



Obadah Zaher (Research Team Leader) and Jagoda Cieslik (Year in Industry Student, R&D) reviewing a steam system's health using a SIMS™ software and energy monitoring solution from Spirax Sarco

2017 RESULTS

YEAR ENDED 31ST DECEMBER 2017

Bill Whiteley (Chairman)

Nicholas Anderson (Group Chief Executive)

Agenda



2017 Highlights

Bill Whiteley



2017 Financial Review

Operations and Outlook

Nicholas Anderson

2017 Highlights

- Organic sales growth of 6%
- Adjusted operating margin of 23.6%
- Good growth in Steam Specialties and Watson-Marlow
- Acquisitions performing in line with plan; adding 20% to sales, 14% to profit
- Net debt of £373.6 million, 1.4x EBITDA
- Full Year dividend increased by 15%

	2017	2016
Reported sales	£998.7m	£757.4m
Organic sales growth ⁺	+6%	+4%
Operating profit margin*	23.6%	23.8%
EPS*	220.5p	171.5p
DPS	87.5p	76.0p
Cash conversion	86%	101%

⁺ Organic measures are at constant currency and exclude acquisitions.

^{*} See Appendix IV for definition of adjusted profit measures.

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Financial performance

- Organic sales up 6%; growth in all segments of Steam Specialties and Watson-Marlow
- Good first time contribution from Gestra and Chromalox
- Operating profit up 6% organically
- Tax rate remained constant
- EPS +29%; organic growth, acquisitions and exchange

	2017	2016	Reported	Organic ⁺
Revenue	£998.7m	£757.4m	+32%	+6%
Operating profit*	£235.5m	£180.6m	+30%	+6%
Operating profit margin*	23.6%	23.8%	-20 bps	+0 bps
Net finance expense	(£6.4m)	(£2.6m)		
Associates*	£0.0m	(£0.1m)		
Pre-tax profit*	£229.1m	£177.9m	+29%	
Tax rate*	29.1%	29.1%	+0 bps	
EPS*	220.5p	171.5p	+29%	
DPS	87.5p	76.0p	+15%	

⁺ Organic measures are at constant currency and exclude acquisitions.

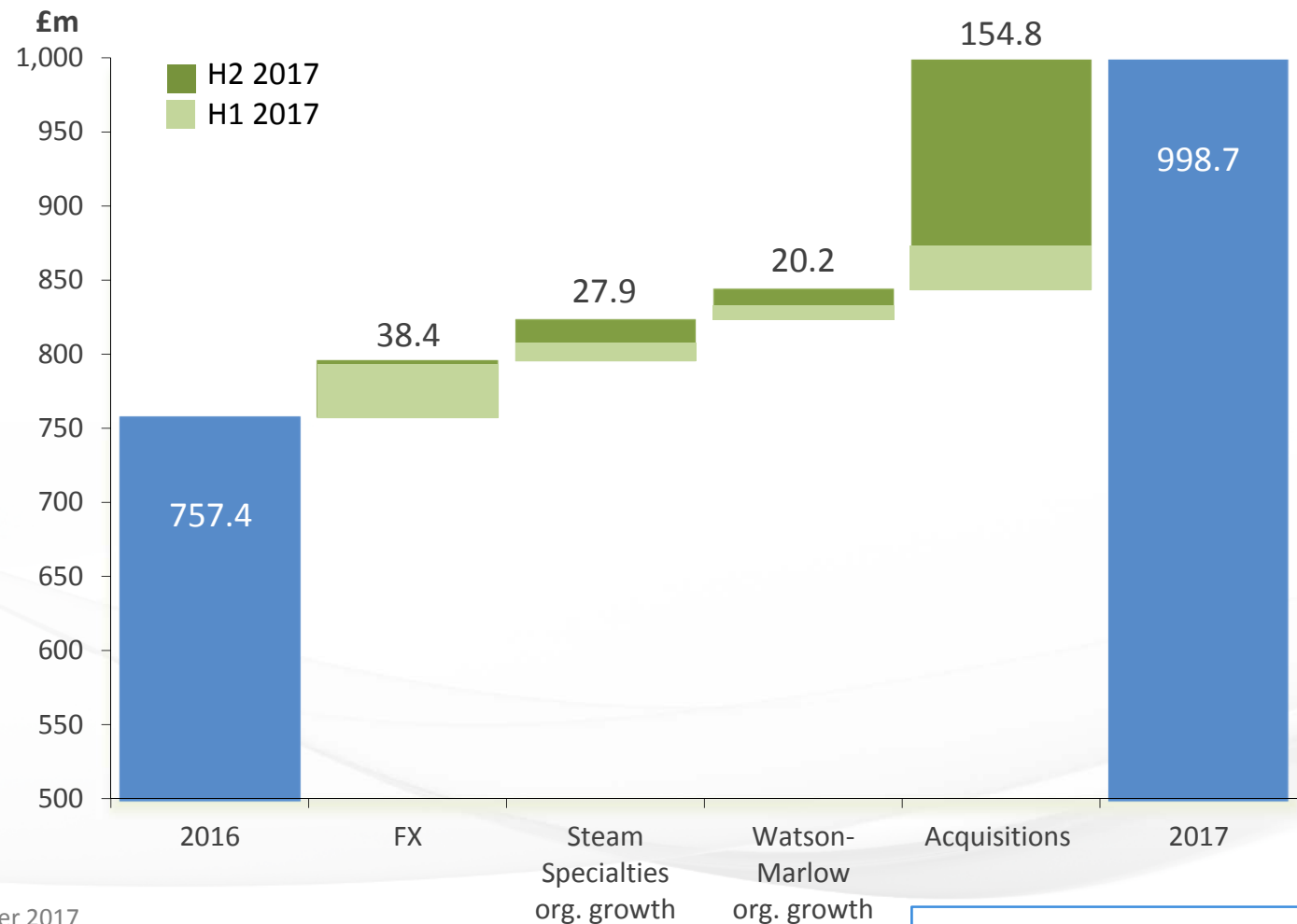
* See Appendix IV for definition of adjusted profit measures.

Sales bridge

Increase in sales

- Currency (FX) gain of 5%
- Total organic⁺ growth of 6%; Steam Specialties +5%, Watson-Marlow +10%
- Acquisitions add 20%

⁺ Organic measures are at constant currency and exclude acquisitions

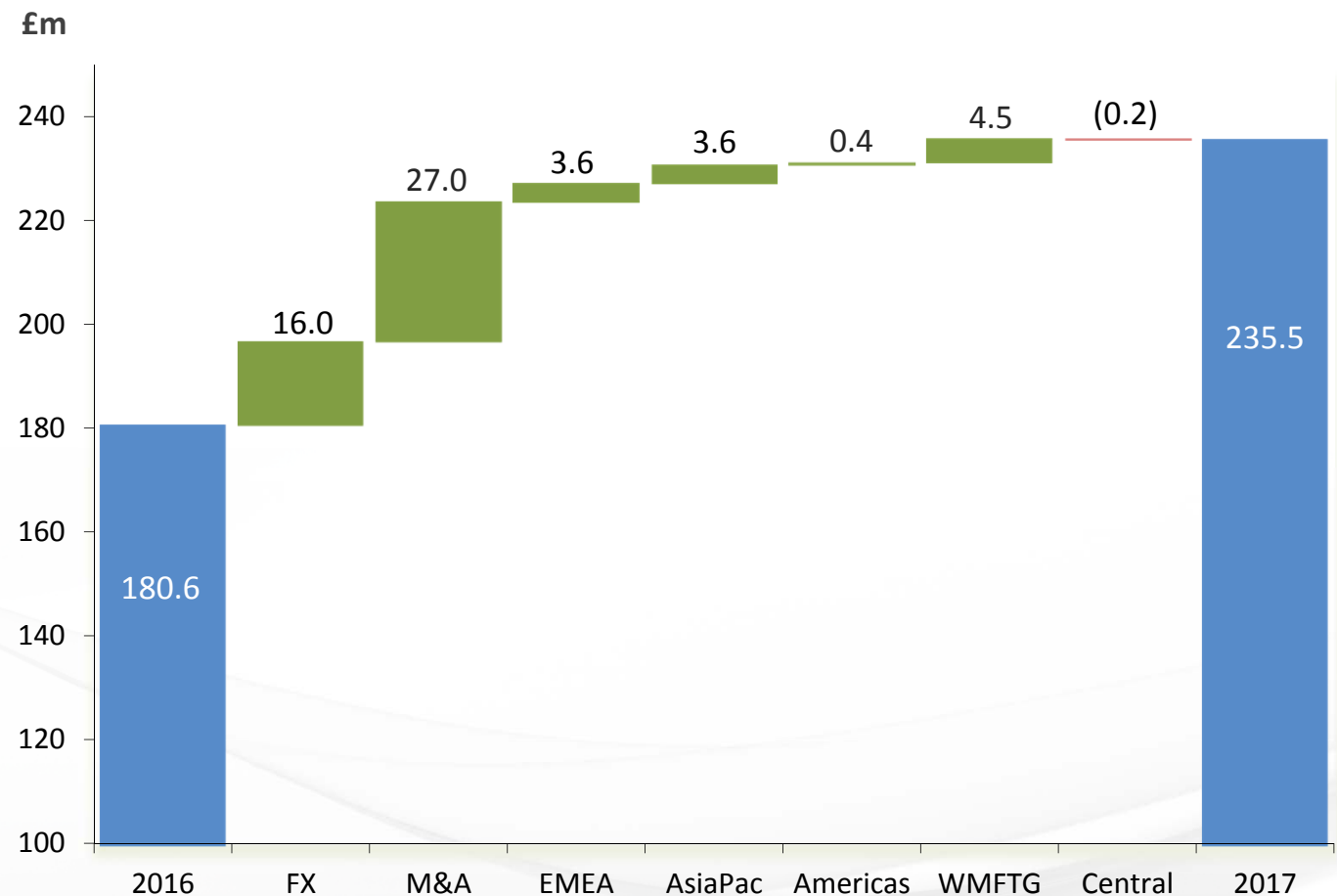


Profit bridge

Increase in adjusted operating profit

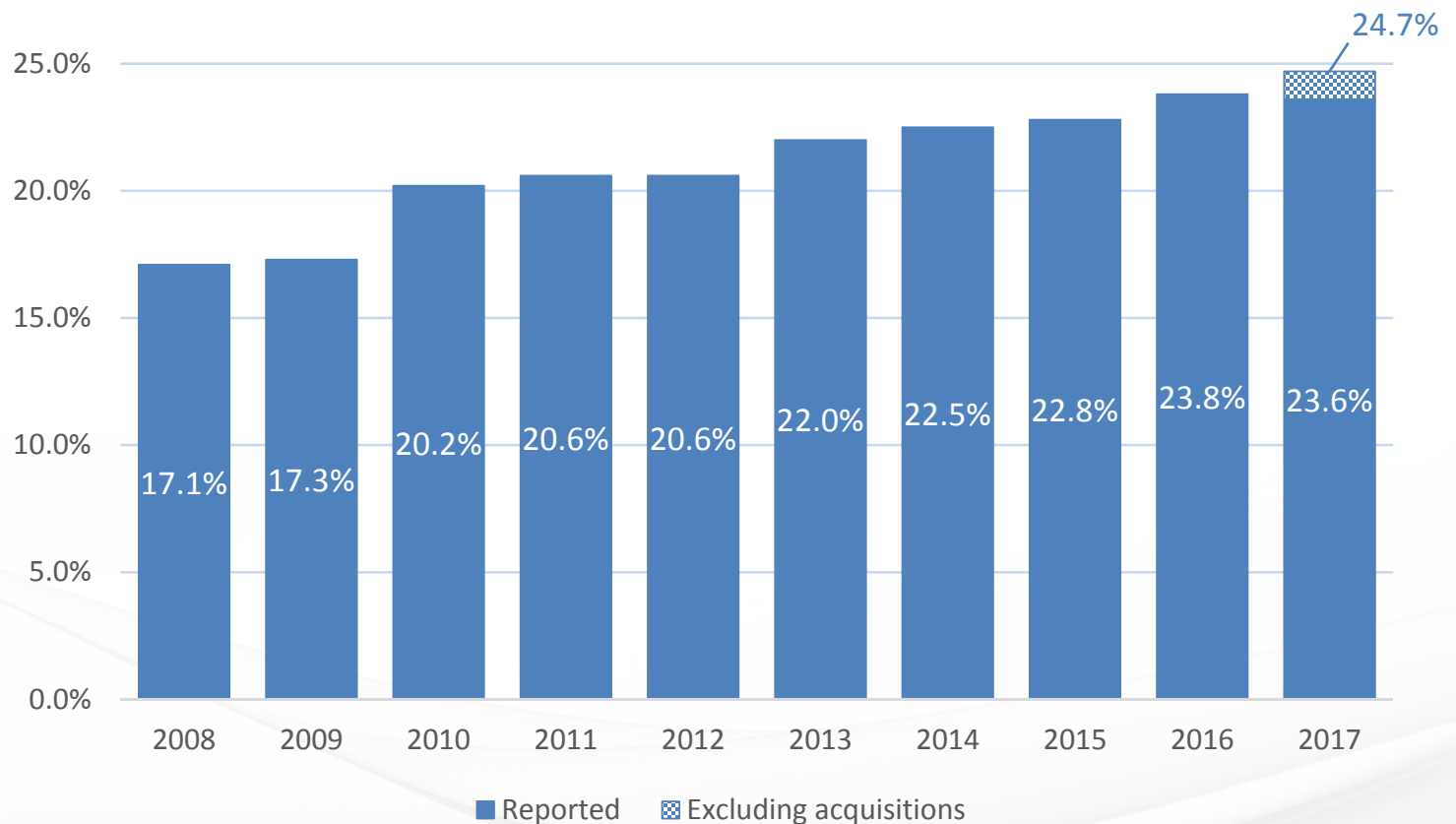
- Adjusted operating profit* +30%
- Significant exchange benefit adds 9%
- Acquisitions add 14%
- Organic profit growth of 6%

** See Appendix IV for definition of adjusted profit measures*



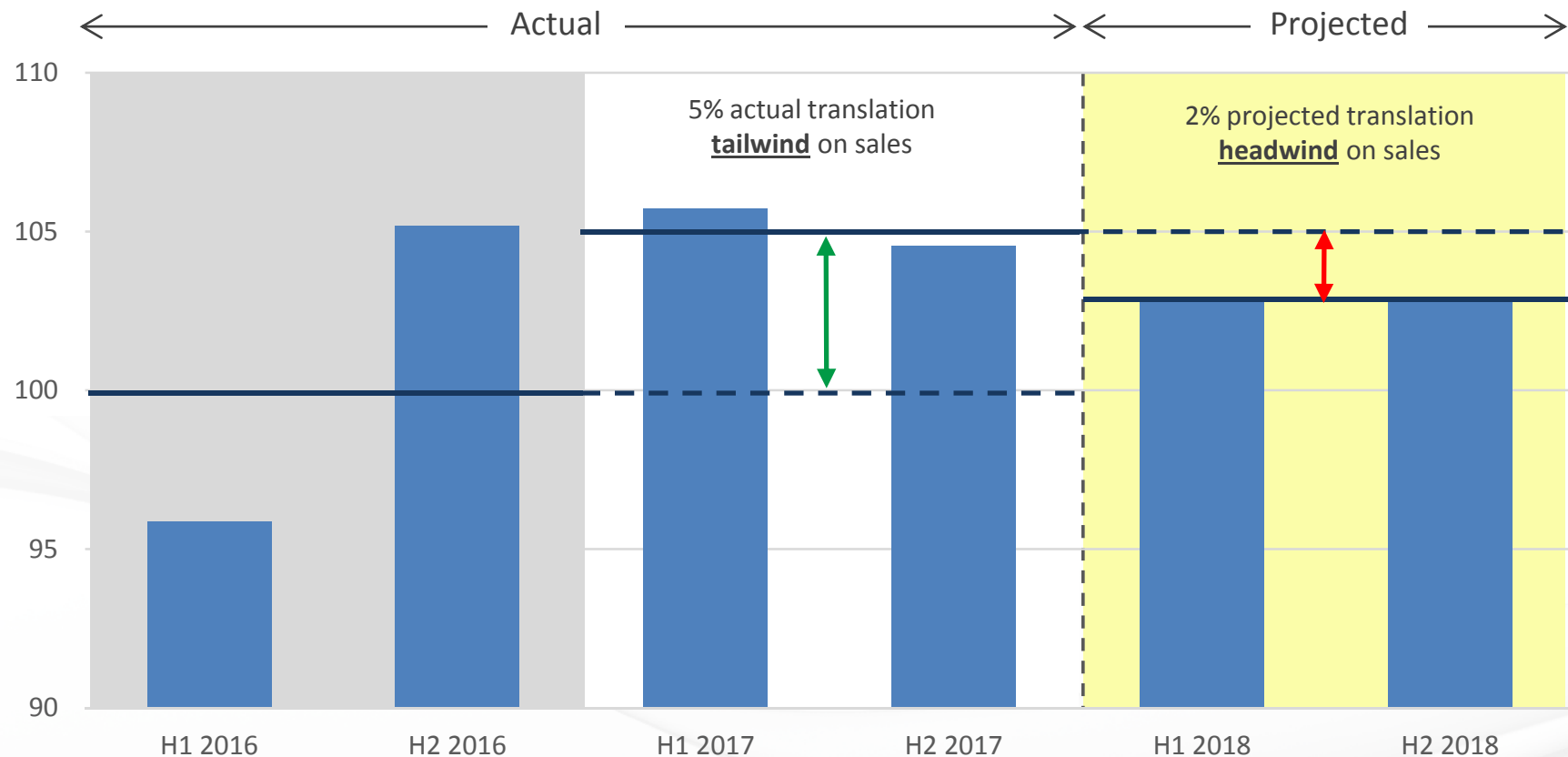
Operating margin of 23.6%

- Excluding acquisitions, margin improved 90 bps
- Steam Specialties margin constant. Excluding acquisitions +70 bps
- WMFTG margin fell; dilutionary impact of Aflex. Excluding Aflex, +40 bps



Currency movements

FX translation impact on sales 2016-2018



— Yearly average exchange rate

Based on Spirax Sarco sales-weighted currency translation index. 2018 rates assume that February rates prevail until the end of 2018 and compare with 2017 full year average exchange rates.

Strong cash flow

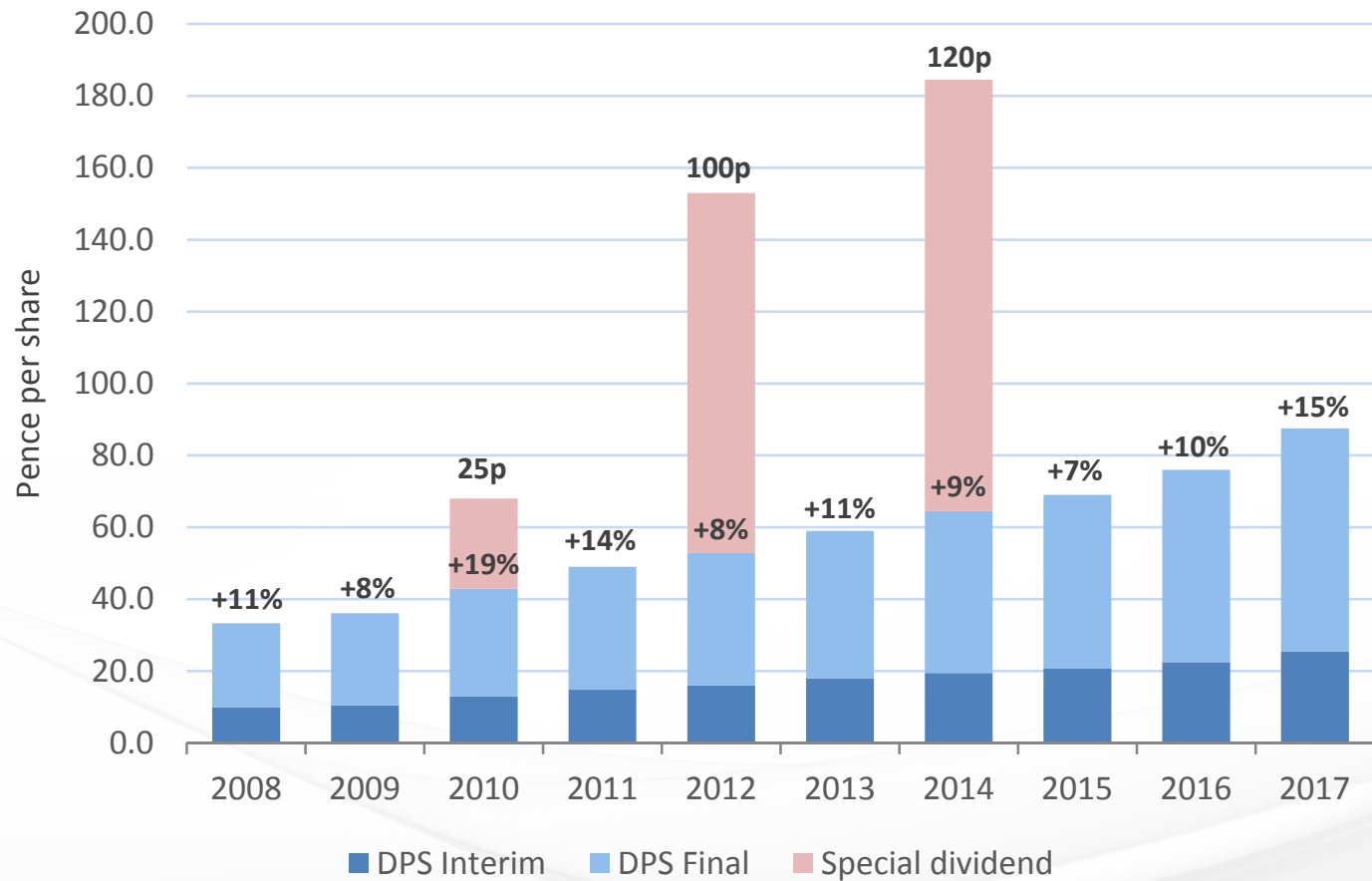
- Good cash generation; 86% cash conversion
- Working capital outflow
- Dividends paid £58.4m
- Acquisitions of £484.3m
- 2017 closing net debt of £373.6m; 1.4xEBITDA
- ROCE +500 bps
- 2018 closing net debt-to-EBITDA 1.0x

Adjusted cash flow	Pounds (£) million	31 st December 2017	31 st December 2016
Adjusted operating profit*		235.5	180.6
Depreciation and amortisation		31.6	25.6
Adjusted earnings before interest, tax, depreciation and amortisation		267.1	206.2
Pensions/Share plans		4.7	3.5
Working capital changes		(34.2)	4.3
Net capital expenditure (including software and development)		(35.0)	(31.3)
Cash from operations		202.6	182.7
Net interest		(6.4)	-
Income taxes paid		(61.0)	(56.5)
Free cash flow		135.2	126.2
Net dividends paid		(58.4)	(52.1)
Proceeds from issue of shares/purchase of employee benefit trust shares		2.4	1.3
Acquisitions (including costs)		(484.3)	(66.5)
Other		1.2	1.8
Cash flow for the year		(403.9)	10.7
Exchange movements		2.9	11.9
Net (debt)/cash at 31st December		(373.6)	27.4
ROCE		52.9%	47.9%

* See Appendix IV for definition of profit measures.

Dividend growth

- Total dividend up 15% to 87.5p
- Final dividend up 16% to 62.0p
- Dividend cover of 2.5x
- 50 years of dividend progress with a CAGR of 11%



Underlying margin factors

Effects on underlying margins*



	2017	2018
Currency movements	↑	↓
Operating leverage	↑	↑
Sales pricing (vs. inflation)	→	→
Manufacturing strategies	↑	↑
Business and product mix	→	→
Business development investment	↓	↓
Impact of acquisitions	↓	↓

* The arrows as shown are qualitative and indicate direction only.

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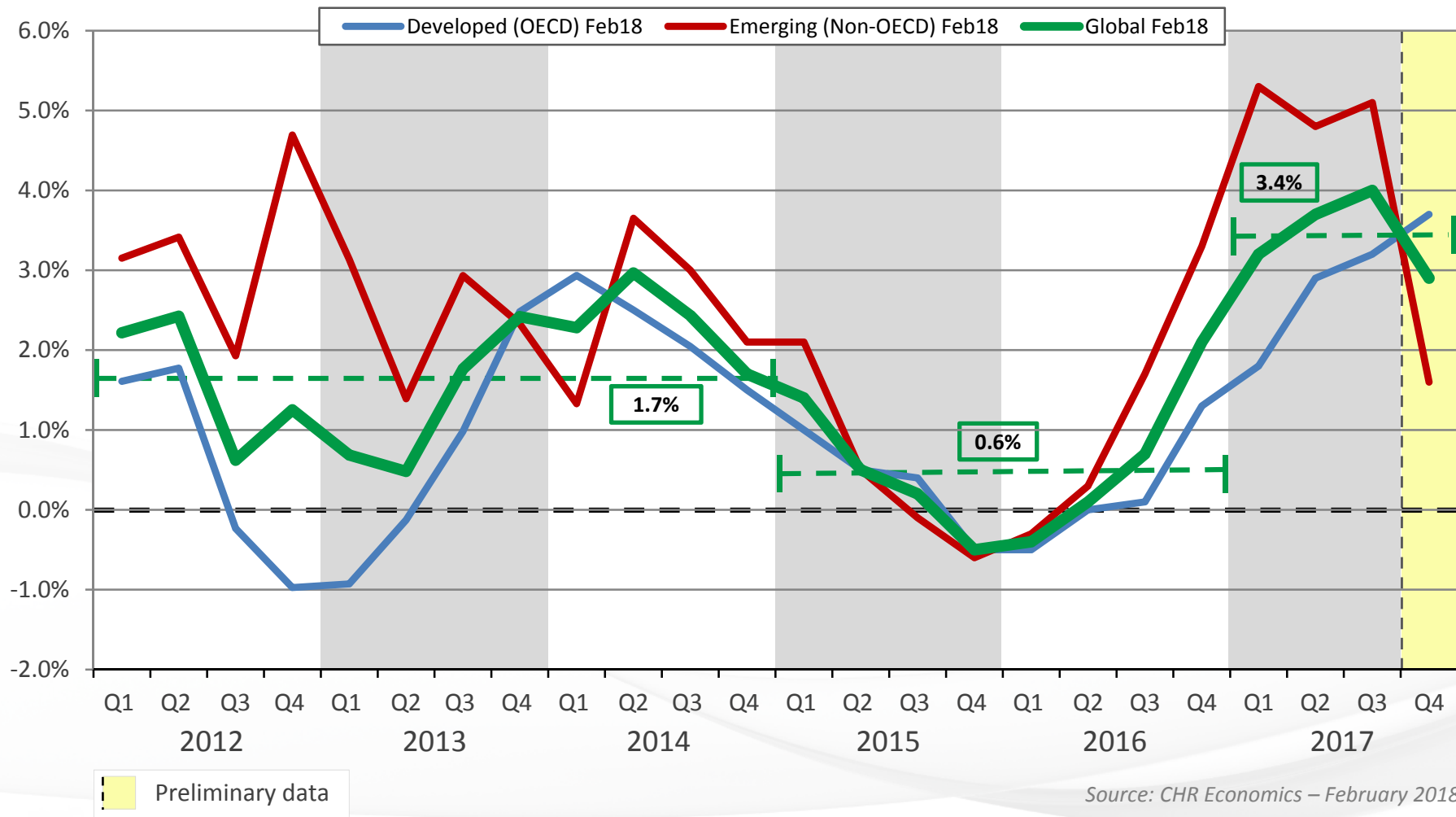


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Annual IP growth rates by quarter 2012-2017



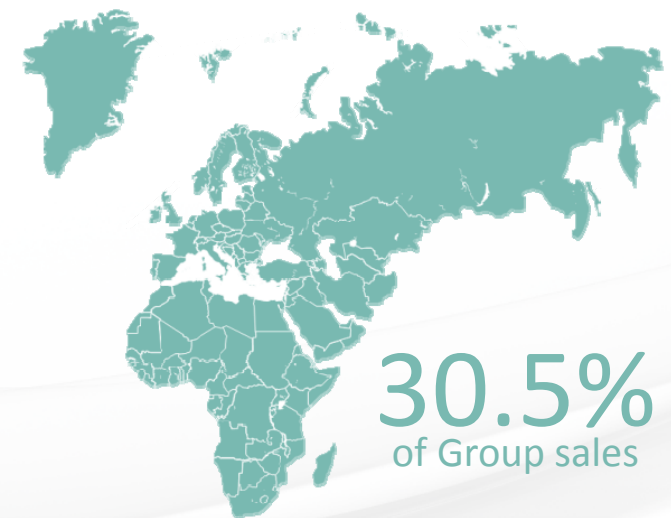
Europe, Middle East and Africa

	31 st Dec 2016	Exchange	Organic	Acquisitions	31 st Dec 2017	Organic ⁺	Reported
Sales	£234.3m	£12.4m	£12.8m	£45.8m	£305.3m	+5%	+30%
Op profit*	£50.0m	£5.4m	£3.6m	£7.1m	£66.1m	+7%	+32%
Margin*	21.3%				21.7%	+20 bps	+40 bps

* Organic measures are at constant currency and exclude acquisitions.

* See Appendix IV for definition of adjusted profit measures.

- Organic sales up 5%; organic operating profit up 7%
- Currency tailwind of 5% on sales and 11% on profits
- Strong sales growth in Italy, France, Iberia, Benelux, Middle East
- Sales broadly flat in Germany; UK and Nordics down
- Gestra integrating well; adds 19% to sales, 13% to profit
- Margin 40 bps higher; +140 bps excluding acquisition
- Remain confident in our ability to deliver above market growth



Steam Specialties Asia Pacific

Spirax-Sarco Engineering plc

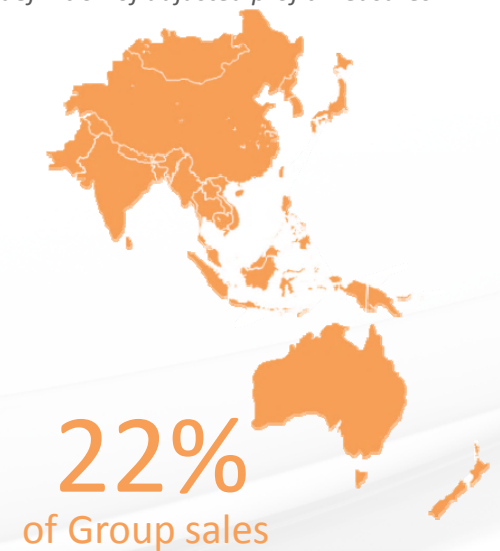
www.spiraxsarcoengineering.com

	31 st Dec 2016	Exchange	Organic	Acquisitions	31 st Dec 2017	Organic ⁺	Reported
Sales	£193.3m	£9.7m	£12.9m	£2.1m	£218.0m	+6%	+13%
Op profit*	£49.9m	£3.4m	£3.6m	£0.0m	£56.9m	+7%	+14%
Margin*	25.8%				26.1%	+10 bps	+30 bps

* Organic measures are at constant currency and exclude acquisitions.

* See Appendix IV for definition of adjusted profit measures.

- Organic sales up 6%; organic operating profit up 7%
- China performed strongly, self-generated sales drive growth
- Solid growth in Korea driven by large Oil & Gas project
- India progressing well; doubled sales, increased manufacturing volumes
- China plant extension completed; new Singapore distribution centre
- Margin up 30 bps; up 60 bps excluding Gestra
- Well positioned to make further progress



Steam Specialties Americas

Spirax-Sarco Engineering plc

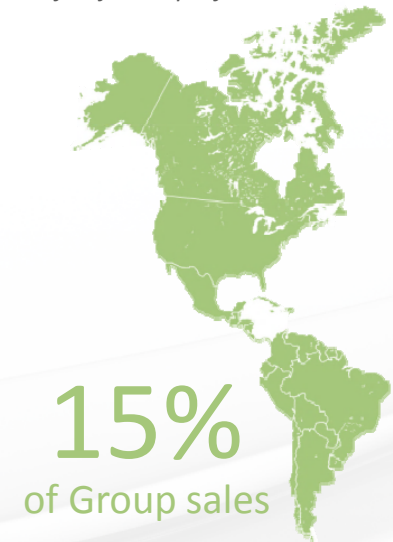
www.spiraxsarcoengineering.com

	31 st Dec 2016	Exchange	Organic	Acquisitions	31 st Dec 2017	Organic ⁺	Reported
Sales	£135.9m	£5.8m	£2.2m	£8.2m	£152.1m	+2%	+12%
Op profit*	£29.2m	£0.9m	£0.4m	£1.1m	£31.6m	+1%	+8%
Margin*	21.5%				20.8%	+0 bps	-70 bps

* Organic measures are at constant currency and exclude acquisitions.

* See Appendix IV for definition of adjusted profit measures.

- Organic sales up 2%; organic operating profit up 1%
- North America: sales growth in distribution; end-user projects down
- Latin America: 6% organic growth; Mexico, Argentina up, Brazil marginally down
- Hiter making excellent progress; H2 2017 profit ahead of schedule
- Organic margin flat; dilutionary effect from acquisitions and currency
- Focus on efficiency improvements to offset exchange headwinds in 2018
- Well positioned to make further progress

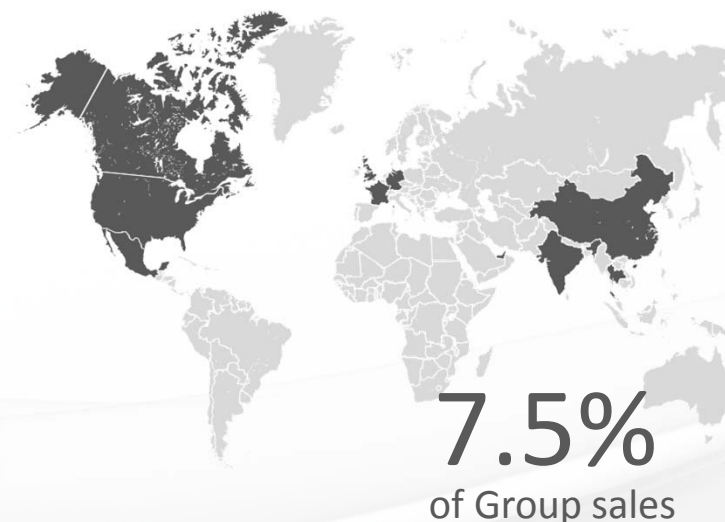


Chromalox

	31 st Dec 2016	Exchange	Organic	Acquisitions	31 st Dec 2017	(For reference only) Full Year 2017	
Sales	£0.0m	-	-	£75.1m	£75.1m	£146m	-2%
Op profit*	£0.0m	-	-	£13.8m	£13.8m	£26m	+3%
Margin*					18.4%	17.8%	+80 bps

* See Appendix IV for definition of adjusted profit measures.

- Since acquisition (July): £75.1m sales, £13.8m profit
- Full year performance (2017) in line with expectations
- Strong H2 2017 demand, good growth on H2 2016
- Strong sales and profit growth in Q4 2017
- Integration progressing well; investing for growth
- Margin ahead of 2016; 18.4% post-acquisition
- Good medium to long-term prospects



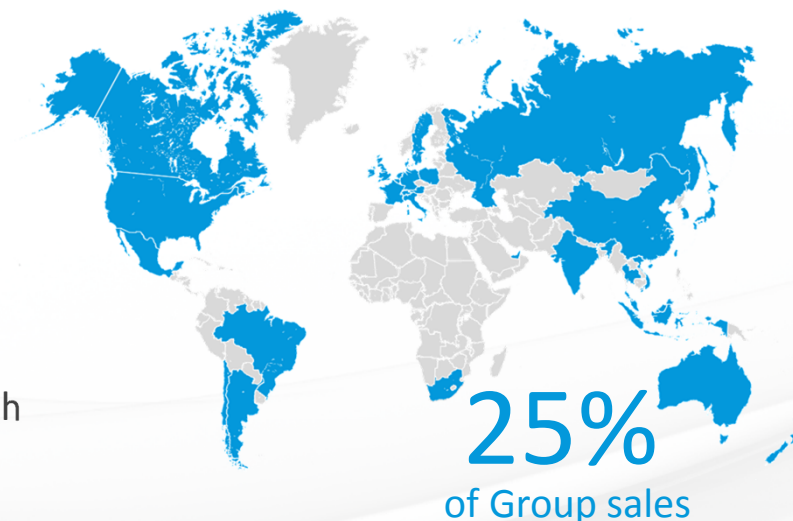
Watson-Marlow

	31 st Dec 2016	Exchange	Organic	Acquisitions	31 st Dec 2017	Organic ⁺	Reported
Sales	£193.9m	£10.5m	£20.2m	£23.6m	£248.2m	+10%	+28%
Op profit*	£64.3m	£6.5m	£4.5m	£5.0m	£80.3m	+6%	+25%
Margin*	33.1%				32.4%	-110 bps	-70 bps

* Organic measures are at constant currency and exclude acquisitions.

* See Appendix IV for definition of adjusted profit measures.

- Organic sales up 10%; benefited from 2016 order book
- Strong growth in all regions; APAC, LATAM very strong
- Pharma & Biotech sector up against tough compare
- Excellent growth in Food & Bev with Certa™ pump
- Aflex acquisition performing well; boosts sales 12%
- Profit up 6% organically; FX offsets investments for growth
- Margin down 70 bps due to Aflex dilution
- Increased R&D spend; small margin decline in 2018



Implementing our strategy for organic growth

Notable progress in 2017



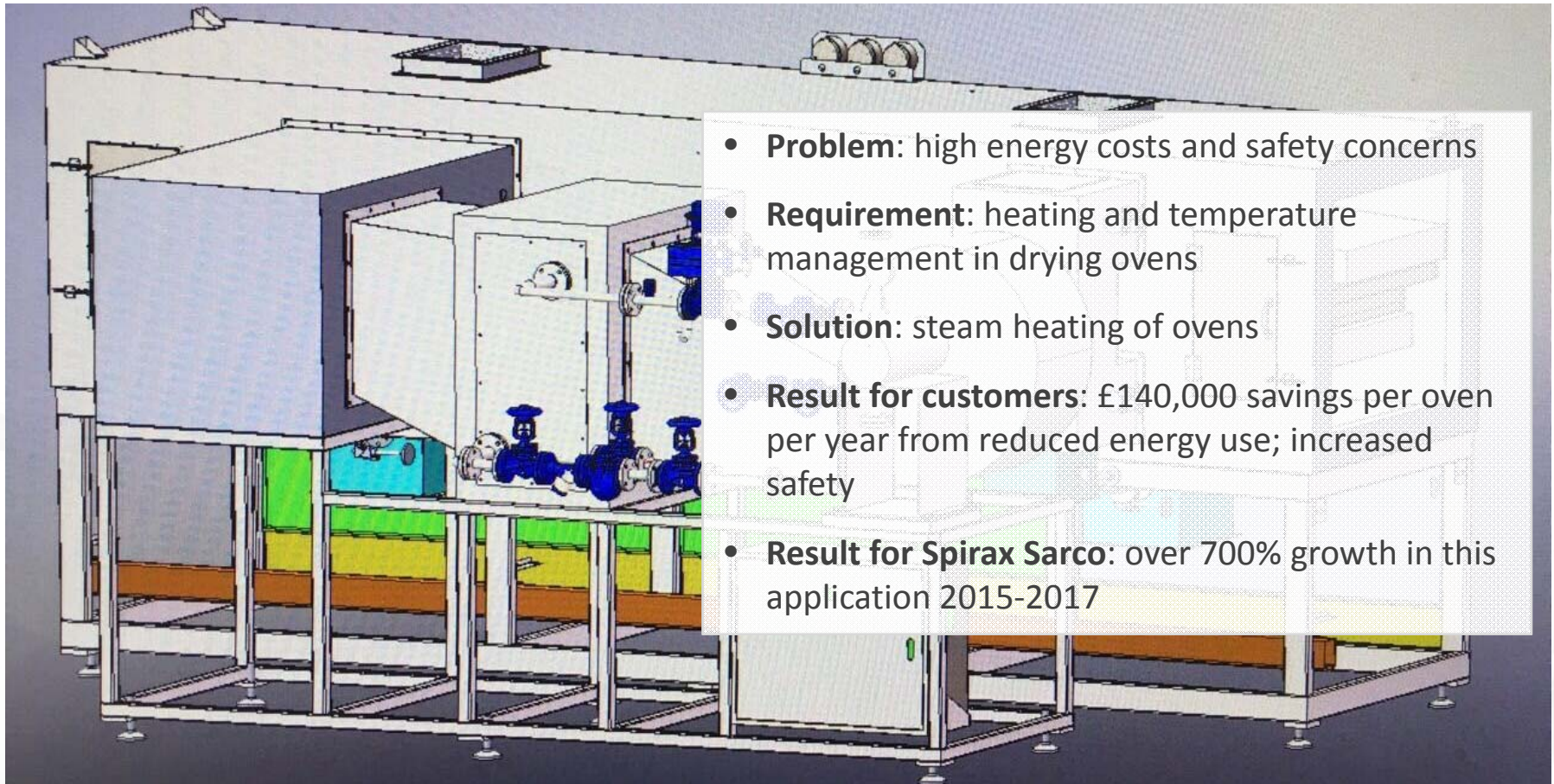
- Focus on priority industries; higher organic growth rates
- Controls & TEM products: higher growth rate for Steam business
- Spirax Sarco Academy: almost 1,100 customer-facing employees; training programmes available in 16 languages
- New companies in East Africa, Indonesia, Thailand and Vietnam; new direct sales presence in Greece, Morocco and Sri Lanka
- Innovative product launches; leveraging R&D investments
- New APAC distribution hub; increased supply chain efficiencies
- Reduced lost time accident rate and carbon emissions intensity

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- Gestra (May) and Chromalox (July): highly complementary to Spirax Sarco business
- Increase market share, expand addressable market
- Strengthen presence in Germany and USA; geographic expansion opportunities
- Both acquisitions share Spirax Sarco direct sales business model
- Broaden platform for continued organic growth
- Integration proceeding positively; well received by employees and customers
- 2017 performance in line with acquisition cases
- Hiter Controls and Aflex Hose (2016) performing ahead of expectations

Case study: Lithium-ion battery manufacturing

Engineering opportunities... by developing new applications



- **Problem:** high energy costs and safety concerns
- **Requirement:** heating and temperature management in drying ovens
- **Solution:** steam heating of ovens
- **Result for customers:** £140,000 savings per oven per year from reduced energy use; increased safety
- **Result for Spirax Sarco:** over 700% growth in this application 2015-2017

Case study: Atlantic Engineering selects Certa™ pump

Engineering opportunities... by developing new products

- **Problem:** innovative food packaging machine (Innofill) required a specialist pump
- **Requirement:** low pulsation; gentle handling of viscous fluids; accurate flows; high heat resistance; hygienic and easy to clean
- **Solution:** Certa Sine™ pump from Watson-Marlow
- **Result:** Innofill brought to market; delivering 50% reduction in packaging labour and 50% longer product shelf life for end users



Case study: Chromalox circulation heaters help remove moisture during Pharmaceutical bottle filling process

Engineering opportunities... by increasing customer efficiency

- **Problem:** residual moisture in bottles after sterilisation process
- **Requirement:** remove moisture; gently warm bottles prior to filling
- **Solution:** compressed air heated by Chromalox GCH circulation heaters, to extract moisture from bottles; heaters controlled by Chromalox SCR power controllers
- **Result:** consistent and reliable drying operation; drying time reduced from 11 minutes to 1 minute; no overheating risk



Summary and outlook



- Reported revenue up 32%, organic revenue up 6%
- Operating profit up 30%, organic increase 6%
- Currency tailwind: 5% on sales, 9% on profit
- Acquisitions add 20% to sales, 14% to profit
- Operating margin 23.6%; underlying margin 24.7%
- Total dividend increased 15%
- Net debt £374 million; 1.4x EBITDA
- Prioritising investments for growth over further margin expansion
- Expect further progress in 2018

Spirax-Sarco Engineering plc

Full year results for year ended 31st December 2017

Engineering opportunities for growth; creating shareholder value





APPENDICIES

Appendix I -

Return on capital employed

	Pounds (£) million	2017	2016
Working Capital			
Inventories		145.4	112.5
Trade receivables		237.5	185.5
Prepayments, other current assets		46.3	38.8
Trade, other payables, current provisions and current tax		(176.9)	(128.6)
Total working capital		252.3	208.2
Property, plant and equipment		227.5	201.8
Total Capital Employed		479.8	410.0
Average Capital Employed		444.9	377.3
Adjusted Operating Profit *		235.5	180.6
ROCE*		52.9%	47.9%
Working Capital/Sales		25.3%	27.5%

* See Appendix IV for definition of profit measures.

Appendix II - Cash conversion

	Pounds (£) million	2017	2016
Adjusted cash generated from operations		202.6	182.7
Adjusted Operating Profit*		235.5	180.6
Cash conversion		86%	101%

* See Appendix IV for definition of profit measures.

Appendix III - Currencies

Average exchange rates

	2016	2017	%	2018*	%
Spirax weighted index	100.0	94.9	+5%	97.1	-2%
Bank of England index	82.3	77.6	+6%	79.0	-2%
US\$	1.36	1.30	+4%	1.38	-6%
Euro	1.23	1.15	+7%	1.13	+2%
RMB	9.00	8.75	+3%	8.75	+0%
Won	1,574	1,464	+7%	1,491	-2%
Brazilian Real	4.74	4.16	+12%	4.48	-8%
Argentine Peso	19.99	21.68	-8%	27.56	-27%

* 2018 rates assume that February rates prevail until the end of 2018 and compare with 2017 full year average exchange rates.

Appendix IV -

2017 note on 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 and pre-tax profit excludes certain items which are analysed below.

	Pounds (£) million	2017	2016
Amortisation of acquisition-related intangible assets		(18.4)	(6.0)
Impairment of goodwill*		(3.2)	-
Acquisition costs		(10.3)	(0.5)
Reversal of acquisition related fair value adjustments to inventory		(7.2)	-
Foreign exchange gain on borrowings		2.5	-
Total adjustment to operating profit		(36.6)	(6.5)
Total adjustment to pre-tax profit		(36.6)	(6.5)

* In respect of Spirax Sarco Colombia