Press Release

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2017 HALF YEAR RESULTS

25 July 2017 - Spectris plc (SXS: LSE), the productivity-enhancing instrumentation and controls company, announces half year results for the six months ended 30 June 2017.

Adjusted*	**H1 2017**	**H1 2016**	**Change**	**Change at CER***	**Like-for-like change***
Reported sales, £m	**710.0**	581.4	22%	10%	5%
Adjusted operating profit excluding Project Uplift costs, £m	**75.3**	69.4	8%	-1%	-3%
Project Uplift net cost, £m	**(8.8)**	(0.5)			
Adjusted operating profit, £m	**66.5**	68.9	-4%	-13%	-15%
Adjusted profit before tax, £m	**63.8**	66.5	-4%		
Adjusted earnings per share, pence	**42.3p**	43.0p	-2%		
Adjusted return on sales, %	**9.4%**	11.9%	-2.5pp		
Dividend, pence	**19.0p**	18.0p	6%		
Reported					
Reported sales, £m	**710.0**	581.4	22%		
Reported operating profit, £m	**42.1**	46.6	-10%		
Reported profit before tax, £m	**37.6**	41.0	-8%		
Basic earnings per share, pence	**26.8p**	26.0p	3%		
Reported return on sales, %	**5.9%**	8.0%	-2.1pp		

* Adjusted performance measures ('APMs') are used consistently throughout this press release and are referred to as 'adjusted', 'constant exchange rate' or 'like-for-like'. These are defined in full and reconciled to the IFRS statutory measures in Note 2.

Highlights

- Sales of £710.0 million, reflecting 5% organic sales growth and a 5% contribution from acquisitions
- Adjusted operating profit of £75.3 million excluding Project Uplift costs, a 3% LFL decrease year-on-year
- Project Uplift costs of £8.8 million; Phase 1 activities on track for expected benefits; shared service centre feasibility study completed and moving to the next phase
- Robust adjusted operating cash conversion of 119%
- Dividend per share increased by 6%

Commenting on the results, John O'Higgins, Chief Executive, said: *"We are pleased to have delivered 5% organic sales growth in the first half of the year, albeit against a weak prior year comparator. We continue to focus on customer solutions, in particular the growth opportunities from the Malvern PANalytical merger and within the automotive sector, and building on the acquisitions and capital investments we have made over the past 12 months in services and software. Our activities under Project Uplift are making good progress; we are moving into the next phase of the shared service centre project and are on track to deliver the projected benefits for the year. Whilst we will continue to make further targeted strategic investments to support our growth ambitions in the second half, overall, our expectations for the full year remain unchanged."*

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A meeting with analysts will be held at 8:30am BST today at the offices of FTI Consulting. This will be available as a live webcast on the company's website at www.spectris.com and a recording will be posted on the website after the meeting.

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

About Spectris

Spectris plc is a leading supplier of productivity-enhancing instrumentation and controls. The Company's products and technologies help customers to improve product quality and performance, improve core manufacturing processes, reduce downtime and wastage and reduce time to market. Its global customer base spans a diverse range of end-user markets. Spectris operates across four business segments which reflect the applications and industries it serves: Materials Analysis, Test and Measurement, In-line Instrumentation and Industrial Controls. Headquartered in Egham, Surrey, England, the Company employs approximately 9,000 people located in more than 30 countries. For more information, visit www.spectris.com.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Results overview

Reported sales increased by 22% in the first half to £710.0 million (H1 2016: £581.4 million). This reflected a 5% increase on an organic constant currency (like-for-like, 'LFL') basis, a 5% contribution from acquisitions and a beneficial impact of 12% from foreign currency exchange movements.

Regionally, LFL sales to North America increased by 1%, the first time that this region has shown growth since 2014. LFL sales grew strongly in Asia, benefiting from growth of 6% and 11% in China and Japan, respectively. In Europe, there was a particularly strong contribution from Germany where LFL sales growth was 11%.

Sales by geography	LFL sales change
North America	1%
Europe	6%
Asia	10%
Rest of the World	0%

Sales by segment	LFL sales change
Materials Analysis	3%
Test and Measurement	5%
In-line Instrumentation	11%
Industrial Controls	5%

LFL sales increased across all four segments, with particularly strong growth in In-line Instrumentation against a weak comparator, with all key end markets in this segment returning to growth after the global slowdown in many heavy process industries in 2016.

Reported operating profit declined by 10% to £42.1 million and adjusted operating profit decreased by 4% to £66.5 million (H1 2016: £68.9 million). Adjusted operating profit includes a net cost of £8.8 million in relation to Project Uplift (H1 2016: £0.5 million). Excluding the Project Uplift costs, adjusted operating profit increased by 8% to £75.3 million and adjusted operating margins were 10.6%. On a LFL basis, adjusted operating profit, excluding the Project Uplift costs, decreased by 3%. This reflected the impact of the higher sales volumes, offset by overhead cost increases and the performance in In-line Instrumentation which posted a 21% LFL decline in adjusted operating profit on its 11% LFL sales growth. This was due to a number of factors, including adverse mix and variances, and restructuring activity.

The Group's results reflect restructuring costs of £3.8 million, primarily at Omega Engineering and NDC Technologies, which together with the benefits arising from restructuring undertaken in 2016 resulted in an incremental net cost in 2017 of £1.9 million. There was also a net benefit from an insurance settlement of £2.9 million (H1 2016: £5.0 million benefit).

Financial position and dividend

Adjusted operating cash flow was strong, with 119% of adjusted operating profit being converted into cash. Capex in the period was £24.4 million and the Group is on track for its £70 million capex programme for the full year. Cash outflows in respect of dividends, tax, interest and acquisitions resulted in net debt increasing by £4.6 million since 2016 year end to £155.5 million, around 0.7x the 12-month trailing EBITDA of £228.4 million.

The Board has declared an interim dividend of 19.0 pence per share, an increase of 6% over the same period last year (H1 2016: 18.0 pence per share). This is consistent with our policy of making progressive dividend payments based upon affordability and sustainability. The dividend is covered 2.2 times by adjusted basic earnings per share. The dividend will be paid on 10 November 2017 to shareholders on the register at the close of business on 13 October. The ex-dividend date is 12 October.

Strategic progress

Our business is evolving in support of our strategy, from being a supplier of products towards the provision of complete solutions (a combination of hardware, software and services) to our customers, based on our deep application and technical expertise. During the year, we continued to transition along this path with a number of strategic initiatives to ensure we are aligning our customer offering to their evolving requirements. Our customer proposition has been enhanced by the contribution from the service and software acquisitions made over the past 12 months and by our key account management approach.

Since the start of the year, we have made two bolt-on acquisitions that further enhance and expand our capabilities. In May, Brüel & Kjær Vibro acquired the US-based Setpoint, a leading provider of vibration and condition monitoring solutions to process industries, primarily the oil and gas and power generation sectors. Its technology enables customers to improve machinery availability, productivity and reliability by delivering accurate condition information and expands our presence in the condition monitoring market.

In July, Millbrook acquired the CSA Leyland Technical Centre in Lancashire, UK. This facility provides test services to the commercial vehicle, automotive and off-highway sectors and its offering is complementary to Millbrook's activities, allowing the company to broaden its service offering and customer base. The acquisition is consistent with Millbrook's strategy to expand its capacity and capabilities in powertrain, safety and vehicle testing.

Within our Materials Analysis and Test and Measurement segments, our customer proposition is being enhanced by the more collaborative approach we are deploying to extend and complement our sales into key accounts. At Malvern PANalytical, the recently merged entity, work is underway to combine the sales and marketing effort to leverage our key relationships and provide value-add customer solutions. We have already had a number of successes on this front by cross-selling our products. The automotive market is also a key focus for us and a Test and Measurement Business Solutions Director has recently been appointed whose responsibility is to coordinate our engagement with key automotive customers and orchestrate the joint provision of products and services from Millbrook, HBM and Brüel & Kjær Sound & Vibration.

Within our In-line Instrumentation and Industrial Controls segments, there are numerous opportunities within the industrial networking space for the sensing, connectivity and software and service capability that our businesses have. Combined with our in-depth understanding of our customers' automation and networking requirements, we are well positioned to benefit from the increasing demand here and, during the period, we have had a number of wins with customers on this front.

The Project Uplift programme is integral to our strategy and we have made good progress on our activities in the first half of the year and are on track to deliver in 2017 the expected benefits of £6 million at a one-off cost of £20 million for the original programme. In the first phase, our activities are focused on IT, procurement and footprint. We have created an IT Shared Service Organisation and negotiated improved contract terms with certain IT vendors, taking advantage of the Group's scale. Similarly, in the procurement workstream, we have also negotiated a number of contracts for the provision of certain group-wide services and products on improved terms. For the next phase of Project Uplift, we have established a number of cross-operating company teams to develop business process excellence and share best practice in R&D and sales and marketing to further increase our efficiency and effectiveness. In addition, we have completed the feasibility study for the shared service centre project and are now moving into the detailed design and implementation planning phase to affirm the potential benefits and costs. This next phase of activities is already well underway and we expect to provide guidance on the potential benefits and costs at the 2017 full year results.

Board composition

Dr John Hughes retired as Chairman after the Annual General Meeting in May. The Board notes with sadness his recent passing after a short illness. John made a significant contribution to the Group's overall development and progress during his time in office, for which the Board is deeply grateful.

Mark Williamson was appointed to the Board as Non-executive Chairman with effect from the close of the AGM on 26 May and Karim Bitar was appointed as a Non-executive Director with effect from 1 July.

Summary and outlook

We are pleased to have delivered 5% organic sales growth in the first half of the year, albeit against a weak prior year comparator. We continue to focus on customer solutions, in particular the growth opportunities from the Malvern PANalytical merger and within the automotive sector, and building on the acquisitions and capital investments we have made over the past 12 months in services and software. Our activities under Project Uplift are making good progress; we are moving into the next phase of the shared service centre project and are on track to deliver the projected benefits for the year. Whilst we will continue to make further targeted strategic investments to support our growth ambitions in the second half, overall, our expectations for the full year remain unchanged.

OPERATING REVIEW

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	H1 2017	H1 2016	**H1 2017**	H1 2016	**H1 2017**	H1 2016	**H1 2017**	H1 2016	**H1 2017**	H1 2016
Reported sales (£m)	**199.5**	175.6	**223.2**	170.1	**148.4**	118.7	**138.9**	117.0	**710.0**	581.4
LFL growth (%)	***3%***	-	***5%***	*-4%*	***11%***	*-6%*	***5%***	*-5%*	***5%***	*-3%*
Adjusted operating profit excl. Project Uplift costs (£m)	**22.9**	21.2	**23.4**	18.6	**8.9**	11.0	**20.1**	18.6	**75.3**	69.4
LFL operating profit change excl. Project Uplift cost (%)	***2%***	*37%*	***3%***	*-8%*	***-21%***	*-26%*	***-5%***	*-22%*	***-3%***	*-6%*
Project Uplift net cost (£m)	**(2.4)**	(0.2)	**(3.0)**	(0.1)	**(1.5)**	(0.1)	**(1.9)**	(0.1)	**(8.8)**	(0.5)
Adjusted operating profit (£m)	**20.5**	21.0	**20.4**	18.5	**7.4**	10.9	**18.2**	18.5	**66.5**	68.9
Reported operating profit (£m)	**12.1**	16.2	**12.6**	12.0	**5.4**	9.4	**12.0**	9.0	**42.1**	46.6
Adjusted return on sales (%)	**10.3%**	11.9%	**9.1%**	10.9%	**4.9%**	9.2%	**13.1%**	15.8%	**9.4%**	11.9%
Reported return on sales (%)	**6.1%**	9.2%	**5.6%**	7.1%	**3.6%**	7.9%	**8.6%**	7.7%	**5.9%**	8.0%
% of Group sales	**28%**	30%	**31%**	30%	**21%**	20%	**20%**	20%	**100%**	100%
Aftermarket sales* (%)	**38%**	34%	**27%**	21%	**44%**	46%	**1%**	1%	**29%**	26%

* Aftermarket sales comprise service revenues and sales of consumables and spare parts.

MATERIALS ANALYSIS

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

Segment performance

	H1 2017	H1 2016	Change	Like-for-like change
Reported sales (£m)	**199.5**	175.6	14%	3%
Adjusted operating profit excluding Project Uplift costs (£m)	**22.9**	21.2	9%	2%
Project Uplift net cost (£m)	**(2.4)**	(0.2)		
Reported operating profit (£m)	**12.1**	16.2		
Adjusted return on sales excluding Project Uplift costs (%)	**11.5%**	12.0%	-0.5pp	-0.1pp
Reported return on sales (%)	**6.1%**	9.2%		
% of Group sales	**28%**	30%		
Aftermarket sales (%)	**38%**	34%		

Reported sales increased by 14%, reflecting a 3% increase in LFL sales, a 0.5% contribution from acquisitions and an 11% beneficial impact from foreign currency exchange movements. This performance reflected strong growth in Asia, a small increase in sales in Europe and a decline in LFL sales in North America.

Adjusted operating profit excluding Project Uplift costs increased by 2% on a LFL basis, reflecting the rise in LFL sales, a four percentage point increase in aftermarket sales and strong operating leverage at PMS offset by an increase in overheads.

LFL sales to the **pharmaceutical** sector grew strongly during the period, with a particularly good performance in Asia. This has been driven by higher investment within the generics sector (China, India) as it responds to the desire for healthcare cost reductions in developed markets (Europe, USA, Japan) and continuing increased demand for healthcare access in emerging markets. In addition, the current regulatory focus on data integrity is leading to new equipment purchases as manufacturers upgrade their capabilities.

Since the start of the year, the merger of Malvern Instruments and PANalytical has been in effect. The company has been renamed Malvern PANalytical, a combined management team is in place and work is underway to cross train and merge the sales and marketing teams. The initial focus has been on cross-selling opportunities and a number of these have already been realised, with new sales of both Malvern and PANalytical products into existing counterpart company customers. During the period, the combined business launched two new products: one aimed at helping customers to meet regulations in the biopharmaceutical industry, and the other for the analysis of the elemental composition of liquids, for example to meet environmental regulations in a number of process industries, such as petrochemicals.

At PMS, our strategy to add services to our products was enhanced with the acquisition in 2016 of CAS Clean Air Service AG, allowing PMS to be able to offer its Good Manufacturing Practice service knowledge and expertise for regulatory compliance in the pharmaceutical industry. During 2017, this has now been extended into other markets in Europe and the USA, with demand being driven by increasing regulatory scrutiny, with an increasing emphasis on compliance and particular attention given to data integrity. Demand for high level consulting services in areas such as sterility assurance therefore continues to be robust and PMS has been able to provide this additional service to existing customers.

In the **metals, minerals and mining** sectors, LFL sales returned to growth following the sizeable declines in 2016. Europe delivered a strong performance, although North America continued to see a decline. Commodity prices for base metals have shown a slow recovery since the end of 2016. Investments in new production and analytical capabilities are still at a low level, although the number of opportunities has started to increase. Sentiment in the mining sector has been improving and we have seen an uptick in Australia in particular. Aftermarket sales remained robust, as customers continue to repair and support existing equipment.

LFL sales to **academic research** institutes were down in the first half of the year, with all regions showing a decline, although there was good growth in orders in the period. In North America, the US government has been operating under a continuing resolution that froze 2017 spending at most agencies at 2016 levels and generally prevented them from starting new programmes. Similarly, political uncertainty in parts of Europe has meant that academic research expenditure has remained subdued in this region. In Asia, the key positive market was Japan which did see LFL sales growth.

In the **electronics, semiconductor and telecoms** sector, LFL sales rose year-on-year, with the main demand centre of Asia showing strong growth. Europe also saw LFL sales increase while LFL sales in North America were lower. There has been strong growth in semiconductor demand, particularly in China and South Korea, with a continuation of the favourable market conditions seen in the second half of 2016. Electronics sales in the period have been lower, although the order growth was up year-on-year.

Segment outlook

We expect sales growth to continue in the second half in the pharmaceutical sector, given the order growth seen to date and the continued expansion of our high level advisory service offering into new markets, such as China.

Given the improving backdrop in the metals, minerals and mining sectors, we are encouraged that the increased market activity will start to feed through to a sustained improvement in sales for Malvern PANalytical. We expect aftermarket sales to continue to be robust.

Sales to the academic research sector remain unpredictable as public sector budgets are likely to remain under pressure in many countries, although underlying demand remains strong.

In the electronics and semiconductor sectors, we expect to see continued strong growth in Asian markets, particularly in China and South Korea.

TEST AND MEASUREMENT

Our Test and Measurement operating companies supply test, measurement and analysis equipment, software and services for product design optimisation, manufacturing control, microseismic monitoring and environmental noise monitoring. The operating companies in this segment are Brüel & Kjær Sound & Vibration, ESG Solutions, HBM and Millbrook.

Segment performance

	H1 2017	H1 2016	Change	Like-for-like change
Reported sales (£m)	**223.2**	170.1	31%	5%
Adjusted operating profit excluding Project Uplift costs (£m)	**23.4**	18.6	25%	3%
Project Uplift net cost (£m)	**(3.0)**	(0.1)		
Reported operating profit (£m)	**12.6**	12.0		
Adjusted return on sales excluding Project Uplift costs (%)	**10.5%**	11.0%	-0.5pp	-0.2pp
Reported return on sales (%)	**5.6%**	7.1%		
% of Group sales	**31%**	30%		
Aftermarket sales (%)	**27%**	21%		

Reported sales increased by 31% in the period, comprising a LFL sales increase of 5%, a 14 percentage point contribution from acquisitions and a 12 percentage point positive impact from foreign currency exchange movements. Regionally, there was good sales growth in Asia, particularly in Japan, and in Europe. North America saw a small increase in LFL sales.

Adjusted operating profit excluding Project Uplift costs increased to £23.4 million, up 3% on a LFL basis. Positive pricing and mix effects were partly offset by overhead increases in support of the strategic growth initiatives, particularly in relation to the growing automotive market.

Sales to our **automotive** customers grew strongly in the first half of the year with all key regions delivering notable growth. At Millbrook, we have been expanding the capacity of our automotive testing services. In May, a new large climatic chamber was opened, to be used for conducting environmental tests on passenger cars and commercial vehicles. We expect to see good demand for these services for testing to manufacturer and industry standards. In July, we added further capacity as well as complementary customers and services with the acquisition of a commercial vehicle test facility in Lancashire in the UK. The CSA Leyland Technical Centre, now renamed Millbrook, provides test services to the commercial vehicle, automotive and off-highway sectors and is an important step in Millbrook's strategy to expand its capacity and capabilities in powertrain, safety and vehicle testing. To drive penetration of key automotive accounts, we have now appointed a Test and Measurement Business Solutions Director whose responsibility is to coordinate our engagement with key automotive customers and orchestrate the joint provision of products and services from Millbrook, HBM and Brüel & Kjær Sound & Vibration.

There was good LFL sales growth to **machine manufacturers** in the period. Although the growth in our sales to this sector was primarily driven by non-automotive related demand, a significant portion represents sales into the automotive supply chain and direct sales to the automotive sector were notably higher in the period. Machine manufacturing sales were strong in Asia, particularly in China. In Europe, Germany saw good growth with an increase in German exports and an increasing desire for automation and robotics products driving demand for our industrial measurement solutions.

In **aerospace and defence**, LFL sales were flat overall with North America and Europe seeing LFL sales increases, offset by a reduction in Asia. Key demand drivers remain the search for higher fuel efficiency with lighter materials and the increased electrification of aircraft which requires testing.

Sales to our **electronics and telecoms** customers were down slightly in the first half of the year. LFL sales to telecoms customers were down as sales to this sector are lumpy, reflecting the scheduling of projects by customers. We have continued to see good traction with Chinese mobile phone operators and have been working closely with the likes of Huawei, China's largest telecoms company. Sales to electronics customers increased in both Asia and Europe, driven by trends in consumer demand for devices such as audio and communication systems which are safer, more reliable and offer improved sound quality. We are also seeing continued growth in the supply of high quality components, such as microphones, for acoustic testing of smartphones.

In the **unconventional oil and gas and mining** markets, commodity prices have settled and there has been an increase in the US rig count and production. As a result, our hydraulic fracturing monitoring business has been more buoyant and LFL sales in North America have increased markedly on 2016. However, mining activity is more subdued and has been impacted in Asia by the Indonesian government's restrictions on exports.

Segment outlook

We expect the automotive sector to remain robust through the remainder of 2017, with automotive customers expanding their development programmes and our capital investment programme coming through to generate revenue.

In the aerospace and defence sector, we expect to see a similar trend to that in the first half, although the pipeline of opportunities has improved in recent months.

The consumer electronics market, which is prone to spikes in demand associated with the launch of new products, is expected to remain attractive, and we see good opportunities for our sound quality testing applications.

If commodity prices remain settled, we would expect the improvement in our microseismic monitoring to be sustained through the remainder of the year. The medium-term growth drivers for this business remain positive given the need for producers to make better use of technology and data analytics to improve productivity and profitability.

IN-LINE INSTRUMENTATION

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

Segment performance

	H1 2017	H1 2016	Change	Like-for-like change
Reported sales (£m)	**148.4**	118.7	25%	11%
Adjusted operating profit excluding Project Uplift costs (£m)	**8.9**	11.0	-20%	-21%
Project Uplift net cost (£m)	**(1.5)**	(0.1)		
Reported operating profit (£m)	**5.4**	9.4		
Adjusted return on sales excluding Project Uplift costs (%)	**6.0%**	9.3%	-3.3pp	-2.7pp
Reported return on sales (%)	**3.6%**	7.9%		
% of Group sales	**21%**	20%		
Aftermarket sales (%)	**44%**	46%		

Reported sales increased by 25% with a LFL sales increase of 11%, a 3% contribution from acquisitions and a positive foreign currency exchange movement of 11 percentage points. All regions posted growth in sales and delivered a marked improvement on the prior year's weak performance as all key end markets returned to growth after the global slowdown in many heavy process industries in 2016.

On a LFL basis, adjusted operating profit excluding Project Uplift costs declined by 21% and margins for the period fell by 2.7 percentage points. This was attributable to a number of factors, including adverse mix and variances, restructuring (£1.6 million) and additional costs following the closure of a business centre in Europe (£1.3 million).

Restructuring activities continued in this segment to simplify business processes, in particular at NDC Technologies which is consolidating its California production and administration functions into its Ohio facility, which has subsequently become the new company headquarters. The California facility will become the new Web Process Solutions Technical Centre of Excellence.

LFL sales to the **pulp, paper and tissue** markets grew in the first half with all regions in positive territory. Pulp and paper LFL sales were up slightly whilst our tissue business had a good start to the year, with particularly strong LFL sales growth in Asia. In this region, we have been successful in securing new business with producers of premium grade tissue products as household incomes rise and consumer demand for tissue products increases. We have also continued to expand our offering by providing market-leading solutions for process control and optimisation, particularly in the chemical pulp segment, with the Capstone software tools. We received new orders for our dataPARC analytics in the pulp and paper, chemicals and other industries. In June, we successfully delivered our first digital solution for tissue production management with a vibration monitoring system installed at a Spanish paper and tissue company, whereby important vibration data is captured and displayed using our new analytics software, allowing monitoring of the machine's Yankee dryer performance.

LFL sales to the **energy and utilities** sector increased in the first half of 2017. The backdrop for refinery/petrochemical markets has improved compared to 2016 as energy prices have stabilised and we have seen a more solid performance in the hydrocarbon processing sector in the USA with activity in Asia, in particular China, also picking up. Our wind power business delivered strong growth in sales from both the turbine OEM companies and our targeted approach to wind farm owners and operators. For example, Brüel & Kjær Vibro was selected by EDP Renewables to supply and retrofit the installation of condition monitoring systems and monitoring services for seven US wind farms. Brüel & Kjær Vibro has now sold monitoring systems for more than 15,000 wind turbines globally. In May, Brüel & Kjær Vibro acquired the US-based Setpoint, a leading provider of vibration and condition monitoring solutions to process industries, primarily the oil and gas and power generation sectors. Its technology enables customers to improve machinery availability, productivity and reliability by delivering accurate condition information and expands our presence in the condition monitoring market.

At Servomex, our customer offering has been broadened by the launch of the Laser 3 analyser for combustion applications. This ultra-compact product measures ammonia, oxygen and carbon monoxide from combustion processes, providing instant benefits to customers in terms of installation ease and flexibility and ensuring the safe running of their processes. We are also aiming to streamline our industrial gases customer offering to a single platform with two variants (single and multi-gas), a simplified user interface and digital communications which can be more easily deployed by customers according to their needs. This platform will have the ability to integrate our new AquaExact Moisture Sensor which measures moisture in a range of process applications such as air separation processes, natural gas processing and transportation.

After a surge in growth in the prior year, sales to the **web and converting industries** moderated, increasing only slightly on a LFL basis. Growth in sales in Europe and Asia more than offset an overall decline in North America, and performance in packaging and in our cable and tube businesses has been robust as a result of improving market conditions. During the period, NDC Technologies entered into a business cooperation with RAM GmbH (‘RAM’), a web inspection company in similar industries, to sell their web inspection systems in a number of territories not covered by RAM with a reciprocal arrangement whereby RAM will sell NDC Technologies’ gauging systems to its customers. The combination of the two product lines will allow the companies to provide customers with better analytics of the manufacturing process, enabling more informed decisions to be made on process optimisation. NDC Technologies’ focus on customers has also been enhanced by the launch of the global service cloud application, MyNDC, in order to provide seamless, round-the-clock customer service support.

Segment outlook

In the pulp, paper and tissue market, we expect to continue to see good demand in tissue and packaging, particularly in Asia. Sales of Capstone software are also expected to drive growth in both this sector and in other process industries.

In energy and utilities, the current environment is encouraging with a more stable oil price underpinning cautious investment in areas such as hydrocarbon processing. Demand from the wind energy sector is expected to remain healthy as we continue to focus on wind farm operators and owners.

The North American market has shown signs of improvement in the first half of 2017, as we see a freeing up of capex and industrial spend in the process industries that we serve.

We would expect to see the segment’s overall growth in LFL sales to moderate as we go through the second half of the year but, based on the current order book and the non-recurrence of the adverse costs we saw in the first half, we expect to see a strong recovery in gross and operating margins.

INDUSTRIAL CONTROLS

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

Segment performance

	H1 2017	H1 2016	Change	Like-for-like change
Reported sales (£m)	**138.9**	117.0	19%	5%
Adjusted operating profit excluding Project Uplift costs (£m)	**20.1**	18.6	8%	-5%
Project Uplift net cost (£m)	**(1.9)**	(0.1)		
Reported operating profit (£m)	**12.0**	9.0		
Adjusted return on sales excluding Project Uplift costs (%)	**14.5%**	15.9%	-1.4pp	-1.4pp
Reported return on sales (%)	**8.6%**	7.7%		
% of Group sales	**20%**	20%		
Aftermarket sales (%)	**1%**	1%		

Reported sales increased by 19%, reflecting a 5% increase in LFL sales and a 14 percentage point positive impact from foreign currency exchange movements. Growth rates were similar across all four of the regions. With the segment's high exposure to North America, it was encouraging to see an increase in LFL sales in this region for the first time since 2014.

Adjusted operating profit was down 5% on a LFL basis. This is a consequence of a one-off restructuring charge of £2.2 million as we improve the performance of Omega, compared to a £2.0 million one-off gain posted in 2016. Gross margins have improved year-on-year in line with our previously announced expectations and, excluding the £4.2 million swing in one-off costs, operating leverage is starting to come through.

The transformation at Omega continues and the plan to improve the US sales performance is fully on track. The near-term focus of the new management team is to create a lean supply chain focused on on-time delivery, quality, reducing inventory and improving lead-time to customers. Progress on this has already been reflected in the on-time delivery metric. Additional restructuring measures to further enhance performance were announced in June. Electronics manufacturing, currently performed in California, is to be outsourced via a strategic partnership with a key existing global supplier of electronics, and distribution operations for certain markets will be consolidated. In the period, LFL sales were up in North America for the first time since 2014, and the internationalisation programme continued to deliver good sales growth in all major markets outside of the USA. With its sensor technology, Omega is well positioned to take advantage of opportunities in the Industrial Internet of Things ('IIoT') space and has developed a number of products to capture these opportunities. For example, its long-range wireless monitoring systems provide web-based monitoring of temperature, humidity and barometric pressure. This system can provide data assurance and security, critical to the protection of high-value assets and we have worked with a major satellite company to provide such a solution.

Our industrial networking business also saw a return to sales growth in its core North American market, particularly within the Ethernet and Interface product families. Industrial connectivity is a key strategic market for the Group as factories and facilities accelerate deployment of automation and industrial networking solutions to improve productivity and gain insight into the operational efficiency of assets. During the first half of the year, we had notable sales on this front at two major automotive manufacturers, delivering highly reliable and easy to configure networking solutions for their robotics OEMs and own manufacturing lines. In May, Red Lion announced an enhancement to its products which enables more secure communications to IIoT cloud platforms and remote access applications. This enhancement utilises Distrix Networks' software-defined networking technology with Red Lion's RAM range of industrial remote terminal units which results in industry-leading security with a flexible and scalable architecture, improving on traditional network communications.

At our automatic identification and machine vision solutions business, sales of our MicroHawk products have continued to grow rapidly and, during the period, a new ultra-high density version was launched that can read very small and difficult-to-read barcodes, for example on a silicon chip. Customers continue to recognise the benefits that the product offers as they embed it in their automated and IIoT solutions.

Segment outlook

Progress for this segment in the second half will be largely determined by the industrial demand environment in the USA which has experienced an improving backdrop during the first half. We expect to see continued good growth in Asia.

As we see customers continue to focus on increasing productivity and efficiency and the demand for IIoT solutions rises, we expect to see continued growth in demand for our solutions for factory automation and industrial networking, sensing and controls.

At Omega, we continue to expect the organisational changes and restructuring measures we have taken, as well as the continued focus on lean initiatives and improving the customer experience, to deliver an improvement in performance and to exit the year with margins at historic levels.

Introduction

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believes these measures enable them to assess the underlying trading performance of the businesses. Adjusted figures exclude certain non-operational items which management has defined in Note 2.

Reported sales in the first half increased by 22.1% from £581.4 million in 2016 to £710.0 million in 2017. The year-on-year contribution to sales from acquisitions was £29.0 million (+5.0%) and foreign currency exchange movements had a positive impact of £68.4 million (+11.7%), with the result that, on an organic constant currency (like-for-like, 'LFL') basis, sales increased by 5.4% compared to the first half of 2016.

Reported gross margins were 0.1 percentage points higher than the prior-year period at 56.1% of sales. Excluding foreign exchange movements and acquisitions, LFL gross margins remained at 56.1%. Excluding one-off items detailed below, LFL overheads increased by 5.8% reflecting normal cost increases as well as selective investments in strategic growth initiatives.

We continued to invest in our R&D programmes, with R&D expense of £52.8 million or 7.4% of sales, a reduced percentage compared to 2016 (H1 2016: £47.3 million, 8.1%).

The Group's results reflect restructuring costs of £3.8 million, primarily at Omega and NDC Technologies, which, together with the benefits arising from restructuring undertaken in 2016, resulted in an incremental net cost in 2017 of £1.9 million. There was also a net benefit from an insurance settlement of £2.9 million (H1 2016: £5.0 million benefit). In the In-line Instrumentation segment, one-off items totalled £1.3 million following the closure of a business centre in Europe.

Project Uplift, created to deliver the objectives of reducing complexity and driving efficiency to stimulate growth, is well underway with initiatives progressing as planned. The net spend of £8.8 million (H1 2016: £0.5 million) includes Phase 1 activities for IT, procurement and footprint. We have also completed a shared service feasibility study and are moving into the detailed design and implementation planning phase.

Including Project Uplift, adjusted operating profit for the period decreased by 4% from £68.9 million to £66.5 million. Reported operating profit declined to £42.1 million (H1 2016: £46.6 million).

The Group has both translational and transactional currency exposures, with a proportion (up to 75%) of net transactional exposures for the next 12 months being hedged. Translational exposures are not hedged. During the period, the translational foreign exchange gain on operating profit of £6.6 million was partially offset by a transactional foreign exchange loss of £1.4 million.

Adjusted net finance costs increased by £0.3 million from £2.4 million to £2.7 million, as our debt is predominantly Euro denominated and sterling weakened significantly against the Euro.

Adjusted profit before tax decreased by 4% from £66.5 million to £63.8 million. The effective adjusted tax rate for the half year is 21.0%, 2pp lower than the prior year. This tax rate includes the one-off effect of tax audit closures in the half year. Based on the forecast for the full year, the effective adjusted tax rate for the full year is estimated at 22%.

The combined effect of the higher adjusted operating profit and lower adjusted net finance costs, offset by the higher tax charge, resulted in adjusted basic earnings per share decreasing by 2% from 43.0 pence per share to 42.3 pence per share.

Adjusted operating cash flow of £78.8 million (H1 2016: £92.4 million) represents an adjusted operating cash conversion rate of 119% (H1 2016: 134%). Net debt increased by £4.6 million (H1 2016: increase of £4.9 million) from £150.9 million at 31 December 2016 to £155.5 million at 30 June 2017, impacted by the acquisition of Setpoint and payment of the 2016 final dividend.

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 in place processes 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 30-39 of the 2016 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 2016 Annual Report.

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

- New product development
- Intellectual property
- Laws and regulations
- Political and economic risks
- Acquisitions
- Competitive activity
- Fluctuations in exchange rates
- Supply chain dependencies and disruption
- Information security
- Strategy execution

The Group continues to monitor and control its exposure to those countries where continuing economic uncertainties exist and, in particular, the implications on the Group of the UK leaving the European Union ('Brexit'). The broad spread of markets in which we operate substantially limits the risk associated with instability in any given territory. The Millbrook acquisition in September 2016 increases our exposure to the UK market and both revenue and costs are largely Sterling denominated. As a result, sales to the UK will be approximately 7% of Group sales compared to the 3-4% previously reported. Of this amount, approximately 6% is sourced in the UK, and 1% is imported from Europe and the Rest of the World. Approximately 9% of the Group's global revenue (ex-UK) originates in the UK, of which 3% is exported to Europe and 6% to the Rest of the World.

In respect of potential currency and funding implications for the Group arising from Brexit, we do not see any significant level of exposure. If Sterling remains weak, this would improve the Group's reported results (income statement and cash flow) and should make our UK exports more competitive, but conversely make imports and overseas supplies more expensive for our UK operations and customers. We believe that the net effect is expected to be broadly neutral to the Group. With regards to funding, the Group currently has limited borrowings and they are predominately Euro and US Dollar denominated.

As a consequence, we continue to believe that Brexit presents only limited short-term direct impact for the Group. The main near-term risk for the Group arising from Brexit stems from broader uncertainty which could inhibit investment and increase market volatility, ultimately hindering growth in the UK and beyond. Our Brexit Risk Committee continues to monitor carefully any additional exposure arising as the full implications of Brexit become clearer.

Clive Watson
Group Finance Director

Responsibility statement of the Directors in respect of the Interim report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Spectris plc are as listed in the 2016 Annual Report and Accounts with the exception of Dr John Hughes who retired as Chairman after the Annual General Meeting on 26 May 2017, Mark Williamson who was appointed as Non-executive Chairman from that date and Karim Bitar who was appointed as a Non-executive Director with effect from 1 July 2017.

By order of the Board

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

25 July 2017

INDEPENDENT REVIEW REPORT TO SPECTRIS PLC

Introduction

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 2017 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows and the related explanatory notes numbered 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board 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 Ireland) 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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Reading, UK
25 July 2017

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2017

	Notes	2017 Half year £m	2016 Half year £m	2016 Full year £m
Continuing operations				
Revenue	3	**710.0**	581.4	1,345.8
Cost of sales		**(311.9)**	(255.5)	(585.3)
Gross profit		**398.1**	325.9	760.5
Indirect production and engineering expenses		**(57.6)**	(51.7)	(108.9)
Sales and marketing expenses		**(178.6)**	(148.0)	(320.1)
Administrative expenses		**(119.8)**	(79.6)	(177.9)
Impairment of goodwill and other acquisition-related intangible assets		**-**	-	(115.3)
Operating profit before acquisition-related items and impairment*		**66.5**	68.9	200.8
Net acquisition-related costs and fair value adjustments	2	**(1.7)**	(5.7)	(10.1)
Depreciation of acquisition-related fair value adjustments to tangible assets	2	**(0.4)**	-	(0.2)
Amortisation of acquisition-related intangible assets	2	**(22.3)**	(16.6)	(36.9)
Impairment of goodwill and other acquisition-related intangible assets	2	**-**	-	(115.3)
Operating profit	2,3	**42.1**	46.6	38.3
Financial income	4	**0.2**	0.2	0.5
Finance costs	4	**(4.7)**	(5.8)	(6.9)
Profit before tax		**37.6**	41.0	31.9
Taxation - UK	5	**(0.7)**	(1.6)	(4.4)
Taxation - Overseas	5	**(5.0)**	(8.4)	(17.2)
Profit after tax for the period from continuing operations attributable to owners of the Parent Company		**31.9**	31.0	10.3
Basic earnings per share	7	**26.8p**	26.0p	8.6p
Diluted earnings per share	7	**26.7p**	26.0p	8.6p
Interim dividends paid and final dividends proposed for the period (per share)	6	**19.0p**	18.0p	52.0p
Dividends paid during the period (per share)	6	**34.0p**	32.2p	52.2p

* See Note 2.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2017

	2017 Half year £m	2016 Half year £m	2016 Full year £m
Profit for the period attributable to owners of the Parent Company	**31.9**	31.0	10.3
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation, net of foreign exchange	**4.8**	(14.1)	(12.6)
Tax on items above	**(1.0)**	3.5	3.0
	3.8	(10.6)	(9.6)
Items that are or may be reclassified subsequently to the Consolidated Income Statement:			
Net gain/(loss) on effective portion of changes in fair value of forward exchange contracts on cash flow hedges	**3.8**	(4.3)	(3.1)
Foreign exchange movements on translation of overseas operations	**(20.3)**	94.7	160.4
Tax on items above	**(0.7)**	1.0	0.7
	(17.2)	91.4	158.0
Total comprehensive income for the period attributable to owners of the Parent Company	**18.5**	111.8	158.7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	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
Balance at 1 January 2017	6.2	231.4	638.3	193.4	(5.3)	3.1	0.3	1,067.4
Profit for the period	-	-	31.9	-	-	-	-	31.9
Other comprehensive income:								
Net gain on effective portion of changes in fair value of forward exchange contracts, net of tax	-	-	-	-	3.1	-	-	3.1
Foreign exchange movements on translation of overseas operations	-	-	-	(20.3)	-	-	-	(20.3)
Re-measurement of net defined benefit obligation, net of foreign exchange and tax	-	-	3.8	-	-	-	-	3.8
Total comprehensive income for the period	-	-	35.7	(20.3)	3.1	-	-	18.5
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(40.5)	-	-	-	-	(40.5)
Share-based payments, net of tax	-	-	2.2	-	-	-	-	2.2
Share options exercised from own shares (treasury) purchased	-	-	0.1	-	-	-	-	0.1
Balance at 30 June 2017	6.2	231.4	635.8	173.1	(2.2)	3.1	0.3	1,047.7

For the six months ended 30 June 2016

	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Merger reserve	Capital redemption reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	6.2	231.4	694.9	33.0	(2.9)	3.1	0.3	966.0
Profit for the period	-	-	31.0	-	-	-	-	31.0
Other comprehensive income:								
Net loss on effective portion of changes in fair value of forward exchange contracts, net of tax	-	-	-	-	(3.3)	-	-	(3.3)
Foreign exchange movements on translation of overseas operations	-	-	-	94.7	-	-	-	94.7
Re-measurement of net defined benefit liability, net of foreign exchange and tax	-	-	(10.6)	-	-	-	-	(10.6)
Total comprehensive income for the period	-	-	20.4	94.7	(3.3)	-	-	111.8
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(38.4)	-	-	-	-	(38.4)
Share-based payments, net of tax	-	-	1.4	-	-	-	-	1.4
Share options exercised from own shares (treasury) purchased	-	-	0.2	-	-	-	-	0.2
Balance at 30 June 2016	6.2	231.4	678.5	127.7	(6.2)	3.1	0.3	1,041.0

For the year ended 31 December 2016

	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Merger reserve	Capital redemption reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	6.2	231.4	694.9	33.0	(2.9)	3.1	0.3	966.0
Profit for the year	-	-	10.3	-	-	-	-	10.3
Other comprehensive income:								
Net loss on effective portion of changes in fair value of forward exchange contracts, net of tax	-	-	-	-	(2.4)	-	-	(2.4)
Foreign exchange movements on translation of overseas operations	-	-	-	160.4	-	-	-	160.4
Re-measurement of net defined benefit liability, net of foreign exchange and tax	-	-	(9.6)	-	-	-	-	(9.6)
Total comprehensive income for the year	-	-	0.7	160.4	(2.4)	-	-	158.7
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	(59.8)	-	-	-	-	(59.8)
Share-based payments, net of tax	-	-	2.3	-	-	-	-	2.3
Share options exercised from own shares (treasury) purchased	-	-	0.2	-	-	-	-	0.2
Balance at 31 December 2016	6.2	231.4	638.3	193.4	(5.3)	3.1	0.3	1,067.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

	2017 Half year £m	2016 Half year £m	2016 Full year £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill	**652.5**	660.3	654.3
Other intangible assets	**218.5**	217.8	245.2
	871.0	878.1	899.5
Property, plant and equipment	**250.8**	174.5	238.8
Deferred tax assets	**13.4**	17.2	13.4
	1,135.2	1,069.8	1,151.7
Current assets			
Inventories	**195.1**	203.6	187.8
Income taxation recoverable	**2.4**	0.7	2.4
Trade and other receivables	**274.5**	239.3	306.6
Derivative financial instruments	**0.4**	-	-
Cash and cash equivalents	**61.2**	72.9	83.5
	533.6	516.5	580.3
Total assets	**1,668.8**	1,586.3	1,732.0
LIABILITIES			
Current liabilities			
Short-term borrowings	**(31.4)**	(2.0)	(12.3)
Derivative financial instruments	**-**	(5.3)	(4.2)
Trade and other payables	**(257.0)**	(215.6)	(259.2)
Income taxation payable	**(30.0)**	(29.3)	(36.8)
Provisions	**(22.4)**	(19.3)	(19.5)
	(340.8)	(271.5)	(332.0)
Net current assets	**192.8**	245.0	248.3
Non-current liabilities			
Medium- and long-term borrowings	**(185.3)**	(174.4)	(222.1)
Other payables	**(28.6)**	(19.5)	(29.0)
Retirement benefit obligations	**(36.2)**	(41.6)	(40.3)
Deferred tax liabilities	**(30.2)**	(38.3)	(41.2)
	(280.3)	(273.8)	(332.6)
Total liabilities	**(621.1)**	(545.3)	(664.6)
Net assets	**1,047.7**	1,041.0	1,067.4
EQUITY			
Share capital	**6.2**	6.2	6.2
Share premium	**231.4**	231.4	231.4
Retained earnings	**635.8**	678.5	638.3
Translation reserve	**173.1**	127.7	193.4
Hedging reserve	**(2.2)**	(6.2)	(5.3)
Merger reserve	**3.1**	3.1	3.1
Capital redemption reserve	**0.3**	0.3	0.3
Total equity attributable to equity holders of the Parent Company	**1,047.7**	1,041.0	1,067.4
Total liabilities and equity	**1,668.8**	1,586.3	1,732.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2017

	Notes	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Cash flows from operating activities				
Profit after tax		**31.9**	31.0	10.3
Adjustments for:				
Taxation	5	**5.7**	10.0	21.6
Finance costs	4	**4.7**	5.8	6.9
Financial income	4	**(0.2)**	(0.2)	(0.5)
Depreciation		**12.5**	10.3	23.0
Amortisation of intangible assets		**25.1**	19.3	42.4
Impairment of goodwill and other acquisition-related intangible assets		**-**	-	115.3
Acquisition-related fair value adjustments		**-**	3.5	5.6
Profit on sale of property, plant and equipment		**(0.1)**	(1.9)	(1.2)
Equity-settled share-based payment transactions		**1.8**	1.4	2.1
Operating cash flow before changes in working capital and provisions		**81.4**	79.2	225.5
Decrease/(increase) in trade and other receivables		**31.0**	36.5	(7.1)
(Increase)/decrease in inventories		**(10.1)**	(2.0)	25.4
(Decrease)/increase in trade and other payables		**(1.5)**	(14.1)	8.2
Increase/(decrease) in provisions and employee benefits		**1.3**	(4.8)	(6.3)
Net income taxes paid		**(23.1)**	(14.7)	(29.8)
Net cash flows generated from operating activities		**79.0**	80.1	215.9
Cash flows from investing activities				
Purchase of property, plant and equipment and software		**(24.4)**	(10.5)	(28.7)
Proceeds from disposal of property, plant and equipment and software		**0.2**	5.0	5.4
Acquisition of businesses, net of cash acquired	10	**(12.6)**	(24.2)	(160.9)
Interest received		**0.2**	0.2	0.5
Net cash flows used in investing activities		**(36.6)**	(29.5)	(183.7)
Cash flows from financing activities				
Interest paid		**(2.2)**	(2.0)	(4.6)
Dividends paid		**(40.5)**	(38.4)	(59.8)
Proceeds from exercise of share options (treasury shares)		**0.1**	0.2	0.2
Proceeds from borrowings		**-**	-	41.0
Repayment of borrowings		**(41.0)**	-	-
Net cash flows used in financing activities		**(83.6)**	(40.2)	(23.2)
Net (decrease)/increase in cash and cash equivalents		**(41.2)**	10.4	9.0
Cash and cash equivalents at beginning of period		**71.2**	56.5	56.5
Effect of foreign exchange rate changes		**(0.2)**	4.0	5.7
Cash and cash equivalents at end of period		**29.8**	70.9	71.2

Reconciliation of changes in cash and cash equivalents to movements in net debt	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Net (decrease)/increase in cash and cash equivalents	**(41.2)**	10.4	9.0
Proceeds from borrowings	**-**	-	(41.0)
Repayment of borrowings	**41.0**	-	-
Effect of foreign exchange rate changes	**(4.4)**	(15.3)	(20.3)
Movement in net debt	**(4.6)**	(4.9)	(52.3)
Net debt at start of period	**(150.9)**	(98.6)	(98.6)
Net debt at end of period	**(155.5)**	(103.5)	(150.9)

1. Basis of Preparation and Principal Accounting Policies

a) Basis of accounting

The Condensed Consolidated Interim Financial Statements of the Company for the six months ended 30 June 2017 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Condensed Consolidated Interim Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place. The Consolidated Financial Statements of the Group for the year ended 31 December 2016 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 2016.

The Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2017 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 2016 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 for the year ended 31 December 2016.

These Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on 25 July 2017.

b) Going concern

Having made enquiries and reviewed the Group's plans and available financial facilities, the Board of Directors has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements. There are no key sensitivities identified in relation to this conclusion.

c) Seasonality of operations

As in prior years, the Group's revenue and operating profits are expected to be weighted towards the second half of the year.

d) Significant accounting judgements and estimates

The preparation of Interim Financial Statements in conformity with IFRS as adopted by the European Union ('adopted IFRS') requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2016.

The Directors have considered the facts and circumstances as at 30 June 2017 and concluded that there are no indicators of impairments that require an impairment review to be undertaken on goodwill at the interim statement of financial position date. The annual impairment review will be undertaken later in 2017 consistent with the timing in previous years.

e) Principal accounting policies

The accounting policies applied by the Group in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2016.

2. Adjusted Performance Measures

Policy

Spectris uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude foreign exchange movements and the impact of acquisitions.

The adjusted performance measures ('APMs') are consistent with how the business 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 use include Constant Exchange Rate ('CER') measures, Like-For-Like ('LFL') organic performance measures and adjusted profit measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below. The Group's policy is to exclude items that are considered to be significant both 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. On this basis adjusted figures exclude certain non-operational items that are predominantly acquisition- or disposal-related items which management have defined as:

- Amortisation and impairment of acquisition-related goodwill and other intangible assets;
- Depreciation of acquisition-related fair value adjustments to tangible assets;
- Acquisition-related costs and contingent consideration fair value adjustments;
- Profits or losses on termination or disposal of businesses;
- Unwinding of the discount factor on deferred and contingent consideration;
- Unrealised changes in the fair value of financial instruments;
- Gains or losses on retranslation of short-term inter-company loan balances; and
- Related tax effects on the above and other tax items which do not form part of the underlying tax rate (see Note 5).

Constant exchange rate measures

The Board reviews and compares current and prior year segmental sales and adjusted profit at constant exchange rates. The constant exchange rate comparison uses the current year reported segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using prior years' monthly exchange rates, irrespective of the underlying transactional currency.

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

This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.

Like-for-like organic performance measures

The Board reviews current and prior year segmental sales and adjusted profit at constant exchange rates excluding the incremental impact of acquisitions for the first twelve months of ownership from the month of purchase. By removing the acquisition-related sales and operating profit, this allows the Board to assess the underlying trading performance of the businesses on a LFL basis.

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

Income statement measures

a) CER and LFL sales

	2017 Half year £m	2016 Half year £m	2016 Full year £m
Sales as reported under adopted IFRS	**710.0**	581.4	1,345.8
Constant exchange rate adjustment	**(68.4)**	(27.7)	(141.1)
Sales at constant exchange rates	**641.6**	553.7	1,204.7
Acquisitions	**(29.0)**	(9.6)	(36.7)
LFL sales	**612.6**	544.1	1,168.0

b) CER and LFL sales by segment

Sales by segment- June 2017	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2017 Half year Total £m**
Sales as reported under adopted IFRS	**199.5**	**223.2**	**148.4**	**138.9**	**710.0**
Constant exchange rate adjustment	**(18.6)**	**(20.5)**	**(13.4)**	**(15.9)**	**(68.4)**
Sales at constant exchange rates	**180.9**	**202.7**	**135.0**	**123.0**	**641.6**
Acquisitions	**(0.9)**	**(24.6)**	**(3.5)**	**-**	**(29.0)**
LFL sales	**180.0**	**178.1**	**131.5**	**123.0**	**612.6**

Sales by segment- June 2016	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Half year Total £m
Sales as reported under adopted IFRS	175.6	170.1	118.7	117.0	581.4
Constant exchange rate adjustment	(7.2)	(8.9)	(5.6)	(6.0)	(27.7)
Sales at constant exchange rates	168.4	161.2	113.1	111.0	553.7
Acquisitions	(2.3)	(3.0)	(0.3)	(4.0)	(9.6)
LFL sales	166.1	158.2	112.8	107.0	544.1

Sales by segment- December 2016	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Full year £m
Sales as reported under adopted IFRS	418.9	404.5	275.6	246.8	1,345.8
Constant exchange rate adjustment	(41.9)	(44.9)	(27.4)	(26.9)	(141.1)
Sales at constant exchange rates	377.0	359.6	248.2	219.9	1,204.7
Acquisitions	(5.4)	(21.8)	(4.1)	(5.4)	(36.7)
LFL sales	371.6	337.8	244.1	214.5	1,168.0

c) CER and LFL sales growth

Sales growth - June 2017	**Materials Analysis %**	**Test and Measurement %**	**In-line Instrumentation %**	**Industrial Controls %**	**2017 Half year Total %**
Sales as reported under adopted IFRS	**13.6**	**31.2**	**25.0**	**18.7**	**22.1**
Sales at constant exchange rates	**3.0**	**19.2**	**13.7**	**5.1**	**10.4**
LFL sales	**2.5**	**4.7**	**10.7**	**5.1**	**5.4**

Sales growth - June 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Half year Total %
Sales as reported under adopted IFRS	6.0	3.6	(1.4)	3.6	3.2
Sales at constant exchange rates	1.6	(1.8)	(6.1)	(1.7)	(1.7)
LFL sales	0.2	(3.6)	(6.3)	(5.3)	(3.4)

Sales growth - December 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Full year %
Sales as reported under adopted IFRS	15.0	15.1	8.1	12.4	13.1
Sales at constant exchange rates	3.5	2.4	(2.6)	0.2	1.2
LFL sales	2.0	(3.8)	(4.2)	(2.3)	(1.9)

d) CER, LFL and adjusted operating profit

Adjusted operating profit	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Operating profit as reported under adopted IFRS	**42.1**	46.6	38.3
Net acquisition-related costs and fair value adjustments	**1.7**	5.7	10.1
Depreciation of acquisition-related fair value adjustments to tangible assets	**0.4**	-	0.2
Amortisation of acquisition-related intangible assets	**22.3**	16.6	36.9
Impairment of goodwill and other acquisition-related intangible assets	**-**	-	115.3
Adjusted operating profit	**66.5**	68.9	200.8
Project Uplift	**8.8**	0.5	3.2
Adjusted operating profit excluding Project Uplift	**75.3**	69.4	204.0
Constant exchange rate adjustment	**(6.6)**	(4.1)	(22.6)
Adjusted operating profit at constant exchange rates excluding Project Uplift	**68.7**	65.3	181.4
Acquisitions	**(1.6)**	(2.0)	(8.3)
LFL adjusted operating profit excluding Project Uplift	**67.1**	63.3	173.1

e) CER, LFL and adjusted operating profit by segment

Adjusted operating profit by segment - June 2017	**Materials Analysis £m**	**Test and Measurement £m**	**In-line Instrumentation £m**	**Industrial Controls £m**	**2017 Half year Total £m**
Operating profit as reported under adopted IFRS	**12.1**	**12.6**	**5.4**	**12.0**	**42.1**
Net acquisition-related costs and fair value adjustments	**0.8**	**0.1**	**0.5**	**0.3**	**1.7**
Depreciation of acquisition-related fair value adjustments to tangible assets	**-**	**0.4**	**-**	**-**	**0.4**
Amortisation of acquisition-related intangible assets	**7.6**	**7.3**	**1.5**	**5.9**	**22.3**
Adjusted operating profit	**20.5**	**20.4**	**7.4**	**18.2**	**66.5**
Project Uplift	**2.4**	**3.0**	**1.5**	**1.9**	**8.8**
Adjusted operating profit excluding Project Uplift	**22.9**	**23.4**	**8.9**	**20.1**	**75.3**
Constant exchange rate adjustment	**(1.4)**	**(2.0)**	**(0.9)**	**(2.3)**	**(6.6)**
Adjusted operating profit at constant exchange rates excluding Project Uplift	**21.5**	**21.4**	**8.0**	**17.8**	**68.7**
Acquisitions	**(0.1)**	**(2.2)**	**0.7**	**-**	**(1.6)**
LFL adjusted operating profit excluding Project Uplift	**21.4**	**19.2**	**8.7**	**17.8**	**67.1**

Adjusted operating profit by segment - June 2016	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Half year Total £m
Operating profit as reported under adopted IFRS	16.2	12.0	9.4	9.0	46.6
Net acquisition-related costs and fair value adjustments	0.4	1.4	0.2	3.7	5.7
Amortisation of acquisition-related intangible assets	4.4	5.1	1.3	5.8	16.6
Adjusted operating profit	21.0	18.5	10.9	18.5	68.9
Project Uplift	0.2	0.1	0.1	0.1	0.5
Adjusted operating profit excluding Profit Uplift	21.2	18.6	11.0	18.6	69.4
Constant exchange rate adjustment	(1.0)	(1.3)	(0.7)	(1.1)	(4.1)
Adjusted operating profit at constant exchange rates excluding Project Uplift	20.2	17.3	10.3	17.5	65.3
Acquisitions	(0.1)	(0.2)	(0.1)	(1.6)	(2.0)
LFL adjusted operating profit excluding Project Uplift	20.1	17.1	10.2	15.9	63.3

Adjusted operating profit by segment - December 2016	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Full year Total £m
Operating profit as reported under adopted IFRS	66.2	26.7	37.6	(92.2)	38.3
Net acquisition-related costs and fair value adjustments	0.2	2.1	0.3	7.5	10.1
Depreciation of acquisition-related fair value adjustments to tangible assets	-	0.2	-	-	0.2
Amortisation of acquisition-related intangible assets	9.8	11.9	3.3	11.9	36.9
Impairment of goodwill and other acquisition-related intangible assets	-	20.9	-	94.4	115.3
Adjusted operating profit	76.2	61.8	41.2	21.6	200.8
Project Uplift	0.9	1.2	0.6	0.5	3.2
Adjusted operating profit excluding Profit Uplift	77.1	63.0	41.8	22.1	204.0
Constant exchange rate adjustment	(7.7)	(7.8)	(5.4)	(1.7)	(22.6)
Adjusted operating profit at constant exchange rates excluding Project Uplift	69.4	55.2	36.4	20.4	181.4
Acquisitions	(0.3)	(5.1)	(0.6)	(2.3)	(8.3)
LFL adjusted operating profit excluding Project Uplift	69.1	50.1	35.8	18.1	173.1

f) CER, LFL and adjusted operating profit growth

Operating profit growth - June 2017	**Materials Analysis %**	**Test and Measurement %**	**In-line Instrumentation %**	**Industrial Controls %**	**2017 Half year Total %**
Operating profit as reported under adopted IFRS	**(25.3)**	**5.0**	**(42.6)**	**33.3**	**(9.7)**
Adjusted operating profit	**(1.9)**	**10.2**	**(32.9)**	**(1.9)**	**(3.6)**
Adjusted operating profit excluding Project Uplift	**8.7**	**25.3**	**(19.7)**	**8.0**	**8.5**
Adjusted operating profit at constant exchange rates	**(8.6)**	**(0.3)**	**(41.2)**	**(14.4)**	**(13.1)**
LFL adjusted operating profit	**(9.1)**	**(12.4)**	**(34.4)**	**(14.4)**	**(15.4)**
LFL adjusted operating profit excluding Project Uplift	**1.7**	**2.9**	**(21.2)**	**(4.5)**	**(3.3)**

Operating profit growth - June 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Half year Total %
Operating profit as reported under adopted IFRS	67.0	(7.0)	(24.8)	(37.1)	(5.7)
Adjusted operating profit	43.1	(0.8)	(20.6)	(8.9)	2.3
Adjusted operating profit excluding Project Uplift	44.1	(0.1)	(19.8)	(8.5)	3.0
Adjusted operating profit at constant exchange rates	36.6	(7.9)	(25.8)	(14.3)	(3.8)
LFL adjusted operating profit	36.2	(9.1)	(26.3)	(22.6)	(6.9)
LFL adjusted operating profit excluding Project Uplift	37.2	(8.3)	(25.6)	(22.2)	(6.1)

Operating profit growth - December 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Full year Total %
Operating profit as reported under adopted IFRS	55.4	(38.8)	9.9	(497.4)	(73.3)
Adjusted operating profit	41.8	11.7	11.9	(38.9)	10.9
Adjusted operating profit excluding Project Uplift	43.5	13.7	13.6	(37.2)	12.6
Adjusted operating profit at constant exchange rates	27.6	(2.4)	(2.9)	(43.5)	(1.6)
LFL adjusted operating profit	27.0	(11.6)	(4.4)	(50.2)	(6.2)
LFL adjusted operating profit excluding Project Uplift	28.8	(9.5)	(2.8)	(48.7)	(4.4)

g) CER, LFL and adjusted return on sales

Return on sales by segment - June 2017	**Materials Analysis %**	**Test and Measurement %**	**In-line Instrumentation %**	**Industrial Controls %**	**2017 Half year Total %**
Using operating profit as reported under adopted IFRS	**6.1**	**5.6**	**3.6**	**8.6**	**5.9**
Using adjusted operating profit	**10.3**	**9.1**	**4.9**	**13.1**	**9.4**
Using adjusted operating profit excluding Project Uplift	**11.5**	**10.5**	**6.0**	**14.5**	**10.6**
Using adjusted operating profit at constant exchange rates	**10.6**	**9.1**	**4.8**	**12.9**	**9.3**
Using adjusted LFL operating profit	**10.6**	**9.1**	**5.5**	**12.9**	**9.5**
Using adjusted LFL operating profit excluding Project Uplift	**11.9**	**10.8**	**6.6**	**14.5**	**11.0**

Return on sales by segment - June 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Half year Total %
Using operating profit as reported under adopted IFRS	9.2	7.1	7.9	7.7	8.0
Using adjusted operating profit	11.9	10.9	9.2	15.8	11.9
Using adjusted operating profit excluding Project Uplift	12.0	11.0	9.3	15.9	11.9
Using adjusted operating profit at constant exchange rates	11.9	10.7	9.0	15.7	11.7
Using adjusted LFL operating profit	12.0	10.7	9.0	14.7	11.5
Using adjusted LFL operating profit excluding Project Uplift	12.1	10.8	9.1	14.8	11.6

Return on sales by segment - December 2016	Materials Analysis %	Test and Measurement %	In-line Instrumentation %	Industrial Controls %	2016 Full year Total %
Using operating profit as reported under adopted IFRS	15.8	6.6	13.6	(37.4)	2.8
Using adjusted operating profit	18.2	15.3	15.0	8.7	14.9
Using adjusted operating profit excluding Project Uplift	18.4	15.6	15.2	9.0	15.2
Using adjusted operating profit at constant exchange rates	18.2	15.0	14.4	9.0	14.8
Using adjusted LFL operating profit	18.4	14.5	14.4	8.2	14.5
Using adjusted LFL operating profit excluding Project Uplift	18.6	14.8	14.7	8.4	14.8

h) Adjusted net finance costs

Adjusted net finance costs	2017 Half year £m	2016 Half year £m	2016 Full year £m
Net interest costs as reported under adopted IFRS	(4.5)	(5.6)	(6.4)
Net loss on retranslation of short-term inter-company loan balances	1.4	3.2	0.8
Unwinding of discount factor on deferred and contingent consideration	0.4	-	0.6
Adjusted net finance costs	(2.7)	(2.4)	(5.0)

i) Adjusted profit before tax

Adjusted profit before tax	2017 Half year £m	2016 Half year £m	2016 Full year £m
Adjusted operating profit (see Note 2d)	66.5	68.9	200.8
Adjusted net finance costs (see Note 2h)	(2.7)	(2.4)	(5.0)
Adjusted profit before tax	63.8	66.5	195.8

j) Adjusted earnings per share

Adjusted earnings per share	2017 Half year £m	2016 Half year £m	2016 Full year £m
Profit after tax as reported under adopted IFRS	31.9	31.0	10.3
Adjusted for:			
Net acquisition-related costs and fair value adjustments	1.7	5.7	10.1
Depreciation of acquisition-related fair value adjustments to tangible assets	0.4	-	0.2
Amortisation of acquisition-related intangible assets	22.3	16.6	36.9
Impairment of goodwill and other acquisition-related intangible assets	-	-	115.3
Net loss on retranslation of short-term inter-company loan balances	1.4	3.2	0.8
Unwinding of discount factor on deferred and contingent consideration	0.4	-	0.6
Tax effect of the above and other non-recurring items	(7.7)	(5.3)	(22.3)
Adjusted earnings	50.4	51.2	151.9
Weighted average number of shares outstanding (millions)	119.2	119.1	119.1
Adjusted earnings per share (pence)	42.3	43.0	127.5

Adjusted diluted earnings per share (pence)	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Diluted weighted average number of shares outstanding (millions)	**119.7**	119.3	119.6
Adjusted diluted earnings per share (pence)	**42.1**	42.9	127.0

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

Financial position measures

k) Net debt

Analysis of net debt	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Bank overdrafts	**31.4**	2.0	12.3
Bank loans - unsecured	**185.3**	174.4	222.1
Total borrowings	**216.7**	176.4	234.4
Cash balances	**(61.2)**	(72.9)	(83.5)
Net debt	**155.5**	103.5	150.9

Cash flow measures

l) Adjusted operating cash flow

Adjusted operating cash flow	**2017 Half year £m**	2016 Half year £m	2016 Full year £m
Net cash flows generated from operating activities under adopted IFRS	**79.0**	80.1	215.9
Acquisition-related costs paid	**0.9**	3.1	5.4
Net income taxes paid	**23.1**	14.7	29.8
Purchase of property, plant and equipment and software	**(24.4)**	(10.5)	(28.7)
Proceeds from sale of property, plant and equipment	**0.2**	5.0	5.4
Adjusted operating cash flow	**78.8**	92.4	227.8
Adjusted operating cash flow conversion	**119%**	134%	113%

Net acquisition-related costs and fair value adjustments comprises acquisition costs of £1.7m (30 June 2016: £2.2m; 31 December 2016: £4.5m) that have been recognised in the Condensed Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments resulting in a debit of £nil (30 June 2016: debit of £3.5m; 31 December 2016: debit of £5.6m). Net acquisition-related costs and fair value adjustments are included within administrative expenses. Acquisition-related costs have been excluded from the adjusted operating profit and acquisition costs paid of £0.9m (30 June 2016: £3.1m; 31 December 2016: £5.4m) have been excluded from the adjusted operating cash flow.

3. Operating Segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. These units offer different applications, assist companies at various stages of the production cycle and are focused towards specific industries. These segments reflect the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The segment results include an allocation of head office expenses. The following summary describes the operations in each of the Group's reportable segments:

- Materials Analysis 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 Particle Measuring Systems.
- Test and Measurement supplies test, measurement and analysis equipment, software and services for product design optimisation and validation, manufacturing control, microseismic monitoring and environmental noise monitoring. The operating companies in this segment are Brüel & Kjær Sound & Vibration, ESG Solutions, HBM and Millbrook.
- In-line Instrumentation provides process analytical measurement, asset monitoring and on-line controls as well as associated consumables and services for both primary processing and the converting industries. The operating companies in this segment are Brüel & Kjær Vibro, BTG, NDC Technologies and Servomex.
- Industrial Controls provides products and solutions that measure, monitor, control, inform, track and trace during the production process. The operating companies in this segment are Microscan, Omega Engineering and Red Lion Controls.

Information about reportable segments	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2017 Total Half year £m
Segment revenues	199.9	223.3	148.5	139.4	711.1
Inter-segment revenue	(0.4)	(0.1)	(0.1)	(0.5)	(1.1)
External revenue	199.5	223.2	148.4	138.9	710.0
Reportable segment adjusted operating profit for continuing operations	20.5	20.4	7.4	18.2	66.5
Net acquisition-related costs and fair value adjustments	(0.8)	(0.1)	(0.5)	(0.3)	(1.7)
Depreciation of acquisition-related fair value adjustments to tangible assets	-	(0.4)	-	-	(0.4)
Amortisation of acquisition-related intangible assets	(7.6)	(7.3)	(1.5)	(5.9)	(22.3)
Operating profit	12.1	12.6	5.4	12.0	42.1
Financial income*					0.2
Finance costs*					(4.7)
Profit before tax					37.6
Tax*					(5.7)
Profit after tax					31.9

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Total Half year £m
Segment revenues	175.6	170.2	118.7	117.2	581.7
Inter-segment revenue	-	(0.1)	-	(0.2)	(0.3)
External revenue	175.6	170.1	118.7	117.0	581.4
Reportable segment adjusted operating profit for continuing operations	21.0	18.5	10.9	18.5	68.9
Net acquisition-related costs and fair value adjustments	(0.4)	(1.4)	(0.2)	(3.7)	(5.7)
Amortisation of acquisition-related intangible assets	(4.4)	(5.1)	(1.3)	(5.8)	(16.6)
Operating profit	16.2	12.0	9.4	9.0	46.6
Financial income*					0.2
Finance costs*					(5.8)
Profit before tax					41.0
Tax*					(10.0)
Profit after tax					31.0

	Materials Analysis £m	Test and Measurement £m	In-line Instrumentation £m	Industrial Controls £m	2016 Total Full year £m
Segment revenues	419.0	404.7	275.6	247.5	1,346.8
Inter-segment revenue	(0.1)	(0.2)	-	(0.7)	(1.0)
External revenue	418.9	404.5	275.6	246.8	1,345.8
Reportable segment adjusted operating profit for continuing operations	76.2	61.8	41.2	21.6	200.8
Net acquisition-related costs and fair value adjustments	(0.2)	(2.1)	(0.3)	(7.5)	(10.1)
Depreciation of acquisition-related fair value adjustments to tangible assets	-	(0.2)	-	-	(0.2)
Amortisation of acquisition-related intangible assets	(9.8)	(11.9)	(3.3)	(11.9)	(36.9)
Impairment of goodwill and other acquisition-related intangible assets	-	(20.9)	-	(94.4)	(115.3)
Operating profit	66.2	26.7	37.6	(92.2)	38.3
Financial income*					0.5
Finance costs*					(6.9)
Profit before tax					31.9
Tax*					(21.6)
Profit after tax					10.3

* Not allocated to reportable segments.

Reportable segment profit is consistent with that presented to the Chief Operating Decision Maker. Inter-segment revenue reflects the movements in internal cash flow hedges with inter-segment pricing on an arm's length basis. Segments are presented on the basis of actual inter-segment charges made.

	Carrying amount of segment assets			Carrying amount of segment liabilities		
	2017	2016	2016	**2017**	2016	2016
	Half year	Half year	Full year	**Half year**	Half year	Full year
	£m	£m	£m	**£m**	£m	£m
Materials Analysis	**386.3**	375.4	400.6	**(105.9)**	(97.9)	(118.2)
Test and Measurement	**579.5**	404.1	581.7	**(119.3)**	(89.5)	(104.5)
In-line Instrumentation	**270.9**	250.7	271.5	**(49.7)**	(42.3)	(53.4)
Industrial Controls	**354.7**	465.3	378.9	**(33.1)**	(24.7)	(31.6)
Total segment assets and liabilities	**1,591.4**	1,495.5	1,632.7	**(308.0)**	(254.4)	(307.7)
Cash and borrowings	**61.2**	72.9	83.5	**(216.7)**	(176.4)	(234.4)
Derivative financial instruments	**0.4**	-	-	**-**	(5.3)	(4.2)
Retirement benefit liabilities	**-**	-	-	**(36.2)**	(41.6)	(40.3)
Taxation	**15.8**	17.9	15.8	**(60.2)**	(67.6)	(78.0)
Consolidated total assets and liabilities	**1,668.8**	1,586.3	1,732.0	**(621.1)**	(545.3)	(664.6)

Segment assets comprise: goodwill, other intangible assets, property, plant and equipment, inventories, trade and other receivables. Segment liabilities comprise: trade and other payables, provisions and other payables which can be reasonably attributed to the reportable operating segments. Unallocated items represent current and deferred taxation balances, defined benefit scheme assets and liabilities, derivative financial instruments and all components of debt.

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 to customer, other than those noted below.

The following is an analysis of revenue by geographical destination:

	2017	2016	2016
	Half year	Half year	Full year
	£m	£m	£m
UK	**39.2**	19.9	55.4
Germany	**67.7**	51.6	125.8
France	**21.6**	19.3	43.4
Rest of Europe	**97.4**	83.4	186.9
USA	**217.8**	186.2	409.8
Rest of North America	**23.6**	20.4	46.0
Japan	**39.6**	31.5	73.6
China	**88.6**	76.9	176.3
South Korea	**23.2**	15.5	43.4
Rest of Asia	**59.1**	48.2	113.7
Rest of the World	**32.2**	28.5	71.5
	710.0	581.4	1,345.8

4. Financial Income and Finance Costs

	2017	2016	2016
	Half year	Half year	Full year
Financial income	**£m**	£m	£m
Interest receivable	**0.2**	0.2	0.5

Finance costs	2017 Half year £m	2016 Half year £m	2016 Full year £m
Interest payable on loans and overdrafts	**2.6**	2.4	5.1
Unwinding of discount factor on deferred and contingent consideration	**0.4**	-	0.6
Net losses on retranslation of short-term inter-company loan balances	**1.4**	3.2	0.8
Net interest cost on pension scheme obligations	**0.3**	0.2	0.3
Other finance costs	**-**	-	0.1
	4.7	5.8	6.9

Net interest costs of £2.4m (30 June 2016: £2.2m; 31 December 2016: £4.6m) for the purposes of the calculation of interest cover comprise bank interest receivable of £0.2m (30 June 2016: £0.2m; 31 December 2016: £0.5m), and interest payable on loans and overdrafts of £2.6m (30 June 2016: £2.4m; 31 December 2016: £5.1m).

5. Tax on Profit on Ordinary Activities

The income tax charge for the six months to 30 June 2017 is based on an estimate of the effective rate of taxation for the full year after taking into account discrete items arising in the period. Including the impact of discrete items, the effective rate of taxation applied to adjusted profit before tax for the half year is 21.0% (30 June 2016: 23.0%; year ended 31 December 2016: 22.4%). A reconciliation of the tax charge on adjusted profit to the actual tax charge is presented below.

	2017 Half year £m	2016 Half year £m	2016 Full year £m
The income tax charge is analysed as follows:			
Tax charge on adjusted profit before tax	**13.4**	15.3	43.9
Tax credit on net acquisition-related costs and fair value adjustments	**(0.5)**	(0.3)	(1.7)
Tax credit on depreciation of acquisition-related fair value adjustments to tangible assets	**(0.1)**	-	-
Tax credit on amortisation of acquisition-related intangible assets	**(6.9)**	(5.3)	(12.3)
Tax credit on impairment of goodwill and other acquisition-related intangible assets	**-**	-	(5.1)
Tax charge/(credit) on retranslation of short-term inter-company loan balances	**(0.1)**	0.3	0.2
Tax credit on unwinding of discount factor on deferred and contingent consideration	**(0.1)**	-	(0.3)
Tax credit relating to prior year acquisitions	**-**	-	(3.1)
Total	**5.7**	10.0	21.6

6. Dividends

The final 2016 dividend of 34.0p per share (2015 final dividend: 32.2p) was paid on 30 June 2017 to ordinary shareholders on the register at the close of business on 26 May 2017.

The interim 2017 dividend of 19.0p per share (2016 interim dividend: 18.0p) will be payable on 10 November 2017 to ordinary shareholders on the register at the close of business on 13 October 2017. The ex-dividend date is 12 October 2017.

The estimated interim dividend to be paid is £22.6m and has not been recognised in these accounts.

7. Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period but adjusted for the effects of dilutive options.

Basic earnings per share	**2017 Half year**	2016 Half year	2016 Full year
Profit after tax (£m)	**31.9**	31.0	10.3
Weighted average number of shares outstanding (millions)	**119.2**	119.1	119.1
Basic earnings per share (pence)	**26.8**	26.0	8.6

Diluted earnings per share	**2017 Half year**	2016 Half year	2016 Full year
Profit after tax (£m)	**31.9**	31.0	10.3
Basic weighted average number of shares outstanding (millions)	**119.2**	119.1	119.1
Weighted average number of dilutive 5p ordinary shares under option (millions)	**0.8**	0.3	0.8
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**(0.3)**	(0.1)	(0.3)
Diluted weighted average number of shares outstanding (millions)	**119.7**	119.3	119.6
Diluted earnings per share (pence)	**26.7**	26.0	8.6

8. Financial Instruments

Fair value and carrying amount of financial instruments	**Level 2 fair value £m**	**Level 3 fair value £m**	**2017 Half year Carrying amount £m**
Trade and other receivables excluding prepayments and accrued income	**-**	**-**	**249.5**
Trade and other payables excluding deferred income	**-**	**(14.8)**	**(236.5)**
Cash and cash equivalents	**-**	**-**	**61.2**
Floating rate borrowings	**-**	**-**	**(31.4)**
Fixed rate borrowings	**(192.6)**	**-**	**(185.3)**
Forward exchange contracts	**0.4**	**-**	**0.4**
			(142.1)

Fair value and carrying amount of financial instruments	Level 2 Fair value £m	Level 3 Fair value £m	2016 Half year Carrying amount £m
Trade and other receivables excluding prepayments and accrued income	-	-	217.8
Trade and other payables excluding deferred income	-	(7.7)	(196.8)
Cash and cash equivalents	-	-	72.9
Floating rate borrowings	-	-	(2.0)
Fixed rate borrowings	(186.0)	-	(174.4)
Forward exchange contracts	(5.3)	-	(5.3)
			(87.8)

Fair value and carrying amount of financial instruments	Level 2 Fair value £m	Level 3 Fair value £m	2016 Full year Carrying amount £m
Trade and other receivables excluding prepayments and accrued income	-	-	280.2
Trade and other payables excluding deferred income	-	(16.2)	(246.5)
Cash and cash equivalents	-	-	83.5
Floating rate borrowings	-	-	(53.3)
Fixed rate borrowings	(189.9)	-	(181.1)
Forward exchange contracts	(4.2)	-	(4.2)
			(121.4)

Reconciliation of level 3 fair values	**Deferred and contingent consideration £m**	**2017 Half year Level 3 fair value £m**
At 1 January 2017	**(16.2)**	**(16.2)**
Deferred and contingent consideration paid	**1.8**	**1.8**
Costs charged to the Consolidated Income Statement:		
Unwinding of discount factor on deferred and contingent consideration (unrealised)	**(0.4)**	**(0.4)**
Balance at 30 June 2017	**(14.8)**	**(14.8)**

Reconciliation of level 3 fair values	Deferred and contingent consideration £m	2016 Half year Level 3 fair value £m
At 1 January 2016	(7.0)	(7.0)
Deferred and contingent consideration arising from acquisitions	(0.2)	(0.2)
Deferred and contingent consideration paid	0.4	0.4
Loss recognised in Other Comprehensive Income:		
Foreign exchange difference	(0.9)	(0.9)
Balance at 30 June 2016	(7.7)	(7.7)

Reconciliation of level 3 fair values	Deferred and contingent consideration £m	2016 Full year Level 3 fair value £m
At 1 January 2016	(7.0)	(7.0)
Deferred and contingent consideration arising from acquisitions	(7.6)	(7.6)
Deferred and contingent consideration paid	2.6	2.6
Costs charged to the Consolidated Income Statement:		
Adjustments outside of the measurement period	(2.1)	(2.1)
Unwinding of discount factor on deferred and contingent consideration (unrealised)	(0.6)	(0.6)
Loss recognised in Other Comprehensive Income:		
Foreign exchange difference	(1.5)	(1.5)
Balance at 31 December 2016	(16.2)	(16.2)

There is no difference in the valuation techniques used or the fair value hierarchy under IFRS 7 'Financial Instruments: Disclosures' from that disclosed in the consolidated financial statements for the year ended 31 December 2016.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices include 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 the assets and liabilities that are not based on observable market data (i.e. unobservable inputs).

There were no movements between the fair value hierarchy in the period.

The fair value of cash and cash equivalents, receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

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

The fair value of fixed rate borrowings are estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

The fair value of forward exchange contracts and cross-currency interest rate swaps are determined using the discounted cash flow techniques based on readily available market data.

9. Treasury Shares

At 30 June 2017, the Group held 5,787,411 treasury shares (30 June 2016: 5,846,739; 31 December 2016: 5,840,513). During the period 53,102 of these shares were issued to satisfy options exercised by employees which were granted under the Group's share schemes (30 June 2016: 52,169; 31 December 2016: 58,395). No shares were repurchased by the Group during the period (30 June 2016: nil; 31 December 2016: nil) and no shares were cancelled during the period (30 June 2016: nil; 31 December 2016: nil).

10. Acquisitions

On 6 February 2017, the Group acquired 99% of the share capital of Pixirad Imaging Counters S.r.l. (Pixirad), a supplier based in Italy, for a total consideration of £2.8m. The company develops and distributes high performance X-ray detectors. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: technology and goodwill of £1.1m and £1.7m, respectively. The goodwill arising is attributable to the acquired workforce and synergies from leveraging the customer base to optimise the sales potential of Pixirad's and Spectris products. Goodwill includes an amount of £0.3m representing the requirement to recognise a net deferred tax liability on the fair value adjustments. The business is being integrated into the Materials Analysis segment. The remaining 1% of share capital will shortly be purchased. The non-controlling interest has not been disclosed as it is not significant.

On 15 May 2017, the Group acquired the trade and certain assets of Setpoint, a US business, for a total consideration of £8.0m. This extends the Group's capabilities in the condition monitoring market. The excess of the fair value of the consideration paid over the fair value of net tangible assets acquired is represented by the following intangible assets: customer-related (customer relations), technology and goodwill of £0.3m, £2.4m and £4.6m, respectively. The goodwill arising is attributable to the acquired workforce, opportunities expected from the extension of the Group's product offerings leveraging its stronger position in the vibration and condition monitoring solutions, and sharing capabilities and technologies in value-added solutions. The business is being integrated into the In-line Instrumentation.

The revenue and operating profit contribution from the acquisitions above to the Group's results for the period were £29.0m and £1.6m, respectively. Group revenue and operating profit would have been £711.0m and £41.8m (adjusted operating profit: £65.8m), respectively, had each of these acquisitions taken place on the first day of the financial year.

The assets and liabilities acquired during the period, together with the aggregate purchase consideration, are summarised below. The fair values disclosed are provisional, reflecting the timing of the acquisition, and will be finalised within 12 months of the acquisition date.

Net assets acquired	Book value £m	Adjustments £m	2017 Half year Fair value £m
Intangible fixed assets	0.1	3.7	3.8
Inventories	0.2	(0.1)	0.1
Trade and other receivables	1.0	-	1.0
Trade and other payables	(0.1)	-	(0.1)
Deferred tax liabilities	-	(0.3)	(0.3)
Net assets acquired	1.2	3.3	4.5
Goodwill			6.3
Total cash paid			10.8

Acquisitions prior to 2017	
Deferred and contingent consideration in relation to prior years' acquisitions:	
Accrued at 31 December 2016	1.8
Cash paid in 2017 in respect of prior years' acquisitions	1.8
Net cash outflow relating to acquisitions for the period	12.6

Due to the contractual due dates, the fair value of receivables acquired approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

£4.6m (30 June 2016: £0.5m; 31 December 2016: £0.5m) of the goodwill arising on acquisitions in the period is expected to be amortised and deductible for tax purposes.

During 2016, the Group acquired the following businesses:

- On 23 February 2016, the Group acquired 100% of the share capital of CAS Clean Air Service AG ('CAS'), a company based in Switzerland, which extends the Group's capabilities in monitoring and calibration services within the life sciences market.
- On 7 June 2016, the Group acquired the trade and certain assets of Integrated Process Systems ('IPS') India, an Indian agent.
- On 17 June 2016, the Group acquired 100% of the share capital of Capstone Technology Corporation, a company based in the USA, which broadens the Group's solutions offering in the pulp and paper market.

- On 1 July 2016, the Group acquired the trade and certain assets of Sound and Vibration Technology Limited, a UK business, expanding the Group's software solutions offering to the automotive market.
- On 26 July 2016, the Group acquired 100% of the share capital of DISCOM – Elektronische Systeme und Komponenten GmbH, a company based in Germany, which extends the Group's integrated solutions combining hardware and software to enhance production quality and identify potential problems in manufacturing processes.
- On 1 September 2016, the Group acquired 100% of the share capital of Millbrook Group Limited ('Millbrook'), a company based in the UK with operations in Finland, which extends the Group's capabilities to provide test, validation and engineering services to the automotive, transport and tyre, petrochemical, defence and securities industries, utilising its proving grounds in the UK and Finland.

Full details of these acquisitions are included in the Consolidated Financial Statements for the year ended 31 December 2016.

11. Related Parties

Key management personnel are defined for the purpose of IAS 24 'Related Party Disclosures' as the Executive Directors and members of the Executive Management Team. It is the Executive Directors and members of the Executive Management Team who have responsibility for planning, directing and controlling the activities of the Group. The latest details of Directors' remuneration are included in the Directors' Remuneration Report in the 2016 Annual Reports and Accounts, which is 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.

12. Post Balance Sheet Events

On 1 July 2017, the Group acquired the trade and certain assets of CSA Leyland Technical Centre, a company based in the UK, which extends the Group's automotive testing facilities. The business is being integrated into the Test and Measurement segment.