Constant exchange rate adjustment to 2019 half year exchange rates	**5.7**	**5.5**	**3.8**	**7.5**	**22.4**
Acquisitions	**-**	**(1.0)**	**-**	**-**	**(1.0)**
LFL adjusted sales	**184.2**	**192.5**	**68.1**	**178.5**	**623.2**

2019 Half year sales by segment	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Half year Total £m
Sales	200.2	193.5	69.3	296.1	759.1
Disposal of businesses	(10.1)	-	-	(111.0)	(121.1)
LFL adjusted sales	190.1	193.5	69.3	185.1	638.0

b) Adjusted operating profit, operating margin and adjusted EBITDA

1. 2021 Half year LFL adjusted operating profit versus 2020 Half year LFL adjusted operating profit

2021 Half year adjusted operating profit	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Half year Total £m
Statutory operating profit	**18.3**	**15.7**	**3.0**	**23.6**	**60.6**
Restructuring costs	**1.1**	**2.9**	**-**	**(0.2)**	**3.8**
Net transaction-related costs and fair value adjustments	**1.0**	**1.3**	**-**	**1.1**	**3.4**
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.1**	**-**	**-**	**-**	**0.1**
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**2.5**	**2.6**	**3.5**	**0.3**	**8.9**
Adjusted operating profit	**23.0**	**22.5**	**6.5**	**24.8**	**76.8**
Constant exchange rate adjustment to 2020 half year exchange rates	**0.9**	**1.2**	**0.6**	**2.9**	**5.6**
Acquisitions	**-**	**-**	**-**	**-**	**-**
LFL adjusted operating profit	**23.9**	**23.7**	**7.1**	**27.7**	**82.4**

2020 Half year adjusted operating profit	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2020 Half year Total £m
Statutory operating profit/(loss)	4.8	10.9	(0.9)	(71.0)	(56.2)
Restructuring costs	-	3.0	-	-	3.0
Net transaction-related costs and fair value adjustments	-	(1.2)	-	3.2	2.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.1	-	-	0.3	0.4
Impairment of goodwill	-	-	-	58.4	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	3.5	3.7	3.8	25.5	36.5
Adjusted operating profit	8.4	16.4	2.9	16.4	44.1
Disposal of businesses	-	-	-	3.3	3.3
LFL adjusted operating profit	8.4	16.4	2.9	19.7	47.4

Appendix - Alternative performance measures (continued)

2021 Half year operating margin	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	2021 Half year Total %
Statutory operating margin[1]	**10.3**	**8.4**	**4.7**	**13.8**	**10.1**
Adjusted operating margin[2]	**12.9**	**12.0**	**10.1**	**14.5**	**12.8**
LFL adjusted operating margin[3]	**12.9**	**12.2**	**10.3**	**15.3**	**13.1**

2020 Half year operating margin	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	2020 Half year Total %
Statutory operating margin[1]	3.2	6.1	(1.5)	(34.2)	(9.4)
Adjusted operating margin[2]	5.6	9.1	4.8	7.9	7.4
LFL adjusted operating margin[3]	5.6	9.1	4.8	12.1	8.6

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

2. 2021 Half year LFL adjusted operating profit versus 2019 Half year LFL adjusted operating profit

2021 Half year adjusted operating profit	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2021 Half year Total £m
Statutory operating profit	**18.3**	**15.7**	**3.0**	**23.6**	**60.6**
Restructuring costs	**1.1**	**2.9**	**-**	**(0.2)**	**3.8**
Net transaction-related costs and fair value adjustments	**1.0**	**1.3**	**-**	**1.1**	**3.4**
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.1**	**-**	**-**	**-**	**0.1**
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**2.5**	**2.6**	**3.5**	**0.3**	**8.9**
Adjusted operating profit	**23.0**	**22.5**	**6.5**	**24.8**	**76.8**
Constant exchange rate adjustment to 2019 half year exchange rates	**0.6**	**0.8**	**0.4**	**1.8**	**3.6**
Acquisitions	**-**	**-**	**-**	**-**	**-**
LFL adjusted operating profit	**23.6**	**23.3**	**6.9**	**26.6**	**80.4**

2019 Half year adjusted operating profit	Malvern Panalytical £m	HBK £m	Omega £m	Industrial Solutions £m	2019 Half year Total £m
Statutory operating (loss)/profit	(63.2)	(8.2)	9.6	15.7	(46.1)
Restructuring costs	9.0	7.3	1.8	11.0	29.1
Net transaction-related costs and fair value adjustments	(0.4)	1.9	–	4.8	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 and impairment of other property, plant and equipment	37.9	15.7	3.7	6.6	63.9
Adjusted operating profit	18.5	16.7	9.9	38.4	83.5
Disposal of businesses	(0.1)	-	-	(12.9)	(13.0)
LFL adjusted operating profit	18.4	16.7	9.9	25.5	70.5

Appendix - Alternative performance measures (continued)

2021 Half year operating margin	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	2021 Half year Total %
Statutory operating margin[1]	**10.3**	**8.4**	**4.7**	**13.8**	**10.1**
Adjusted operating margin[2]	**12.9**	**12.0**	**10.1**	**14.5**	**12.8**
LFL adjusted operating margin[3]	**12.8**	**12.1**	**10.1**	**14.9**	**12.9**

2019 Half year operating margin	Malvern Panalytical %	HBK %	Omega %	Industrial Solutions %	2019 Half year Total %
Statutory operating margin[1]	(31.6)	(4.2)	13.9	5.3	(6.1)
Adjusted operating margin[2]	9.2	8.6	14.3	13.0	11.0
LFL adjusted operating margin[3]	9.7	8.6	14.3	13.8	11.1

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

Appendix - Alternative performance measures (continued)

Adjusted EBITDA	2021 Half year £m	2020 Half year £m	2020 Full year £m
Statutory operating profit/(loss)	**60.6**	(56.2)	(23.3)
Depreciation and impairment of owned assets	**10.3**	18.9	86.7
Depreciation and impairment of right-of-use assets	**5.2**	14.1	22.2
Amortisation and impairment of intangible assets	**14.2**	34.9	57.9
Impairment of goodwill	**-**	58.4	58.4
EBITDA	**90.3**	70.1	201.9
Restructuring costs excluding impairment of owned and right-of-use property, plant and equipment and intangible assets	**3.8**	3.0	13.0
Net transaction-related costs and fair value adjustments	**3.4**	2.0	19.4
Adjusted EBITDA	**97.5**	75.1	234.3

EBITDA is calculated as statutory operating profit/(loss) before depreciation, 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. This measure is used for the purpose of assessing capital management and covenant compliance and is reported to the Group Executive Committee.

c) Adjusted net finance costs

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Statutory net finance costs	**8.7**	(14.4)	(8.4)
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(6.7)**	10.4	0.8
Interest credit on release of provision on settlement of EU dividends tax claim	**(5.1)**	-	-
Unwinding of discount factor on deferred and contingent consideration	**-**	0.3	0.4
Adjusted net finance costs	**(3.1)**	(3.7)	(7.2)

d) Adjusted profit before taxation

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Adjusted operating profit	**76.8**	44.1	173.6
Adjusted net finance costs	**(3.1)**	(3.7)	(7.2)
Adjusted profit before taxation	**73.7**	40.4	166.4

Appendix - Alternative performance measures (continued)

e) Adjusted earnings per share

Adjusted earnings	**2021 Half year £m**	2020 Half year £m	2020 Full year £m
Statutory profit/(loss) after tax	**180.3**	(66.5)	(17.0)
Adjusted for:			
Restructuring costs	**3.8**	3.0	19.5
Net transaction-related costs and fair value adjustments	**3.4**	2.0	19.4
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**0.1**	0.4	0.7
Impairment of goodwill	**-**	58.4	58.4
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	**8.9**	36.5	98.9
Fair value through profit and loss movements on equity investments	**-**	-	(23.2)
Profit on disposal of businesses	**(117.7)**	(5.1)	(4.4)
Interest credit on release of provision on settlement of EU dividends tax claim	**(5.1)**	-	-
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(6.7)**	10.4	0.8
Unwinding of discount factor on deferred and contingent consideration	**-**	0.3	0.4
Tax effect of the above and other non-recurring items	**(9.5)**	(7.9)	(23.4)
Adjusted earnings	**57.5**	31.5	130.1

Adjusted earnings per share	**2021 Half year**	2020 Half year	2020 Full year
Weighted average number of shares outstanding (millions)	**115.7**	116.0	116.1
Adjusted earnings per share (pence)	**49.7**	27.2	112.1

Basic earnings/(loss) per share in accordance with IAS 33 ‘Earnings Per Share’ are disclosed in Note 6.

Financial position measures

f) Net cash

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Bank overdrafts	**(0.2)**	-	(13.1)
Bank overdrafts included in liabilities held for sale	**-**	-	(2.2)
Bank loans unsecured		(192.7)	(104.5)
Total borrowings	**(0.2)**	(192.7)	(119.8)
Cash and cash equivalents included in current assets	**-**	-	222.2
Cash and cash equivalents	**273.0**	287.0	3.7
Net cash	**272.8**	94.3	106.1

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Reconciliation of changes in cash and cash equivalents to movements in net cash			
Net increase/(decrease) in cash and cash equivalents	**63.6**	71.0	(2.9)
Proceeds from borrowings	**-**	-	(0.3)
Repayment of borrowings	**99.8**	-	86.4
Effect of foreign exchange rate changes	**3.3**	(10.2)	(10.6)
Movement in net cash	**166.7**	60.8	72.6
Net cash at beginning of year	**106.1**	33.5	33.5
Net cash at end of period	**272.8**	94.3	106.1

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

Appendix - Alternative performance measures (continued)

Cash flow measures
g) Adjusted cash flow

	2021 Half year £m	2020 Half year £m	2020 Full year £m
Cash generated from operations	**96.7**	99.9	254.6
Net income taxes paid	**(17.2)**	(11.5)	(28.6)
Net cash inflow from operating activities	**79.5**	88.4	226.0
Transaction-related costs paid	**9.0**	3.9	13.6
Restructuring cash outflow	**6.8**	8.2	15.1
Net income taxes paid	**17.2**	11.5	28.6
Purchase of property, plant and equipment and intangible assets	**(19.1)**	(23.4)	(43.1)
Proceeds from government grants related to purchase of property, plant and equipment and intangible assets	**-**	0.2	0.2
Proceeds from disposal of property, plant and equipment and software	**-**	-	4.1
Adjusted cash flow	**93.4**	88.8	244.5
Adjusted cash flow conversion[1]	**122%**	201%	141%

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

Other measures
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 (cash)/debt and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	30 June 2021 £m	30 June 2020 £m	30 June 2019 £m
Net (cash)/debt (see APM f)	**(272.8)**	(94.3)	312.6
Accumulated impairment losses on goodwill	**156.7**	247.3	185.4
Accumulated amortisation and impairment of acquisition-related intangible assets	**362.7**	415.3	371.0
Shareholders' equity	**1,243.1**	1,313.3	1,133.8
Gross capital employed	**1,489.7**	1,881.6	2,002.8
Average gross capital employed (current and prior period)[1]	**1,685.7**	1,942.2	
Adjusted operating profit for six months to June 2021 and 2020 (see APM b)	**76.8**	44.1	
Adjusted operating profit for six months to December 2020 and 2019	**129.5**	174.6	
Total adjusted operating profit for last 12 months	**206.3**	218.7	
Return on gross capital employed	**12.2%**	11.3%	

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

i) Net transaction-related costs and fair value adjustments
Net transaction-related costs and fair value adjustments comprise transaction costs of £3.5 million (Half year 2020: £3.3 million; Full year 2020: £21.6 million) 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 credit of £0.1 million (Half year 2020: £1.3 million; Full year 2020: £2.2 million). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £9.0 million (Half year 2020: £3.9 million; Full year 2020: £13.6 million) have been excluded from the adjusted cash flow.

Dividend timetable – H1 2021 interim dividend

Event	Date – 2021
Ex-dividend date	7 October
Record date	8 October
Payment date	12 November
Expected DRIP purchase settlement	16 November

Cautionary statement

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