

2022 full year results

23 February 2023 – Spectris plc (SXS: LSE), a leader in premium, precision measurement, announces full year results for the year ended 31 December 2022.

Strong performance, positioned for sustainable, compound growth

• Strong 2022 financial performance driven by continued strategy execution

- Sales growth of 14% (like-for-like 'LFL': 14%) from market share gains, volume growth and pricing
- Adjusted operating margin increased 50bps to 16.8%
- Profit for the year up 16% to £401.5 million
- Adjusted earnings per share increased by 26% to 159.9p
- Record order book, up 36% year-on-year, provides confidence into 2023

• A simplified Group focused on two great businesses aligned to structural growth markets

- Spectris Scientific: sales growth of 24% (LFL: 18%); adjusted operating margins of 21.3% (2021: 21.1%)
- Spectris Dynamics: sales growth of 16% (LFL: 7%); adjusted operating margins of 15.0% (2021: 16.5%)

• Investing for growth and attractive shareholder returns supported by a strong balance sheet

- Increased investment in our R&D programmes to 7.8% of sales to £103.8 million (2021: 7.2%, £83.8 million). Improved vitality index to 25% (23% in 2021)
- Bolt-on acquisitions across both Divisions with capacity for further value-enhancing M&A
- Sale of Omega completed for £418 million (\$529 million) in July
- £190 million of £300 million share buyback programme completed
- Dividend per share increase of 5%, 33 years of continuous dividend growth
- Return on Gross Capital Employed ('ROGCE') increased to 16.0% (2021: 13.2%)

• Confident of delivering organic growth in 2023, consistent with our medium-term objective of 6-7% alongside continued margin expansion

Continuing Operations	2022	2021	Change	Like-for-like change ¹
Adjusted^{1,2}				
Sales (£m)	1,327.4	1,163.0	14%	14%
Operating profit (£m)	222.4	189.6	17%	14%
Operating margin (%)	16.8%	16.3%	50bps	-
Profit before tax (£m)	219.7	184.7	19%	
Earnings per share (pence)	159.9p	127.4p	26%	
Adjusted cash flow conversion (%)	74%	94%	(20pp)	
Return on gross capital employed (%)	16.0%	13.2%	280bps	
Statutory²				
Sales (£m)	1,327.4	1,163.0	14%	
Operating profit (£m)	172.6	139.9	23%	
Operating margin (%)	13.0%	12.0%	100bps	
Profit for the year ³ (£m)	401.5	346.9	16%	
Cash generated from operations	166.8	191.6	(13%)	
Basic earnings per share ³ (pence)	373.1p	305.1p	22%	
Dividend per share (pence)	75.4p	71.8p	5%	

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

2. The Omega business has been classified as a discontinued operation. Accordingly, the financial statements for the current and comparative years have been amended to show continuing operations.

3. Includes profit from discontinued operations and is represented after tax to allow a more meaningful comparison to prior year due to the different accounting classifications of the continuing and discontinued profit on disposal of businesses.

Commenting on the results, Andrew Heath, Chief Executive, said:

"I am delighted by our financial performance and strategic progress in 2022. We continue to grow strongly, reflecting the extraordinary efforts of our people across the Group to deliver for our customers. We are compounding our growth by taking share and opening up new opportunities, through increased investment in R&D driving new innovations, and M&A, supported by a strong balance sheet.

At our Capital Markets Day in October we presented our Strategy for Sustainable Growth. Spectris is now focused on two great premium precision measurement businesses in Spectris Scientific and Spectris Dynamics, aligned with attractive, sustainable, structural growth markets with high barriers to entry. With leading technologies and deep technical expertise, our teams are solving some of our customers' toughest challenges, delivering increasing value and helping to make the world cleaner, healthier and more productive.

We enter 2023 with good momentum while remaining vigilant and alert to signs of changes in demand. The strength and quality of our order book, which is 36% higher than a year ago, gives us confidence into the first half of the year, as we continue to drive operational excellence to improve productivity and efficiency. Our expectation for 2023 is to deliver organic growth, consistent with our medium-term objectives of 6-7%, alongside strong progress on expanding margins and driving forward with our ambition to be a leading sustainable business."

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A meeting with analysts will be held at 9am GMT today at Farmers & Fletchers In The City, 3 Cloth Street, London EC1A 7LD. 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 Melbourne House, 44-46 Aldwych, London WC2B 4LL, and on the company's website at www.spectris.com.

About Spectris

Spectris combines precision with purpose, delivering progress for a more sustainable world. We provide critical insights to our customers through premium precision measurement solutions combined with technical expertise and deep domain knowledge. Precision is at the heart of what we do - our leading, high-tech instruments and software equip our customers to solve some of their greatest challenges to make the world cleaner, healthier and more productive. Our two, high quality divisions – Spectris Scientific and Spectris Dynamics - are placed in technology-driven end markets, with strong fundamentals and attractive growth trajectories. We have leading market positions in premium segments and employ 7,600 people located in more than 30 countries, all united behind our Purpose to deliver Value Beyond Measure for all our stakeholders. For more information, visit www.spectris.com.

Chief Executive's review

Reshaped, stronger, positioned for sustainable growth

We have made excellent progress in 2022. Our strong results reflect the dedication and fabulous execution from our people. They have delivered for our customers, improved our business and supported each other, in a global macroeconomic environment shaped by uncertainty. I would like to take this opportunity to thank everyone across Spectris for their continued hard work and willingness to continually aim high.

Our performance in 2022 reflects the significant progress we have made as a Group since we launched our transformation programme in 2019, and is consistent with the targets we laid out at our Capital Markets Day last October as part of our new Strategy for Sustainable Growth.

	Organic sales growth	Adjusted operating margin expansion	Adjusted cash conversion	ROGCE	ESG
CMD targets	6-7%	20%+	80-90%	Mid-teens %	Net Zero: o Scope 1 and 2 by 2030 o Scope 3 by 2040 Engagement – 4.06 by 2025
2022	14%	16.80%	74%	16.00%	Scope 1 & 2* - 17,685.2 tCO ₂ e - Year-on-year reduction of 21.9% Engagement improved year-on-year by 0.14 to 3.86
2018	5.20%	15.50%	59%	13.70%	Scope 1 & 2* – 82,861.0 tCO ₂ e (Scope 3 and Engagement not measured in 2018)

* market-based emissions

A strong performance in 2022

We continue to improve the quality of our business, giving us the confidence in our strategy of compounding growth in the future and continuing to expand operating margins. This is evidenced in our strong performance in 2022, with sales growth of 14% in 2022 on a reported and LFL basis. Reported growth is supported by acquisitions completed in 2021 and 2022, consistent with our strategy of compounding growth through M&A, and offsets for disposals, which removed £65.8 million of sales from the 2021 reported number. 14% LFL sales growth comprises 8% volume and 6% pricing, with further pricing strength expected to benefit sales in 2023.

Our order book is at record levels. Order intake increased 10% in 2022 (9% LFL), resulting in the closing order book for the Group being 36% higher than at December 2021 and covering approximately six months of sales. Asia continued to be a strong region, up 18% year over year, particularly China and Japan. In Europe, the Group increased orders by 10%, while the US softened in H2, and was flat for the full year. The order book strengthened across both Divisions, underpinning confidence in our guidance for 2023, with all businesses continuing to exceed market growth expectations. Our book-to-bill was 1.13 for 2022.

We are delivering higher quality, more profitable growth as evidenced by continued margin expansion. Adjusted operating profit of £222.4 million (2021: £189.6 million) increased by 17% (14% on a LFL basis). This resulted in an adjusted operating margin of 16.8% (2021: 16.3%), reflecting the growth in sales from both volume and pricing changes, as we successfully navigated constrained supply chains and controlled cost in an inflationary environment.

Statutory operating profit of £172.6 million (2021: £139.9 million) increased by 23% predominantly due to lower transaction-related costs of £8.3 million (2021: £19.0 million) and no restructuring charges in the current year (2021: £10.2 million). This gave a 13.0% statutory operating margin, 100bps higher than 12.0% reported for 2021.

Supply chain disruption and significant material inflation impacted our gross margins, particularly in the first half. In the second half we saw reducing supply chain disruption and slowing material inflation, while price increases resulted in progressive improvement in the gross margin. In addition, the Spectris Business System ('SBS') continues to have a meaningful impact in improving productivity, with LFL adjusted overheads 170bps lower as a percentage of sales. These savings have enabled the Group to deliver an increased operating margin for the year. We expect to deliver further, strong progress on margin expansion in 2023.

We have delivered this robust margin performance alongside a 24% increase in R&D spend, to £103.8 million. We believe in innovation for growth, as evidenced by the improvement in our product vitality index from 23% to 25% over the past year. The investments we are making today are strengthening our product pipeline, setting us up for further organic growth.

Customer demand remains high and we continue to see positive momentum including a strong start to 2023 supported by strong double-digit LFL sales growth and momentum in orders with a book-to-bill greater than 1. The Group's considered pricing policy is delivering as expected and we are seeing continued improvement in gross margins as supply chains and inflation ease.

Our performance in 2022 demonstrates momentum and provides us confidence in the future. We have significant opportunities ahead of us and our high quality, focused portfolio provides us with confidence as we enter 2023. We expect to deliver organic growth consistent with our medium-term objectives of 6-7% alongside strong progress on expanding margins, as we drive forward with our ambitions to be a leading sustainable business.

Underpinned by our Purpose and our people

My confidence in our ability to be successful in fulfilling our ambitious goals is rooted in our people. Across Spectris, we have exceptional leaders, deep technical experts, innovative minds, out-of-the-box thinkers, a diverse team of people performing different roles in many different places around the world. Wherever they are or whatever they are doing, they are people that care about their work, each other, and the environment around them.

I passionately believe that bringing brilliant people together behind a common purpose and with clear values is the key to our future success. At Spectris, our Purpose is to create a cleaner, healthier, and more productive world. This informs everything we do, from strategy decisions around the Board table, to day-to-day operational decisions within our businesses.

At Spectris, everyone in the business is encouraged to live our Values: be true, own it, and aim high. It is this way that we foster a purpose-led, healthy, high-performance culture that drives the business forward and makes Spectris a great and engaging place to work.

Strategy for Sustainable Growth

We have spent the last four years focusing and simplifying our business. At our Capital Markets Day in October 2022 we presented a Spectris that is almost unrecognisable from 2019. Over the last three years, we have fundamentally reshaped the Group. Most importantly, we have significantly improved the quality of our business, giving me the confidence that we are today more capable of compounding growth into the future and continuing to expand operating margins, as a leading sustainable business.

Our Strategy for Sustainable Growth will deliver this compounding growth and increased profitability, along with strong cash flow and strong, consistent returns on invested capital. This is reflected in our medium-term performance framework for the Group, to deliver:

- Organic sales growth of 6-7% through the cycle
- Adjusted operating margin of 20%+
- Cash flow conversion of 80-90%
- Return on gross capital employed (ROGCE) in the mid-teens (%)
- Net Zero and increased employee engagement

The achievement of these performance objectives will materially enhance the value of the Group and deliver significant benefits to all of Spectris' stakeholders. The Group's strategy and business model is aligned to delivering this framework, through five key elements:

1. Great businesses

Asset-light businesses focused on premium, precision measurement solutions and industry-leading domain expertise, aligned with our Purpose.

2. Structural growth markets

Aligned with attractive, sustainable, structural growth markets with high barriers to entry.

3. Customer centricity

Solving our customers' challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive.

4. Investing in growth

Disciplined capital allocation for the benefit of all stakeholders – investment in growth through R&D and M&A.

5. Operational excellence

Leveraging the Spectris Business System business improvement projects and our high-performance culture.

Great businesses focused on premium, precision measurement solutions

At our Capital Markets Day in October, we announced that following the significant refocusing of the Group in recent years, we are now developing Spectris around two world class Divisions. They are two great businesses – high quality, high growth, and high margin, with exciting potential.

Spectris Scientific aligns Malvern Panalytical and Particle Measuring Systems within one Division to form a global leader in advanced measurement techniques for materials analysis. Both of these businesses provide leading scientific instruments and services in the same end markets across the same customer workflows. Over a third of Spectris Scientific's revenue is in pharma, with a strong presence in the fast growing semiconductor and advanced materials markets, as well as primary materials and advanced research.

Spectris Dynamics comprises the HBK business, a global leader in advanced virtual and physical testing, and high precision sensing solutions. Differentiated by world leading brands and the breadth and depth of its solutions, Spectris Dynamics serves the automotive, machine manufacturing, aerospace, electronics and advanced research sectors.

Together, Spectris Scientific and Dynamics comprise circa 87% of Group revenue.

The Group's remaining businesses, Servomex and Red Lion Controls, will continue to be run separately.

Aligned with attractive, sustainable, structural growth markets

We are more aligned than ever to markets with a strong sustainability focus and attractive growth trajectories, positioned in technology-driven end segments with strong fundamentals.

Overall, our activities are impacted by several important global growth trends. Around the world, ageing populations are increasing healthcare demand; the climate crisis is accelerating the transition

to cleaner energy and mobility solutions; scarcity of resources is causing customers to optimise production and improve yield and a more connected, data-driven world is focused on productivity.

Demand for our products and services is being amplified by these trends, supporting structural end market growth rates of 5-6% across the Group. With advantaged market positions and differentiated products and services, we expect to outperform our core underlying markets and deliver through cycle growth of 6-7%. In 2022, LFL sales exceeded market growth in each of our major end markets with Life sciences/Pharmaceutical up 13%, Technology-led industrials up 8%, Automotive up 16%, Electronics and semiconductor up 15%, Metals, minerals, mining up 14% and Academic research up 8%.

Industry	Sales 2022 (£m)	Sales 2022 %	LFL Growth 2022	Expected medium-term market growth
Life sciences / pharmaceutical	315	24%	13%	5-7%
Technology-led industrials	178	13%	8%	5-7%
Automotive	167	13%	16%	4-6%
Electronics and semiconductor	149	11%	15%	6-8%
Metals, minerals, mining	125	9%	14%	5-6%
Academic research	111	8%	8%	5-6%

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

- Life Sciences is experiencing continued investment in both small molecule and biologics drug development, on-shoring of facilities and increasing regulatory compliance.
- Material Sciences is experiencing significant investments in batteries, additive manufacturing, responsible resources extraction, and a wide variety of materials linked to electrification.
- Semiconductor demand continues to be high to meet the demands of new technologies, with advanced semiconductor manufacturing requiring higher accuracy metrology and ultra-clean environments.
- Academia enjoys government and industry-supported investments aligned with critical technologies underpinning fundamental research in many of the above areas, which will continue to compound our growth into the future.

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

- Our virtual test solutions enable customers to accelerate innovation, increase quality, reduce costs and deliver sustainability gains through deploying advanced simulators and simulation software.

- We provide industry-leading software solutions to improve the integrity of designs and reduce the costs of innovation as well as in-test and end-of-line performance measurement.
- Our high performance data acquisition systems are the industry benchmark. They allow customers not only to capture and manage vast amounts of test and performance data, but crucially translate that data into critical insights by applying advanced analytics.
- Increasingly sophisticated and connected machines require greater accuracy and intelligence at the point of measurement. Our sensors are being used more and more to create new measuring solutions, provide the highest accuracy, greatest control and improved productivity.

Over the past three years, we have concentrated our activities, organically and through acquisitions, on the most attractive end markets, supported by structural sustainable growth trends, where we have differentiated positions and a strong opportunity to gain market share.

An example is the development of our Virtual Test business following the acquisition of VI-grade in 2018. Four years later, we are now a significant player in this fast-growing and exciting market. Through the consequent acquisition of RightHook, IMTEC Engineering and Concurrent Real-Time, combined with strong organic growth, the Virtual Test business more than doubled its revenues in 2022, and we expect it to more than double in size again through the next cycle.

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

Customer centricity is core to our business model. Over the last four years we have shifted from largely transactional selling of hardware to being focused on solutions, adding value throughout our customers workflows and processes.

We serve over 67,000 customers, supported by over 2,200 sales, application and service engineers with our high touch approach. 80% of our sales are direct and our domain expertise is highly valued. The Group has over 60% repeat customers annually and a class leading net promoter score of over 50. Recurring and service revenues now account for approximately a third of Group sales.

At Spectris Scientific, we have been working with the Geological Survey of Finland to accelerate the green transition to a carbon-neutral world. Our MintecRobo, a fully automated and smart analytical laboratory solution, maximises the speed and accuracy of sample preparation which, in turn, minimises carbon emissions and supporting the drive for sustainable mining operations. We also provided Excelitas, the technology leader in delivering photonic innovations, with a solution to tackle Airborne Molecular Contamination. Our AirSentry unit has allowed the company to monitor its cleanroom for contamination, ensuring the quality of its manufacturing operations.

At Spectris Dynamics, we were proud to design and install a measurement system for the Hornsea 2 project, the world's largest operational windfarm, owned by Danish energy company, Ørsted. Our technical expertise helped them to understand the geotechnical behaviour of the wind turbines and ensure safe and profitable generation of energy for the future. We were also pleased to help HORIBA MIRA, the leading automotive engineering services provider, in meeting their sustainability objectives. Our DiM250 dynamic simulator reduces programme costs and carbon footprint in developing new vehicles, allowing the company to strengthen its position in a fiercely competitive market.

Investing in growth through R&D

Our Strategy is built on delivering sustainable, organic growth. Our strong domain knowledge and high level of customer intimacy drives customer-back innovation, which in turn informs our research and product development strategy, such that we intercept our customer needs for the future. This allows us to move faster and deliver greater value.

Much of our strong sales growth over the past two years has been supported by new and enhanced products.

At Spectris Scientific, we continue to see growing demand for our Zetasizer, in response to life sciences development and manufacturing investment, and for the Mastersizer 3000, driven by demand for batteries and green energy solutions. We also continue to see strong demand for our

Lasair Pro line of products that are primarily used in cleanrooms for aseptic pharmaceuticals, aerospace, flat panel display manufacturing, semiconductor, and other industries.

In 2022 we also launched some major new innovations for the semiconductor market, such as the NanoAir 10, a revolutionary new aerosol nanoparticle counter with unsurpassed 10nm detection sensitivity and robustness, and the Ultra DI® 20 Plus, enabling ultrapure water contamination monitoring at an industry-leading sensitivity of 20 nm.

In Spectris Dynamics, a major new product launch was our new FUSION and ADVANTAGE Data Acquisition offering (DAQ). This hardware and software combination bridges the gap between simulation, physical testing and data analysis. It is Spectris Dynamics' largest ever development project, refreshing our existing portfolio of data acquisition and software propositions, to address a wide range of industry applications in a single platform. Additionally, we continue to expand our simulation offerings, electrical power train test solutions and range of smart sensors.

Innovation underpins our organic growth ambitions over the medium term while also supporting enhanced margins. We have made significant investment in R&D by way of people, capabilities, and facilities. We were investing slightly more than 6% of sales in R&D three years ago. In 2022, investment in our R&D programmes increased materially to 7.8% of sales or £103.8 million (2021: £83.8 million or 7.2% of sales). R&D investment increased by £20.3 million (26%) on a LFL basis. Going forward, we expect R&D spend to be at around 8% of sales and all our R&D investments are expected to return an IRR of at least 15%.

In 2022, we introduced our vitality index for the first time. This measures current year revenue from products released over the previous five years as a percentage of total revenue in the current period. At the end of 2021, the index was 23% and increased to 25% by the end of 2022. We expect this to increase further over the next five years to over a third of total sales.

We work on ensuring that any investment will enhance our organic growth potential over the medium term, support and enhance margins and generate attractive cash flows.

Investing in growth through M&A

We also have the opportunity to compound growth further through M&A.

We maintain an active pipeline of potential acquisition targets from early-stage technologies to bolt-on acquisitions of varying sizes, through to larger-scale opportunities. We have built up a solid team to execute M&A, that are very aligned to the priorities of both our Divisions. All acquisitions must have a clear strategic and financial rationale.

In 2022, we made the following acquisitions:

- For Spectris Scientific, the acquisition of Creoptix AG ('Creoptix') in January strengthened our affinity offering for early-stage drug development, important to our pharma customers and our workflow strategy.
- For Spectris Dynamics, the acquisition of Dytran Instruments, Inc. ('Dytran') completed in September, strengthening our piezo-electric sensor offering and expanding sales into North America.
- Spectris Dynamics acquired a minority stake in CM Labs Inc. ('CM Labs') in April to explore new operator training segments alongside VI-grade's core products within the Virtual Test business.
- Spectris Dynamics also signed a joint operation agreement in March with DEWESoft, a leading manufacturer of data acquisition ('DAQ') hardware, to help accelerate the development of our new Fusion DAQ platform and to create a new industry, open standard for DAQ products.
- In March the Group also acquired MB connect line GmbH ('MB connect') which is being integrated into Red Lion Controls to strengthen its secure data offering.

The Group will continue to invest in M&A as an important component of our strategy to compound growth, enabling us to further enhance our advantaged positions in key end markets, strengthening and expanding our portfolio to add further value for our customers.

The Group will continue to review divestment opportunities where appropriate and where such activity is aligned to the Group's strategy. In April, we announced the divestment of Omega Engineering to Arcline Investment Management for \$525 million (£410 million) at a valuation of approximately 20.4x Omega's 2021 adjusted EBITDA.

Having completed almost two thirds of the £300 million share buyback programme, our balance sheet position at 31 December has net cash of £228.0 million. This strong financial position provides the Group with significant headroom to pursue acquisitions.

Operational excellence: Spectris Business System driving productivity and competitiveness

We continue to drive operational excellence to improve productivity and strengthen our competitiveness. Over the last three years, we have taken the Spectris Business System from concept to an effective vehicle to deliver ongoing continuous improvement, both at top and bottom line. SBS forms the basis for our continuous improvement mindset where everyone is empowered to improve the business every day. Over the past two years, over 600 of our key leaders have received SBS training and now apply the tools and processes to their daily ways of working.

The main objective of SBS is to remove waste, drive efficiency and strengthen competitiveness, as we profitably grow the business and enhance margins. In 2022, the Group reduced overheads by 170bps as a percentage of sales. Consequently, we are making good progress towards our immediate milestone operating margin target of 18%, and our new medium-term target of over 20%.

Last year, much of the SBS activity concentrated on reducing leadtimes to support customer order fulfilment in the face of supply constraints. For a number of products this resulted in us being able to offer much greater availability than our competitors. In addition to SBS, we are also making good progress towards implementing a number of business transformation projects, such as the new SAP S/4HANA installation in both Divisions. This will standardise, simplify and automate processes to enhance our operations, enabling our businesses to become both more efficient and also more scalable for growth. It will drive long-term structural improvements to our operating model, supporting our growth and margin expansion ambitions alongside driving efficiency and working capital improvements. The benefits are expected to start from 2024.

Leading sustainable business

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

We are working on building a sustainable future:

- For our planet. We have committed to becoming Net Zero across our own operations by 2030 and across our value chain by 2040, with our target validated by the Science Based Targets initiative (SBTi) against a 1.5 degree warming scenario. We are committed to investing £3 million per annum to support our Net Zero journey and we are making excellent progress with a 21.9% year-on-year reduction in LFL scope 1 and 2 (market-based) emissions and a 21% year-on-year improvement in energy efficiency in 2022. PMS within Spectris Scientific, achieved their target of all operations being powered by renewable energy in 2022.
- For our people. We aim to be a great place to work for our current employees, and the next generation. We have a highly specialised workforce - in science, in engineering, in operations - and we need the very best talent to deliver on our ambitions. We are prioritising employee engagement, with a sustained emphasis on mental health, and for future talent are doing more than ever to build new and innovative pipelines, including partnerships with

professional bodies including the Society of Hispanic Professional Engineers and the Society of Women Engineers to ensure we are building relationships with diverse pools of talent.

- In 2022, we have been monitoring the cost of living challenges that are impacting some of our employees and have been addressing salaries where appropriate. Our colleagues in China have also been subject to continued COVID-19 lockdowns and we have been working closely with them to ensure their continued safety and mental wellbeing.
- For our value chain. We are ensuring that both our customers and suppliers recognise us as long-term partners aligned with their values. We have built on our Code of Business Ethics with our active participation in the UN Global Compact, and the expanding use of EcoVadis to assess and assure the ESG risk in our supply chain.
- For our society. We are proud to be engineering brighter futures for children across the world through the Spectris Foundation. During 2022, the Foundation has made grants of over £485,358, reaching over 21,000 students in over 15 countries to support wider access to a quality STEM education and £113,500 to employee nominated causes.

While we have no employees in Ukraine, we made a donation of £100,000 to the Red Cross as part of the Disasters Emergency Committee appeal and also matched employee donations of over £11,000 to help provide humanitarian aid.

Summary and outlook

Following the work of recent years to simplify and strengthen the Group, Spectris today is a more focused and improved business. This was evident in our strong performance in 2022 and the great execution by our teams around the Group.

We enter 2023 with good momentum, while remaining vigilant and alert to signs of changes in demand. The strength and quality of our order book, which is 36% higher than a year ago, gives us confidence into the first half of the year, as we continue to drive operational excellence to improve productivity and efficiency. Our expectation for 2023 is to deliver organic growth consistent with our medium-term objectives of 6-7%, alongside strong progress on expanding margins and driving forward with our ambitions to be a leading sustainable business.

Andrew Heath
Chief Executive

Financial review

Financial performance

Sales increased by 14% or £164.4 million to £1,327.4 million (2021: £1,163.0 million) on a continuing basis. The Omega operating segment, disposed during the year, is treated as a discontinued operation in accordance with IFRS 5 and is reclassified in the income statement for both 2022 and 2021. LFL sales increased by £149.7 million (14%), with the impact of disposals, net of acquisitions, reducing sales by £38.3 million (-3%) and foreign exchange movements increasing sales by £53.0 million (5%).

For the year ended 31 December 2022

	2022	2021
	£m	£m
Continuing operations		
Revenue	1,327.4	1,163.0
Cost of sales	(576.6)	(487.5)
Gross profit	750.8	675.5
Indirect production and engineering expenses	(114.1)	(92.6)
Sales and marketing expenses	(233.0)	(222.2)
Administrative expenses	(231.1)	(220.8)
Operating profit	172.6	139.9

The statutory operating profit was £172.6 million, an increase of £32.7 million (2021: £139.9 million). Statutory operating margin of 13% was 100bps higher than 2021 (12%). The improved profit results from a £75.3 million volume and price driven gross profit increase less a £42.6 million increase in SG&A expenses associated with the additional volume.

	2022	2021
	£m	£m
Statutory operating profit	172.6	139.9
Restructuring costs	-	10.2
Net transaction-related costs and fair value adjustments	8.3	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7	7.0
Amortisation of acquisition-related intangible assets	19.6	13.3
Adjusted operating profit	222.4	189.6

Adjusted operating profit increased by 17% or £32.8 million to £222.4 million (2021: £189.6 million). LFL adjusted operating profit increased by £25.6 million (14%), with the impact of disposals, net of acquisitions, reducing adjusted operating profit by £5.3 million (3%), and foreign exchange movements increasing adjusted operating profit by £12.5 million (7%).

In line with expectations, no restructuring costs were incurred in 2022 (2021: £10.2 million).

Net transaction-related costs and fair value adjustments were £8.3 million (2021: £19.0 million) relating to the three acquisitions completed during the year, plus the costs associated with potential acquisitions which were not completed in the year.

The Group is progressing with its programme of process redesign and improvement enabled by implementing the latest SAP cloud-based systems across the Divisions, incurring costs of £21.7 million in the year (2021: £7.0 million). Consistent with the prior year, these material SaaS projects are excluded from adjusted operating profit.

The Group incurred £19.6 million of ongoing amortisation of acquisition-related intangible assets in the year (2021: £13.3 million).

Adjusted operating margins increased by 50bps, while LFL adjusted operating margins remained flat compared to 2021 with operating cost improvements offsetting a decline in gross margins and increased R&D investment.

LFL adjusted gross margins reduced in the year by 160bps to 56.9% as price increases implemented during the year were not sufficient to offset material input cost inflation experienced by the Group, particularly with respect to electronic components in the first half of the year. Gross margins improved during the course of the second half and we expect further progress during 2023.

LFL adjusted overheads increased by 9.1% in the year, but were 170bps lower as a % of sales, with headcount remaining broadly flat through the second half of the year and limited to supporting growth in the full year. Investment in R&D, that is reported in net overheads, amounted to £103.8 million or 7.8% of sales (2021: £83.8 million or 7.2% of sales). LFL R&D increased by £20.3 million (26.5%).

Statutory profit for the year from continuing and discontinued operations after tax of £401.5 million (2021: £346.9 million) includes profit for the year from discontinued operations of £286.7 million comprising £10.2 million (2021: £ 11.3 million) of profit after tax from the Omega reportable segment and £276.5 million profit on disposals for that segment.

2021 included £226.5 million in relation to the disposal of Brüel & Kjær Vibro, Millbrook, NDC Technologies and other disposals, reported as profit on disposal within continuing statutory profit before tax. The Group adjusted the fair value of the debt instrument investment with a charge of £4.1 million reflecting the macro-led cost of capital increases. The net finance charge of £17.3 million (2021: £7.4 million credit) includes £14.6 million of unrealised losses on intercompany loan balances (2021: £5.1 million gain). This is a consequence of the significant volatility of Sterling against the US Dollar and Euro, particularly in the second half of the year. The effective tax rate on adjusted profit before tax was 21.7% (2021: 21.5%).

Major Acquisitions

We will maintain a disciplined approach to M&A and target a sustainable balance sheet with leverage between 1-2x EBITDA through the cycle. In certain circumstances, we would be prepared to borrow more than 2x EBITDA for specific M&A but only if there was a clear and certain path to de-lever back below this level within a short period of time.

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix for net consideration of £37.0 million, made up of £37.3 million gross consideration (consisting of £35.1 million of cash paid and £2.2 million of contingent consideration) less £0.3 million of cash acquired. Creoptix has been integrated into the Spectris Scientific Division.

On 31 March 2022, the Group acquired 100% of the share capital of MB connect for net consideration of £8.7 million, made up of £9.0 million gross consideration in cash, less £0.3 million net cash acquired. There was no contingent consideration recognised on this acquisition. MB connect has been integrated into the Red Lion Controls business.

On 1 September 2022, the Group acquired 100% of the share capital of Dytran for net consideration of £69.6 million, made up of £70.5 million gross consideration in cash less £0.9 million net cash acquired. There was no contingent consideration recognised on this acquisition. Dytran is being integrated into the Spectris Dynamics Division.

Disposals

On 1 July 2022, the Group disposed of its Omega business. The consideration received was \$529 million (£417.9 million equivalent). This generated a pre-tax profit on disposal of £293.9 million, which has been included in discontinued operations. The Group has not disposed of any other businesses in the year.

Consistent with IFRS 5, the Omega business is classified as a discontinued operation. The financial statements for the current and comparative periods in this report are amended accordingly. The statutory profit after tax from the discontinued operations (before profit on disposal of business) was £10.2 million for the six months of ownership (2021: £11.3 million for the twelve months of ownership). Volume and price driven sales increases were strong across all regions, especially in North America and China, reflecting strong customer demand in their core semiconductor market. Statutory profit benefited from this growth but was partly offset by higher material and labour costs.

Further details of this disposal are provided in Note 8 of the accounts below.

Cash flow

Adjusted cash flow decreased by £14.3 million to £163.8 million during the year, resulting in an adjusted cash flow conversion rate of 74% (2021: 94%).

	2022	2021
	£m	£m
Adjusted cash flow from continuing operations		
Adjusted operating profit	222.4	189.6
Adjusted depreciation and software amortisation ¹	39.6	34.9
Working capital, proceeds from disposal of property and other non-cash movements	(54.1)	(12.9)
Capital expenditure	(44.1)	(33.5)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow conversion from continuing operations	74%	94%

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

The Group experienced an increase in adjusted cash flow from continuing operations generated from adjusted operating profit, and the sale of property. This was offset by an increase in inventories due to the high order book and safety stocks required to ensure critical component supply into 2023 with increased trade receivables offset by trade payables in line with volume growth. The Group purchased a new manufacturing facility for Particle Measuring Systems ('PMS') in Colorado, US increasing the year-on-year capital expenditure by £15.3 million and contributing to the net decline in adjusted cash flow from continuing operations.

Capital expenditure during the year of £44.1 million (2021: £33.5 million) equated to 3.3% of revenue (2021: 2.9%) and was 111% of adjusted depreciation and software amortisation (2021: 96%).

	2022	2021
	£m	£m
Other cash flows and foreign exchange		
Tax paid	(46.8)	(32.2)
Net interest received/(paid) on cash and borrowings	0.5	(2.9)
Dividends paid	(78.6)	(79.0)
Share buyback	(191.0)	(201.3)
Acquisition of businesses, net of cash acquired	(114.7)	(135.5)
Purchase of investment in associate	(2.9)	-
Transaction-related costs paid	(6.5)	(26.5)
Proceeds from disposal of equity investments	-	38.3
Proceeds from disposal of businesses, net of tax paid of £27.9 million (2021: £nil)	365.4	333.7
SaaS-related cash expenditure	(21.7)	(5.9)
Lease payments and associated interest	(16.4)	(14.8)
Restructuring costs paid	(7.6)	(11.9)
Net proceeds from exercise of share options	0.2	0.3
Total other cash flows	(120.1)	(137.7)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow from discontinued operations	7.3	22.6
Foreign exchange	9.2	(1.3)
Increase in net cash	60.2	61.7

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3 million, including transaction fees of £1.3 million.

The Group continued to support the excellent work performed by the Spectris Foundation by supporting the ongoing running costs through additional donations of £0.1 million in the year (2021: £15.0 million initial donation).

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2022 were £0.1 million (2021: nil).

At 31 December 2022, the Group had a cash and cash equivalents balance of £228.1 million. The Group also had various uncommitted facilities and bank overdraft facilities available. Gross debt was £0.1 million, resulting in a net cash position of £228.0 million, an increase of £60.2 million from £167.8 million at 31 December 2021.

As at 31 December 2022, the Group had £414.9 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2022 (2021: undrawn).

At 31 December 2022, there was net finance income for covenant purposes of £0.1 million, resulting in the interest cover ratio being n/a (31 December 2021: 67 times). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by

net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2021: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

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

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

Currency

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

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At 31 December 2022, approximately 65% of the estimated transactional exposures for 2023 of £144.6 million were hedged using forward exchange contracts, mainly against the Euro, US Dollar, Chinese Yuan Renminbi and Japanese Yen.

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

	2022 (average)	2021 (average)	Change	2022 (closing)	2021 (closing)	Change
US Dollar (USD)	1.24	1.38	(10%)	1.21	1.35	(10%)
Euro (EUR)	1.17	1.16	1%	1.13	1.19	(5%)
Chinese Yuan Renminbi (CNY)	8.30	8.87	(6%)	8.31	8.57	(3%)

During the year, currency translation effects resulted in adjusted operating profit being £12.5 million higher (2021: £10.2 million lower) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange gains of £0.3 million (2021: £0.3 million losses) were included in administrative expenses, whilst sales include a loss of £4.3 million (2021: £2.4 million gain) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Pensions

The net pension liability at 31 December 2022 was £8.9 million, a reduction of £13.4 million versus the £22.3 million liability at 31 December 2021, primarily as a result in movements in market discount rates.

Sustainability

As Group Finance Director I am committed to the success of the Group's journey to net zero and the adherence to TCFD. I am pleased to say that the strength of our balance sheet will support the required future investments to achieve our net zero commitment. In 2022 we have issued guidance to our businesses to ensure all appropriate accounting judgements are made as part of the preparation of the Group's financial statements. These are specified where appropriate in the notes to the accounts.

Other Non-reportable Operating Segments

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

On a statutory basis, sales for the segment of £177.4 million decreased by 14% in the year (2021: £206.3 million) due to 2021 disposals of the ex-ISD businesses, partially offset by the contribution from MB connect that was acquired in the first half of 2022. LFL sales increased by 14% resulting from increased volume and strong price discipline.

Adjusted operating profit for the segment was £27.2 million (2021: £26.2 million), an increase of 4% (16% LFL), with an adjusted operating margin of 15.3%, an increase of 260bps on 2021 (20bps LFL). This benefitted from the extra sales drop through, the pricing strategy, a focus on the product portfolio, improved operational performance and strong cost control.

Statutory operating profit rose 36% to £26.2 million (2021: £19.2 million), primarily due to restructuring costs charged in 2021 and lower transaction-related costs, with the statutory operating margin improving 550bps to 14.8%.

Red Lion Controls contributed to the sales increase with a combination of volume growth and revised pricing. The majority of the volume growth was in North America, driven by strong performance of the Graphite operator panel range in the oil & gas market and the new FlexEdge platform. MB connect has positively contributed to the operating margin in 2022.

Servomex had a record year for orders received in 2022, mainly driven by the growth in its leading gas analysis products within the industrial gas and semiconductor markets. The growing order book is up circa 50% year-on-year. The business also contributed to the sales increase through both volume growth and pricing and maintained its level of profitability.

Financial Summary

	Spectris Scientific		Spectris Dynamics		Other		Group Costs		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales (£m)	657.8	531.2	492.2	425.5	177.4	206.3			1,327.4	1,163.0
LFL sales growth (%)	18%		7%		14%				14%	
Statutory operating profit (£m)	118.3	94.2	46.5	45.6	26.2	19.2	(18.4)	(19.1)	172.6	139.9
Statutory operating margin (%)	18.0%	17.7%	9.4%	10.7%	14.8%	9.3%			13.0%	12.0%
Adjusted operating profit (£m)	140.0	112.2	73.6	70.3	27.2	26.2	(18.4)	(19.1)	222.4	189.6
LFL adjusted operating profit change (%)	24%		(7%)		16%				14%	
Adjusted operating margin (%)	21.3%	21.1%	15.0%	16.5%	15.3%	12.7%			16.8%	16.3%
LFL adjusted operating margin change (bps)	90bps		(220bps)		30bps				-	
Sales % of Group sales	50%	46%	37%	37%	13%	17%			100%	100%

Spectris Scientific

	2022	2021	Change vs 2021	LFL change vs 2021
Statutory sales (£m)	657.8	531.2	24%	18%
Adjusted operating profit ¹ (£m)	140.0	112.2	25%	24%
Adjusted operating margin ¹ (%)	21.3%	21.1%	20bps	90bps
Statutory operating profit (£m)	118.3	94.2	26%	
Statutory operating margin (%)	18.0%	17.7%	30bps	

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

Delivering above market growth with strong sustainable margins

Spectris Scientific delivered an excellent financial performance in 2022.

The Division achieved sales growth of 24% to £657.8 million (2021: £531.2 million). After taking account foreign exchange movements of £24.5 million (5%), and with the impact of acquisitions being marginal, this resulted in 18% LFL sales growth. Order intake increased by 12% (8% LFL). We saw continued strong customer demand and market share gains in all sectors, particularly in semiconductors, life sciences and pharmaceuticals, as well as energy technologies including batteries and fuel cells. There was particularly strong demand for our products in Asia.

Adjusted operating profit increased 25% (24% LFL) to £140.0 million (2021: £112.2 million). Adjusted operating margin improved to 21.3%, a year-on-year increase of 20bps (90bps LFL), reflecting the volume increase and the impact of both price rises and new products, offset by higher investment in R&D and the acquisition of Creoptix.

Statutory operating profit was £118.3 million, primarily reflecting the strong end market growth and good operational performance offset by additional costs for the ERP investment. A key focus for us has been strengthening the margins sustainably, and we are pleased to report a statutory operating margin of 18.0%, up from 17.7% in 2021.

Strongly positioned in high growth end markets supported by sustainability trends

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

Life Sciences

LFL sales growth remained solid in the Life Sciences sector, with particularly strong growth in North America driven by investment in biologics. This has yielded success of our newer products, like the Zetasizer and OmniTrust software for regulated environments, along with strong demand for our facility environmental monitoring products, such as the recently launched Lasair Pro.

Material Sciences - primary materials

Performance in this sector has been more mixed across the regions. LFL sales were higher in North America and Europe but lower into Asia, reflecting the well-publicised supply chain impacts and ongoing COVID lockdowns in China. However, the aftersales and service revenue opportunity in this sector remains strong, and we are working on driving additional service revenues through our extensive installed base.

Material Sciences - advanced materials

LFL sales in advanced materials grew strongly especially in the energy/battery/hydrogen and semiconductor segments, where we are seeing above-market performance. These strong results are a result of our broad solution portfolio, strong domain knowledge for material characterisation and deep customer relationships. We are a key facilitator of customer innovation, supporting opportunities in the functional performance, sustainability, and recycling of materials.

Semiconductor

Sales into semiconductor and electronics customers continued to see strong growth, notably in Asia. Our leading product sensitivity and the strong order book entering the year has supported market share gains. We have seen particularly good demand for our water purity solution Chem-20, Ultra-DI 20, silicon Wafer-Analyzer, and MRD-XL products.

Academia

We are well positioned to take advantage of the academic research flowing into our end markets, with a strong brand built on high precision measurement and scientific credibility. An area of particularly strong growth has been our X-ray diffraction systems.

Providing critical material insights and solving customer challenges

Spectris Scientific provides critical insights and domain expertise to help our customers find solutions to their most complex challenges. Our customer value proposition extends far beyond supplying our leading products.

In Life Sciences, our growth has been supported by our strategy of providing a more complete sterility assurance solution to aseptic pharmaceutical manufacturers and suppliers. Additionally, collaboration with OEM suppliers has resulted in notable orders from filling-machine and isolator manufacturers. For example, a partnership between PMS and isolator manufacturer (AUSTAR) and a local supplier, Environmental Particle Solutions, allowed AUSTAR to receive a validated, turn-key solution, using our instruments to meet their contamination monitoring requirements.

In Material Sciences, the increased focus on the energy transition is creating new opportunities. Our work with the Geological Survey of Finland ('GTK') is targeting net zero carbon mining operations through process digitisation and automation. Our instruments provide real-time mineralogical analysis, to adjust the extraction methods according to environmental conditions. This saves energy, increases recovery rates, and minimises waste while driving the profitability of the mining operation. Our strength in process automation and digital solutions is driving demand in these markets by helping improve quality and yield, while reducing risk and improving safety.

For the semiconductor industry, we have launched extra functionality to expand the applicability for our X-ray diffraction ('XRD') products. This includes a cleanroom compatibility option rated to ISO Class 4 and automation software, enabling more efficient and contamination-free analysis of silicon wafers.

Investing for growth: R&D is driving growth and market share gains

To drive growth, there has been increased investment in R&D to both enhance the performance of existing products and develop new platforms, along with software, services and analytics being key areas of focus. Customer demand in 2022 was supported by the positive impact from new products such as the Zetasizer and Lasair Pro, as well as continued growth in the Mastersizer 3000 particle analyser.

Other important new innovations launched in 2022 included the NanoAir 10, a revolutionary new aerosol nanoparticle counter with unsurpassed 10nm detection sensitivity and robustness. It is more than 80% smaller than competitive products, making it practical to use anywhere in ultra-clean environments, including inside semiconductor process tools, improving both yield and output for our customers.

The Ultra DI® 20 Plus was launched for new applications in ultrapure water contamination monitoring, with an industry-leading sensitivity of 20 nm. It enables an immediate response to detected contamination and quickly provides key statistical data for process management.

Investing for growth: compounding growth through M&A

To supplement organic spend, M&A is being targeted to expand our solution portfolio. Creoptix was acquired in January, expanding our pharma offering supporting affinity assessments within drug discovery. Its core instrument, WAVE, provides exceptionally high sensitivity and resolution to study real-time drug binding interactions. Its addition to our customer workflow portfolio provides an

exciting opportunity to quickly scale Creoptix' superior technology through leveraging our extensive MicroCal customer base. The integration is going well, and we sold our first Wave systems into China and Japan to customers researching protein applications.

Operational Excellence

In order to drive further efficiencies in our operating performance, a business transformation programme to simplify, standardise and automate business processes and simplify ways of working is underway, which includes an enterprise-wide ERP solution. It will provide better access to data, offer scalability to support our growth ambitions and help deliver margin expansion.

Summary

Spectris Scientific is an excellent business. We provide critical materials insights through our instruments, data science and technical expertise. We are well positioned to outperform in high growth end markets, aligned to clear sustainability trends. In 2023, we will continue to work closely with customers to innovate and solve their challenges and deliver profitable growth with strong sustainable margins.

Spectris Dynamics

	2022	2021	Change vs 2021	LFL change vs 2021
Statutory sales (£m)	492.2	425.5	16%	7%
Adjusted operating profit ¹ (£m)	73.6	70.3	5%	(7%)
Adjusted operating margin ¹ (%)	15.0%	16.5%	(150bps)	(220bps)
Statutory operating profit (£m)	46.5	45.6	2%	
Statutory operating margin (%)	9.4%	10.7%	(130bps)	

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

Solid financial performance

Spectris Dynamics delivered a solid financial performance in 2022.

Sales increased by 16% to £492.2 million (2021: £425.5 million). After taking account £15.6 million (4%) sales growth from acquisitions and £19.5 million (5%) for foreign exchange movements, this resulted in 7% LFL sales growth. Orders increased 20% (11% LFL) resulting in a 40% year-on-year increase in the order book.

Despite overheads decreasing as a percentage of sales, the savings were not sufficient to offset a material impact to gross margins caused by the impact of high input cost inflation associated with the Division's disproportionate exposure to low volume, high performance electronics and semiconductors. Consequently, adjusted operating profit was £73.6 million, an increase of 5%, but 7% lower on a LFL basis, resulting in an adjusted operating margin of 15.0%, 150bps lower than the prior year (220bps lower LFL).

Price increases, particularly in the second half, helped reverse some of the margin decline. Further pricing implemented in Q4, improving material supply, and easing inflationary pressure, gives confidence for an improved profitability for the business in 2023.

Statutory operating profit rose 2% to £46.5 million (2021: £45.6 million), primarily reflecting the growth in sales offset by a lower gross margin, as well as the absence of restructuring costs and lower transaction-related costs, with the statutory operating margin declining 130bps to 9.4%.

Well positioned in attractive markets

The growth we have seen has been realised by enabling our customers to harness four mega trends: virtual test and digitisation; the transformation of mobility and energy; automation; and productivity in a

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

Automotive

The automotive sector saw strong demand with significant order and sales growth, especially in North America.

Spectris Dynamics' Virtual Test business has seen good order momentum and has booked a number of large orders, including for its full scale DiM400 simulator. One recent key win was with Premium OEM in Germany for two large simulators and services.

For the same customer our Physical Test capability also provides electric power testing DAQ, sensors and analysis software to support the customer's focus on virtual innovation and need to accelerate the transition of their fleet to electric. The combined solution demonstrates how both the virtual test and physical test domains support our customers' need to innovate through the multiple stages of their product lifecycle. The simulators enable customers to significantly increase the speed of vehicle development, reducing the design phase cost and carbon footprint by minimising prototype fleets, while the electric power testing DAQ, sensors and analysis software help optimise vehicle range.

There was a similarly strong performance in the In-process applications, with notable orders from North American and Chinese manufacturers of premium electric vehicles for end of line testing solutions that enhance product quality and contribute to a record year for EV production testing sales.

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

Industrials and infrastructure

Demand from customers wanting to monitor their production processes and deployed assets continued to be robust. Against an extremely strong comparator in 2021, the Division posted moderate LFL sales growth. Sales to this sector have been helped by the focus on selected high value end-markets, which has driven demand for our weighing technologies, including for smart OEM-type solutions in medical and healthcare applications, where accurate and reliable sensors are critical. OEM sensors for hospital beds enabling non-intrusive patient monitoring have generated a number of orders with medical equipment manufacturers. Advanced agriculture has also been a key area with notable orders into John Deere for custom OEM sensors to optimise seed planting processes.

Aerospace and defence

We saw a modest year-year sales decline in our aerospace business due to the nature of the current capital investment cycle in civil aerospace. Space and Defence spending has continued throughout the year. We remain well placed to support long-term innovation projects. OEMs continue to invest in efficiency gaining technologies, especially weight saving and power improvements. We expect Aerospace investment to increase in 2023. We also see demand increasing for energy transition related projects, including electric aircraft and those running on alternative lower-carbon fuels. Our EPT solutions are well placed to capture this.

Consumer electronics and telecoms

LFL sales into consumer electronics customers were flat year-on-year. However, demand remains robust, with a major in-ear headphone manufacturer purchasing large volumes of our flagship low-noise microphones to evaluate the idle noise for its noise-cancelling technology, ensuring market leading performance is delivered to customers.

Investing for growth: R&D is driving growth and market share gains

The Division is newly organised around three sectors to leverage growth and customer intimacy from our domain expertise: Virtual Test; Physical Test; and In-Process. These reflect our customers' test and

measurement requirements as their products are conceived, developed, then manufactured and maintained. By focusing on our customers' needs, through their product lifecycle, we are able to accelerate innovation, save cost and reduce time to market for their products.

Investing for growth: compounding growth through M&A

The acquisition of Dytran was completed in September. Dytran is a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure, and vibration, in both physical prototype testing and embedded in-process monitoring solutions. The acquisition strengthens Spectris Dynamics' piezo-electric sensor offering and adds new MEMS capability. The combination will also strengthen the Division's position in the US space, aerospace and defence industries. Since acquisition, the company has booked a notable order from a large spacecraft manufacturer. The integration of Dytran is proceeding well and provides enhanced customer solutions within both physical test and in-process domains.

Spectris Dynamics acquired a minority stake in CM Labs Inc, a manufacturer of turnkey solutions for operator training simulators in the construction and port equipment markets. Within the Virtual Test business, this investment allows us to explore new, operator training segments, alongside VI-grade's core simulator products.

Spectris Dynamics entered into a joint operation agreement with DEWESoft, a leading manufacturer of DAQ ('Data Acquisition') systems. The JV will accelerate Spectris Dynamics' new Fusion DAQ hardware platform and create a new open industry standard for DAQ hardware products. The Fusion product line will retain its distinct HBK identity and leading performance, while improved time to market, open standard functionality and commonality of the basic components will benefit both companies' respective customers. The JV comprises employees from both HBK and DEWESoft.

Operational excellence to drive margin expansion

We are driving operational excellence to improve productivity and increase operating margin towards the Group target level.

The ongoing roll out of SBS continues to deliver improvement and alongside this we have a recovery action plan in place to increase prices, redesign products to lower cost solutions and rationalise the portfolio. These actions have taken hold in H2 2022, and we have seen improvements as a result. Further improvements will be delivered in 2023.

Alongside this we are implementing business process improvements including Salesforce.com in 2023 and a new ERP solution in 2024, to create a simpler, common and more scalable set of processes.

Summary

Spectris Dynamics is an established leader in high performance virtual test, software, data acquisition and sensing. We are well positioned in strong end-markets supported by sustainable trends for a digitizing and de-carbonising world. We are executing and expanding on strong fundamentals - integrated virtual and physical test solutions, more software-oriented R&D, operational excellence, and strategic value creating M&A. We are focused on margin expansion through strategic growth initiatives, business process improvement and creating a lean culture.

Derek Harding
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 December 2022

		2022	(Restated) ¹ 2021
	Note	£m	£m
Continuing operations			
Revenue	2	1,327.4	1,163.0
Cost of sales		(576.6)	(487.5)
Gross profit		750.8	675.5
Indirect production and engineering expenses		(114.1)	(92.6)
Sales and marketing expenses		(233.0)	(222.2)
Administrative expenses		(231.1)	(220.8)
Operating profit	2	172.6	139.9
Fair value through profit and loss movements on debt investments		(4.1)	-
Profit on disposal of businesses		0.3	226.5
Financial income	3	1.9	12.8
Finance costs	3	(19.2)	(5.4)
Profit before tax		151.5	373.8
Taxation charge	4	(36.7)	(38.2)
Profit for the year from continuing operations		114.8	335.6
Profit for the year from discontinued operations	8	286.7	11.3
Profit for the year from continuing and discontinued operations attributable to owners of the Company		401.5	346.9
Earnings per share			
From continuing operations			
Basic	6	106.7p	295.2p
Diluted	6	106.0p	294.1p
From continuing operations and discontinued operations			
Basic	6	373.1p	305.1p
Diluted	6	370.7p	304.0p
Dividends			
Interim and final dividends proposed/paid for the year (per share)	5	75.4p	71.8p
Dividends paid during the year (per share)	5	72.9p	69.5p

- The Omega reportable segment has been classified as a discontinued operation under IFRS 5, following the announcement and completion of its disposal during 2022. As a result, the income statement-related financial data for the year ended 31 December 2021 has been represented to show continuing operations where required to by IFRS 5 throughout the Consolidated Financial Statements. Further details are provided in note 8.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year attributable to owners of the Company		401.5	346.9
Other comprehensive income:			
Items that will not be reclassified to the Consolidated Income Statement:			
Re-measurement of net defined benefit obligation		13.1	(1.8)
Fair value gain/(loss) and foreign exchange movements on translation of investment in equity instruments designated as at fair value through other comprehensive income		5.0	(1.8)
Tax (charge)/credit on items above		(4.0)	0.7
		14.1	(2.9)
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		0.4	(1.9)
Foreign exchange movements on translation of overseas operations		105.1	(25.1)
Currency translation differences transferred to profit on disposal of businesses	8	(86.7)	(4.8)
Tax credit on items above		-	0.3
		18.8	(31.5)
Total other comprehensive income/(loss)		32.9	(34.4)
Total comprehensive income for the year attributable to owners of the Company		434.4	312.5

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

For the year ended 31 December 2021

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2021	6.0	231.4	882.6	98.0	(1.9)	3.1	0.5	1,219.7
Profit for the year	-	-	346.9	-	-	-	-	346.9
Other comprehensive loss	-	-	(1.0)	(31.8)	(1.6)	-	-	(34.4)
Total comprehensive income/(loss) for the year	-	-	345.9	(31.8)	(1.6)	-	-	312.5
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (see note 5)	-	-	(79.0)	-	-	-	-	(79.0)
Own shares acquired for share buyback programme (see note 10)	(0.2)	-	(201.3)	-	-	-	0.2	(201.3)
Share-based payments, net of tax	-	-	9.1	-	-	-	-	9.1
Proceeds from exercise of equity-settled share options	-	-	0.3	-	-	-	-	0.3
At 31 December 2021	5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 £m	2021 £m
ASSETS			
Non-current assets			
Goodwill		606.1	631.5
Other intangible assets		184.1	169.1
Property, plant and equipment		160.7	150.5
Right-of-use assets		59.7	60.5
Investment in equity instruments		29.3	24.3
Investment in debt instruments		18.9	23.0
Investment in associate		2.9	-
Derivative financial instruments		0.4	-
Other receivables		4.2	-
Deferred tax assets		16.2	21.2
		1,082.5	1,080.1
Current assets			
Inventories		263.3	187.9
Current tax assets		8.6	5.7
Trade and other receivables		362.5	315.9
Derivative financial instruments		1.3	0.3
Cash and cash equivalents		228.1	167.8
Assets held for sale	8	1.7	10.4
		865.5	688.0
Total assets		1,948.0	1,768.1
LIABILITIES			
Current liabilities			
Borrowings		(0.1)	-
Derivative financial instruments		(2.3)	(1.2)
Trade and other payables		(373.7)	(330.2)
Lease liabilities		(14.9)	(16.6)
Current tax liabilities		(14.2)	(28.1)
Provisions		(12.8)	(17.6)
		(418.0)	(393.7)
Net current assets		447.5	294.3
Non-current liabilities			
Other payables		(13.8)	(13.8)
Derivative financial instruments		(0.2)	-
Lease liabilities		(50.2)	(49.3)
Provisions		(4.4)	(4.7)
Retirement benefit obligations		(8.9)	(22.3)
Deferred tax liabilities		(15.6)	(23.0)
		(93.1)	(113.1)
Total liabilities		(511.1)	(506.8)
Net assets		1,436.9	1,261.3
EQUITY			
Share capital		5.5	5.8
Share premium		231.4	231.4
Retained earnings		1,113.0	957.6
Translation reserve		86.0	66.2
Hedging reserve		(3.1)	(3.5)
Merger reserve		3.1	3.1
Capital redemption reserve		1.0	0.7
Total equity attributable to owners of the Company		1,436.9	1,261.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash generated from operations	9	166.8	191.6
Net income taxes paid		(46.8)	(32.2)
Net cash inflow from operating activities		120.0	159.4
Cash flows used from investing activities			
Purchase of property, plant and equipment and intangible assets		(44.9)	(35.3)
Proceeds from disposal of property, plant and equipment and software		13.4	–
Finance sublease receivable collected, net of initial direct costs		–	0.1
Acquisition of businesses, net of cash acquired	7	(114.7)	(135.5)
Purchase of investment in associate		(2.9)	–
Proceeds from disposal of equity investments		–	38.3
Proceeds from disposal of businesses, net of tax paid of £27.9m (2021: nil)	8	365.4	333.7
Interest received		1.9	0.5
Net cash flows from investing activities		218.2	201.8
Cash flows used in financing activities			
Interest paid on borrowings		(1.4)	(3.4)
Interest paid on lease liabilities		(2.5)	(1.8)
Dividends paid	5	(78.6)	(79.0)
Share buyback purchase of shares	10	(191.0)	(201.3)
Net proceeds from exercise of share options		0.2	0.3
Payments on principal portion of lease liabilities		(13.9)	(13.0)
Proceeds from borrowings		326.2	70.0
Repayment of borrowings		(326.8)	(169.8)
Net cash flows used in financing activities		(287.8)	(398.0)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		167.8	210.9
Effect of foreign exchange rate changes		9.9	(6.3)
Cash and cash equivalents at end of year		228.1	167.8

Notes to the accounts

1. Basis of preparation and accounting policies

a) Basis of accounting

The Consolidated Financial Statements of the Company for the 12 months ended 31 December 2022 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place, which is the Group's presentational currency. The Consolidated Financial Statements of the Group for the year ended 31 December 2022 are available upon request from the Company's registered office at Melbourne House, 5th Floor, 44-46 Aldwych, London WC2B 4LL and on the Company's website at www.spectris.com.

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

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2022 and 2021. Statutory accounts for the year ended 31 December 2021 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2022 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by IFRS to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRS. The Consolidated Financial Statements have been prepared on a going concern basis. The full year results announcement is presented in millions of pounds Sterling rounded to the nearest one decimal place, which is the Group's presentational currency.

These results were approved by the Board of Directors on 22 February 2023.

New standards, amendments and interpretations applied for the first time

There were no new standards, amendments or interpretations applied for first time that had a material impact on the Consolidated Financial Statements. The accounting policies set out in the 2022 Annual Report and Accounts have been applied consistently to both periods presented in these Consolidated Financial Statements.

New standards and interpretations not yet applied

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

1. Basis of preparation and accounting policies (continued)

Going concern

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

As at 31 December 2022, the Group had £414.9 million of committed facilities, consisting entirely of a \$500 million multi-currency revolving credit facility ('RCF') maturing in July 2025. The RCF was undrawn at 31 December 2022 (2021: undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5x. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2022, there was net finance income for covenant purposes of £0.1 million, resulting in the interest cover ratio being n/a (31 December 2021: 67 times). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2021: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, at 31 December 2022, the Group had a cash and cash equivalents balance of £228.1 million. The Group also had various uncommitted facilities and bank overdraft facilities available. Gross debt was £0.1 million, resulting in a net cash position of £228.0 million, an increase of £60.2 million from £167.8 million at 31 December 2021.

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

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion.

2. Operating segments

The Group's reportable segments are described below. In 2022, the Group's reportable operating segments have changed following the reorganisation of the Group's businesses announced at the Capital Markets Day in October 2022. The new segmental platform structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The tables below show restated comparative figures for the reportable operating segments for the year ended 31 December 2021, reflecting the impact of changes the Group made to its operating segments during the year ended 31 December 2022. The segment results include an allocation of head office expenses, where the costs are attributable to a segment. Costs of running the PLC are reported separately as Group costs.

The Omega business, which had previously been disclosed as a reportable segment, has now been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022 and therefore excluded from the segmental analysis. As a result, the financial data for the year ended 31 December 2021 has also been represented to show continuing operations where required to by IFRS 5, including a reclassification of continuing head office expenses that had previously

been allocated to the Omega reportable segment to the continuing reportable segments. Further details of discontinued operations are provided in note 8.

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

- Spectris Scientific provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing. The operating companies in this segment are Malvern Panalytical and Particle Measuring Systems;
- Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance;
- The Other non-reportable segments are a portfolio of high value precision in-line sensing and monitoring businesses. The operating companies in this segment in 2022 are Red Lion Controls and Servomex. In 2021 Brüel & Kjær Vibro (disposed 1 March 2021), ESG Solutions (disposed 3 May 2021), Millbrook (disposed 2 February 2021) and NDC Technologies (disposed 1 November 2021) are also included in Other non-reportable segments.
- Group costs consist of the cost of running the PLC.

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

1. Not allocated to reportable segments

Information about reportable segments	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2021 Total £m
Segment revenues	531.3	425.7	206.5	-	1,163.5
Inter-segment revenue	(0.1)	(0.2)	(0.2)	-	(0.5)
External revenue	531.2	425.5	206.3	-	1,163.0
Operating profit	94.2	45.6	19.2	(19.1)	139.9
Profit on disposal of businesses ¹					226.5
Financial income ¹					12.8
Finance costs ¹					(5.4)
Profit before tax ¹					373.8
Taxation charge ¹					(38.2)
Profit after tax ¹					335.6

1. Not allocated to reportable segments

2. Operating segments (continued)

Geographical segments

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

	2022	2021
	£m	£m
UK	51.2	51.2
Germany	123.4	111.2
France	44.8	41.4
Rest of Europe	172.4	166.8
USA	359.9	289.4
Rest of North America	30.0	28.6
Japan	69.5	66.1
China	233.6	200.7
South Korea	58.4	45.2
Rest of Asia	125.5	108.4
Rest of the world	58.7	54.0
	1,327.4	1,163.0

3. Financial income and finance costs

	2022	2021
	£m	£m
Financial income from continuing operations		
Interest receivable	(1.9)	(0.5)
Interest credit on release of provision on settlement of EU dividends tax claim (see note 4)	-	(5.1)
Net gain on retranslation of short-term inter-company loan balances	-	(7.2)
	(1.9)	(12.8)
	2022	2021
	£m	£m
Finance costs from continuing operations		
Interest payable on loans and overdrafts	1.8	3.6
Net loss on retranslation of short-term inter-company loan balances	14.6	-
Unwinding of discount factor on lease liabilities	2.5	1.6
Net interest cost on pension plan obligations	0.3	0.2
	19.2	5.4
Net finance costs/(credit) from continuing operations	17.3	(7.4)

4. Taxation

	2022			2021		
	UK	Overseas	Total	UK	Overseas	Total
	£m	£m	£m	£m	£m	£m
Current tax charge/(credit)	4.8	41.2	46.0	(2.4)	45.8	43.4
Adjustments in respect of current tax of prior years	(1.4)	(1.4)	(2.8)	(0.6)	(0.4)	(1.0)
Deferred tax – origination and reversal of temporary differences	(1.3)	(5.2)	(6.5)	(2.8)	(1.4)	(4.2)
Taxation charge from continuing operations	2.1	34.6	36.7	(5.8)	44.0	38.2

4. Taxation (continued)

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 23.8% (2021: 25.4%). The tax charge for the year is higher (2021: lower) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2022	2021
	£m	£m
Profit before taxation from continuing operations	151.5	373.8
Corporation tax charge at standard rate of 23.8% (2021: 25.4%)	36.1	94.9
Profit on disposal of business taxed at lower rate	(0.1)	(46.5)
Other non-deductible expenditure	9.1	4.4
Release of provision on settlement of EU dividend claim	-	(8.0)
Tax credits and incentives	(7.6)	(6.0)
Adjustments to prior year current and deferred tax charges	(0.8)	(0.6)
Taxation charge	36.7	38.2

The Group's standard rate of corporation tax of 23.8% is lower than the prior year rate (25.4%), principally due to profits being made in countries with lower statutory tax rates.

'Profit on disposal of business taxed at a lower rate' in the prior year principally refers to the benefit of tax exemptions for the sale of shares in certain countries.

'Other non-deductible expenditure' in the current year includes the £3.4 million impact of non-deductible foreign exchange losses. In 2021 the impact of non-taxable foreign exchange gains was (£1.1 million).

'Tax credits and incentives' above, refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

The following tax credits/(charges) relate to items of income and expense that are excluded from the Group's adjusted performance measures:

	2022	2021
	£m	£m
Tax credit on amortisation of acquisition-related intangible assets	(4.6)	(2.9)
Tax credit on net transaction-related costs and fair value adjustments	(0.5)	(3.0)
Tax charge on retranslation of short-term inter-company loan balances	0.6	0.3
Tax charge on profit on disposal of businesses	-	14.2
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	(5.1)	(1.4)
Tax credit on release of provision and deferred tax asset on settlement of EU dividends tax claim	-	(7.0)
Tax (credit)/charge on fair value through profit and loss movements on debt and equity investments	(1.4)	0.9
Tax credit on restructuring costs	-	(2.7)
Total tax credit	(11.0)	(1.6)

4. Taxation (continued)

The effective adjusted tax rate for the year was 21.7% (2021: 21.5%) as set out in the reconciliation below:

	2022	2021
	£m	£m
Reconciliation of the statutory taxation charge to the adjusted taxation charge		
Statutory taxation charge	36.7	38.2
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	11.0	1.6
Adjusted taxation charge	47.7	39.8

In June 2021, the Group agreed a formal settlement with HMRC to resolve its dispute in relation to the taxation of dividends received from EU based subsidiaries prior to 2009. The outstanding liability agreed with HMRC of £0.3 million of tax and £0.2 million of interest was paid in June 2021. As a result, £8.0 million of provision for current tax liabilities and a deferred tax asset of £1.0 million related to accrued interest liabilities were released to the Consolidated Income Statement in the year ending 31 December 2021. In addition, as a result of the dispute resolution, £5.1 million of accrued interest liabilities were released to the Consolidated Income Statement in 2021, as disclosed in note 3.

5. Dividends

	2022	2021
	£m	£m
Amounts recognised and paid as distributions to owners of the Company in the year		
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Final dividend for the year ended 31 December 2021 of 48.8p (2021: 46.5p) per share	53.3	53.6
	78.6	79.0
	2022	2021
	£m	£m
Interim dividend for the year ended 31 December 2022 of 24.1p (2021: 23.0p) per share	25.3	25.4
Proposed final dividend for the year ended 31 December 2022 of 51.3p (2021: 48.8p) per share	53.6	53.3
	78.9	78.7

The proposed final 2022 dividend is subject to approval by shareholders at the AGM on 26 May 2023 and have not been included as a liability in these Consolidated Financial Statements.

6. Earnings per share

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

	2022	2021
Basic earnings per share from continuing operations		
Profit after tax from continuing operations (£m)	114.8	335.6
Weighted average number of shares outstanding (millions)	107.6	113.7
Basic earnings per share from continuing operations (pence)	106.7	295.2

6. Earnings per share (continued)

Diluted earnings per share from continuing operations	2022	2021
Profit after tax from continuing operations (£m)	114.8	335.6
Basic weighted average number of shares outstanding (millions)	107.6	113.7
Weighted average number of dilutive 5p ordinary shares under option (millions)	0.9	0.5
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	(0.2)	(0.1)
Diluted weighted average number of shares outstanding (millions)	108.3	114.1
Diluted earnings per share from continuing operations (pence)	106.0	294.1

Basic earnings per share from discontinued operations	2022	2021
Profit after tax from discontinued operations (£m)	286.7	11.3
Weighted average number of shares outstanding (millions)	107.6	113.7
Basic earnings per share from discontinued operations (pence)	266.4	9.9

Diluted earnings per share from discontinued operations	2022	2021
Profit after tax from discontinued operations (£m)	286.7	11.3
Diluted weighted average number of shares outstanding (millions)	108.3	114.1
Diluted earnings per share from discontinued operations (pence)	264.7	9.9

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

7. Acquisitions

Creoptix

On 7 January 2022, the Group acquired 100% of the share capital of Creoptix for net consideration of £37.0 million, made up of £37.3 million gross consideration (consisting of £35.1 million of cash paid and £2.2 million of contingent consideration) less £0.3 million of cash acquired. Creoptix is a bioanalytical sensor company, which provides solutions to accelerate discovery and development of new pharmaceutical drugs, substances and products. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. Creoptix will be integrated into the Spectris Scientific reportable segment and Malvern Panalytical cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by a technology intangible asset and goodwill. Goodwill arising is attributable to the assembled workforce, in process research, expected future customer relationships and synergies from cross-selling goods and services.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £3.9 million and statutory operating loss of £4.2 million have been included for the acquisition of Creoptix. As Creoptix was acquired near to the start of the current reporting period, Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would be approximately the same had this acquisition taken place on the first day of the financial period.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables note expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £2.8 million.

7. Acquisitions (continued)

MB connect line

On 31 March 2022, the Group acquired 100% of the share capital of MB connect for net consideration of £8.7 million, made up of £9.0 million gross consideration in cash less £0.3 million net cash acquired. There was no contingent consideration recognised on this acquisition. MB connect is a leading provider of secure connections between machines and plants for remote access, data collection, and M2M-communication. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. MB connect will be integrated into the Other non-reportable segments and the Red Lion Controls cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, technology, brand and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £4.2 million and statutory operating profit of £0.5 million have been included for the acquisition of MB connect. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would have been £1,328.6 million and £172.6 million, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £0.1 million.

Dytran

On 1 September 2022, the Group acquired 100% of the share capital of Dytran for net consideration of £69.6 million, made up of £70.5 million gross consideration in cash less £0.9 million net cash acquired. There was no contingent consideration recognised on this acquisition. Dytran is a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure and vibration, with its largest market in North America. The transaction is in line with Spectris' strategy to make synergistic acquisitions to enhance and grow its businesses. The acquisition strengthens Spectris Dynamics' piezo-electric offering, adds new MEMS capability and expands sales into North America. The acquisition also allows both companies to leverage complementary capabilities and provide enhanced customer offerings and solutions to enable accelerated product development. Dytran will be integrated into the Spectris Dynamics reportable segment and cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, brand, order book and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2022, sales of £8.3 million and statutory operating profit of £1.3 million have been included for the acquisition of Dytran. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2022 would have been £1,343.5 million and £174.3 million, respectively, had this acquisition taken place on the first day of the financial year.

7. Acquisitions (continued)

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £1.9 million.

The fair values included in the table below relate to the acquisition of Creoptix, MB connect and Dytran during the year:

	Creoptix	MB connect	Dytran	Total fair value
2022	£m	£m	£m	£m
Intangible assets	18.5	5.1	35.8	59.4
Property, plant and equipment	0.1	1.2	1.7	3.0
Right of use assets	1.0	-	-	1.0
Inventories	0.6	0.3	5.2	6.1
Trade and other receivables	1.6	0.1	2.9	4.6
Cash and cash equivalents	0.3	0.3	0.9	1.5
Borrowings	-	(0.1)	-	(0.1)
Trade and other payables	(1.9)	(0.1)	(2.3)	(4.3)
Retirement benefit obligations	(0.5)	-	-	(0.5)
Lease liabilities	(1.0)	-	-	(1.0)
Current tax liabilities	-	(0.1)	-	(0.1)
Deferred tax liabilities	(0.9)	(1.6)	-	(2.5)
Net assets acquired	17.8	5.1	44.2	67.1
Goodwill	19.5	3.9	26.3	49.7
Gross consideration	37.3	9.0	70.5	116.8
Adjustment for cash acquired	(0.3)	(0.3)	(0.9)	(1.5)
Net consideration	37.0	8.7	69.6	115.3

Analysis of cash outflow in Consolidated Statement of Cash Flows from business combinations	2022	2021
	£m	£m
Gross consideration in respect of acquisitions during the year	116.8	146.1
Adjustment for net cash acquired	(1.5)	(12.3)
Net consideration in respect of acquisitions during the year	115.3	133.8
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years	(2.2)	-
Cash paid during the period in respect of acquisitions during the year	113.1	133.8
Cash paid in respect of prior years' acquisitions	1.6	1.7
Net cash outflow relating to acquisitions	114.7	135.5

8. Discontinued operations and disposal groups held for sale

On 1 July 2022, the Group disposed of the Omega reportable segment. The consideration received was £417.9 million, settled in cash received. This generated a pre-tax profit on disposal of £293.9 million. The divestment was effected to offer a better opportunity to generate returns for shareholders and further enhance Group margins.

8. Discontinued operations and disposal groups held for sale (continued)

The profit on disposal of the Omega reportable segment was calculated as follows:

	2022 Omega £m
Goodwill	121.3
Other intangible assets	39.9
Property, plant and equipment – owned and right of use assets	20.5
Current tax assets	0.1
Inventories	20.8
Trade and other receivables	18.0
Cash and cash equivalents	7.7
Trade and other payables	(19.9)
Lease liabilities	(3.2)
Current and deferred tax liabilities	(8.6)
Provisions	(0.2)
Net assets of disposed businesses	196.4
Consideration received	
Settled in cash	417.9
Total consideration received	417.9
Transaction expenses booked to profit on disposal of business	(14.3)
Net consideration from disposal of business	403.6
Net assets disposed of (including cash and cash equivalents held by disposal group)	(196.4)
Currency translation differences transferred from translation reserve	86.7
Pre-tax profit on disposal of the Omega reportable segment	293.9
Net proceeds recognised in the Consolidated Statement of Cash Flows	
Consideration received settled in cash	417.9
Cash and cash equivalents held by disposed business	(7.7)
Transaction fees paid	(14.3)
Tax paid on current year disposal of business	(15.3)
Net proceeds recognised in the Consolidated Statement of Cash Flows in respect of current year disposals	380.6
Payments made in respect of prior years' disposals of businesses	(2.6)
Tax paid on prior year disposal of businesses	(12.6)
Net proceeds recognised in the Consolidated Statement of Cash Flows	365.4

The Omega reportable segment has been classified as discontinued operations in the Consolidated Income Statement. The results of these discontinued operations, which have been included in the profit for the year, were as follows:

	2022 £m	2021 £m
Revenue	73.9	129.0
Expenses included in adjusted operating profit	(59.9)	(109.2)
Adjusted operating profit	14.0	19.8
Other expenses	(1.1)	(5.0)
Profit before tax	12.9	14.8
Attributable tax expense	(2.7)	(3.5)
	10.2	11.3
Profit on disposal of discontinued operations	293.9	-
Tax expense attributable to profit on disposal of discontinued operations	(17.4)	-
Profit after tax from discontinued operations for the year attributable to owners of the Company	286.7	11.3

During the year, discontinued operations contributed £6.5 million (2021: £23.5 million) to the Group's net cash inflow from operating activities, received £379.8 million (2021: £1.8 million) in respect of investing activities and paid £0.5 million (2021: £0.9 million) in respect of financing activities.

8. Discontinued operations and disposal groups held for sale (continued)

Assets classified as held for sale

Assets classified as held for sale at 31 December 2022 consist of the Group's former headquarters building in Egham, Surrey, UK.

9. Cash generated from operations

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit after tax		401.5	346.9
Adjustments for:			
Taxation charge	4	56.8	41.7
Profit on disposal of businesses	8	(294.2)	(226.5)
Finance costs	3	19.2	5.6
Financial income	3	(1.9)	(12.8)
Depreciation and impairment of property, plant and equipment		34.8	26.4
Amortisation, impairment and other non-cash adjustments made to intangible assets		26.3	23.9
Transaction-related fair value adjustments		1.0	0.2
Fair value through profit and loss movements on debt investments		4.1	-
(Profit)/loss on disposal and re-measurements of property, plant and equipment and associated lease liabilities		(1.5)	0.1
Equity-settled share-based payment expense		10.4	7.8
Operating cash flow before changes in working capital and provisions		256.5	213.3
Increase in trade and other receivables		(47.9)	(40.2)
Increase in inventories		(75.6)	(30.3)
Increase in trade and other payables		40.9	50.3
Decrease in provisions and retirement benefits		(7.1)	(1.5)
Cash generated from operations		166.8	191.6

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

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

During the year ended 31 December 2021, 5,596,739 ordinary shares were repurchased and cancelled by the Group as part of the £200 million share buyback programme announced on 25 February 2021, resulting in a cash outflow of £201.3 million, including transaction fees of £1.3 million.

At 31 December 2022, the Group held 4,596,698 treasury shares (2021: 4,767,106). During the year, 170,408 (2021: 167,461) of these shares were issued to satisfy options exercised by, and SIP Matching Shares awarded to, employees which were granted under the Group's share schemes.

11. Post balance sheet events

There were no material post balance sheet events.

Appendix - Alternative performance measures

Policy

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

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

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items which management have defined for 2022 and 2021 as:

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

The 2021 restructuring costs charge was in relation to the Group-wide profit improvement programme. The total cost of implementation of this programme is considered to be significant in both nature and amount. On this basis the costs of the implementation of this programme is excluded from adjusted operating profit. Adjusted operating profit (including on a LFL basis) is therefore presented before the impact of the Group profit improvement programme. Following the conclusion of this programme there was no restructuring charge in 2022.

LFL measures

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

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

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

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

Appendix - Alternative performance measures (continued)

On 2 February 2021, the Millbrook business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the Millbrook business.

On 1 March 2021, the Brüel & Kjær Vibro business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the Brüel & Kjær Vibro business.

On 3 May 2021, the ESG business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the ESG business.

On 1 November 2021, the NDC business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Other non-reportable segments for 2021 exclude the trading results of the NDC business.

The Omega business has been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022. As a result, the financial data for 2022 excludes the trading results of the Omega business and the financial data for 2021 has been represented to show continuing operations where required to by IFRS 5, including a reclassification of continuing head office expenses that had previously been allocated to the Omega reportable segment to the continuing reportable segments. Further details of discontinued operations are provided in note 8.

The tables on the following pages show restated comparative figures for the reportable operating segments for the year ended 31 December 2021, reflecting the impact of changes the Group made to its reportable operating segments during the year ended 31 December 2022 (see note 2) and the classification of the Omega business as a discontinued operation (see above).

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

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

Income statement measures

a) LFL adjusted sales by segment

2022 LFL adjusted sales versus 2021 LFL adjusted sales

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
2022 sales by segment				
Sales	657.8	492.2	177.4	1,327.4
Constant exchange rate adjustment to 2021 exchange rates	(24.5)	(15.6)	(12.9)	(53.0)
Acquisitions	(3.9)	(19.5)	(4.2)	(27.6)
LFL adjusted sales	629.4	457.1	160.3	1,246.8

	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2021 Total £m
2021 sales by segment				
Sales	531.2	425.5	206.3	1,163.0
Disposal of businesses	-	-	(65.9)	(65.9)
LFL adjusted sales	531.2	425.5	140.4	1,097.1

Appendix - Alternative performance measures (continued)

b) Adjusted operating profit and adjusted operating margin

2022 LFL adjusted operating profit versus 2021 LFL adjusted operating profit

	Spectris Scientific	Spectris Dynamics	Other	Group costs	2022 Total
	£m	£m	£m	£m	£m
2022 adjusted operating profit					
Statutory operating profit	118.3	46.5	26.2	(18.4)	172.6
Net transaction-related costs and fair value adjustments	5.1	2.8	0.4	-	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	8.7	13.0	-	-	21.7
Amortisation of acquisition-related intangible assets	7.7	11.3	0.6	-	19.6
Adjusted operating profit	140.0	73.6	27.2	(18.4)	222.4
Constant exchange rate adjustment to 2021 half year exchange rates	(5.5)	(4.2)	(2.8)	-	(12.5)
Acquisitions	4.2	(4.0)	(0.4)	-	(0.2)
LFL adjusted operating profit	138.7	65.4	24.0	(18.4)	209.7

	Spectris Scientific	Spectris Dynamics	Other	Group costs	2021 Total
	£m	£m	£m	£m	£m
2021 adjusted operating profit					
Statutory operating profit	94.2	45.6	19.2	(19.1)	139.9
Restructuring costs	2.4	4.6	3.2	-	10.2
Net transaction-related costs and fair value adjustments	8.2	7.8	3.0	-	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	1.6	4.6	0.8	-	7.0
Amortisation of acquisition-related intangible assets	5.6	7.7	-	-	13.3
Adjusted operating profit	112.2	70.3	26.2	(19.1)	189.6
Disposal of businesses	-	-	(5.5)	-	(5.5)
LFL adjusted operating profit	112.2	70.3	20.7	(19.1)	184.1

	Spectris Scientific	Spectris Dynamics	Others	2022 Total
	%	%	%	%
2022 operating margin				
Statutory operating margin ¹	18.0	9.4	14.8	13.0
Adjusted operating margin ²	21.3	15.0	15.3	16.8
LFL adjusted operating margin ³	22.0	14.3	15.0	16.8

	Spectris Scientific	Spectris Dynamics	Others	2021 Total
	%	%	%	%
2021 operating margin				
Statutory operating margin ¹	17.7	10.7	9.3	12.0
Adjusted operating margin ²	21.1	16.5	12.7	16.3
LFL adjusted operating margin ³	21.1	16.5	14.7	16.8

1. Statutory operating margin is calculated as statutory operating profit divided by sales

2. Adjusted operating margin is calculated as adjusted operating profit divided by sales

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

Appendix - Alternative performance measures (continued)

c) Adjusted gross profit and adjusted gross margin

2022 LFL adjusted gross profit versus 2021 LFL adjusted gross profit

	2022 Total
	£m
2022 LFL adjusted gross profit	
Statutory gross profit	750.8
Constant exchange rate adjustment to 2021 exchange rates	(24.5)
Acquisitions	(16.3)
LFL adjusted gross profit	710.0

	2021 Total
	£m
2021 LFL adjusted gross profit	
Statutory gross profit	675.5
Disposal of businesses	(32.9)
LFL adjusted gross profit	642.6

	2022 Total
	%
2022 gross margin	
Statutory gross margin ¹	56.6
LFL adjusted gross margin ²	56.9

	2021 Total
	%
2021 gross margin	
Statutory gross margin ¹	58.1
LFL adjusted gross margin ²	58.5

1. Statutory gross margin is calculated as statutory gross profit divided by sales

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

d) LFL Adjusted overheads

	2022 Total
	£m
2022 LFL adjusted overheads	
Statutory indirect production and engineering expenses	(114.1)
Statutory sales and marketing expenses	(233.0)
Statutory administrative expenses	(231.1)
Total overheads	(578.2)
Net transaction-related costs and fair value adjustments	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7
Amortisation of acquisition-related intangible assets	19.6
Constant exchange rate adjustment to 2021 half year exchange rates	12.1
Acquisitions	16.1
LFL adjusted overheads	(500.2)

Appendix - Alternative performance measures (continued)

	2021 Total
	£m
2021 LFL adjusted overheads	
Statutory indirect production and engineering expenses	(92.6)
Statutory sales and marketing expenses	(222.2)
Statutory administrative expenses	(220.8)
Total overheads	(535.6)
Restructuring costs	10.2
Net transaction-related costs and fair value adjustments	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	7.0
Amortisation of acquisition-related intangible assets	13.3
Acquisitions	27.4
LFL adjusted overheads	(458.5)

	2022 Total
	%
2022 LFL adjusted overheads as a percentage of sales	
LFL adjusted overheads as a percentage of sales ¹	40.1

	2021 Total
	%
2021 LFL adjusted overheads as a percentage of sales	
LFL adjusted overheads as a percentage of sales ¹	41.8

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

e) Adjusted net finance costs

	2022	2021
	£m	£m
Statutory net finance (costs)/credit	(17.3)	7.4
Net loss/(gain) on retranslation of short-term inter-company loan balances	14.6	(7.2)
Interest credit on release of provision on settlement of EU dividends tax claim	-	(5.1)
Adjusted net finance costs	(2.7)	(4.9)

f) Adjusted profit before taxation

	2022	2021
	£m	£m
Adjusted operating profit	222.4	189.6
Adjusted net finance costs	(2.7)	(4.9)
Adjusted profit before taxation	219.7	184.7

Appendix - Alternative performance measures (continued)

g) Adjusted earnings per share from continuing operations

	2022	2021
	£m	£m
Adjusted earnings from continuing operations		
Statutory profit after tax from continuing operations	114.8	335.6
Adjusted for:		
Restructuring costs	-	10.2
Net transaction-related costs and fair value adjustments	8.3	19.0
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7	7.0
Amortisation of acquisition-related intangible assets	19.6	13.3
Fair value through profit and loss movements on debt investments	4.1	-
Profit on disposal of businesses	(0.3)	(226.5)
Interest credit on release of provision on settlement of EU dividends tax claim	-	(5.1)
Net loss/(gain) on retranslation of short-term inter-company loan balances	14.6	(7.2)
Tax effect of the above and other non-recurring items	(11.0)	(1.6)
Adjusted earnings from continuing operations	172.0	144.9

Adjusted earnings per share from continuing operations

	2022	2021
Weighted average number of shares outstanding (millions)	107.6	113.7
Adjusted earnings per share from continuing operations (pence)	159.9	127.4

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

Financial position measures

h) Net cash

	2022	2021
	£m	£m
Bank overdrafts	(0.1)	-
Total borrowings	(0.1)	-
Cash and cash equivalents	228.1	167.8
Net cash	228.0	167.8

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

	2022	2021
	£m	£m
Reconciliation of changes in cash and cash equivalents to movements in net cash		
Net increase/(decrease) in cash and cash equivalents	50.4	(36.8)
Proceeds from borrowings	(326.2)	(70.0)
Repayment of borrowings	326.8	169.8
Effect of foreign exchange rate changes	9.2	(1.3)
Movement in net cash	60.2	61.7
Net cash at beginning of year	167.8	106.1
Net cash at end of year	228.0	167.8

Appendix - Alternative performance measures (continued)**Cash flow measures****i) Adjusted cash flow**

	2022	2021
	£m	£m
Cash generated from operations (from continuing and discontinued operations)	166.8	191.6
Net income taxes paid	(46.8)	(32.2)
Net cash inflow from operating activities	120.0	159.4
Transaction-related costs paid	6.5	26.6
Restructuring cash outflow	7.6	11.9
Net income taxes paid	46.8	32.2
Purchase of property, plant and equipment and intangible assets (from continuing and discontinued operations)	(44.9)	(35.3)
SaaS-related cash expenditure	21.7	5.9
Proceeds from disposal of property, plant and equipment and software	13.4	-
Adjusted cash flow from discontinued operations	(7.3)	(22.6)
Adjusted cash flow from continuing operations	163.8	178.1
Adjusted cash flow conversion from continuing operations ¹	74%	94%

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

Other measures**j) Return on gross capital employed ('ROGCE')**

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

	31 December 2022	31 December 2021	31 December 2020
	£m	£m	£m
Net cash (see APM h)	(228.0)	(167.8)	(104.6)
Accumulated impairment losses on goodwill	76.2	157.5	178.6
Accumulated amortisation and impairment of acquisition-related intangible assets	185.7	225.0	407.6
Shareholders' equity	1,436.9	1,261.3	1,219.7
Gross capital employed	1,470.8	1,476.0	1,701.3
Average gross capital employed (current and prior year)¹	1,473.4	1,588.7	
Adjusted operating profit for the year from continuing operations (see APM b)	222.4	189.6	
Adjusted operating profit for the year from discontinued operations (see note 8)	14.0	19.8	
Total adjusted operating profit for the year from continuing and discontinued operations	236.4	209.4	
Return on gross capital employed	16.0%	13.2%	

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

k) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £7.3 million (2021: £18.8 million) that have been recognised in the Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £1.0 million (2021: £0.2 million). Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £6.5 million (2021: £26.6 million) have been excluded from the adjusted cash flow.

Appendix - Alternative performance measures (continued)

l) Order intake and order book

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

m) Vitality index

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

Dividend timetable

Event	Date - 2023
Ex-dividend date	18 May
Record date	19 May
AGM	26 May
Payment date	30 June

Cautionary statement

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