

A light gray world map is centered in the background of the slide. It shows the continents of North America, South America, Europe, Africa, Asia, and Australia. The map is overlaid with several large, flowing, light gray wavy lines that sweep across the slide from the top left towards the bottom right, creating a sense of motion and global reach.

2016 Half Year Results

Six months ended 30th June 2016

Bill Whiteley – Chairman

Nicholas Anderson – Group Chief Executive

Kevin Boyd – Group Finance Director

Spirax-Sarco Engineering plc

Agenda



2016 H1 Highlights

2016 H1 Financial Review

Operations and Outlook

Appendices

2016 First half year highlights



	30 th June 2016	30 th June 2015
Reported sales	£344.0m	£320.0m
Organic sales growth*	+5%	+3%
Operating profit margin**	22.5%	20.6%
EPS**	73.1p	60.5p
DPS	22.5p	20.8p

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

- Organic sales growth of 5%
- Adjusted operating profit up 18% (reported)
- Adjusted operating margin increased 190 bps (reported)
- Growth in both the Steam Specialties and Watson-Marlow businesses
- 90% cash conversion and interim dividend growth of 8%

Agenda



Kevin Boyd

2016 H1 Financial Review

Financial aspects

- Organic sales +5%; growth in all divisions of the Steam Specialties business and Watson-Marlow
- Operating profit +16% on an organic basis
- Small decrease in tax rate
- EPS +21%; increase in profits and 2015 share consolidation

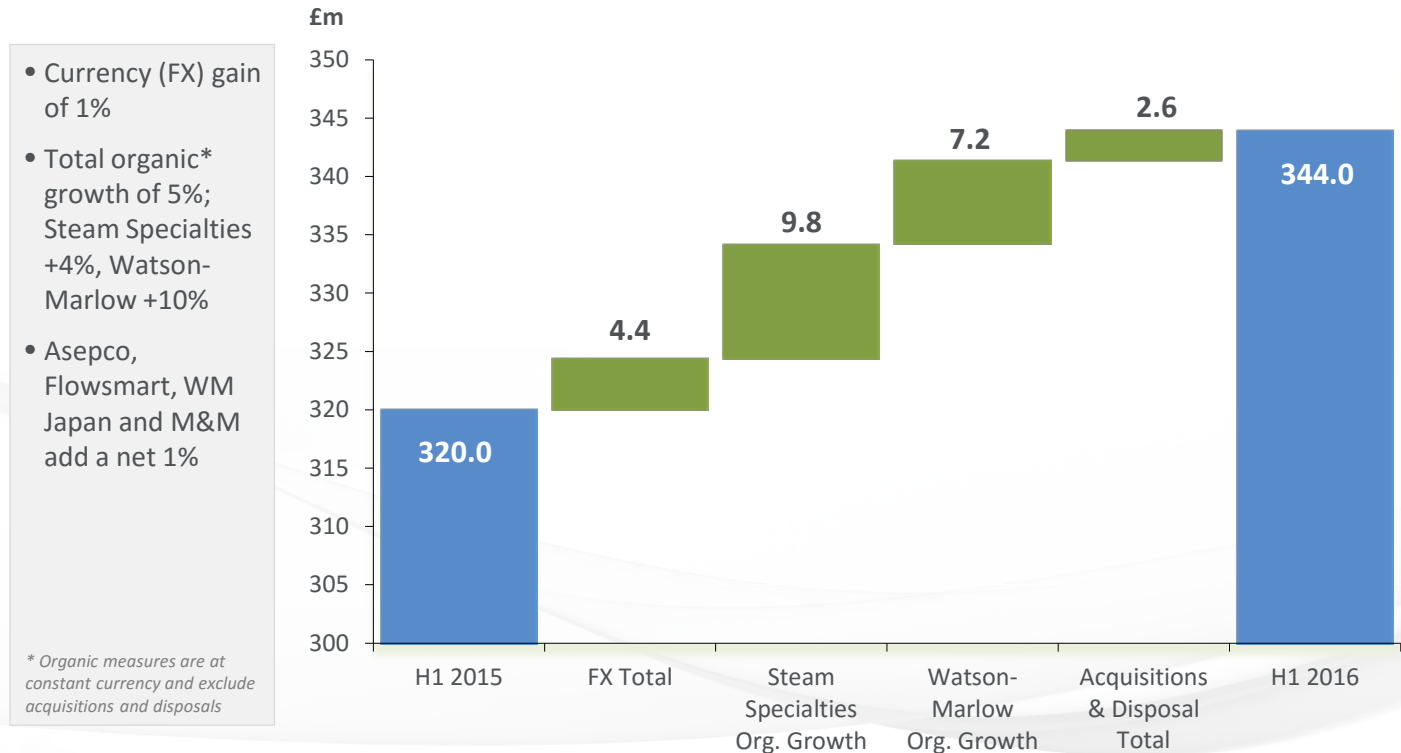
	30 th June 2016	30 th June 2015	Reported	Organic*
Revenue	£344.0m	£320.0m	+8%	+5%
Operating profit**	£77.5m	£65.8m	+18%	+16%
Operating profit margin**	22.5%	20.6%	+190 bps	+210 bps
Net finance expense	(£1.3m)	(£0.6m)		
Associates	£0.0m	£0.3m		
Pre-tax profit**	£76.2m	£65.5m	+16%	
Tax rate (exc Associate)	29.6%	30.4%		
EPS**	73.1p	60.5p	+21%	
DPS	22.5p	20.8p	+8%	

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

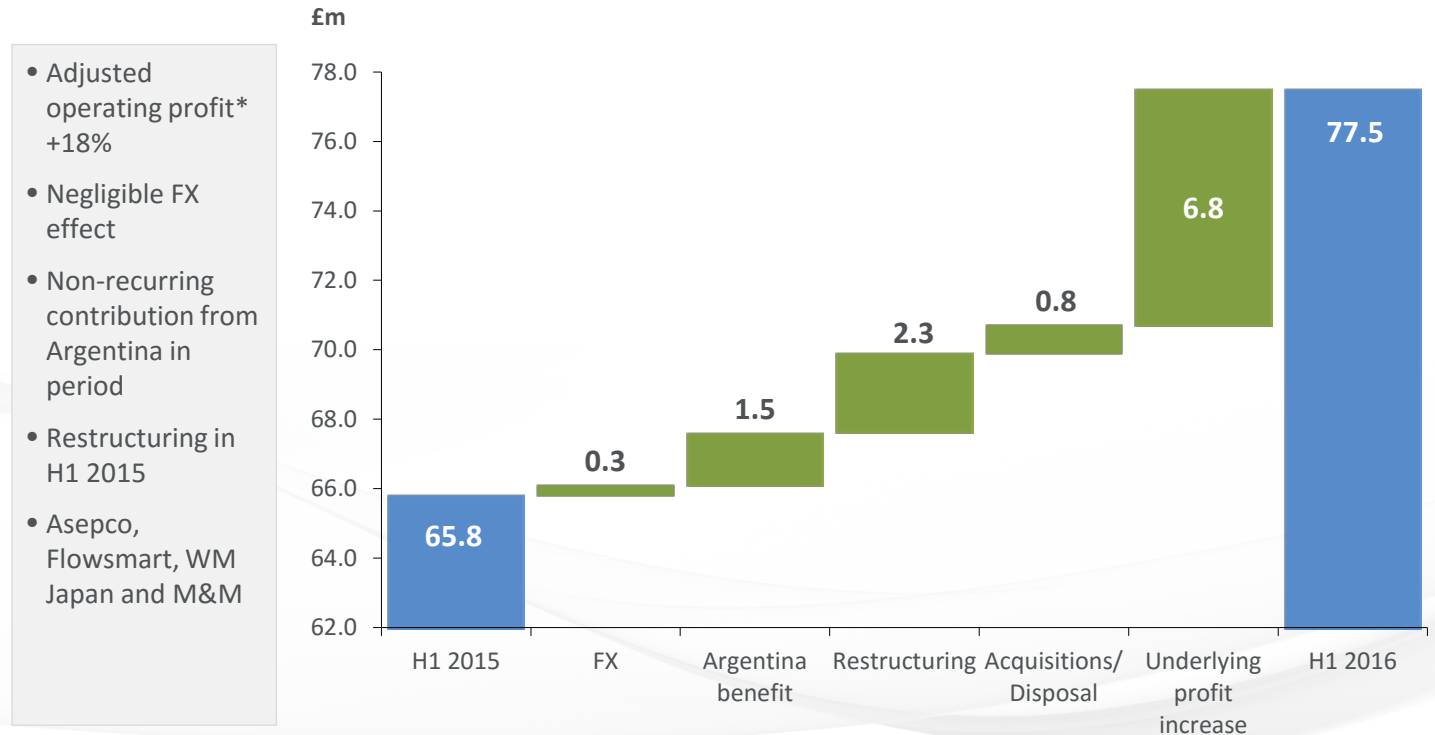
Sales bridge

Increase in sales



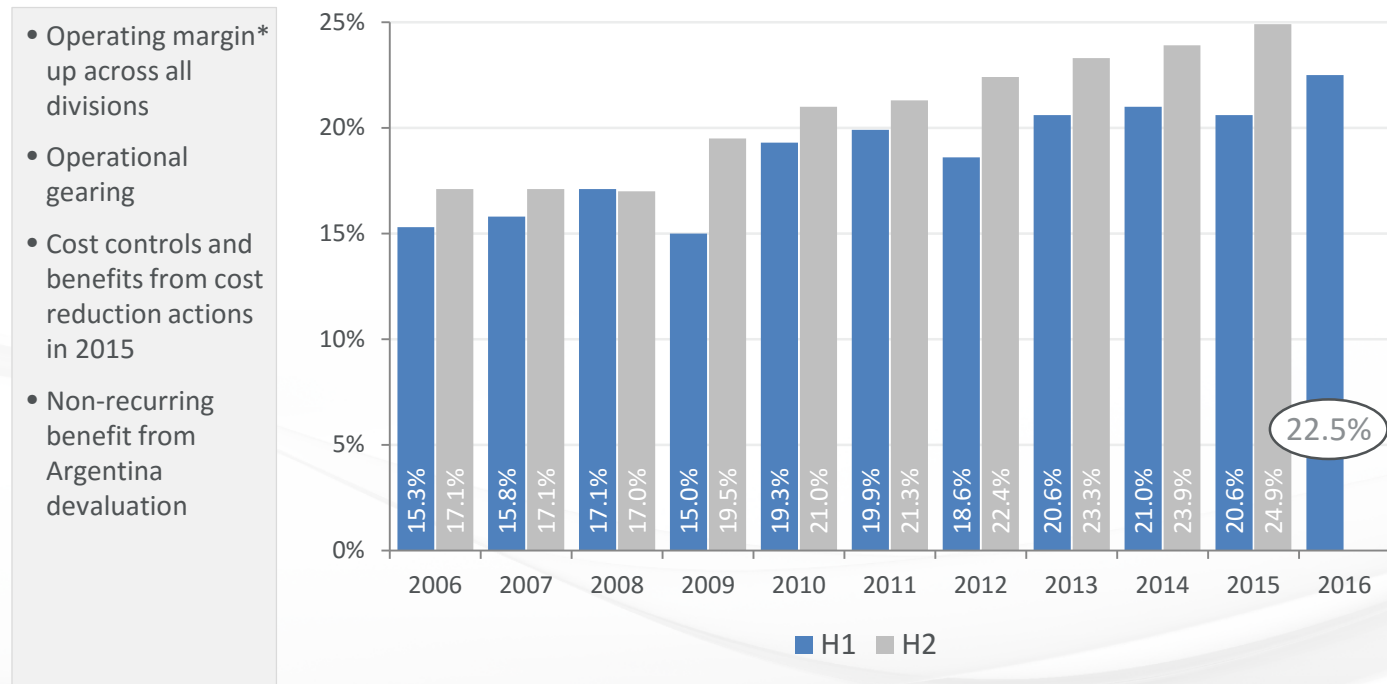
Profit bridge

Increase in adjusted operating profit



* See Appendix V for definition of adjusted profit measures

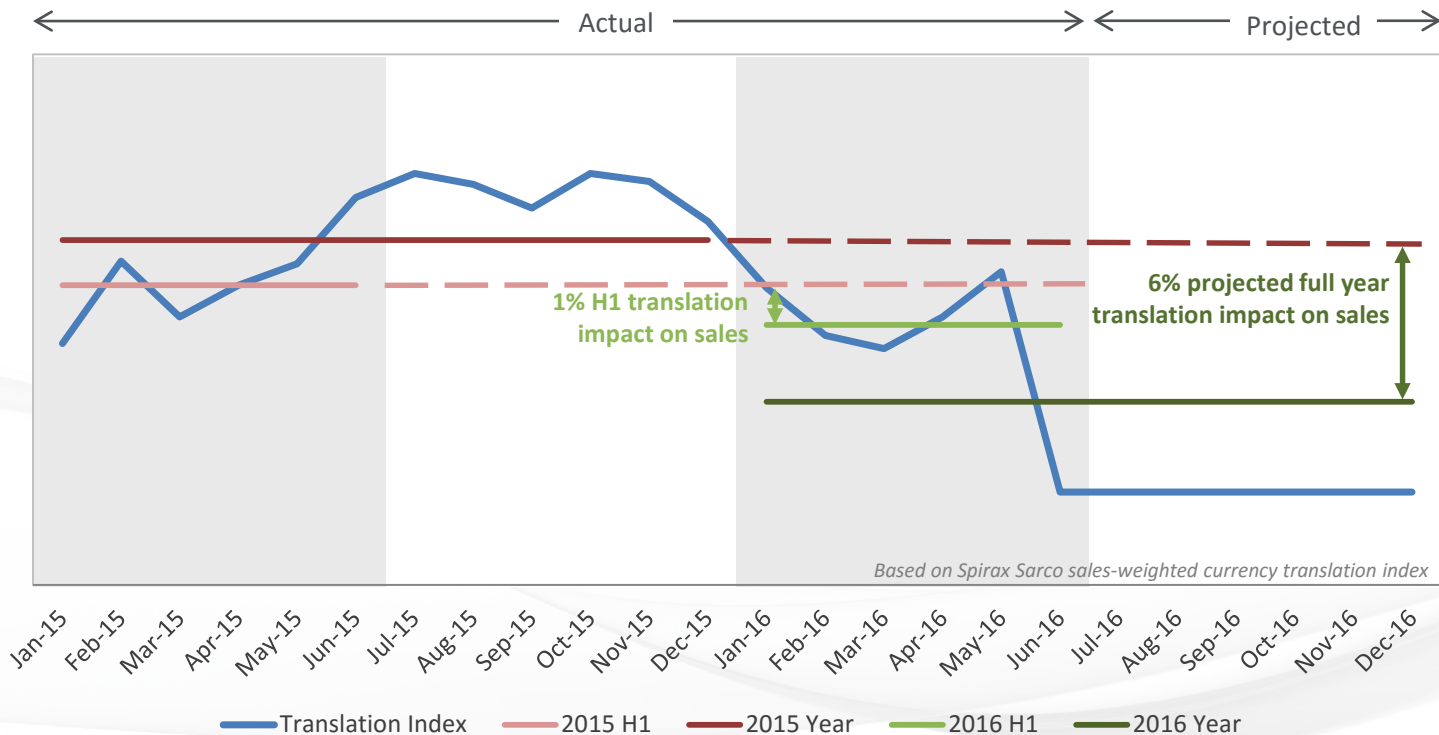
H1 operating profit margin of 22.5%



* See Appendix V for definition of adjusted profit measures

Currency movements

FX translation impact on sales 2016



Adjusted cash flow

- Good cash flow performance
- 90% cash conversion
- Net cash at 30th June 2016 of £20.6 million
- Final dividend of £35.4 million paid in May 2016, for year ended 31st December 2015

	Pounds (£) millions	30 th June 2016	30 th June 2015
Adjusted operating profit*		77.5	65.8
Depreciation and share schemes		13.9	13.8
Working capital		(5.1)	(1.6)
Capital expenditure		(16.8)	(13.4)
Adjusted cash from operations		69.5	64.6
Net interest		0.1	0.7
Tax paid		(27.3)	(24.2)
Free cash flow		42.3	41.1
Dividends paid (net)		(35.5)	(34.2)
Special pension payments and provisions		2.7	(0.6)
Proceeds from issue of shares		1.0	1.9
Acquisitions net of disposal		(0.1)	(0.6)
Other		-	(0.5)
Cash flow for the period		10.4	7.1
Net cash balance		20.6	53.5
ROCE		45.1%	43.5%

* See Appendices II and V for definition of ROCE and adjusted profit measures

Operating margin factors

Indicative effects on operating margins*



	H1 2016	H2 2016
Currency movements	→	↑
Operating leverage	↑	→
Sales pricing (vs. inflation)	→	→
Material prices	↑	↓
Manufacturing strategies	↑	→
Business & product mix	↑	→
Business development investment	→	↓

** The arrows as shown are qualitative and indicate direction only
H1 2016 and H2 2016 arrows are an indication versus H1 and H2 2015 respectively*

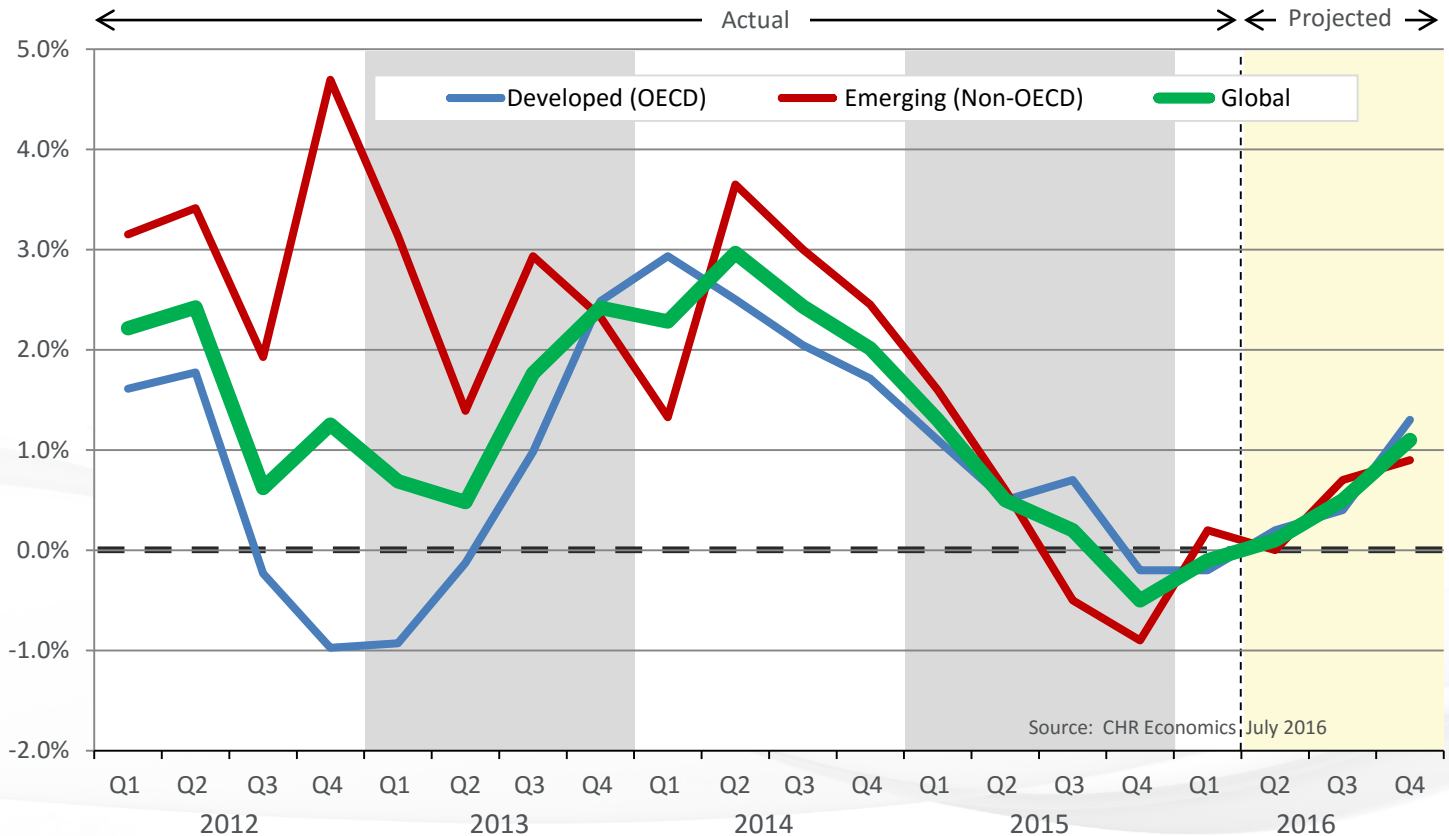
Agenda



Nicholas Anderson

Operations and Outlook

Annual IP growth rates by quarter 2012-2016



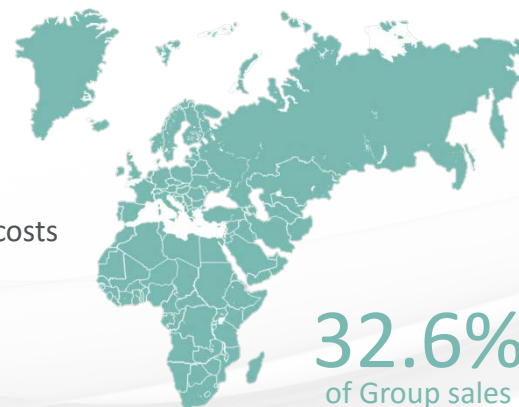
Europe, Middle East & Africa (EMEA)

	30 th June 2015	Exchange	Organic	Disposal	30 th June 2016	Organic*	Reported
Sales	£111.8m	£2.7m	£0.8m	(£3.2m)	£112.1m	+1%	+0%
Op profit**	£21.3m	£0.2m	£2.2m	(£0.6m)	£23.1m	+11%	+8%
Margin**	19.0%				20.6%	+180 bps	+160 bps

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

- Organic sales up 1%; Operating profit up 11%
- Sales growth in Germany and France, lower in UK and Italy
- Currency tailwind gains offset by M&M disposal in July 2015
- Industrial production growth rates remain low, around 1%
- Profit benefits from 2015 UK cost reductions and lower material costs
- No trading impact from Brexit to date, well placed for the future



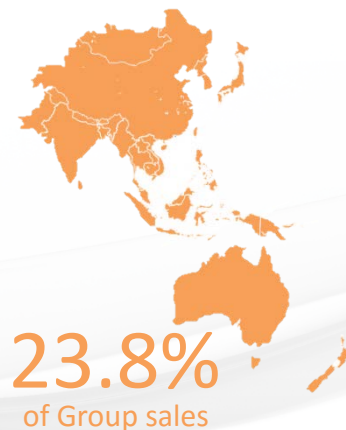
Asia Pacific

	30th June 2015	Exchange	Organic	Acquisition/ Disposal	30th June 2016	Organic*	Reported
Sales	£74.3m	£1.4m	£6.3m	-	£82.0m	+8%	+10%
Op profit**	£15.5m	£0.3m	£2.3m	-	£18.1m	+14%	+17%
Margin**	20.9%				22.0%	+110 bps	+110 bps

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

- Organic sales up 8%; Operating profit up 14%
- China sales up strongly driven by self-generated opportunities
- Korea sales and profit up as 2015 project order book unwinds
- India site completed, local manufacturing commenced
- Industrial production growth remains weak, China marginally up
- Positive outlook, despite market weakness, as we implement our strategy



Americas

	30th June 2015	Exchange	Organic	Acquisition/ Disposal	30th June 2016	Organic*	Reported
Sales	£61.0m	(£2.1m)	£2.7m	-	£61.6m	+5%	+1%
Op profit**	£11.8m	(£1.3m)	£2.9m	-	£13.4m	+28%	+14%
Margin**	19.3%				21.7%	+400 bps	+240 bps

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

- Organic sales up 5%; North America slightly down, Latin America strongly ahead
- North America – weak distribution markets, progress in Food & Bev and Pharma
- Latin America – strong organic growth in Argentina, down in Brazil
- Profit up 28%; higher margin sales in Argentina, cost savings in USA
- Synergistic asset acquisition of Hiter Control Valves in Brazil, July 2016
- Strong market position, well placed for further progress despite weak markets



17.9%
of Group sales

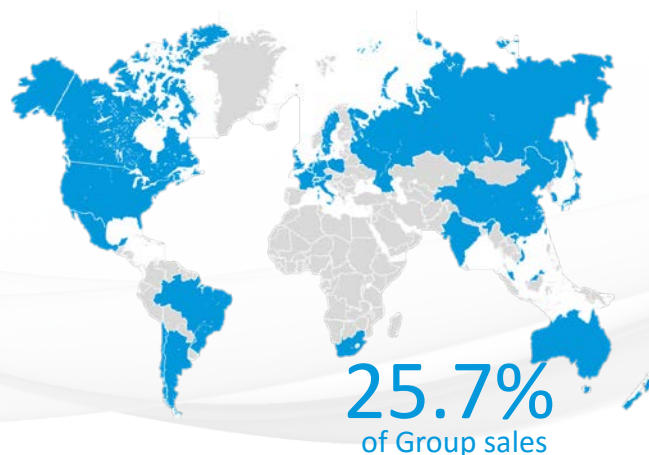
Watson-Marlow

	30th June 2015	Exchange	Organic	Acquisitions	30th June 2016	Organic*	Reported
Sales	£72.8m	£2.5m	£7.2m	£5.8m	£88.3m	+10%	+21%
Op profit**	£21.8m	£1.1m	£4.7m	£1.4m	£29.0m	+21%	+33%
Margin**	29.9%				32.9%	+300 bps	+300 bps

* Organic measures are at constant currency and exclude acquisitions and disposals

** See Appendix V for definition of adjusted profit measures

- Organic sales up 10%
- Acquisitions take constant currency growth to 17%
- Strong growth in all regions, particularly Asia Pacific
- Biopharm, OEM and General Industry performed well
- Product development pipeline remains strong
- Profit up 33%, margin up 300 bps



Implementing our strategy for growth

Notable progress in 2016



- Spirax-Sarco Academy structure and programmes in place
- Increased sales sectorisation, higher growth in priority sectors
- Innovative product developments, new products launched
- New Clean Steam unit in UK, first sectorisation in manufacturing
- Global Supply Chain initiatives improve efficiencies and customer service
- Expanding geographic footprint in India, Vietnam, Colombia
- Synergistic asset acquisition of Hiter Control Valves in Brazil

Delivering self-generated growth that outperforms our markets

Case study: applied solutions

Innovative heat transfer solution in bottle washing application at Brazilian brewery



- **The problem:** fouling, low heat transfer efficiency, high maintenance and safety concerns with heat exchanger inside bottle washing machine
- **The requirement:** heat exchange unit outside washing machine
- **The solution:** Turflow corrugated heat exchanger solution with rotary draining strainers
- **The result:** saving 4 million litres of water per annum, lower maintenance cost, reduced accident risks and energy savings exceeding £90,000 per annum.

Bespoke engineered solutions deliver customer value and drive growth

Case study: product superiority

MasoSine pumps from Watson-Marlow enable fully automated granola production



- **The problem:** ingredients weighed manually into mixer during batch manufacturing process
- **The requirement:** accurate and automated dosing of ingredients with gentle, low-shear pumping; easy cleaning and low maintenance
- **The solution:** three MasoSine SPS200 pumps installed to measure and dose ingredients
- **The result:** fully automated process, accurate dosing of ingredients and improved efficiency

Superior products deliver customer value and drive growth

Summary and outlook



- Organic sales up 5%
- Operating profit up 18%
- Currency tailwind: 1% on sales, broadly neutral on profit
- Strong balance sheet, cash conversion 90%
- Interim dividend up 8%
- Implementing strategy to accelerate growth and improve efficiencies
- Anticipate slower sales growth and profit margin expansion in H2 2016
- Confident of further progress in 2016

Spirax-Sarco Engineering plc

Half Year Results to 30th June 2016

Focused on consistent growth and creating shareholder value





Appendices

Appendix I -

Key impacts and outlook from Brexit

➤ Key impacts:

1) Currency fluctuations

- **Translation gains:** over 90% of sales and profits generated outside UK
- **Transaction impacts:** lower input costs for global sales companies on £85m UK exports
higher input costs for UK manufacturing plants on £20m UK imports
- **Balance sheet impact:** Group net assets increased by £50m

2) Economic uncertainty

- **Lower industrial production growth rates** in the UK (9% of Group sales) and wider EU (28% of Group sales)
- **Lower bond rates** increase UK pension deficit by £40m

➤ Outlook:

- Group's long-term growth drivers remain unchanged
- Group's market competitiveness remains unchanged

Appendix II -

Return on capital employed



	Pounds (£) millions	30 th June 2016	30 th June 2015
Working Capital			
Inventories		104.1	98.8
Trade receivables		160.7	133.2
Prepayments, other current assets		40.2	30.1
Capital employed element of business held for sale		-	4.7
Trade, other payables, current provisions and current tax payable		(105.2)	(88.7)
Total working capital		199.8	178.1
Property, plant & equipment		185.3	164.7
Total Capital Employed		385.1	342.8
Average Capital Employed		363.9	348.8
Adjusted Operating Profit (last 12 months)*		164.1	151.6
ROCE*		45.1%	43.5%
Working Capital/Sales		28.9%	26.2%

* See Appendix V for definition of adjusted profit measures

Appendix III -

Cash conversion



	30th June 2016	30th June 2015
Pounds (£) millions		
Adjusted cash generated from operations	69.5	64.6
Adjusted operating profit*	77.5	65.8
Cash conversion	90%	98%

** See Appendix V for definition of profit measures*

Appendix IV -

Currencies

- Bank of England sterling index weakened by 5% overall

Average exchange rates	30 th June 2015	30 th June 2016	%	2016*	%
Spirax weighted index	100.0	98.6	+1%	95.7	+6%
Bank of England sterling index	90.6	86.5	+5%	84.1	+9%
US\$	1.53	1.42	+8%	1.38	+11%
Euro	1.36	1.29	+5%	1.25	+10%
Renminbi	9.53	9.33	+2%	9.12	+5%
Won	1,685	1,677	+0%	1,614	+7%
Real	4.53	5.26	-14%	4.81	+6%
Argentine Peso	13.49	20.38	-34%	20.19	-29%
Rouble	89.74	98.76	-9%	92.59	+2%

* 2016 rates assume that June rates prevail until the end of 2016 and compare with 2015 full year average exchange rates

Appendix V -

2016 note on first half profit measures



The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. Adjusted operating profit excludes certain non-operational items which are analysed below.

Pounds (£) millions	30 th June 2016	30 th June 2015
Amortisation and impairment of acquisition-related intangible assets	2.7	2.2
USA meter manufacturing facility closure costs	-	3.8
Acquisition and disposal costs	0.1	0.4
Total	2.8	6.4