Spirax-Sarco Engineering plc
www.spiraxsarcoengineering.com

News Release

Wednesday 10th March 2021

Resilient performance in 2020; well-placed for 2021

HIGHLIGHTS

Adjusted*	2020	2019	Reported	Organic*
Revenue	£1,193.4m	£1,242.4m	-4%	-3%
Adjusted operating profit*	£270.4m	£282.7m	-4%	-1%
Adjusted operating profit margin*	22.7%	22.8%	-10 bps	+40 bps
Adjusted profit before taxation*	£261.5m	£274.5m	-5%	
Adjusted basic earnings per share*	256.6p	265.7p	-3%	
Cash conversion	102%	84%		

Statutory	2020	2019	Reported
Revenue	£1,193.4m	£1,242.4m	-4%
Operating profit	£249.0m	£245.0m	+2%
Operating profit margin	20.9%	19.7%	+120 bps
Profit before taxation	£240.1m	£236.8m	+1%
Basic earnings per share	235.5p	226.2p	+4%
Dividend per share	118.0p	110.0p	+7%

- Revenue down 4%, organically down 3%; industrial production (IP) down between 4% and 5%
- Adjusted operating margin of 22.7%, 10 bps below 2019; up 120 bps on a statutory basis
- Strong organic sales and profit growth in Watson-Marlow, adjusted operating margin 33.4%
- Steam Specialties organic sales decline broadly in line with IP; margin down 80 bps organically
- Electric Thermal Solutions organic sales decline 12%; margin up 10 bps organically
- Temporary cost containment initiatives reduced overheads by £22 million
- Net debt^ at year end £229 million; leverage reduced to 0.7x EBITDA*
- Total dividend up by 7% to 118.0p

Nicholas Anderson, Group Chief Executive, commenting on the results said:

"Following a stronger than anticipated fourth quarter, we are very pleased with the Group's performance in 2020, given the unprecedented circumstances caused by the COVID-19 pandemic. These results demonstrate our ability to adapt to the changing requirements of our customers, the diverse nature of our end markets and the resilience of our business model. The safety and wellbeing of our colleagues across the globe has been our primary concern as they support our customers throughout this challenging period; it is thanks to their dedication that we have achieved such results.

"Sales were down in the Steam Specialties and Electric Thermal Solutions businesses, although their performance was still robust given the challenging market conditions. The excellent growth in Watson-Marlow was driven by the Pharmaceutical & Biotechnology sector, where demand accelerated due to COVID-19 vaccine development and production. The improved outlook for industrial production growth, strong order book, robust prospects for Watson-Marlow and continued investments leave us well-placed for 2021."

*Results quoted in this announcement are "adjusted" metrics, except where otherwise stated. Organic measures are at constant currency and exclude contributions from acquisitions and disposals. See Note 2 to the Financial Statements for an explanation of alternative performance measures.
^Net debt includes total borrowings, cash and bank overdrafts but excludes IFRS 16 lease liabilities, as set out in Note 8 to the Financial Statements.

For further information, please contact:

Nicholas Anderson, Group Chief Executive
Nimesh Patel, Chief Financial Officer
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Tel: +44 (0) 7710 356611 at Citigate Dewe Rogerson until 6.00 p.m.

Audio webcast
The meeting with analysts will be available as a live audio webcast at 9.00 a.m. on the Company's website at www.spiraxsarcoengineering.com or via the following link: https://edge.media-server.com/mmc/p/4eggkoiy and a recording will be made available on the website shortly after the meeting.

Telephone dial-in
The meeting with analysts will also be available via a full conference call with Q&A facility, at 9.00 a.m., using the instructions provided below:

Location	***Purpose***	***Phone Type***	***Number***
United Kingdom and International	*Participant*	*Local*	*+44 (0) 33 0551 0200*

1. *5-10 minutes prior to the call start time, call the participant dial-in number listed above.*
2. *Provide the audio operator with the password: Spirax-Sarco Engineering.*

About Spirax-Sarco Engineering plc
Spirax-Sarco Engineering plc is a thermal energy management and niche pumping specialist. It comprises three world-leading businesses: Steam Specialties, for the control and management of steam; Electric Thermal Solutions, for advanced electrical process heating and temperature management solutions; and Watson-Marlow, for peristaltic pumping and associated fluid path technologies. The Steam Specialties and Electric Thermal Solutions businesses provide a broad range of fluid control and electrical process heating products, engineered packages, site services and systems expertise for a diverse range of industrial and institutional customers. Both businesses help their end users to improve production efficiency, meet their environmental sustainability targets, improve product quality and enhance the safety of their operations. Watson-Marlow provides solutions for a wide variety of demanding fluid path applications with highly accurate, controllable and virtually maintenance-free pumps and associated technologies.

The Group is headquartered in Cheltenham, UK, has strategically located manufacturing plants around the world and employs almost 7,900 people, including more than 1,900 direct sales and service engineers. The Company's shares have been listed on the London Stock Exchange since 1959 (symbol: SPX) and it is a constituent of the FTSE 100 and the FTSE4Good Indexes.

Further information can be found at spiraxsarcoengineering.com

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Chair's Statement

Introduction
In a year when industrial production was down between 4% and 5%, and amidst a global pandemic, our robust operational and financial performance demonstrates the commitment of our people, the strength of our business model and the resilience of the Group.

Recognising our colleagues
On behalf of the Board, I would like to thank our colleagues throughout the world for their outstanding individual and collective contributions during this unprecedented time. Our teams have pulled together, often in challenging personal circumstances to meet the needs of our customers, enabling us to play our part in supporting industrial processes in critical, frontline industries including Food & Beverage, Healthcare and Pharmaceutical & Biotechnology. They have also made exceptional efforts to provide support to our communities, helping those who need it most. We sincerely appreciate their hard work and dedication as we engineer a more efficient, safer and sustainable world.

Our resilient response to a challenging year
Supporting the health and wellbeing of our people throughout the global pandemic has and will continue to be our priority. Our response to COVID-19 was swift and decisive, enabling us to continue operating our manufacturing and sales companies safely and with only a few short-duration shutdowns in the second quarter of the year. The actions taken to protect our people and to support our customers and communities are outlined in more detail in the Strategic Review.

We did not lose focus on the importance of safety and made good progress with the implementation of our plans, despite the challenges of the year. Our continued focus on maintaining a strong safety culture drove an improvement of both our leading and lagging indicators, including our lost time injury rate reducing compared to 2019.

Financial highlights
Following a stronger than anticipated fourth quarter, Group sales in 2020 were £1,193.4 million (2019: £1,242.4 million), down 3% on an organic basis, reflecting a robust performance against a backdrop of a 4% to 5% contraction in global industrial production. Currency movements had a 2% negative effect on sales during the year, while the full year effect of sales from Thermocoax, acquired in May 2019, increased sales by over 1%. Sales for the Group were down 4% compared to 2019, with the currency movement accounting for more than half of the full year revenue decline.

Our Steam Specialties business, comprising Spirax Sarco and Gestra, experienced an organic decline of 6%, broadly in line with global industrial production, with sales in all three geographical reporting segments down year-on-year.

Our Electric Thermal Solutions business, comprising Chromalox and Thermocoax, experienced a 12% organic sales decline but ended the year with a significantly larger order book. Chromalox secured a US$14 million order from the US Navy, the largest single order in our Group's history, helping bolster the yearend order book.

Watson-Marlow had an excellent year, delivering organic sales growth of 9%. Sales to the Pharmaceutical & Biotechnology sector grew 20% as customers redirected their activities and expanded their manufacturing capabilities in support of COVID-19 vaccine development and production. Demand was particularly strong in the last quarter of the year, leading to an increased order book that will ship in 2021. Sales to the other industrial sectors declined 3%, which resulted in the Pharmaceutical & Biotechnology sector accounting for over 55% of Watson-Marlow sales in 2020.

Group adjusted operating profit declined 4% to £270.4 million. On an organic basis, adjusted operating profit was down 1%. Currency movements reduced the Group adjusted operating profit by 4%, due to translation and transaction effects, while the net impact of acquisitions and disposals added 1%.

The Group adjusted operating margin fell by 10 bps, to 22.7%, largely due to the negative foreign exchange impact. Organically, the adjusted operating margin increased by 40 bps despite an organic sales decline of 3%, due in part to the strong performance of Watson-Marlow and temporary cost containment initiatives taken in each of our businesses. These cost initiatives mostly reduced expenses related to travel, marketing and employment, lowering Group overheads by £22 million, with most of the benefits realised in Steam Specialties.

Statutory operating profit was up 2% at £249.0 million (2019: £245.0 million) and the statutory operating profit margin increased from 19.7% to 20.9% due primarily to the impact of UK and Canadian defined benefit pension schemes being closed to future accrual during the year.

The Group adjusted pre-tax profit was £261.5 million, 5% below the prior year. Adjusted basic earnings per share was 3% behind at 256.6 pence (2019: 265.7 pence).

The pre-tax profit on a statutory basis was £240.1 million, up 1% on 2019 (£236.8 million). The statutory basic earnings per share were 235.5 pence (2019: 226.2 pence).

Cash and dividends

Cash generation was robust throughout the year, with adjusted cash conversion of 102% (2019: 84%), reflecting enhanced inventory management practices that increased our customer service performance during the pandemic while also improving cash management. At 31st December 2020 we had a net debt balance of £229 million, a net debt to EBITDA ratio of 0.7 times, compared with net debt of £295 million at 31st December 2019.

The interim dividend paid on 6th November 2020 was 33.5 pence per share, an increase of 5% (2019: 32.0 pence per share). The Board is recommending an increase in the final dividend of 8% to 84.5 pence per share (2019: 78.0 pence). Subject to approval of the final dividend by shareholders at the Annual General Meeting (AGM) on 12th May 2021, the total Ordinary dividend for the year will be 118.0 pence per share, an increase of 7% over the 110.0 pence per share for the prior year.

Corporate governance

In September 2020, Kevin Boyd, Chief Financial Officer and Executive Director retired from the Group. On behalf of shareholders and the Board, I acknowledge with gratitude his significant contribution to the Group's growth and development during his almost five-year tenure. We wish him a happy and healthy retirement.

Kevin's successor, Nimesh Patel, joined the Group in July 2020. Nimesh assumed the role of Chief Financial Officer and was appointed an Executive Director in September 2020. We were delighted to welcome Nimesh to the Group and the Board and appreciate the contribution he is already making. He brings 22 years of experience in senior roles, including as Group Head of Corporate Finance for Anglo American plc and most recently Chief Financial Officer of De Beers.

Neil Daws, Managing Director, Steam Specialties and Executive Director also retired from the Company on 31st December 2020, following an outstanding career in the Group spanning 42 years. Neil joined us in 1978 as an apprentice and held positions in production and design engineering, moving from Product Director in 1996 to UK Supply Director in 2003. He held many senior Divisional roles in Steam Specialties before becoming Managing Director in 2018. Neil was appointed to the Spirax-Sarco Engineering plc Board in 2003. On behalf of shareholders and the Board, I acknowledge with much appreciation the substantial contribution to the Group's growth and success achieved by Steam Specialties under Neil's leadership.

On 1st January 2021, Maurizio Preziosa succeeded Neil to become Managing Director Steam Specialties and a member of the Group Executive Committee, following a handover period with Neil during the fourth quarter of 2020. Maurizio joined the Group in November 2011 as General Manager for Spirax-Sarco Italy, progressing to the role of Regional General Manager for Southern Europe in 2014 before becoming Divisional Director Gestra in May 2017. We are delighted to have Maurizio's experience and leadership in this role and it is testament to the calibre of our leaders that we were able to fulfil this key appointment from within the Group.

The Board was pleased to welcome Angela Archon and Olivia Qiu as independent Non-Executive Directors, following their appointment on 1st December 2020.

Angela held various senior executive positions within IBM Corporation, including as Vice President, Transformation and Chief Operating Officer of the Watson Health Division. Angela also represented IBM for eight years as Board Liaison for The National Action Council for Minorities in Engineering. Angela has strong strategic and operational experience and combines her ability to drive transformational change with a clear focus on providing excellent customer support.

Olivia held a range of executive positions with large global organisations, including Chief Executive Officer and Board Director of Alcatel-Lucent Shanghai Bell. She is currently Chief Innovation Officer with Signify (formerly Philips Lighting). Olivia has digital transformation and innovation skills as well as strong international business experience.

On 9th March 2021, we announced the appointment of Richard Gillingwater as an Independent Non-Executive Director with immediate effect. Richard will succeed Dr Trudy Schoolenberg as Senior Independent Director on 1 August 2021, when Trudy will step down from the Board after completing nine years as a Director.

Richard has held a range of executive positions within global investment banks including Kleinwort Benson, Credit Suisse and Barclays de Zoete Wedd. He is currently Chair at SSE plc (stepping down at the end of March), Chair of Janus Henderson Group plc, Senior Independent Director of Whitbread plc and Governor at the Wellcome Trust.

All Board changes formed part of the succession planning undertaken by the Nomination Committee to recruit Non-Executive Directors with the skills and experience required to support the implementation of our strategy for growth.

Outlook

The latest forecasts predict global industrial production will grow over 7% in 2021. These forecasts are contingent on the swift and successful roll-out of vaccination programmes across the world and assume no emergence of new virus variants against which the available vaccines would be materially less effective.

As always, the currency outlook remains uncertain. If current exchange rates were to prevail for the remainder of the year there would be a less than 4% adverse impact on sales from translation and a more than 4% adverse impact on profit from translation and transaction, compared with the full year

2020. Movements in exchange rates are often volatile and unpredictable, therefore the actual impact could be significantly different.

We anticipate most of the Group's organic revenue streams in 2021 to expand broadly in line with global industrial production growth. Additionally, Electric Thermal Solutions ended 2020 with a higher-than-normal order book, which should add at least a further £8 million to sales in the year. Watson-Marlow experienced extraordinary demand from the Pharmaceutical & Biotechnology sector, which accounted for over 55% of sales in 2020, also ending the year with a higher-than-normal order book that will ship in 2021. We anticipate this strong demand to continue in 2021, driving organic sales growth of over 35% for that sector, with Watson-Marlow's other industrial sectors growing organic sales in line with global industrial production growth.

During 2021, we will step-up our revenue investments, including for sustainability and digital initiatives, to underpin future organic growth and trading margin progression. We believe close to three-quarters of the £22 million savings achieved by the temporary cost containment initiatives taken in 2020 will reverse in 2021. Short-term capacity expansion initiatives in Watson-Marlow will also generate incremental operating costs. Taken together, we anticipate these initiatives will reduce the full year drop-through from the organic increase in sales to operating profit to close to 30%.

We anticipate that cash conversion, which has been above 80% for the last 5 years, will return to those levels as we step up capital investments and increase working capital in line with revenue.

Strategic Review

Efficient, Safer, Sustainable

Our Company purpose continued to guide our decisions in 2020. Against the backdrop of the COVID-19 pandemic, the work we do to create a more efficient, safer and sustainable world has never been more important. Across the globe and in the critical sectors we serve, our teams have supported our customers to keep their manufacturing and industrial processes operational.

Resilience and reliability when it matters

Our diverse products and solutions, which are deeply embedded in industrial and commercial sites all over the world, combined with our extensive engineering expertise, have helped our customers – including those who are on the frontline in the fight against the COVID-19 pandemic – rapidly respond to their needs.

Our direct sales business model is highly effective at uncovering opportunities to improve the efficiency and effectiveness of our customers' processes. By "walking our customer sites" our engineers often identify unrecognised needs and design bespoke engineered solutions to meet those needs. These solutions generally have a short payback period for the customer and are typically paid for from customers' operating budgets which means they remain attractive even during challenging economic times. Alongside this, we have continued to help our customers reduce their environmental impacts, improve product quality, provide safer working environments for their people and to achieve regulatory compliance.

Our Group supports a diverse range of industries with over 55% of sales destined to critical sectors such as Food & Beverage, Pharmaceutical & Biotechnology, Healthcare and Power Generation, which helped mitigate the impact of reduced customer demand in cyclical sectors that suffered larger contractions during 2020. Our largest sector in 2020 was Pharmaceutical & Biotechnology accounting for 21% of Group sales. No single customer accounts for more than 1% of Group sales. The total proportion of

Group sales which are funded by our customer's operating budgets remains close to 85%, with the balance coming from the customers' capital budgets.

These market drivers and our business model have continued to serve us well throughout the COVID-19 pandemic. Unable to physically walk our customers' sites in many cases, our network of more than 1,900 sales and service engineers – unique in number and expertise amongst our competitors – rapidly embraced virtual tools to engage with our customers and in this respect continued to support our business model for self-generated sales, which represent close to 35% of our Group revenue.

Although we have not been immune to the detrimental economic impacts caused by the global pandemic, the high proportion of sales that derive from our customers' maintenance budgets combined with our ability to continue to self-generate sales in the wide variety of sectors we serve, has enabled our business to be highly resilient during this global crisis.

Performance during a difficult year
2020 has not been without its challenges and we would like to pay tribute and give thanks to every colleague in our Group, for their outstanding efforts and dedication in line with our Values. Our teams have worked diligently, with innovation and entrepreneurship, to meet the needs of our customers without losing focus on the importance of safety, health and wellbeing.

Our response to the global pandemic has been comprehensive. Protecting everyone in our workplaces and helping our dispersed teams adjust to the new realities of remote working has been at the forefront of our efforts. For our critical workforce still accessing our facilities around the world, the measures we have taken include the provision of medical-grade masks and hand sanitiser, increased distancing between workstations, implementation of one-way systems and enhanced cleaning regimes.

We have stepped up our communications activity to connect with colleagues working remotely at home and introduced flexible measures to help those with responsibility for caring for loved ones. The global roll-out of our Group Employee Assistance Programme (EAP) ensured that everyone has access to support and resources when and where needed. COVID-19 infection levels among our employees have remained low, with the majority of cases being contracted outside the workplace from family or friends. We continue to actively monitor and engage to ensure that the risks do not become "normalised" as time goes on.

We took decisive and early action to introduce temporary cost containment initiatives in the first half of the year. These included the restriction of non-essential spend, a reduction in temporary staff and salary reductions for senior management. As we moved into the second half of the year, the way in which our people adapted, and the continued resilience of our business model became clear to see. We were able to lift some temporary cost containment measures earlier than anticipated and a number of the voluntary salary reductions put in place in April, ceased by August with all salary sacrifices being repaid in December. Throughout the year we realised savings from activity curtailment as a direct consequence of the global restrictions, such as reduced travel and lower marketing expenditure.

Enhanced inventory management practices increased our customer service performance during the pandemic, improving our competitive position and our cash management.

Planning for long-term resilience
Our strategy, underpinned by six strategic themes, aims to deliver self-generated growth that outperforms our markets.

Our six strategic themes are:
- Increase direct sales effectiveness through market sector focus
- Develop the knowledge and skills of our expert sales and service teams
- Broaden our global presence
- Leverage our R&D investments
- Optimise supply chain effectiveness
- Operate sustainably and help improve our customers' sustainability

Our strategy has been in place since 2014 and has consistently delivered strong results. Watson-Marlow and Electric Thermal Solutions completed planned strategy refreshes during the year, identifying the key initiatives for strategic implementation over the next five years. In January 2021, Steam Specialties also initiated a similarly planned exercise that will be completed during the year.

Despite the challenges of remote working our teams launched 42 new product, service or solution offerings during the year, with 15 new product introductions in Steam Specialties, 20 in Electric Thermal Solutions and seven within Watson-Marlow, accelerating the Group's Product Vitality (a measure which compares total revenues from new products, services or solutions introduced in the previous five years, against overall Group revenue). Work continued throughout 2020 on the development of the Group's new product pipeline, which will support the launch of further products and solutions in 2021.

To ensure we are well positioned to meet the growing needs of our customers in the medium term, we continue to invest significantly to expand both the capacity and performance of our business. Our "future factory" initiative is driving our focus on operational excellence in Steam Specialties; as is the consolidation of manufacturing sites into single-site facilities across all our businesses.

Within Electric Thermal Solutions we are well progressed with a project to consolidate Thermocoax's four manufacturing facilities in Normandy (France) and integrate these within a new purpose-built facility. We expect to complete the integration by the end of this year.

In Watson-Marlow, we are increasing capacity in some of our existing manufacturing sites and expanding our footprint to add further capacity. For Aflex in Yorkshire (UK), we have consolidated four of five sites into a 16,200m^2 purpose-built facility, with the fifth site to be integrated later this year. Additionally, we have initiated construction of a new 11,000m^2 facility for BioPure in Portsmouth (UK), which will commence operations towards the end of 2021.

In 2021, we are further accelerating our investment in Watson-Marlow to better serve our customers. The Board has approved an US$88 million investment to build a12,800m^2 state-of-the-art manufacturing facility on a 25.4 acre site in Massachusetts (USA), which will significantly expand our capacity to serve customers in the Americas region, particularly the fast-growing Pharmaceutical & Biotechnology sector. Negotiations with local authorities and contractors are well advanced and first customer deliveries are expected before the end of 2022.

The additional capacity from these investments combined with enhanced inventory management practices, which increased our customer service performance and improved our cash management, leaves us well positioned to better serve our customers as markets recover.

We are also investing in digital and technology, such as upgrading our systems to future proof our business and to identify opportunities to create additional value for our customers, through digital products and solutions. The global pandemic has accelerated digital adoption and we have fast-tracked digital solutions across the Group and for our customers. This will continue in 2021 and beyond as we seek to accelerate digital initiatives that improve our customer targeting, innovation, operational effectiveness and people processes.

During 2020 we also invested in key roles within our Human Resources organisation, including the appointment of a Group Head of Inclusion, Diversity and Wellbeing. This reflects our aspiration to be an increasingly inclusive employer and to create a culture where diversity thrives. In March 2021, 31% of senior executives across the Group are female, up from 21% in mid-2019.

Building a sustainable future
In 2020, we committed to achieve net zero greenhouse gas emissions before 2040 and to source 50% of our electricity from renewable sources by 2030.

To ensure we can achieve these and other important targets, we are accelerating our investments in sustainability and we appointed our first Group Head of Sustainability, who reports directly to the Group Chief Executive. This important role will enable us to work collaboratively with both internal and external stakeholders to accelerate our sustainability performance, and that of our customers, while addressing key global sustainability challenges. During the final quarter of 2020 we commenced a sustainability strategy refresh and completed a range of activities such as stakeholder engagement, a materiality assessment, climate change scenario analysis, and a biodiversity impact assessment. We also commenced the development of our net zero greenhouse gas roadmap.

We are exploring synergies within our thermal energy management portfolio, which will enable us to combine core capabilities from our Steam Specialties and Electric Thermal Solutions businesses to develop our products and service capabilities for quantifiable sustainability benefits. This will enable us to support the evolving needs of our customers as they seek to mitigate the impact of their operations on the environment.

The Group remains committed to organic growth as the predominant source of growth. Nevertheless, we regularly refresh our pipeline of acquisition opportunities across our businesses and market sectors. We look for complementary companies that have strong potential to underpin the Group’s organic growth over the long term at similar margin levels.

Operations Review

	2019	Exchange	Organic	Acq’n & disposal	2020	Organic	Reported
Revenue	£1,242.4m	(£27.2m)	(£37.0m)	£15.2m	£1,193.4m	-3%	-4%
Adjusted operating profit	£282.7m	(£12.0m)	(£3.4m)	£3.1m	£270.4m	-1%	-4%
Adjusted operating margin	22.8%				22.7%	+40 bps	-10 bps
Statutory operating profit	£245.0m				£249.0m		+2%
Statutory operating margin	19.7%				20.9%		+120 bps

Introduction
Despite a challenging macro-economic environment in 2020 and a global recession triggered by the COVID-19 pandemic, we continued to create value for our stakeholders, invest in our businesses, implement our strategy and ensure a strong foundation for continued, sustainable growth. In 2020, we delivered resilient sales and profit, experiencing a 4% revenue decline against 2019, or a 3% decline on

an organic basis. Adjusted operating profit margin for the Group was down 10bps. Excluding the impact of currency, the adjusted operating profit margin was up 40 bps organically.

What we do
Our Steam Specialties, Electric Thermal Solutions and Watson-Marlow businesses all provide engineered products, services and solutions that play a vital role in industrial processes worldwide. We have remained an essential supplier throughout the global pandemic, as many of our customers operate in the critical industries of Pharmaceutical & Biotechnology, Healthcare, Food & Beverage and Power Generation.

Steam is relatively easy to control, environmentally safe, clean and sterile, and is capable of transferring large energy loads (in the form of heat) into industrial processes. Steam is used across a broad range of industries, in all geographical markets and a wide range of applications including: heating, curing, cooking, drying, cleaning, sterilising, space heating, humidifying, vacuum packing and producing hot water on demand.

Electrical heating solutions are a complementary medium to steam and there are synergies in terms of the broad industrial and geographical application. Electrical heating solutions are particularly utilised in applications that require rapid "on-off" control, higher temperatures, concentrated power loads, easy installation or zero emissions at point of use.

Peristaltic and other niche pumps and associated fluid path components are also widely used across an extensive range of industries to address mission critical or difficult pumping needs. Peristaltic pumps are particularly suitable for hygienic applications (as the fluid is contained within a tube and sterile tubing creates a sterile pump), precise metering or low-shear applications, as well as handling corrosive or abrasive materials that would otherwise damage the pump.

The wide applicability of our products across a broad range of industries, combined with our extensive geographical presence and close to 85% of revenues derived from end users' maintenance and operating budgets, mean that our markets closely correlate with industrial production growth.

Market environment
Global industrial production declined 4% at the start of 2020 as COVID-19 began spreading from Asia to Europe and the Americas. As governments around the world enforced social restrictions to contain the spread of the virus, global industrial production collapsed by close to 12% in the second quarter. With social restrictions easing in the third quarter, global industrial production improved in the second half of the year. Across the full year, global industrial production contracted between 4% and 5% returning close to December 2019 levels by December 2020.

Industrial production rates were down across all regions in 2020, with Europe experiencing the worst impact, down 8%. The Americas also experienced a significant decline in industrial production, down 7% in both North and Latin America. Excluding China, industrial production in Asia Pacific was down by 6%, while industrial production grew almost 3% in China.

With revenue down 3% organically, against a 4% to 5% decline in industrial production, we again outperformed our markets, in part due to maintaining a focus on excellence, reacting rapidly and decisively to the changing needs of our customer base and continuing to invest in our internal capabilities and capacity.

Despite the continuing uncertainty surrounding Brexit throughout 2020, its impact on market confidence was very quickly overshadowed by the global pandemic. Overall, Brexit uncertainty had a relatively limited impact on our business during 2020 as over 90% of our sales and operating profit are generated outside the UK.

Our direct sales business model is highly effective at uncovering opportunities to improve our customers' performance and this has continued to serve us well throughout the pandemic.

Our Group supports a diverse range of industries with more than 55% of sales destined to critical sectors such as Food & Beverage, Pharmaceutical & Biotechnology, Healthcare and Power Generation. This has helped mitigate the impact of reduced customer demand in cyclical sectors that were affected during 2020. Our largest sector, Pharmaceutical & Biotechnology, accounts for 21% of sales and no single customer accounts for over 1% of sales.

Forecasters predict global industrial production growth will reach 7% to 8% in 2021 with an exit rate of 3% to 4% in the fourth quarter of the year. With the huge task ahead to complete the global vaccination programme for COVID-19 and the possibility of tighter restrictions for longer, there is still a strong element of uncertainty at the current time.

Summary of progress in 2020

Sales

Group sales were down 4% to £1,193.4 million (2019: £1,242.4 million) and down 3% on an organic basis. Sales in Steam Specialties were down 6% on an organic basis, with the Electric Thermal Solutions business down 12% organically. Watson-Marlow's sales grew 9% on an organic basis.

Acquisitions and disposals added £15.2 million, or 1%, while foreign exchange had a 2% adverse impact on Group sales.

The Steam Specialties business, which accounted for 58% of Group revenue in 2020, experienced a decline in all regions. Sales of £694.1 million were down 8%, or 6% down on an organic basis.

The Electric Thermal Solutions business, which accounted for 15% of Group revenue in 2020, delivered sales of £178.0 million, 4% below 2019 and down 12% organically. Thermocoax, which joined the Group in May 2019, delivered double-digit organic sales growth, helping to offset a sales drop in Chromalox.

Watson-Marlow, which accounted for 27% of Group revenue in the period, had an excellent year and delivered sales of £321.3 million, 7% above 2019 and 9% up on an organic basis. This growth was largely due to increased demand from the Pharmaceutical & Biotechnology sector, which accounted for 55% of Watson-Marlow's sales in 2020, as customers in this market redirected their activities and expanded their manufacturing capabilities in support of COVID-19 vaccine development and production.

Adjusted operating profit

Group adjusted operating profit was down 4% to £270.4 million and down 1% on an organic basis. The £3.1 million full-year benefit from the acquisition of Thermocoax in May 2019, was more than offset by a £12.0 million exchange headwind.

In the Steam Specialties business, adjusted operating profit of £154.3 million was down 9% on an organic basis, and a negative exchange impact resulted in profit being down 13% compared with 2019.

The Electric Thermal Solutions business delivered an adjusted operating profit of £24.6 million, 11% down on an organic basis and flat compared with 2019.

Watson-Marlow's adjusted operating profit was up 15% organically, notwithstanding continued investment in the business, and was up 12% compared with 2019 due to a currency headwind.

Adjusted operating profit margin
The Group adjusted operating profit margin of 22.7% was down 10 bps due to a negative currency impact. On an organic basis, the adjusted operating margin improved by 40 bps.

Within the Steam Specialties business, the adjusted operating profit margin declined 140 bps to 22.2%, as our 80 bps organic decline was compounded by a currency headwind. Declines in adjusted operating profit margin in EMEA and the Americas regions were partially offset by a 200 bps organic increase in Asia Pacific.

The adjusted operating profit margin for the Electric Thermal Solutions business was up 50 bps to 13.8% as a very positive contribution from Thermocoax was partially offset by a small currency headwind and an organic margin decline in Chromalox.

Watson-Marlow's operating profit margin was up 160 bps to 33.4%, driven by a strong 180 bps organic margin expansion.

Statutory operating profit and margin
Statutory operating profit of £249.0 million was up from £245.0 million in 2019, primarily as a result of a £10.5 million credit from defined benefit retirement plans in the UK and Canada being closed to future accrual. As a result, the statutory operating profit margin of 20.9% was up 120 bps (2019: 19.7%).

Steam Specialties: overview

	2019	Exchange	Organic	Acq'n & disposal	2020	Organic	Reported
Revenue	£755.4m	(£20.6m)	(£40.7m)	-	£694.1m	-6%	-8%
Adjusted operating profit	£177.9m	(£9.1m)	(£14.5m)	-	£154.3m	-9%	-13%
Adjusted operating margin	23.6%				22.2%	-80 bps	-140 bps
Statutory operating profit	£172.6m				£157.8m		-9%
Statutory operating margin	22.8%				22.7%		-10 bps

Market overview
Industrial production (IP) in the Europe, Middle East and Africa (EMEA) division contracted 6% during 2020 with COVID-19 and Brexit affecting market conditions. With the exception of the UK, which contracted close to 9%, our large European markets saw double-digit IP declines with France and Germany both contracting over 10% and Italy contracting 11%. Elsewhere across EMEA, many of our smaller markets experienced negative IP rates between 2% and 11%. The only markets with IP growth were Norway at 4% and Turkey at 2%.

In Asia Pacific, IP contracted strongly in the first half of the year, with the region returning to low growth in the second half as China recovered quickly from the effects of the pandemic and achieved industrial production growth close to 3% for the year. The strong IP recovery in China and Korea, our second largest market in the region, lessened the overall decline in Asia Pacific's industrial production growth rate from over 6% to under 1%. Singapore, Taiwan and Vietnam all experienced IP growth while India, Japan, most of Southeast Asia and Australasia experienced negative IP rates between 1% and 11%.

Industrial production contracted 7% across the Americas in 2020, with the most severe impact felt in the second quarter, when IP declined more than 15%. On a full-year basis, IP in North America contracted

7%, while declines across Latin America varied between 1% and 13%. Aside from COVID-19, the collapse of the oil price had an additional but varied impact across the region.

Market growth in critical sectors was resilient including in Pharmaceutical & Biotechnology (+4%) and Food. In contrast, sectors that are more cyclical, such as Oil & Gas (-7%), declined significantly.

Progress in 2020
Sales of £694.1 million were down 8% in the Steam Specialties business. On an organic basis, sales were down less than 6%, reflecting the 4% to 5% contraction of industrial production across our global markets. Sales derived from our customers' operational and maintenance activities declined 4%, while larger project sales related to customers' capital budgets declined almost 12%.

As a result of our focus on critical sectors, such as Food & Beverage, Healthcare and Pharmaceutical & Biotechnology, we have been able to continue providing products and services during this difficult year, as steam systems are essential to many critical manufacturing and industrial operations. Despite the challenges brought about by COVID-19, we have still been able to self-generate opportunities in the areas of energy savings, quality control and production improvement, helping our customers achieve business continuity.

At times during the year our direct sales and service engineers were restricted from physically accessing customers' sites due to lockdowns as a result of COVID-19 protection measures. Customer visits at the start of the pandemic initially decreased but picked up again as we rapidly switched to digital models of providing service support remotely, together with new audit solutions and remote customer training. We believe that this swift action to maintain our customer service, together with the resilience of our business model, contributed to our robust sales in the majority of our core sectors.

All our manufacturing sites remained open and operational during 2020 with some exceptions including short, government-enforced shutdowns linked with lockdowns primarily at the start of the pandemic. We have maintained a focus on further improving customer service and, as a result, our Steam Specialties on-time-to-request (OTTR) customer service measure improved to over 94% on a global basis.

Gestra sales were also down in 2020, with some scheduled maintenance and projects in the Power Generation sector being postponed. The biggest impacts were felt in the Oil & Gas sector, due to the drop in oil price, and sales to distributors, as they reduced the volume of their inventory. Sales of boiler house control products, including the new SPECTORconnect range that was launched in 2019, remained robust. Gestra China performed well as a result of establishing a new operating company there in April 2019.

The temporary cost containment initiatives taken by the Steam Specialties business were very effective at reducing costs, by over £15 million, mostly in the areas of travel, advertising and employment costs. We focused on cost reduction initiatives that enabled us to manage the impact of the pandemic without damaging our ability to respond quickly to a recovery. As such we continued to invest in digital technologies, sustainability, new product development and implementing new integrated information systems.

Adjusted operating profit was £154.3 million, down 9% organically and down 13% compared to 2019, due to a negative currency impact. At 22.2%, the Steam Specialties business' adjusted operating profit margin declined 140 bps and 80 bps organically.

Statutory operating profit of £157.8 million was down 9% from £172.6 million in 2019 for the same reasons as the decline in adjusted operating profit.

Strategy update

Across Steam Specialties we remained focused on our "Customer first" business strategy, despite the disruption caused by the COVID-19 pandemic.

Our business model adapted well to the changing landscape as our direct sales and service engineers swiftly adjusted their work patterns, including the adoption of new digital technologies, to maintain contact with our customers and continue self-generating sales. Through the adoption of digital engagement tools and the development of digital technologies which combine the Internet of Things (IoT), cloud solutions and wearable technology to create a virtual and augmented reality experience, our engineers are still able to uncover problems and provide bespoke solutions to meet customers' needs. Continuous improvement activities continued to receive attention and delivered good results, such as an improvement in our On-Time-To-Request (OTTR) customer service measure.

The pandemic accelerated the roll-out of our eCommerce platform across our operating companies in the Netherlands, UK & Republic of Ireland, Germany, Switzerland and in our EMEA Developing Markets in the second half of the year. The Americas began piloting an eCommerce platform in 2020.

As the pandemic took hold, the opportunity for virtual learning amongst our people increased significantly as our colleagues made use of time they had available as a result of reduced travel. In response to this, the Spirax Sarco Academy rapidly produced and deployed curricula in support of the new ways of working, such as "Remote Consultative Selling" and developed "Wellbeing" programmes to help our colleagues adjust to the new realities of remote working and living with a pandemic. The sales programmes of the Spirax Sarco Academy are structured into levels called "belts", with each belt representing an increasing level of expertise from White belt (introduction to sales and specific health & safety subjects) through to Black belt (global sector or product specialist). The materials for our Blue belt (more advanced technical) and Purple belt (sector) were also fast-tracked and made available in a basic form, to enable our sales and service engineers to accelerate their learning, while the interactive content was being produced.

In 2020, 15 new products were released. A Clean Steam Generator (CSG) was specifically developed to meet the needs of customers in the Food & Beverage industry and was launched successfully, expanding our range of CSGs. A state-of-the-art steam trap survey tool for use by our service and survey engineers was introduced early in the year, and we extended our range of manifolds. Gestra successfully introduced the SPECTORconnect boiler controls technology as a new standard in the market.

We also continued to invest in upgrades to our business information systems in 2020. "Project OPAL", initiated in 2019, incorporates ERP (Enterprise Resource Planning), CRM (Customer Relationship Management), CPQ (Configure, Price, Quote) and BI (Business Intelligence) modules. The implementation of this new integrated system is set to improve operational effectiveness and deliver improved customer focus and insight, as well as effective strategic account management and rapid quoting and processing to further improve our customer delivery performance. Among the first countries to "go live" were Norway, Sweden, Finland and Denmark in September, with a further six countries successfully switching to the new CRM platform by the end of the year. Investment in Argentina to move to a common Spirax Sarco manufacturing ERP platform was also initiated as the first step in a multi-year roll-out across the Americas to upgrade to a single system.

Since its acquisition in 2017, Gestra has made further progress in line with the acquisition strategy, moving several transformational projects into business as usual. The synergy with Spirax Sarco will deliver further tangible results with the new range of SPECTORconnect boiler controls range envisaged to fully replace the current Spirax Sarco technology.

Our plans for further geographical expansion were largely on hold during 2020. We expect this to pick up again once we see a stable return to more normal customer demand-levels. Gestra expanded its direct sales presence in India in 2020, with the addition of an internal application engineering capability. During the final quarter of 2020, we worked to set up a new Gestra operating company in France, ready to begin trading in the first quarter of 2021.

Health and safety of our employees remains our top priority and in 2020 we stepped up our focus on the mental and physical wellbeing of our colleagues, whether they are working from home or at one of our sites, with the introduction of COVID-19 training, enhanced sanitary regimes, enforced social distancing and correct self-isolation procedures introduced across the entire business.

In 2020, we also stepped up our sustainability initiatives, with a particular focus on accelerating offerings to customers that help them manage their environmental impacts, as well as activities to improve our own energy efficiency and reduce our greenhouse gas emissions.

As planned, in January 2021 we initiated a refresh of the “Customer first” strategy to reinforce areas of success while accelerating the strategic implementation of digital and sustainability initiatives.

Outlook

Steam is used across a broad range of industries and in all geographic markets, and therefore the Steam Specialties business could not escape the effects of the COVID-19 pandemic on global industrial production. Thanks to our resilient business model, ability to self-generate sales and significant maintenance and repair revenues, the organic decline of sales in 2020 was contained to 5.5%, broadly in line with the decline in global industrial production.

The latest forecasts predict global industrial production will grow over 7% in 2021. Industrial production is predicted to grow over 5% in EMEA with growth in the UK forecasted at a more modest 2%. Across the Americas, industrial production growth is predicted to reach 6%, with North America growing over 5% and Latin America growing over 7%. In China, industrial production is predicted to grow a further 9% in 2021, ahead of the Asia Pacific region as a whole that is forecasted to grow over 8%.

Typically, organic sales growth in Steam Specialties would exceed growth of global industrial production. However, in 2021 we anticipate that reduced demand from larger capital projects, which lag the recovery of operational and maintenance driven demand, will limit sales growth to slightly above global industrial production.

In early 2021, we initiated investments to merge our Italian businesses, which will benefit our performance in future years. We have also planned additional revenue investments in sustainability and new digital applications in support of organic sales growth and stepped up the global implementation of our integrated IT systems. We believe close to 75% of the savings derived from cost containment initiatives taken in 2020 will reverse in 2021, particularly in manufacturing overheads and employment costs.

As a result of the expected currency headwind and the increased revenue investments listed above, we anticipate the adjusted operating profit margin in 2021 to be marginally ahead of the prior year.

Steam Specialties: Europe, Middle East and Africa (EMEA)

	2019	Exchange	Organic	Acq'n & disposal	2020	Organic	Reported
Revenue	£335.7m	(£1.0m)	(£24.7m)	-	£310.0m	-7%	-8%
Adjusted operating profit	£67.0m	(£0.9m)	(£12.0m)	-	£54.1m	-18%	-19%
Adjusted operating margin	20.0%				17.5%	-220 bps	-250 bps
Statutory operating profit	£63.4m				£57.7m		-9%
Statutory operating margin	18.9%				18.6%		-30 bps

Progress in 2020

Sales of £310.0 million were down 8% in EMEA or 7% down on an organic basis. Against a backdrop of over 6% industrial production contraction, sales declined broadly in line with our markets. Economic activity in the second half of the year returned to more stable activity levels, as customers adapted to the new economic landscape and ways of working.

The impact of the global recession on organic sales was felt across all core territories, with the biggest effect in the Middle East and Africa that contracted over 20% following the decline of the oil price and as the region did not substantively benefit from government stimulus packages. Our core European markets, including the UK, Germany, Italy and France, experienced a close to 6% organic sales decline.

EMEA adjusted operating profit of £54.1 million was down 18% organically, as inventory reductions across the sales companies globally further reduced demand levels at European manufacturing facilities. A currency headwind further reduced the adjusted operating profit to be down 19%. At 17.5%, the adjusted operating margin was down by 250 bps. On an organic basis, the adjusted operating margin was down 220 bps.

Statutory operating profit was down from £63.4 million to £57.7 million, which is reflective of the reduced adjusted operating profit partially offset by a credit as a result of the UK pension schemes being closed to future accrual.

Steam Specialties: Asia Pacific

	2019	Exchange	Organic	Acq'n & disposal	2020	Organic	Reported
Revenue	£249.8m	(£3.7m)	(£11.5m)	-	£234.6m	-5%	-6%
Adjusted operating profit	£72.5m	(£1.4m)	£1.3m	-	£72.4m	+2%	0%
Adjusted operating margin	29.0%				30.9%	+200 bps	+190 bps
Statutory operating profit	£72.5m				£72.4m		0%
Statutory operating margin	29.0%				30.9%		+190 bps

Progress in 2020

Sales of £234.6 million were down 6% in Asia Pacific or 5% down on an organic basis, compared to a 1% industrial production decline. Asia Pacific is the region most exposed to larger capital projects that were down by double digits.

Organic sales in China, our largest operating company, were down less than 3% for the full year, as a result of almost 15% sales decline in the first half being partially offset by a strong second half recovery of almost 9% sales growth. While some customers were still restricting physical site visits, we remained in close contact, using digital methods to support them and ensure smooth operations. Since April, sales to customers in China have continued to recover with the economy, cushioning the sales decline in the rest of Asia Pacific.

Our operations in Korea and Australasia experienced a similar sales decline to China. Although initially less affected by the pandemic, subsequent waves of infection and eventual lockdowns in these countries impeded customer interactions and delayed deliveries. Japan, India and Southeast Asia operations were particularly impacted by customers delaying capital investments when economic conditions worsened, as well as routine maintenance work being postponed when plants and facilities closed due to lockdowns.

Adjusted operating profit of £72.4 million was flat compared to 2019 as currency movements offset an organic increase of 2%. At 30.9% the adjusted operating margin was up 200 bps organically due to improved operational performance, a favourable sales mix and temporary cost containment measures.

Statutory operating profit was also flat against the prior year at £72.4 million.

Steam Specialties: The Americas

	2019	Exchange	Organic	Acq'n & disposal	2020	Organic	Reported
Revenue	£169.9m	(£15.9m)	(£4.5m)	-	£149.5m	-3%	-12%
Adjusted operating profit	£38.4m	(£6.8m)	(£3.8m)	-	£27.8m	-12%	-28%
Adjusted operating margin	22.6%				18.6%	-190 bps	-400 bps
Statutory operating profit	£36.7m				£27.8m		-24%
Statutory operating margin	21.6%				18.6%		-300 bps

Progress in 2020
Sales of £149.5 million were down 12% or 3% down on an organic basis, while industrial production contracted 7% across the region.

Organic sales in North America were down less than 9%, impacted by the spread of COVID-19, the global recession, and the decline in the Oil & Gas sector. Our distribution network in the USA chose to reduce their inventory levels, due to the decline in industrial production and market uncertainty, thereby reducing demand for our products.

In Latin America, sales grew over 8% organically as we experienced strong sales performance in Spirax Sarco Brazil and Hiter Controls that were able to effectively pivot business into new sectors, in response to the decline of the Oil & Gas and Ethanol sectors. Argentina also achieved organic sales growth in 2020, as strong devaluation of the Peso drove local price increases to more than offset real term demand declines. Excluding Argentina, organic sales growth in Latin America was 3%.

Our five factories across the Americas have been able to meet demand, helping mitigate currency effects and take market share from our competitors who are dependent on imports. Our focus on strategic implementation and our strong cash position has ensured we retain sufficient inventory levels to help our customers meet their business continuity plans.

Adjusted operating profit of £27.8 million was down 28% or 12% down organically, the difference being the result of a significant negative currency impact. The adjusted operating profit margin was down 400 bps, strongly impacted by currency movements. On an organic basis, the adjusted operating profit margin was down by 190 bps to 18.6%.

Statutory operating profit was down from £36.7 million to £27.8 million, broadly in line with the reduction in adjusted operating profit.

Electric Thermal Solutions

	2019	Exchange	Organic	Acq'n	2020	Organic	Reported
Revenue	£186.1m	(£1.6m)	(£21.7m)	£15.2m	£178.0m	-12%	-4%
Adjusted operating profit	£24.7m	(£0.5m)	(£2.7m)	£3.1m	£24.6m	-11%	0%
Adjusted operating margin	13.3%				13.8%	+10 bps	+50 bps
Statutory operating profit	£7.9m				£4.8m		-39%
Statutory operating margin	4.2%				2.7%		-150 bps

Market overview

The geographical footprint of the Electric Thermal Solutions business differs greatly from Steam Specialties and Watson-Marlow, with two-thirds of its revenue generated in the Americas and less than 10% generated in Asia Pacific. It also has a greater weighting of sales to the Oil & Gas, Power Generation and Semiconductor sectors than Steam Specialties, plus lower weighting to the Food & Beverage and Pharmaceutical & Biotechnology sectors.

Chromalox, which accounts for three-quarters of revenue in the Electric Thermal Solutions business generates close to 75% of its revenue in North America and therefore has a higher exposure to industrial production in the USA that reported 7% industrial production decline in 2020. In particular, Chromalox was impacted by the contraction of the Oil & Gas sector and the lack of growth in the Power Generation sector.

Thermocoax, acquired in May 2019, accounted for a quarter of Electric Thermal Solutions' revenue in 2020. Almost 60% of sales are directed to European markets, with 35% of sales to the USA and less than 10% of sales supplied into Asia.

Progress in 2020

Sales of £178.0 million were 4% down or 12% down on an organic basis as the additional five months of Thermocoax sales in 2020 expanded revenues by 8%. The sales decline was largely driven by the COVID-19 pandemic, particularly in the USA, combined with the fall in oil price. Sales to Semiconductor OEMs, a strategic sector for the Electric Thermal Solutions business, grew significantly in both Europe and the USA, as we expanded our offering and displaced competitors with superior technological solutions.

Large project business declined at a faster rate than the base business, with projects being deferred due to customer capital expenditure reductions. However, in late 2020, Chromalox secured the largest single order in the Group's history, a US$14 million order from the US Navy, ending the year with a significantly higher order book to be shipped in 2021 and 2022.

Chromalox sales declined in its core markets of Oil & Gas, Petrochemical and Power Generation, although some specific sub-sectors, such as Liquified Natural Gas, remained strong. The sales of Heat Trace products also declined, impacted by distributors reducing inventory and a milder winter in the USA, but the rapid growth of decarbonisation efforts by countries and industry, has proven to be a valuable growth trend for Chromalox in 2020.

In its first full year with the Group, Thermocoax benefitted from strong growth in the Semiconductor sector and sustained growth in the Nuclear sector. As a result of strong operational performance and orders carried over from 2019, Thermocoax achieved 27% like-for-like sales growth in 2020.

Following a comprehensive consultation period, we agreed a restructuring programme at our loss-making Chromalox manufacturing facility in Soissons, France, resulting in a reduction of 34 roles primarily in direct production. The restructuring negotiations were completed amicably in August and with limited disruption to operations. The site will now focus on manufacturing complex engineered solutions for European markets, with heating elements and components sourced from other Chromalox manufacturing facilities. This restructuring initiative will significantly reduce our cost base and create a more appropriately sized production facility, which will improve the site's efficiency and help to secure its long-term profitability.

In March 2020, we disposed of ProTrace Engineering, a small, loss-making and non-core electrical engineering services business in Canada which was inherited through the original acquisition of Chromalox.

At £24.6 million, the adjusted operating profit was flat due to the increased contribution from Thermocoax, however declined 11% organically. In 2020, Chromalox closed out a loss-making customer project that had a £1.7 million negative impact on operating profit in the year.

The adjusted operating profit margin was up 50 bps to 13.8%, up 10 bps on an organic basis, driven by improved operating efficiencies and supported by cost containment initiatives as well as a positive mix impact from the higher margin Thermocoax.

Statutory operating profit was down 39% from £7.9 million in 2019 to £4.8 million, largely due to the restructuring costs incurred in the business during 2020 as disclosed in Note 2 to the Financial Statements.

Strategy update

We carried out a strategy review for the Electric Thermal Solutions business in the first half of 2020, and the subsequent "Engineering Premium Solutions" strategy was approved by the Board in June. Targeting high margin, high growth sectors, the main components of this strategy include a drive towards total customer solutions, sustainability and sectorisation. It is designed to deliver value to customers and stakeholders, while enhancing the business' operating efficiency and profitability. We strengthened our senior and executive teams through several strategic appointments including: Vice President of Global Sales; Vice President of Human Resources; IT Director; EH&S Director and Manufacturing Manager in France. This enhanced leadership team will be key to supporting the implementation of the strategy as it is deployed to colleagues during 2021.

In February 2020, construction commenced on a new manufacturing site and office facility in Normandy, France, to integrate Thermocoax's four existing sites into a new purpose-built facility which is expected to complete in the second half of 2021.

Operational improvements across the Electric Thermal Solutions business delivered a reduction of underlying manufacturing costs, an increase in On-Time Delivery (OTD) and improved most Health & Safety Key Performance Indicators (KPIs).

Electric Thermal Solutions introduced 20 new products throughout the year. Chromalox's new ChromaTrace™ for Buildings 1.0 design software, a free heat tracing system design programme specially created for the Building & Construction market, architects and engineers, was released to the public. Chromalox also expanded its DirectConnect™ MV Boiler product line to 11MW, offering the advantages of electric process heating, emissions-free operation and significant cost savings over low-voltage, higher installation cost designs. Thermocoax launched two new chucks (heating plates used during the process of atomic layer deposition) and new heating solutions for the Semiconductor market, as well as continuing the development of new InCore instrumentation systems for the Nuclear sector to measure key areas of plant operation, including temperature, neutron flux and reactor water level.

Outlook

Industrial production growth rates are forecasted to recover in the core markets of the Electric Thermal Solutions business in 2021, with over 5% growth in the USA (that accounted for more than 60% of sales in 2020) and over 7% growth on a global basis. We will continue to benefit from broadening our geographical direct sales footprint, as well as from the sales of new products launched during 2020, which align strongly with customer trends such as decarbonisation, emissions control, energy efficiency, process productivity and digitalisation.

We therefore anticipate underlying organic sales growth to be similar to global industrial production growth. Electric Thermal Solutions ended 2020 with a higher-than-normal order book, with shipment of these orders anticipated to add at least a further £8 million to sales in 2021.

As a result of underlying performance improvement initiatives progressing across Chromalox, the non-repeat of 2020 project losses, the reversal of close to half the £3 million cost containment measures and the operational gearing from the strong sales growth, we anticipate the adjusted operating profit will expand by more than twice the rate of the 2021 organic revenue growth.

Watson-Marlow Fluid Technology Group (Watson-Marlow)

	2019	Exchange	Organic	Acq'n & disposal	2020	Organic	Reported
Revenue	£300.9m	(£5.0m)	£25.4m	-	£321.3m	+9%	+7%
Adjusted operating profit	£95.8m	(£2.4m)	£13.9m	-	£107.3m	+15%	+12%
Adjusted operating margin	31.8%				33.4%	+180 bps	+160 bps
Statutory operating profit	£82.7m				£102.2m		+24%
Statutory operating margin	27.5%				31.8%		+430 bps

Market overview

Watson-Marlow was similarly impacted by economic conditions and industrial production growth rates as those experienced by the Steam Specialties business, albeit with a different geographical footprint as sales carry a higher weighting in the Americas and a lower weighting in Asia Pacific.

Progress in 2020

Sales of £321.3 million were up 7% or 9% up on an organic basis.

All regions delivered strong year-on-year sales growth with Asia Pacific particularly strong. Following the earlier impact of COVID-19 compared with the rest of the world, China and the Asia Pacific region sustained a faster and more robust recovery.

Demand from the Pharmaceutical & Biotechnology market was very robust, boosted by the development of COVID-19 vaccines and the commencement of a global production roll-out. Customers in this sector ramped up their existing manufacturing capacity to meet the increased COVID-19 vaccine production demand, diverting their focus from other activities such as gene therapies. As a result, sales to the Pharmaceutical & Biotechnology sector grew over 20% and Watson-Marlow ended the year with a sizeable order book for delivery in the first half of 2021.

Sales to the Food & Beverage and Water & Wastewater sectors were also strong in 2020, but overall sales across non-Pharmaceutical & Biotech industrial sectors were down 3%.

Serving so many critical customers on the front line of the pandemic, it has been essential for Watson-Marlow's supply locations to remain fully operational. Having implemented rigorous health and safety processes on site, we have been able to operate our manufacturing sites at close to normal capacity, with minimum disruption throughout the height of the pandemic, no production stoppages linked to suppliers and all suppliers remaining in business.

The combined impact of sales growth and prudent cost controls are reflected in Watson-Marlow's 2020 strong operating profit.

Watson-Marlow's adjusted operating profit was a record £107.3 million, up 12% or 15% up organically, the difference being the result of exchange rates. The 33.4% adjusted operating profit margin was up 160 bps or up 180 bps on an organic basis.

Statutory operating profit was up 24% from £82.7 million in 2019 to £102.2 million, for the same reasons as those improving the adjusted operating profit and also the impact of the UK pension scheme's closure to future accrual, as detailed in Note 2 to the Financial Statements.

Strategy update

Watson-Marlow progressed its geographical expansion plans in 2020, establishing new sales companies in Hungary, Norway and Finland. A new sales company was also established in Czech Republic which began trading in January 2021.

We are investing to increase manufacturing capacity at our main UK facility in Falmouth, including an expansion of the clean rooms to add a third tube extrusion line, as well as trebling our offsite warehousing capacity.

We are also investing in two new UK manufacturing facilities for Aflex and BioPure. The new £23 million, 16,200m^2, state-of-the-art manufacturing site for Aflex, in Yorkshire, delivered its first production output during the second quarter of 2020. This facility consolidates Aflex's original five sites into one purpose-built site, with four of these having successfully transitioned to the new site in 2020 and the final site due to complete its move in 2021.

In 2020, the Board approved a £24 million investment to construct a new 11,000m^2 manufacturing facility in Portsmouth for BioPure; a supplier of niche fluid path technologies for the Pharmaceutical & Biotechnology sector, acquired in 2014. Five times the size of the current site, the new site will also have a six-fold increase in machines and a five-fold increase in cleanrooms. This significant investment will further support Watson-Marlow's strength and growth in the Pharmaceutical & Biotechnology sector.

Manufacturing investment continued into 2021 with the announcement of a planned new manufacturing facility in North America. Representing an investment of US$88 million, the 12,800m^2 facility on a 25.4 acre site in Massachusetts will be Watson-Marlow's first regional manufacturing hub in the USA and is expected to start production by the end of 2022. When complete, the facility will improve lead times and customer service in the USA and its adjacent markets, significantly increase Watson-Marlow's global capacity and speed of response to growing customer demand.

2020 was a successful year for product launches, with seven new products released throughout the year. In June, we commenced a targeted launch of a revolutionary new pump head, utilising Conveying

Wave Technology (CWT), the ReNu 30 CWT, which fits onto our existing range of Watson-Marlow Qdos pumps. The new patented-technology pump head delivers superior accuracy and in chemical resistance for metering and dosing applications, establishing the next level of high performance for our industry. An evolution in long-life chemical metering, it expands our addressable market downstream into sectors requiring higher flow, pressure and enhanced chemical resistance.

Also launched during the year were three new EtherNet/IP™ Watson-Marlow process pumps which broaden our range and provide digital connectivity, as well as a range of model extensions for the MasoSine Certa™ pump and the MasoSine 800 pump.

During the first half of the year, Watson-Marlow also undertook a comprehensive strategic review and the refreshed business strategy received Board approval in June. With a strong history of profitable growth and clear market fundamentals "Strategy 25" focuses on further strengthening the business to sustain profitable growth. Within the strategy we prioritise the key industries and markets where we have potential to increase our addressable market, accelerate people development, drive technical innovation, achieve excellence in the supply chain and deliver improvements in our sustainability performance.

Outlook

During 2020, many of our Pharmaceutical & Biotechnology customers repurposed some of their capacity, which would have been designated for gene therapy applications, towards expanding their research and manufacturing capabilities for COVID-19 vaccine development and production. This resulted in significantly stronger sector demand, especially in the fourth quarter, driving the sector to represent over 55% of sales in 2020 and end the year with a higher-than-normal order book that will ship in 2021. Strong COVID-19 related demand is anticipated to continue into 2021 with customers also seeking to rebuild gene therapy related capacity later in the year.

As a result of both stronger underlying demand and a larger opening order book, we anticipate over 35% organic sales growth to the Pharmaceutical & Biotechnology sector in 2021. Across Watson-Marlow's other industrial sectors, we anticipate organic sales growth to be consistent with global industrial production.

Meeting this extraordinary demand growth will require additional short-term capacity expansion investments in some of our manufacturing facilities. Alongside this, we continue our medium-term investment programmes to increase manufacturing capacity across Watson-Marlow globally. As production from new sites ramps-up, including in 2021, we anticipate some dilution to margins as we incur additional manufacturing overheads ahead of realising the benefits from increased sales and economies of scale. We will also continue to invest in our direct sales and new product development capabilities in support of future organic sales growth and we expect the £3 million cost containment measures of 2020 to reverse entirely in 2021.

The expected currency headwind combined with the increased operational costs listed above, will partially offset the operational gearing benefits from higher sales. We therefore anticipate a moderate adjusted operating profit margin improvement in 2021.

Financial Review

The Group reports under International Financial Reporting Standards (IFRS) and also uses adjusted and organic figures where the Board believes that they help to effectively monitor the performance of the Group and aid readers of the Financial Statements to draw comparisons with our peers. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration and some are used in calculating debt covenants. Adjusted results quoted in the text below are referred to as "adjusted" (see Note 2 to the Financial Statements). A reconciliation of adjusted operating profit to statutory operating profit is provided below and more detail can be found in Note 2 to the Financial Statements.

As we are a multi-national Group of companies that trade in a large number of foreign currencies and regularly acquire and sometimes dispose of companies. Therefore, we also refer to organic performance measures, which strip out the effects of the movement of foreign currency exchange rates and of acquisitions and disposals, not included in the prior year. The Board believes that this allows readers of the Financial Statements to gain a further understanding of how the Group has performed.

	Operating profit 2020 £m	**Operating profit margin 2020 %**	Operating profit 2019 £m	Operating profit margin 2019 %
Europe, Middle East and Africa	54.1	17.5%	67.0	20.0%
Asia Pacific	72.4	30.9%	72.5	29.0%
Americas	27.8	18.6%	38.4	22.6%
Steam Specialties	**154.3**	**22.2%**	**177.9**	**23.6%**
Electric Thermal Solutions	24.6	13.8%	24.7	13.3%
Watson-Marlow	107.3	33.4%	95.8	31.8%
Corporate expenses	(15.8)		(15.7)	
Adjusted operating profit	**270.4**	**22.7%**	**282.7**	**22.8%**
Post-retirement benefit plan in the UK & Canada being closed to future accrual	10.5		-	
Restructuring costs	(4.3)		-	
Amortisation of acquisition-related intangible assets	(26.6)		(26.8)	
Acquisition-related items	-		(2.6)	
Reversal of acquisition-related fair value adjustments to inventory	(1.0)		(4.1)	
Impairment of goodwill	-		(4.2)	
Statutory operating profit	**249.0**		**245.0**	

Revenue

Group sales in 2020 were £1,193.4 million (2019: £1,242.4 million), down 3% on an organic basis that reflects a strong performance against a backdrop of between 4% to 5% contraction in global industrial production. Currency movements had a 2% negative effect on sales during the year, while the full year effect of sales from Thermocoax, acquired in May 2019, resulted in a 1% increase. Sales for the Group were down 4% compared to 2019.

Steam Specialties experienced an organic decline of less than 6%, reflecting the decline in global industrial production, with sales in all three geographical reporting segments down year-on-year: 7% in EMEA, 5% in Asia Pacific and 3% in the Americas. Electric Thermal Solutions experienced a 12% organic sales decline. Chromalox secured a US$14 million order from the US Navy, the largest single order in Four Group's history, contributing to a significantly larger order book at the end of the year. Watson-

Marlow had an excellent year, delivering organic sales growth of 9%, as sales to the Pharmaceutical & Biotechnology sector grew by 20%.

Adjusted operating profit and margin

Adjusted operating profit was £270.4 million (2019: £282.7 million), down 4% at reported exchange rates and 1% down on an organic basis. Steam Specialties was down 9% compared with 2019 on an organic basis, and a negative exchange impact resulted in profit being 13% down on an adjusted basis. Electric Thermal Solutions was down 11% on an organic basis and flat on an adjusted basis. Watson-Marlow was up 15% organically and 12% up on an adjusted basis, impacted by a currency headwind.

Currency movements negatively impacted adjusted operating profit with translational losses of £8.9 million, and an additional transactional loss of £3.1 million. The main transactional exposure flow affecting the Group is the export of products from our factories in the UK, invoiced in sterling, less the import of goods from overseas Group factories and third parties priced predominately in euros and US dollars. The net exposure is approximately £100 million.

The net effect of the acquisition of Thermocoax in 2019 and the disposal of ProTrace Engineering in the first half of 2020, added 1% to adjusted operating profit on a constant currency basis.

The Group adjusted operating profit margin of 22.7% was down 10 bps due to a negative currency impact. On an organic basis, the adjusted operating margin improved by 40 bps.

Steam Specialties' adjusted operating profit margin was down 80 bps organically and 140 bps down on an adjusted basis due to the impact of currency movements. Declines in adjusted operating profit margin in EMEA and the Americas were partially offset by a 200 bps organic increase in Asia Pacific. Electric Thermal Solutions was up 50 bps on an adjusted basis as a very positive contribution from Thermocoax was partially offset by a small currency headwind and an organic margin decline in Chromalox. Watson-Marlow was up by 160 bps driven by a strong 180 bps organic margin expansion.

Statutory operating profit and margin

Statutory operating profit of £249.0 million was up from £245.0 million in 2019, primarily as a result of a £10.5 million credit from defined benefit retirement plans in the UK and Canada being closed to future accrual. As a result, the statutory operating profit margin of 20.9% was up 120 bps (2019: 19.7%).

Finance costs

Net finance costs increased slightly to £8.7 million from £8.4 million in 2019. Net bank interest increased to £6.0 million from £4.9 million in 2019, due to the refinancing of the Revolving Credit Facility and issuing of a private placement bond in the second quarter.

Net costs under IAS 19 in respect of the Group's defined benefit pension schemes decreased to £1.5 million (2019: £2.2 million). The IFRS 16 interest charge for the year was £1.2 million (2019: £1.3 million).

We anticipate total net interest charges to be at a similar level in 2021.

Associates

The Group has one Associate holding, a 26.3% interest in Econotherm, a heat pipe technology business. Econotherm's performance weakened in 2020, with our share net of tax, falling to a loss of £0.2 million (2019: £0.2 million profit).

Adjusted profit before tax
Adjusted profit before tax was £261.5 million (2019: £274.5 million), down 5% at reported exchange rates. On an organic basis, adjusted profit before tax declined 1%.

Statutory profit before tax
The statutory profit before tax was £240.1 million (2019: £236.8 million) and includes the items listed below that have been excluded from the adjusted profit before tax:

- a charge of £26.6 million (2019: £26.8 million) for the amortisation of acquisition-related intangible assets;
- a £1.0 million (2019: £4.1 million) reversal of acquisition-related fair value adjustments to Thermocoax;
- a credit of £10.5 million (2019: £nil million) resulting from the defined benefit retirement plans in the UK and Canada being closed to future accrual; and
- a restructuring charge of £4.3 million (2019: £nil million) relating to the reorganisation of Chromalox's French operations and divestment of its small Canadian subsidiary, ProTrace.

The principal reasons for the movement between years are explained in the "Statutory operating profit and margin" section above.

Taxation
The tax charge on the adjusted profit before tax decreased by 100 bps to 27.5% (2019: 28.5%), due to the claiming of additional deductions in the year and innovation tax relief. The Group's overall tax rate reflects the blended average of the tax rates in nearly 50 tax jurisdictions around the world in which the Group trades and generates profit. The Group comprises in the region of 130 operating units, the majority of which are small, reflecting our local direct sales business model. On a statutory basis the Group's effective tax rate was 27.6%.

For 2021, we currently anticipate that based on the forecast mix of adjusted profits, the Group effective tax rate will be approximately 27%, absent a potential rise in the US Federal Tax rate.

In April 2019, the European Commission's investigation into the UK's Controlled Foreign Company regime concluded that certain aspects constituted State Aid. This requires the UK tax authority to recover the benefit from affected taxpayers and a Charging Notice for £4.6 million was received on 1st March 2021. No provision has been recognised and further details are included in Note 5 to the Financial Statements.

Earnings per share
Adjusted basic earnings per share declined 3% to 256.6 pence (2019: 265.7 pence). Statutory earnings per share were 235.5 pence (2019: 226.2 pence). The fully diluted earnings per share were not materially different in either year.

Dividends
The Group has a progressive dividend policy where dividend payments follow underlying earnings per share growth while maintaining prudent levels of dividend cover. The aim is to provide sustainable, affordable dividend growth, building on our 53-year record of dividend progress, with a compound annual increase of 11% over that period and a 11% per annum increase over the last 10 years. The Board is proposing a final dividend of 84.5 pence per share for 2020 (2019: 78.0 pence) payable on 21st May 2021 to shareholders on the register at 23rd April 2021. Together with the interim dividend of 33.5 pence per share (2019: 32.0 pence), the total Ordinary dividend for the year is 118.0 pence per share, an increase of 7% on the Ordinary dividend of 110.0 pence per share in 2019.

The total amount paid in dividends during the year was £82.5 million, 8% above the £76.3 million paid in 2019.

Brexit

Despite the continuing uncertainty surrounding Brexit throughout 2020, its impact on market confidence was very quickly overshadowed by the global pandemic. Overall, Brexit uncertainty had a relatively limited impact on our business during 2020 as over 90% of our sales and operating profit are generated outside the UK. In 2020, to mitigate the risk of delays at ports, we maintained over £5 million of buffer stock of raw materials and components in the UK and finished goods outside the UK.

We are well prepared and well placed to take on the challenges and identify the opportunities resulting from the UK exiting the EU. We have navigated periods of economic and political uncertainty in many different places around the world and have a long and successful history of doing so.

Research and development

The development of innovative new products and the speed with which we launch those products in-market, is an important element of our strategy for growth. The Group's total spend on research and development in 2020 was £12.7 million (2019: £13.4 million) of which £2.7 million was capitalised (2019: £3.2 million).

Capital employed

Capital employed	**2020** **£m**	2019 £m
Property, plant and equipment	261.3	251.2
Right-of-use assets (IFRS 16)	36.3	40.8
Software & Development costs	37.1	36.2
Inventories	180.1	185.9
Trade receivables	226.3	240.7
Prepayments and other current assets	41.3	44.6
Trade, other payables, current provisions and current tax	(194.9)	(205.0)
Capital employed	**587.5**	**594.4**
Acquired intangibles including goodwill	665.6	685.4
Investment in Associate	-	0.2
Post-retirement benefits	(98.6)	(71.3)
Net deferred tax	(28.5)	(43.1)
Non-current provisions and long-term payables	(7.1)	(5.2)
Lease liabilities	(34.1)	(38.9)
Net debt	(228.8)	(295.2)
Net assets	**856.0**	**826.3**
Adjusted operating profit	270.4	282.7
Adjusted operating profit (excluding IFRS 16)	269.3	281.4
Average capital employed	591.0	556.0
Average capital employed (excluding IFRS 16)	552.5	535.6
Return on capital employed	**45.8%**	**50.8%**
Return on capital employed (excluding IFRS 16)	**48.7%**	**52.5%**

Total capital employed has decreased by 1% at reported exchange rates and at constant currency. This compares with an organic sales decline of 3%.

Tangible fixed assets (PPE and IFRS 16 right-of-use-assets) increased by £5.6 million to £297.6 million.

Total working capital decreased by £13.4 million. The ratio of working capital to sales (at constant currency) reduced by 40 bps to 21.2% (2019: 21.6%), and the Group continued to hold over £5 million of Brexit buffer stock. Going forward, we anticipate maintaining a similar percentage of working capital to sales.

Return on capital employed (ROCE)
ROCE measures effective management of fixed assets and working capital relative to the profitability of the business. ROCE decreased to 45.8% (2019: 50.8%), due to the reduction in adjusted operating profit and the full year effect of the adoption of IFRS 16. Excluding the effect of IFRS 16, ROCE declined 380 bps. At constant currency, excluding acquisitions, disposals and IFRS 16, ROCE declined by 350 bps. ROCE is defined in Note 2 to the Financial Statements.

Return on invested capital (ROIC)
ROIC measures the return on invested capital, both equity and debt, relative to the adjusted operating profit after tax. ROIC fell to 17.2% (2019: 18.7%), due to the reduction in adjusted operating profit and the full year effect of the adoption of IFRS 16. Excluding the effect of IFRS 16, ROIC declined 130 bps. At constant currency, excluding acquisitions, disposals and IFRS 16, ROIC declined by 40 bps. ROIC is defined in Note 2 to the Financial Statements.

Post-retirement benefits
The net post-retirement benefit liability under IAS 19 increased to £98.6 million (2019: £71.3 million). Assets rose by £43.9 million (9%), reflecting greater than expected returns. Liabilities rose by £71.2 million (13%), largely due to a change in market conditions that resulted in reductions in the AA corporate bond rates used to discount future cash flows.

The main UK schemes, which constitute 89% of assets, were closed to new members in 2001 and closed to future accrual with effect from 30th June 2020. These schemes continue to be managed under a dynamic de-risking strategy whereby asset and liability values are monitored on a daily basis by the asset manager and appropriate asset allocation decisions taken as the funding level improves against pre-agreed trigger points. The Canadian scheme was also closed to future accrual from 30th September 2020. Following actuarial valuations of the three UK schemes, deficit reduction programmes were agreed with the Trustees and contributions of £4.0 million were made in 2020. The main UK scheme was subject to an actuarial valuation during 2020 and total contributions for all UK schemes in 2021 are expected to be £5.2 million.

Cash flow and treasury

Cash flow	**2020** **£m**	2019 £m
Adjusted operating profit	270.4	282.7
Depreciation and amortisation (excluding IFRS 16)	36.7	34.3
Depreciation of leased assets	12.1	11.3
Cash payments to pension schemes more than the charge to adjusted operating profit	(3.9)	(5.2)
Equity settled share plans	7.0	6.2
Working capital changes	13.4	(21.4)
Repayments of principal under lease liabilities	(12.2)	(11.2)
Capital expenditure (including software and development)	(49.6)	(62.4)
Capital disposals	1.9	3.8
Adjusted cash from operations	**275.8**	**238.1**
Net interest	(7.2)	(5.4)
Income taxes paid	(71.9)	(78.4)
Free cash flow	**196.7**	**154.3**
Net dividends paid	(82.5)	(76.3)
Purchase of employee benefit trust shares/Proceeds from issue of shares	(12.5)	(12.5)
(Acquisitions)/Disposals of subsidiaries & restructuring costs	(9.4)	(138.5)
Cash flow for the year	**92.3**	**(73.0)**
Exchange movements	(25.9)	13.6
Opening net debt	(295.2)	(235.8)
Net debt at 31st December (excluding IFRS 16)	**(228.8)**	**(295.2)**
IFRS 16 lease liability	(34.1)	(38.9)
Net debt and lease liability at 31st December	(262.9)	(334.1)

Adjusted cash from operations is a measure of the cash flow generated from our companies which reflects the components within the control of local management. A reconciliation between this and statutory operating cash flow can be found in Note 2 to the Financial Statements.

Adjusted cash from operations improved by £37.7 million to £275.8 million (2019: £238.1 million) representing 102% cash conversion.

Movements in working capital are discussed in the Capital Employed section.

The capital intensity of our business is low, with capital expenditure typically between 4% and 6% of sales. During the year, our capital expenditure was £49.6 million, equivalent to 4% of sales. Capital expenditure decreased by £12.8 million, principally as a result of expenditure incurred during 2019 on a new purpose-built factory in the UK for Aflex. The Group continued to invest during 2020 in other significant projects and development of our digital capabilities.

We would expect capital expenditure in 2021 to be at the top-end of our typical range as we invest in new production facilities for Watson-Marlow and increase spending on projects such as OPAL.

Tax paid in the year decreased by £6.5 million to £71.9 million in line with the decrease in profitability during 2020 and the reduction in the effective tax rate. Free cash flow increased to £196.7 million (2019: £154.3 million) as a result of improvements to working capital and the decrease in capital expenditure and tax.

Dividend payments were £82.5 million, including payments to minorities (2019: £76.3 million) and represent the final dividend for 2019 and the interim dividend for 2020.

There was a cash outflow of £4.8 million related to deferred consideration payable for the acquisition of Qonqave, a small German pre-revenue company acquired in 2018 within Watson-Marlow as well as an additional £4.6 million outflow relating to restructuring within Electric Thermal Solutions. The net of share purchases and new shares issued for the Group's various employee share schemes resulted in a cash outflow of £12.5 million (2019: £12.5 million) reflecting the move to acquire shares on the open market rather than issue new equity.

The Group's Income Statement and Statement of Financial Position are exposed to movements in a wide range of different currencies. This stems from our direct sales business model, with a large number of local operating units. These currency exposures and risks are managed through a rigorously applied Treasury Policy, typically using centrally managed and approved simple forward contracts to mitigate exposures to known cash flows and avoiding the use of complex derivative transactions. The largest exposures are to the Euro, US dollar, Chinese Renminbi and Korean Won. While currency effects can be significant, the structure of the Group provides some mitigation through our regional manufacturing presence, diverse spread of geographic locations and through the natural hedge of having a high proportion of our overhead costs in the local currencies of our direct sales operating units.

The fundamentals of our financial resilience

The operational and financial performance of our Group during 2020 - an unprecedented and challenging year - provides a strong indicator of current and future resilience. Against the backdrop of the global COVID-19 pandemic, we delivered a robust financial performance and increased the dividend, while continuing to invest in the capacity, capability, and quality of our businesses to build a sustainable future.

Our products and solutions are used across a broad range of industries and geographical markets, which links our business performance to movements in global industrial production (IP). In 2020, global IP declined for only the second time in the last 20 years due to the effects of COVID-19. As in previous years, our business model supported our outperformance against global IP due to our ability to self-generate sales (accounting for 35% of sales) and a significant base business in maintenance and repair sales (accounting for 50% of sales). These sales are funded from our customers' operating budgets. The remaining 15% of sales are related to large projects, funded from customers' capital expenditure budgets, which are more heavily influenced by economic cycles. Over 55% of our sales are to defensive, less cyclical sectors and no single customer accounts for more than 1% of Group turnover.

Strong focus on cash generation and liquidity

We remain highly cash generative, delivering an exceptional 102% cash conversion in 2020. This was delivered due to an inflow from working capital as inventory and receivables were reduced through our sustained focus on improving inventory efficiency and cash collection, while also improving on our customer service metrics.

The capital intensity of our business is low, with capital expenditure typically between 4% and 6% of sales. During the year, our capital expenditure was £49.6 million, equivalent to 4% of sales, including investment in new manufacturing facilities for Watson-Marlow.

This performance resulted in a strong year-end net debt position, excluding leases, of £228.8 million (2019: £295.2 million) and a net debt to EBITDA ratio of 0.7 times (2019: 0.9 times). We successfully strengthened our balance sheet through a planned refinancing programme in May, despite the impact of COVID-19 on credit markets, raising a three year revolving credit facility and adding new banks to the lending group as well as issuing a US Private Placement bond. At the end of the year total committed and undrawn debt facilities amounted to £350 million and Cash & Cash Equivalents amounted to £224 million, giving us headroom of £574 million. The average tenor of our debt is 2.5 years with the earliest contractual repayment in March 2022.

Resilience over the short, medium and long term

Our business model and the investments we have continued to make in our business, combined with our high cash generation, position us well to adapt to economic cycles. Our Going Concern and Viability analysis gives us confidence in the robustness of our business and our capital structure, even under downside scenarios.

We have undertaken scenario-based modelling of our key risks, which underpins our confidence in our short and medium-term resilience. The continued implementation of our strategy, which has been in place since 2014, supports our longer-term resilience and we have continued to refresh this strategy, with a focus on the changing economic, environmental and social factors and their ability to impact our businesses in the future.

Going concern

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position (as well as the financial position of the Group, its cash flows, liquidity position and borrowing facilities) are set out in more detail in the Financial Review.

The Group has considerable financial resources and holds contracts with a diverse range of customers and suppliers across different geographical areas and industries.

The Group's Going Concern analysis looks at the 12-month period from the signing of the Annual Report and Accounts. In order to assess the Group's continued ability to trade as a Going Concern we model both a reasonable 'worst case' scenario and a 'reverse stress' scenario. Both scenarios support the Group's strong positioning and ability to continue trading during the assessment period.

The 'worst case' scenario is predicated upon an immediate 15% reduction in Group revenue over a 12-month period, with limited ability for the Group to respond through management of expenditure or cashflow. This scenario is significantly more challenging than the Group's recent experience of the impact of Covid-19 during 2020 as well as the impact of the 2008-9 financial crisis and hence is considered to provide a reasonable 'worst case'. Under this scenario the Group continues to trade profitably and does not breach any of the Group's Financial Covenants.

The 'reverse stress scenario' is designed to calculate the reduction in Group revenue, sustained over a 12-month period and without offsetting management mitigations, which would be necessary before the Group would breach its financial covenants. The magnitude of this decline is considered highly unlikely, particularly in light of the recent experience of the COVID-19 crisis, hence supporting the Group's Going Concern assertion.

The Group's credit facilities all have a leverage (defined as net debt divided by adjusted earnings before interest, tax, depreciation and amortisation) covenant of up to 3.5 times and the Private Placements have an interest cover (defined as adjusted earnings before interest, tax and amortisation divided by net bank interest) covenant of more than 3.0 times. The Group regularly monitors its financial position to ensure that it remains within the terms of its covenants. As at 31st December 2020, interest cover was more than 50 times and leverage was 0.7 times.

Taking all these factors into account, the Directors believe the Group is well placed to manage its business risks successfully. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence and that the Directors intend to do so, for at least one year from the date the Financial Statements were signed, and that it is appropriate to adopt the Going Concern basis in preparing the Annual Report and Accounts.

Viability Statement
In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, taking into account the Group's current financial position, business strategy, the Board's risk appetite and the potential impacts of the Group's principal risks. We set out the eight principal risks we have identified in Note 1 to the Financial Statements.

Based on this assessment, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31st December 2023.

The Board has adopted a three-year viability assessment, which it believes to be appropriate as the timeframe is covered by the Group's forecasts; takes into account the nature of the Group's principal risks, a number of which are external and have the potential to impact over short time periods; and is in alignment with the Group's bank term-loan durations. While the Board has no reason to believe that the Group will not be viable over a longer period, given the inherent uncertainty involved, the Board believes that a three-year period provides a reasonable degree of confidence while still providing a longer-term perspective.

In making their assessment, the Board completed a robust assessment, supported by detailed modelling, of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. As part of the review, sensitivity and stress testing were undertaken to determine the potential impacts of the occurrence of one or more of the principal risks on sales, profit, margin, balance sheet, cash and return on capital employed. In addition to completing an impact assessment of the principal risks, the Board considered the probability of the occurrence of the principal risks, the Company's ability to control them and the effectiveness of mitigating actions. In every modelled scenario the Group is able to demonstrate that it continues to remain viable.

While no Board can ever fully foresee all possible risks facing the business in the future, the Board is of the view that a robust assessment was undertaken of the severe but plausible scenarios that may feasibly impact upon the business over the next three years. Furthermore, the Board remains confident in the Group's risk management process and the risk mitigation actions taken to address identified risks.

Long-term resilience
The Group has a long track record, over 130 years, of consistently adapting to changing macro-economic, environmental and social factors supported by our business model. While our strategy and business model lessen any material impact from our principal risk factors, we nevertheless continuously review our markets, listen to our customers and adapt our solutions, while working responsibly and in line with our Values to build long-term sustainability.

We recognise the need to anticipate and mitigate the impact of climate-related change, although it is not classed as a principal risk for our Group. In 2020, we refreshed our sustainability strategy and appointed a Group Head of Sustainability, to accelerate the implementation of our plans. We undertook analysis to identify climate change risks which will be addressed through our strategy.

Steam remains the world's most efficient heat transfer medium with multiple on-site applications. We have a highly resilient business and strategy that will remain relevant across different climate-related scenarios, but we are not complacent and plan to conduct further scenario and risk analysis at a business level going forward. We continue to invest in research and development into solutions which will reduce our environmental impact and support our customers to reduce their energy use and carbon emissions. We are exploring synergies within our thermal energy management portfolio, which will enable us to combine core capabilities from our Steam Specialties and Electric Thermal Solutions businesses to develop our products and service capabilities for quantifiable sustainability benefits. This will enable us to support the evolving needs of our customers as they seek to mitigate the impact of their operations on the environment.

Capital structure

The Board keeps the capital requirements of the Group under regular review, maintaining a strong financial position to protect the business and provide flexibility of funding for growth. The Group earns a high return on capital, which is reflected in strong cash generation over time. Our capital allocation policy remains unchanged. Our first priority is to maximise investment in the business to generate further good returns in the future, aligned with our strategy for growth and targeting improvement in our key performance indicators. Next, we prioritise finding suitable acquisitions that can expand our addressable market through increasing our geographic reach, deepening our market penetration or broadening our product range. Acquisition targets need to exhibit a good strategic fit and meet strict commercial, economic and return on investment criteria. When cash resources significantly exceed expected future requirements, we would look to return capital to shareholders, as evidenced by special dividends declared in respect of 2010, 2012 and 2014. However, in the near term, we will look to reduce our financial leverage prior to considering new returns of capital to shareholders.

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2020

	Note	2020 £m	2019* £m	1 January 2019* £m
ASSETS				
Non-current assets				
Property, plant and equipment		261.3	251.2	230.8
Right-of-use assets		36.3	40.8	-
Goodwill		422.4	417.7	368.0
Other intangible assets		280.3	303.9	277.2
Prepayments		1.4	0.9	6.2
Investment in Associate		-	0.2	-
Deferred tax assets		50.9	40.8	41.3
		1,052.6	1,055.5	923.5
Current assets				
Inventories		180.1	185.9	160.6
Trade receivables		226.3	240.7	245.1
Other current assets		31.8	35.3	32.9
Taxation recoverable		8.1	8.4	4.6
Cash and cash equivalents*	8	246.2	330.6	324.6
		692.5	800.9	767.8
Total assets		**1,745.1**	1,856.4	**1,691.3**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		160.2	174.8	167.0
Provisions		6.1	3.5	5.0
Bank overdrafts*	8	22.2	162.3	137.9
Short-term borrowings	8	-	-	15.7
Current portion of long-term borrowings	8	0.6	34.3	41.5
Short-term lease liabilities	8	10.3	11.1	-
Current tax payable		28.6	26.7	23.7
		228.0	412.7	390.8
Net current assets		**464.5**	388.2	**377.0**
Non-current liabilities				
Long-term borrowings	8	452.2	429.2	365.3
Long-term lease liabilities	8	23.8	27.8	-
Deferred tax liabilities		79.4	83.9	76.8
Post-retirement benefits		98.6	71.3	85.1
Provisions		2.0	1.3	3.7
Long-term payables		5.1	3.9	2.7
		661.1	617.4	533.6
Total liabilities		**889.1**	1,030.1	**924.4**
Net assets	3	**856.0**	826.3	**766.9**
Equity				
Share capital		19.8	19.8	19.8
Share premium account		84.8	81.0	77.8
Other reserves		(36.1)	(10.6)	22.2
Retained earnings		786.5	735.1	646.0
Equity shareholders' funds		855.0	825.3	765.8
Non-controlling interest		1.0	1.0	1.1
Total equity		**856.0**	826.3	**766.9**
Total equity and liabilities		**1,745.1**	1,856.4	**1,691.3**

*The prior year comparatives for Cash and cash equivalents and Bank overdrafts have been adjusted to reflect a reclassification to meet the presentational requirements of IAS 32, with further detail given within Note 1. This had no impact on the net assets of the Group.

Spirax-Sarco Engineering plc

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	Adjusted 2020 £m	Adj't* 2020 £m	Total 2020 £m	Adjusted 2019 £m	Adj't* 2019 £m	Total 2019 £m
Revenue	2, 3	**1,193.4**	**-**	**1,193.4**	**1,242.4**	**-**	**1,242.4**
Operating costs		(923.0)	(21.4)	(944.4)	(959.7)	(37.7)	(997.4)
Operating profit	2, 3	**270.4**	**(21.4)**	**249.0**	**282.7**	**(37.7)**	**245.0**
Financial expenses		(10.1)	-	(10.1)	(9.9)	-	(9.9)
Financial income		1.4	-	1.4	1.5	-	1.5
Net financing expense	3, 4	(8.7)	-	(8.7)	(8.4)	-	(8.4)
Share of profit of Associate		(0.2)	-	(0.2)	0.2	-	0.2
Profit before taxation		**261.5**	**(21.4)**	**240.1**	**274.5**	**(37.7)**	**236.8**
Taxation	5	(72.0)	5.8	(66.2)	(78.3)	8.5	(69.8)
Profit for the period		**189.5**	**(15.6)**	**173.9**	**196.2**	**(29.2)**	**167.0**
Attributable to:							
Equity shareholders		189.2	(15.6)	173.6	195.8	(29.2)	166.6
Non-controlling interest		0.3	-	0.3	0.4	-	0.4
Profit for the period		**189.5**	**(15.6)**	**173.9**	**196.2**	**(29.2)**	**167.0**
Earnings per share	2, 6						
Basic earnings per share		256.6p		235.5p	265.7p		226.2p
Diluted earnings per share		255.8p		234.8p	264.9p		225.5p
Dividends	7						
Dividends per share				118.0p			110.0p
Dividends paid during the year (per share)				111.5p			103.0p

*Adjusted figures exclude certain items, as set out and explained in the Financial Review and as detailed in Note 2. All amounts relate to continuing operations.

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020

	2020 £m	2019 £m
Profit for the year	**173.9**	**167.0**
Items that will not be reclassified to profit or loss:		
Remeasurement (loss)/gain on post-retirement benefits	(40.2)	9.0
Deferred tax on remeasurement loss/(gain) on post-retirement benefits	8.2	(1.4)
	(32.0)	7.6
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences and net investment hedges	(24.5)	(33.5)
Non-controlling interest foreign exchange translation differences	-	(0.1)
(Loss)/profit on cash flow hedges net of tax	(0.7)	3.3
	(25.2)	(30.3)
Total comprehensive income for the year	**116.7**	**144.3**
Attributable to:		
Equity shareholders	116.4	144.0
Non-controlling interest	0.3	0.3
Total comprehensive income for the year	**116.7**	**144.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

	Share Capital	Share Premium account	Other reserves	Retained Earnings	Equity shareholders' funds	Non-controlling interest	Total Equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1st January 2020	**19.8**	**81.0**	**(10.6)**	**735.1**	**825.3**	**1.0**	**826.3**
Profit for the year				**173.6**	**173.6**	**0.3**	**173.9**
Other comprehensive (expense)/income:							
Foreign exchange translation differences and net investment hedges	-	-	(24.5)	-	(24.5)	-	(24.5)
Remeasurement loss on post-retirement benefits	-	-	-	(40.2)	(40.2)	-	(40.2)
Deferred tax on remeasurement loss on post-retirement benefits	-	-	-	8.2	8.2	-	8.2
Cash flow hedges	-	-	(0.7)	-	(0.7)	-	(0.7)
Total other comprehensive expense for the year	-	-	(25.2)	(32.0)	(57.2)	-	(57.2)
Total comprehensive (expense)/income for the year	-	-	(25.2)	141.6	116.4	0.3	116.7
Contributions by and distributions to owners of the Company:							
Dividends paid	-	-	-	(82.2)	(82.2)	(0.3)	(82.5)
Equity settled share plans net of tax	-	-	-	(8.0)	(8.0)	-	(8.0)
Issue of share capital	-	3.8	-	-	3.8	-	3.8
Employee Benefit Trust shares	-	-	(0.3)	-	(0.3)	-	(0.3)
Transfer between reserves	-	-	-	-	-	-	-
Balance at 31st December 2020	**19.8**	**84.8**	**(36.1)**	**786.5**	**855.0**	**1.0**	**856.0**

Other reserves represent the Group's translation, net investment hedge, cash flow hedge, capital redemption and Employee Benefit Trust reserves.

The non-controlling interest is a 2.5% share of Spirax-Sarco (Korea) Ltd held by employee shareholders.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2019

	Share Capital £m	Share Premium account £m	Other reserves £m	Retained Earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total Equity £m
Balance at 1st January 2019	**19.8**	**77.8**	**22.2**	**646.0**	**765.8**	**1.1**	**766.9**
Adoption of IFRS 16				(2.4)	(2.4)	-	(2.4)
Balance at 1st January 2019 (restated)	**19.8**	**77.8**	**22.2**	**643.6**	**763.4**	**1.1**	**764.5**
Profit for the year				**166.6**	**166.6**	**0.4**	**167.0**
Other comprehensive (expense)/income:							
Foreign exchange translation differences and net investment hedges	-	-	(33.5)	-	(33.5)	(0.1)	(33.6)
Remeasurement gain on post-retirement benefits	-	-	-	9.0	9.0	-	9.0
Deferred tax on remeasurement gain on post-retirement benefits	-	-	-	(1.4)	(1.4)	-	(1.4)
Cash flow hedges	-	-	3.3	-	3.3	-	3.3
Total other comprehensive (expense)/income for the year	-	-	(30.2)	7.6	(22.6)	(0.1)	(22.7)
Total comprehensive (expense)/income for the year	-	-	(30.2)	174.2	144.0	0.3	144.3
Contributions by and distributions to owners of the Company:							
Dividends paid	-	-	-	(75.9)	(75.9)	(0.4)	(76.3)
Equity settled share plans net of tax	-	-	-	(5.4)	(5.4)	-	(5.4)
Issue of share capital	-	3.2	-	-	3.2	-	3.2
Employee Benefit Trust shares	-	-	(4.0)	-	(4.0)	-	(4.0)
Transfer between reserves	-	-	1.4	(1.4)	-	-	-
Balance at 31st December 2019	**19.8**	**81.0**	**(10.6)**	**735.1**	**825.3**	**1.0**	**826.3**

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit before taxation		240.1	236.8
Depreciation, amortisation and impairment		75.4	76.6
(Profit)/loss on disposal of fixed assets		(0.3)	0.4
Loss on disposal of subsidiary		0.4	-
Reversal of acquisition-related fair value adjustments to inventory		1.0	4.1
Cash payments to the pension schemes greater than the charge to operating profit		(14.7)	(5.2)
Equity settled share plans		7.0	6.2
Net financing expense		8.7	8.4
Operating cash flow before changes in working capital and provisions		**317.6**	**327.3**
Change in trade and other receivables		15.1	2.4
Change in inventories		3.8	(23.8)
Change in provisions		3.3	(2.4)
Change in trade and other payables		(8.7)	2.3
Cash generated from operations		331.1	305.8
Income taxes paid		(71.9)	(78.4)
Net cash from operating activities	2	**259.2**	**227.4**
Cash flows from investing activities			
Purchase of property, plant and equipment		(42.0)	(50.9)
Proceeds from sale of property, plant and equipment		2.2	3.4
Purchase of software and other intangibles		(4.9)	(8.3)
Development expenditure capitalised		(2.7)	(3.2)
Disposal of subsidiary		(0.3)	-
Acquisition of businesses net of cash acquired	9	(4.8)	(117.9)
Interest received		1.4	1.5
Net cash used in investing activities		**(51.1)**	**(175.4)**
Cash flows from financing activities			
Proceeds from issue of share capital		2.0	2.1
Employee Benefit Trust share purchase		(14.5)	(14.7)
Repaid borrowings	8	(175.0)	(80.2)
New borrowings	8	138.3	129.8
Interest paid		(8.6)	(7.0)
Repayment of lease liabilities	8	(12.2)	(11.2)
Dividends paid (including minorities)	7	(82.5)	(76.3)
Net cash used in financing activities		**(152.5)**	**(57.5)**
Net change in cash and cash equivalents	8	**55.6**	**(5.5)**
Net cash and cash equivalents at beginning of period		**168.3**	**186.7**
Exchange movement	8	0.1	(12.9)
Net cash and cash equivalents at end of period	8	**224.0**	**168.3**
Borrowings	8	(452.8)	(463.5)
Net debt at end of period	8	**(228.8)**	**(295.2)**
Lease liabilities	8	(34.1)	(38.9)
Net debt and lease liabilities at end of period	8	(262.9)	(334.1)

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. IFRS includes the standards and interpretations approved by the International Accounting Standards Board (IASB) including International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRIC).

The financial information included in this News Release does not constitute statutory accounts of the Group for the years ended 31st December 2020 and 2019, although it is derived from those accounts. Statutory accounts for the year ended 31st December 2019 have been reported on by the Group's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31st December 2020 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.

If approved at the Annual General Meeting on 12th May 2021, the final dividend will be paid on 21st May 2021 to shareholders on the register at 23rd April 2021. No scrip alternative to the cash dividends is being offered.

Copies of the Annual Report will be sent on 7th April 2021 to shareholders who have requested a hard copy and can be obtained from our registered office at Charlton House, Cirencester Road, Cheltenham, Gloucestershire, GL53 8ER. The Report will also be available on our website at www.spiraxsarcoengineering.com.

As outlined below, there have been no significant changes in accounting policies from those set out in the Spirax-Sarco Engineering plc 2019 Annual Report. The accounting policies have been applied consistently throughout the years ended 31st December 2019 and 31st December 2020.

NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

During the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods that begin on or after 1st January 2020. Their adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

The Economy in Argentina remains subject to high inflation. At 31st December 2020 we have concluded that applying IAS 29 (Financial Reporting in Hyperinflationary Economies) is not required as the impact of adopting it is not material. We will continue to assess the position going forward.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 (Insurance Contracts);
- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of liabilities as current or non-current;
- Amendments to IAS 16: Proceeds before intended use;
- Amendments to IAS 37: Cost of fulfilling a contract; and
- Annual Improvements to IFRS Standards 2018-2020 cycle.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

The transition away from London Inter-Bank Offered Rate (LIBOR), and other Inter-Bank Offered Rates (IBORs) (together "IBOR Reform") will remove IBOR as an interest rate benchmark for financial instruments including the floating rate debt held by the Group. There is uncertainty as to the timing and the methods of transition for replacing existing IBOR benchmark rates with alternative rates. The Group has considered whether hedge accounting relationships continue to qualify for hedge accounting as at 31st December 2020. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected transition deadline. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31st December 2020. The changes proposed are not considered to have an immediate impact on the Group and we will continue to monitor developments of IBOR Reform throughout 2021.

RECLASSIFICATION OF PRIOR PERIOD BALANCES

During the period, it was determined that the Group's cash and overdrafts with notional cash pooling arrangements did not meet the criteria for offsetting as set out in paragraph 42 of IAS 32 (Financial Instruments: Presentation) and therefore cannot be presented net in the Statement of Financial Position. As a result, for presentation purposes, amounts have been reclassified in the comparative periods with the impact being an increase to both Cash and cash equivalents and Bank overdrafts of £162.1m as at 31st December 2019 and £137.5m as at 1st January 2019.

This change had no impact on the net assets of the Group.

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 on the Group, which are described in the Chair's Statement, Operating Review and Financial Review.

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

PRINCIPAL RISKS

The Group has processes in place to identify, evaluate and mitigate the principal risks that could have an impact on the Group's performance. The principal risks together with a description of why they are relevant and if the significance of the risk has changed during 2020 are set out below. Details of how they link with the Group's strategy and how mitigation is managed will be disclosed in the 2020 Annual Report.

- ***Economic and political instability***

The Group operates worldwide and maintains operations in territories that have historically experienced economic or political instability. This type of instability, which includes the uncertainties of regime change, creates risks for our locally based direct operations and broader risks to credit, liquidity and currency.

This risk has increased due to various factors including the trade tensions between North America and China in 2019, the deterioration in the Argentine economy and the continued tensions in the Middle East.

- ***Significant exchange rate movements***

The Group reports its results and pays dividends in sterling. Operating and manufacturing companies trade in local currency. With sales companies and manufacturing spread across the globe, the nature of the Group's business necessarily results in exposure to exchange rate volatility.

- ***Cybersecurity***

Cybersecurity risks include risks from malware, accident, statutory and legislative requirements, malicious actions and other unauthorised access by third parties.

- ***Failure to realise acquisition objectives***

Whilst the Group mitigates this risk in various ways, including through comprehensive due diligence, professional advisers and contractual protections, amongst others, there are some variables that are uncontrollable or difficult to control, such as economic conditions, culture clashes and employee movement. Therefore, these could impact acquisition objectives.

- ***Loss of manufacturing output at any Group factory***

The risk includes loss of output as a result of natural disasters, industrial action, accidents or any other cause. Loss of manufacturing output at any important plant risks serious disruption to sales operations.

- ***Breach of legal and regulatory requirements (including ABC laws)***

We operate globally and must ensure compliance with laws and regulations wherever we do business. As we grow into new markets and territories, we must continually review and update our operations and procedures, and ensure our colleagues are fully informed and educated in all applicable legal requirements. This is particularly important with respect to anti-bribery and corruption (ABC) legislation. Breaching any of these laws or regulations could have serious consequences for the Group.

- ***Inability to identify and respond to changes in customer needs***

This risk could lead to a loss of business as a result of a failure to respond rapidly to changes in the needs of customers or technology shifts.

- ***Solution specification failure***

This risk relates to loss of output at a customer plant due to faulty product potentially leading to customer product contamination and/or loss of manufacturing output and thereby contractual liability and loss of sales.

Loss of critical supplier and Health, safety and environmental risks are no longer considered a principal risk but will continue to be monitored.

2. ALTERNATIVE PERFORMANCE MEASURES

The Group reports under IFRS and also uses alternative performance measures where the Board believe that they help to effectively monitor the performance of the Group, users of the Financial Statements might find them informative and an aid to comparison with our peers. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. Net debt to EBITDA is also a covenant assessed for external borrowing purposes. A definition of the alternative performance measures included in the Annual Report and a reconciliation to the closest IFRS equivalent are disclosed below.

Adjusted operating profit

Adjusted operating profit excludes 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 and an aid to comparison with our peers. The Group excludes such items including those defined as follows:

- amortisation and impairment of acquisition-related intangible assets;
- impairment of goodwill;
- costs associated with acquisitions and disposals;
- reversal of acquisition-related fair value adjustments to inventory;
- changes in deferred consideration payable on acquisitions;
- profit or loss on disposal of subsidiary;
- significant restructuring costs;
- certain foreign exchange gains and losses on borrowings;
- significant profits or losses on disposal of property; and
- significant plan amendments and/or legal rulings requiring a past service cost or credit for post-retirement benefit plans.

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below.

	2020 £m	2019 £m
Operating profit as reported under IFRS	**249.0**	**245.0**
Amortisation of acquisition-related intangible assets	26.6	26.8
Impairment of goodwill	-	4.2
Acquisition-related items	-	2.6
Reversal of acquisition-related fair value adjustments to inventory	1.0	4.1
Restructuring costs	4.3	-
Post-retirement benefit plans in the UK and Canada being closed to future accrual	(10.5)	-
Adjusted operating profit	**270.4**	**282.7**

The related tax effects of the above are included as adjustments in taxation as disclosed in Note 5.

Adjusted earnings per share

	2020	2019
Profit for the period attributable to equity holders as reported under IFRS (£m)	**173.6**	**166.6**
Items excluded from adjusted operating profit disclosed above (£m)	21.4	37.7
Tax effects on adjusted items (£m)	(5.8)	(8.5)
Adjusted profit for the period attributable to equity holders (£m)	**189.2**	**195.8**
Weighted average shares (million)	73.7	73.7
Basic adjusted earnings per share	256.6p	265.7p
Diluted weighted average shares (million)	73.9	73.9
Diluted adjusted earnings per share	255.8p	264.9p

Basic adjusted earnings per share is defined as adjusted profit for the period attributable to equity holders divided by the weighted average number of shares in issue. Diluted adjusted earnings per share is defined as adjusted profit for the period attributable to equity holders divided by the diluted weighted average number of shares.

Basic and diluted EPS calculated on an IFRS profit basis are included in Note 6.

Adjusted cash flow

A reconciliation showing the items that bridge between net cash from operating activities as reported under IFRS to an adjusted basis is given below. Adjusted cash from operations is used by the Board to monitor the performance of the Group, with a focus on elements of cashflow, such as Net capital expenditure, which are subject to day-to-day control by the business.

	2020 £m	2019 £m
Net cash from operating activities as reported under IFRS	**259.2**	**227.4**
Acquisition and disposal costs	-	2.5
Restructuring costs	4.3	-
Net capital expenditure excluding acquired intangibles from acquisitions	(47.4)	(59.0)
Tax paid	71.9	78.4
Repayments of principal under lease liabilities	(12.2)	(11.2)
Adjusted cash from operations	**275.8**	**238.1**

Adjusted cash conversion in 2020 is 102% (2019: 84%). Cash conversion is calculated as adjusted cash from operations divided by adjusted operating profit. The adjusted cash flow is included in the Financial Review on page 28.

Cash generation

Cash generation is one of the Group's key performance indicators used by the Board to monitor the performance of the Group and measure the successful implementation of our strategy. It is one of two financial measures on which Executive Directors' variable remuneration is based.

Cash generation is adjusted operating profit after adding back depreciation and amortisation, less cash payments to pension schemes in excess of the charge to operating profit, equity settled share plans, net capital expenditure excluding acquired intangibles, working capital changes and repayment of principal under lease liabilities. Cash generation is equivalent to adjusted cash from operations, a reconciliation between this and net cash from operating activities as reported under IFRS is shown on the previous page.

Return on invested capital (ROIC)

ROIC measures the after tax return on the total capital invested in the business. It is calculated as adjusted operating profit after tax divided by average invested capital. Average invested capital is defined as the average of the closing balance at the current and prior year end.

An analysis of the components is as follows:

	2020 £m	2019 £m
Total equity	856.0	826.3
Net debt	262.9	334.1
Total invested capital	**1,118.9**	**1,160.4**
Average invested capital	**1,139.7**	**1,081.6**
Average invested capital (excluding IFRS 16)	**1,101.2**	**1,061.2**
Operating profit as reported under IFRS	249.0	245.0
Adjustments (see adjusted operating profit)	21.4	37.7
Adjusted operating profit	**270.4**	**282.7**
Taxation	(74.4)	(80.6)
Adjusted operating profit after tax	**196.0**	**202.1**
Adjusted operating profit after tax (excluding IFRS 16)	**195.2**	**201.2**
Return in invested capital	**17.2%**	**18.7%**
Return in invested capital (excluding IFRS 16)	**17.7%**	**19.0%**

Return on capital employed (ROCE)

ROCE measures effective management of fixed assets and working capital relative to the profitability of the business. It is calculated as adjusted operating profit divided by average capital employed. Average capital employed is defined as the average of the closing balance at the current and prior year end. More information on ROCE can be found in the Capital Employed and ROCE sections of the Financial Review.

An analysis of the components is as follows:

	2020 £m	2019 £m
Property, plant and equipment	261.3	251.2
Right-of-use assets (IFRS 16)	36.3	40.8
Software & development costs	37.1	36.2
Prepayments	1.4	0.9
Inventories	180.1	185.9
Trade receivables	226.3	240.7
Other current assets	31.8	35.3
Tax recoverable	8.1	8.4
Trade, other payables and current provisions	(166.3)	(178.3)
Current tax payable	(28.6)	(26.7)
Capital employed	**587.5**	**594.4**
Average capital employed	**591.0**	**556.0**
Average capital employed (excluding IFRS 16)	**552.5**	**535.6**
Operating profit	249.0	245.0
Adjustments (see adjusted operating profit)	21.4	37.7
Adjusted operating profit	**270.4**	**282.7**
Adjusted operating profit (excluding IFRS 16)	**269.3**	**281.4**
Return on capital employed	**45.8%**	**50.8%**
Return on capital employed (excluding IFRS 16)	**48.7%**	**52.5%**

A reconciliation of capital employed to net assets as reported under IFRS and disclosed on the Consolidated Statement of Financial Position is given below.

	2020 £m	2019 £m
Capital employed	**587.5**	**594.4**
Goodwill and acquired intangibles	665.6	685.4
Investment in Associate	-	0.2
Post-retirement benefits	(98.6)	(71.3)
Net deferred tax	(28.5)	(43.1)
Non-current provisions and long-term payables	(7.1)	(5.2)
Lease liabilities	(34.1)	(38.9)
Net debt	(228.8)	(295.2)
Net assets as reported under IFRS	**856.0**	**826.3**

Net debt including IFRS 16 lease liabilities

A reconciliation between net debt and net debt including IFRS 16 is given below. A breakdown of the balances that are included within net debt is given within Note 8. Net debt excludes IFRS 16 lease liabilities to enable comparability with prior years.

	2020 £m	2019 £m
Net debt	**228.8**	**295.2**
IFRS 16 lease liabilities	34.1	38.9
Net debt and IFRS 16 lease liabilities	**262.9**	**334.1**

Net debt to earnings before interest, tax, depreciation and amortisation (EBITDA)
To assess the size of the net debt balance relative to the size of the earnings for the Group we analyse net debt as a proportion of earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is calculated by adding back depreciation and amortisation of owned property, plant and equipment, software and development costs to adjusted operating profit. Net debt is calculated as Cash & cash equivalents less Bank overdrafts and external borrowings (excluding IFRS 16 lease liabilities). The net debt to EBITDA ratio is calculated as follows:

	2020 **£m**	**2019** **£m**
Adjusted operating profit	**270.4**	**282.7**
Depreciation and amortisation of property, plant and equipment, software and development	36.7	34.3
EBITDA	**307.1**	**317.0**
Net debt	228.8	295.2
Net debt to EBITDA	**0.7**	**0.9**

The components of net debt are disclosed in Note 8.

Organic measures
As we are a multi-national Group of companies, who trade in a large number of foreign currencies and regularly acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the News Release. These strip out the effects of the movement of foreign currency exchange rates and of acquisitions and disposals. The Board believe that this allows users of the accounts to gain a further understanding of how the Group has performed.

Exchange translation movements are assessed by re-translating prior period reported values to current period exchange rates. Exchange transaction impacts on operating profit are assessed on the basis of transactions being at constant currency between years.

The incremental impact of any acquisitions and disposals that occurred in either the current period or prior period are excluded from the results of the current period at current period exchange rates.

The organic percentage movement is calculated as the organic movement divided by the sum of the prior period and exchange.

The organic bps change in adjusted operating margin is the difference between the current period margin excluding acquisitions and disposals and the prior period margin at current period exchange rates.

A reconciliation of the movement in revenue and adjusted operating profit compared to the prior period is given below.

	2019 **£m**	**Exchange** **£m**	**Organic** **£m**	**Acquisitions and disposal** **£m**	**2020** **£m**	**Organic**	**Reported**
Revenue	1,242.4	(27.2)	(37.0)	15.2	1,193.4	-3%	-4%
Adjusted operating profit	282.7	(12.0)	(3.4)	3.1	270.4	-1%	-4%
Adjusted operating margin	22.8%				22.7%	+40 bps	-10 bps

The reconciliation for each segment is included in the Review of Operations on pages 12, 18 and 20.

3. SEGMENTAL REPORTING

As required by IFRS 8 (Operating Segments), the following segmental information is presented in a consistent format with management information considered by the Board.

Following recent material acquisitions into the Group, the composition of the Group's Reportable Segments changed in the financial year ended 31st December 2019 to align with both how the business is managed and how information is presented to the Board. This change resulted in Steam Specialties being reported as one single consolidated operating segment. In previous years Steam Specialties was an aggregation of three separate operating segments, EMEA, Americas and Asia Pacific, however changes to the management structure in the prior year resulted in the creation of a separate Steam Specialties management team reporting to the Chief Executive and Chief Financial Officer on the consolidated Steam Specialties results.

Following the acquisition of Thermocoax in May 2019, the Chromalox operating segment was renamed to Electric Thermal Solutions which now includes the combination of both businesses from 2019. No changes to the structure of operating segments have been made during the current period.

Analysis by operating segment

2020

	Revenue £m	Total operating profit £m	Adjusted operating profit £m	Adjusted operating margin %
Steam Specialties	694.1	157.8	154.3	22.2%
Electric Thermal Solutions	178.0	4.8	24.6	13.8%
Watson-Marlow	321.3	102.2	107.3	33.4%
Corporate expenses		(15.8)	(15.8)	
Total	**1,193.4**	**249.0**	**270.4**	22.7%
Net finance expense		(8.7)	(8.7)	
Share of Loss of Associate		(0.2)	(0.2)	
Profit before tax		**240.1**	**261.5**	

2019

	Revenue £m	Total operating profit £m	Adjusted operating profit £m	Adjusted operating margin %
Steam Specialties	755.4	172.6	177.9	23.6%
Electric Thermal Solutions	186.1	7.9	24.7	13.3%
Watson-Marlow	300.9	82.7	95.8	31.8%
Corporate expenses		(18.2)	(15.7)	
Total	**1,242.4**	**245.0**	**282.7**	22.8%
Net finance expense		(8.4)	(8.4)	
Share of profit of Associate		0.2	0.2	
Profit before tax		**236.8**	**274.5**	

The following table details the split of revenue by geography for the combined Group:

	2020 £m	2019 £m
Europe, Middle East and Africa	507.8	518.7
Asia Pacific	288.5	296.0
Americas	397.1	427.7
Total revenue	**1,193.4**	**1,242.4**

Revenue generated by Group companies based in the USA is £303.0 million (2019: £319.4 million), in China is £134.6 million (2019: £134.6 million) in the UK is £90.2 million (2019: £103.5 million), in Germany is £109.8 million (2019: £105.3 million) and the rest of the world is £555.8 million (2019: £579.6 million).

The total operating profit for each period includes certain items as analysed below:

2020

	Amortisation of acquisition-related intangible assets £m	Restructuring costs £m	UK and Canada pension plans closed to future accrual £m	Reversal of acquisition-related fair value adjustments to inventory £m	Total £m
Steam Specialties	(5.0)	-	8.5	-	3.5
Electric Thermal Solutions	(14.5)	(4.3)	-	(1.0)	(19.8)
Watson-Marlow	(7.1)	-	2.0	-	(5.1)
Total	**(26.6)**	**(4.3)**	**10.5**	**(1.0)**	**(21.4)**

2019

	Amortisation of acquisition-related intangible assets £m	Acquisition-related items £m	Impairment of Goodwill £m	Reversal of acquisition-related fair value adjustments to inventory £m	Total £m
Steam Specialties	(5.3)	-	-	-	(5.3)
Electric Thermal Solutions	(12.7)	-	-	(4.1)	(16.8)
Watson-Marlow	(8.8)	(0.1)	(4.2)	-	(13.1)
Corporate expenses	-	(2.5)	-	-	(2.5)
Total	**(26.8)**	**(2.6)**	**(4.2)**	**(4.1)**	**(37.7)**

Net financing income and expense

	2020			2019		
	Income	Expense	Net	Income	Expense	Net
	£m	£m	£m	£m	£m	£m
Steam Specialties	1.3	(2.4)	(1.1)	1.1	(3.3)	(2.2)
Electric Thermal Solutions	-	(0.3)	(0.3)	0.1	(0.3)	(0.2)
Watson-Marlow	-	(0.4)	(0.4)	0.1	(0.5)	(0.4)
Corporate expenses	0.1	(7.0)	(6.9)	0.2	(5.8)	(5.6)
Total net financing expense	**1.4**	**(10.1)**	**(8.7)**	**1.5**	**(9.9)**	**(8.4)**

Net assets

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Steam Specialties	640.8	(198.0)	669.4	(176.3)
Electric Thermal Solutions	530.0	(27.5)	552.0	(36.3)
Watson-Marlow	269.1	(46.5)	255.2	(42.2)
	1,439.9	(272.0)	1,476.6	(254.8)
Liabilities	(272.0)		(254.8)	
Net deferred tax	(28.5)		(43.1)	
Net current tax payable	(20.5)		(18.3)	
Net debt	(262.9)		(334.1)	
Net assets	**856.0**		**826.3**	

Non-current assets in the UK were £203.4 million (2019: £187.1 million), in the USA were £350.8 million (2019: £375.8 million), in Germany were £168.9 million (2019: £165.0 million) and in France were £148.9 million (2019: £146.5 million).

Capital additions, depreciation, amortisation and impairment

	2020		2019	
	Capital additions	Depreciation, amortisation and impairment	Capital additions	Depreciation, amortisation and impairment
	£m	£m	£m	£m
Steam Specialties	34.5	36.4	57.7	35.8
Electric Thermal Solutions	3.8	20.8	81.6	18.4
Watson-Marlow	19.6	18.2	40.6	22.4
Group total	**57.9**	**75.4**	**179.9**	**76.6**

Capital additions include property, plant and equipment of £42.0 million (2019: £59.0 million), of which £nil (2019: £8.1 million) was from acquisitions in the period, and other intangible assets of £7.6 million (2019: £72.0 million) of which £nil (2019: £60.2 million) relates to acquired intangibles from acquisitions in the period. Right-of-use asset additions of £8.3 million occurred during the 12 month period to 31st December 2020, all of which relates to new leases entered into during 2020. Capital additions split between the UK and rest of the world are UK £28.2 million (2019: £36.8 million) and rest of the world £29.7 million (2019: £143.1 million).

4. NET FINANCING INCOME AND EXPENSE

	2020 £m	2019 £m
Financial expenses:		
Bank and other borrowing interest payable	(7.4)	(6.4)
Interest expense on lease liabilities	(1.2)	(1.3)
Net interest on pension scheme liabilities	(1.5)	(2.2)
	(10.1)	(9.9)
Financial income:		
Bank interest receivable	1.4	1.5
Net financing expense	**(8.7)**	**(8.4)**
Net pension scheme financial expense	(1.5)	(2.2)
Interest expense on lease liabilities	(1.2)	(1.3)
Net bank interest	(6.0)	(4.9)
Net financing expense	**(8.7)**	**(8.4)**

5. TAXATION

		2020			2019	
Analysis of charge in period	Adjusted £m	Adj't £m	Total £m	Adjusted £m	Adj't £m	Total £m
UK corporation tax:						
Current tax on income for the period	13.8	-	13.8	14.1	-	14.1
Adjustments in respect of prior periods	(3.1)	-	(3.1)	(1.1)	-	(1.1)
	10.7	-	10.7	13.0	-	13.0
Foreign tax:						
Current tax on income for the period	60.4	-	60.4	56.9	-	56.9
Adjustments in respect of prior periods	0.6	-	0.6	(0.1)	-	(0.1)
	61.0	-	61.0	56.8	-	56.8
Total current tax charge	71.7	-	71.7	69.8	-	69.8
Deferred tax – UK	2.7	-	2.7	(0.1)	-	(0.1)
Deferred tax – Foreign	(2.4)	(5.8)	(8.2)	8.6	(8.5)	0.1
Tax on profit on ordinary activities	**72.0**	**(5.8)**	**66.2**	**78.3**	**(8.5)**	**69.8**

The Group's tax charge in future years is likely to be affected by the proportion of profits arising and the effective tax rates in the various territories in which the Group operates.

The Group's tax charge includes a credit of £5.8 million in relation to certain items excluded from adjusted operating profit as disclosed in Note 2. The tax impacts of these items are:

- Amortisation of acquisition-related intangible assets (£6.3 million credit);
- Reversal of acquisition-related fair value adjustments to inventory (£0.3 million credit);
- Costs related to the restructuring of Chromalox (£1.1 million credit); and
- Closure of defined benefit UK and Canada pension schemes to future accrual (£1.9 million debit).

Excluding these adjustments, the tax on profit and the effective tax rate are £72.0 m and 27.5% respectively.

In October 2017, the European Commission (EC) opened a State Aid investigation into the UK's Controlled Foreign Company (CFC) regime. In April 2019, the EC published its final decision that the UK CFC Finance Company Exemption (FCE) constituted State Aid in certain circumstances, following which the UK Government appealed the decision. Similar to other UK companies, in October 2019, the Group submitted its own appeal. The Group's benefit from the FCE in the period from 1st January 2013 to 31st

December 2020 is approximately £8.6m including compound interest. On 1st March 2021, the Group received a Charging Notice issued by the UK tax authority to recover a benefit of £4.6 million, assessed for the period from 1st January 2017 to 31st December 2018. The Group will make a payment in 2021 with the expectation that this is refundable in the event of a successful appeal. The Group has not received a Charging Notice for the balance of £4.0m, being £2.8m for the period from 1st January 2013 to 31st December 2016 and £1.2m for the period from 1st January 2019 to the balance sheet date. No provision has been recognised at the year-end balance sheet date for either the Charging Notice amount or for the estimates for the other periods.

On 3rd March 2021, the UK Government announced an intention to increase the UK corporation tax rate to 25% with effect from 1st April 2023. If enacted this will impact the value of our UK deferred tax balances and the tax charged on UK profits generated in 2023 and thereafter. We have yet to determine the full impact of these proposed changes.

6. EARNINGS PER SHARE

	2020	**2019**
Profit attributable to equity shareholders (£m)	173.6	166.6
Weighted average shares (million)	73.7	73.7
Dilution (million)	0.2	0.2
Diluted weighted average shares (million)	73.9	73.9
Basic earnings per share	**235.5p**	**226.2p**
Diluted earnings per share	**234.8p**	**225.5p**

Basic and diluted earnings per share calculated on an adjusted profit basis are included in Note 2. The dilution is in respect of unexercised share options and the Performance Share Plan.

7. DIVIDENDS

	2020 £m	**2019 £m**
Amounts paid in the year:		
Final dividend for the year ended 31st December 2019 of 78.0p (2018: 71.0p) per share	57.5	52.3
Interim dividend for the year ended 31st December 2020 of 33.5p (2019: 32.0p) per share	24.7	23.6
Total dividends paid	**82.2**	**75.9**
Amounts arising in respect of the year:		
Interim dividend for the year ended 31st December 2020 of 33.5p (2019: 32.0p) per share	24.7	23.6
Proposed final dividend for the year ended 31st December 2020 of 84.5p (2019: 78.0p) per share	62.3	57.5
Total dividends arising	**87.0**	**81.1**

8. ANALYSIS OF CHANGES IN NET DEBT, INCLUDING CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020

	At 1st Jan 2020 £m	Cash flow £m	Acquired debt* £m	Exchange movement £m	At 31st Dec 2020 £m
Current portion of long-term borrowings	(34.3)				(0.6)
Non-current portion of long-term borrowings	(429.2)				(452.2)
Short-term borrowings	-				-
Total borrowings	**(463.5)**				**(452.8)**
Comprising:					
Borrowings	(463.5)	36.7	-	(26.0)	(452.8)
Changes in liabilities arising from financing	(463.5)	36.7	-	(26.0)	(452.8)
Cash at bank^	330.6	(84.4)	-	-	246.2
Bank overdrafts^	(162.3)	140.0	-	0.1	(22.2)
Net cash and cash equivalents	**168.3**	**55.6**	**-**	**0.1**	**224.0**
Net debt	**(295.2)**	**92.3**	**-**	**(25.9)**	**(228.8)**
Lease liabilities	(38.9)	12.2	(7.1)	(0.3)	(34.1)
Net debt and lease liabilities	(334.1)	104.5	(7.1)	(26.2)	(262.9)

* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases under IFRS 16.

^ Prior period comparatives for Cash and cash equivalents and Bank overdrafts have been adjusted to reflect a reclassification to meet the presentational requirements of IAS 32, with further detail given within Note 1. This had no impact on the net assets of the Group.

The cash flow for borrowings net total of £36.7 million consists of £138.3 million of new borrowings and £175.0 million of repaid borrowings. This includes repayments of £32.0 million and €96.2 million (£85.1 million) against a revolving credit facility, repayments of US$25.8 million (£20.0 million) on the US$200.0 million term loan, repayments of €41.7 million (£36.8 million) on the €50.0 million term loan, £32.0 million of new drawings against a revolving credit facility and €120.0 million (£106.1 million) of new drawings on a €120.0 million Private Placement.

At 31st December 2020 total lease liabilities consist of £10.3 million (2019: £11.1 million) short-term and £23.8 million (2019: £27.8 million) long-term.

2019

	At 1st Jan 2019 £m	Cash flow £m	Acquired debt £m	Exchange movement £m	Reclassification £m	At 31st Dec 2019 £m
Current portion of long-term borrowings	(41.5)					(34.3)
Non-current portion of long-term borrowings	(365.3)					(429.2)
Short-term borrowings	(15.7)					-
Total borrowings	**(422.5)**					**(463.5)**
Comprising:						
Borrowings	(422.2)	(49.6)	(18.2)	26.5	-	(463.5)
Finance leases	(0.3)	-	-	-	0.3	-
Changes in liabilities arising from financing	(422.5)	(49.6)	(18.2)	26.5	0.3	(463.5)
Cash at bank^	324.6	(5.7)	-	(12.9)	24.6	330.6
Bank overdrafts^	(137.9)	0.2	-	-	(24.6)	(162.3)
Net cash and cash equivalents	**186.7**	**(5.5)**	**-**	**(12.9)**	**-**	**168.3**
Net debt	**(235.8)**	**(55.1)**	**(18.2)**	**13.6**	**0.3**	**(295.2)**
Lease liabilities (including IFRS 16 transition adjustment)	(39.0)	11.2	(12.6)	1.8	(0.3)	(38.9)
Net debt and lease liabilities	(274.8)	(43.9)	(30.8)	15.4	-	(334.1)

^ Prior period comparatives for Cash and cash equivalents and Bank overdrafts have been adjusted to reflect a reclassification to meet the presentational requirements of IAS 32, with further detail given within Note 1. This had no impact on the net assets of the Group.

9. PURCHASE AND DISPOSAL OF BUSINESSES

During the first quarter of 2020 the deferred consideration payable for the acquisition of Qonqave, a small German pre-revenue company, within the Watson-Marlow Fluid Technology business in 2018 was paid, for a value of €5.8 million (£4.8 million).

During the period, the fair value of the assets acquired as part of the acquisition of Thermocoax Developpement and its related group companies was reassessed. The outcome of this reassessment was an increase to goodwill of £0.6 million.

On 5th March 2020, we completed the sale of ProTrace Engineering, a small, non-core electrical engineering services business in Canada to the existing management team. The total impact of this in the Consolidated Income Statement was a cost of £0.4 million which has been shown as an adjusting item as disclosed in Note 2, included within restructuring costs.

10. RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT

The Responsibility Statement below has been prepared in connection with the Company's full Annual Report for the year ending 31st December 2020. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 9th March 2021 and is signed on its behalf by:

N.J. Anderson, Group Chief Executive N.B. Patel, Chief Financial Officer

11. CAUTIONARY STATEMENT

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of Spirax-Sarco Engineering plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. These forward-looking statements which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Spirax-Sarco Engineering plc or the markets and economies in which we operate to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Spirax-Sarco Engineering plc and its Directors accept no liability to third parties in respect of this report save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with schedule 10A of the Financial Services and Markets Act 2000. It should be noted that schedule 10A contains limits on the liability of the Directors of Spirax-Sarco Engineering plc so that their liability is solely to Spirax-Sarco Engineering plc.

12. EXCHANGE RATE IMPACTS

Whilst not an IFRS disclosure or part of the audited accounts, set out below is an additional disclosure that highlights the movements in a selection of exchange rates between 2019 and 2020.

Exchange rates to sterling have been as follows:

	Average 2020	Average 2019	Change %	Closing 2020	Closing 2019	Change %
Bank of England sterling index	78.3	78.1	0%	78.5	80.3	+2%
US Dollar	1.29	1.28	-1%	1.37	1.32	-4%
Euro	1.13	1.14	+1%	1.12	1.18	+5%
Renminbi	8.93	8.83	-1%	8.94	9.23	+3%
Won	1,524	1,486	-3%	1,485	1,532	+3%
Real	6.67	5.04	-32%	7.08	5.33	-33%
Argentine Peso	91.65	61.83	-48%	114.92	79.32	-45%

A negative movement indicates a strengthening in sterling versus that currency. When sterling strengthens against other currencies in which the Group operates, the Group incurs a loss on translation of the financial results into sterling.

On a translation basis, sales decreased by 2.2% and adjusted operating profit decreased by 3.3%, while transaction also decreased profit, giving a total reduction to profit from currency movements of 4.4%.