



In a challenging market environment, STS delivered a resilient performance in 2025. Strong execution across MRO, solution-selling and Commercial Excellence initiatives continued to drive growth and positions the Business well for the future.”

Maurizio Preziosa

Managing Director, Steam Thermal Solutions

STS is a global leader in the design and supply of industrial and commercial steam systems, including condensate management, controls and thermal energy management products and solutions. The broad range of applications across multiple sectors that require steam to transfer large energy loads in the form of heat, as well as our large and geographically diverse installed base, underpin an enduring source of MRO and solution-selling revenues for STS.

Demand

Demand for STS products and solutions, particularly large projects, is linked to IP. Large project demand was weak across all regions, as customers deferred or reduced capital expenditure in response to uncertainty around trade tariffs and lower macroeconomic growth. As expected, this impact was felt most significantly in China, where our business is more weighted towards large projects than in the rest of STS, albeit the weakness in demand moderated compared to 2024 and sequentially through 2025. Customers in Korea also temporarily deferred capital investment decisions during the first half of 2025 as a result of political instability at the end of 2024. Following elections and the new government’s proposal of an economic stimulus package in June, we saw sequential quarter-on-quarter improvements in demand through the second half. China and Korea accounted for 22% of STS sales in 2024.

Against this backdrop, our focus on leveraging our direct sales model and successful execution of our Commercial Excellence priorities supported demand generation in MRO and solution-sales across all markets. Our digital solutions delivered high-double-digit demand growth in digital product and subscriptions, with additional pull-through from identifying optimisation, replacement and repair opportunities.

Sales

Sales of £853.4 million were 1% higher organically, or 3% lower after an adverse exchange rate impact. Organic growth improved in the second half (2%), as expected. Excluding large project sales in China and Korea, full year organic sales growth was 3%.

EMEA and Americas delivered growth well ahead of IP, as we continued to focus on the operational priorities within our control. Our growth was delivered against the backdrop of weak IP and a material reorganisation of our EMEA operating companies and management layers in the first half of the year.

Adapting to drive growth through focused priorities...

...how STS is boosting growth through distributor collaboration.

In the USA, Steam Thermal Solutions' (STS) growth strategy is built on a combination of serving end-users both directly and through a broad distribution network.

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In APAC, sales declined organically, due to weaker demand for large projects in China and Korea. However, in China we delivered double-digit growth in MRO sales across both the first and second halves of the year. As expected, the weakness in large project sales moderated compared to 2024. Together with MRO growth, this contained the sales decline in China to 3%, compared to the 13% decline in 2024.

In Gestra, the process of negotiating efficiency and performance improvements with the local Works Council and Union impacted shipments from our facility in Germany, but part of the shortfall was recovered in the last quarter with a sustained improvement carried into 2026.

Margin

Adjusted operating profit of £200.3 million was 3% higher organically, and 2% lower after an adverse exchange rate impact. Margin of 23.5% was 40bps higher organically, with the drop-through from organic sales growth to profit supported by restructuring benefits and operational savings in procurement, partly offset by investment in future organic growth priorities.

Statutory results

Sales of £853.4 million were down 2% including an adverse exchange rate impact of 3%. Statutory operating profit of £167.8 million was down 16% from 2024, reflecting an adverse exchange rate impact of 5% as well as restructuring costs of £26.5 million. Statutory operating profit margin of 19.7% decreased by 320bps.

Outlook

We expect STS to deliver low-single-digit organic sales growth, higher than in 2025, with growth outside China well ahead of IP and trading in China continuing to improve. We expect STS margin to improve organically, supported by operating leverage and full year restructuring benefits, partly offset by ongoing investment in future growth.



From reach to results...

...how STS is boosting growth through distributor collaboration.

In the USA, Steam Thermal Solutions' (STS) growth strategy is built on a combination of serving end users both directly and through a broad distribution network. This dual approach enables the STS Americas Division to maximise market reach, deepen customer relationships and deliver technical solutions that set it apart from competitors.

Direct sales remains the cornerstone of our customer engagement, with sales engineers actively 'walking the plant' and developing customer solutions directly. However, the scale and complexity of the USA market require a broader reach and distribution partners are a multiplier for the Division, increasing coverage and opening doors to new opportunities. For example, the number of sales representatives of just one distributor is four times larger than our sales force and so these partnerships provide access to a much wider, synergistic customer base. Recognising the scale of this opportunity, the Business made expanding growth through distributors a priority in 2025.

A key differentiator in our approach is the depth of technical expertise we bring to distributor partnerships. Distributors have broad product portfolios but lack the specialised knowledge required for complex engineered solutions that support steam and thermal energy processes. By working in partnership, we are

co-generating opportunities that result in tailored solutions being delivered directly to the customer that address its critical challenges. This enhances the distributor's value proposition and strengthens STS' position as the steam and thermal energy expert.

Recognising that not all distributor relationships are equal we adapted our approach in 2025 to focus on STS Americas' top 22 distribution partners. This targeted approach has delivered results. While overall growth in 2025 from distributors in the USA was low-single-digit year-on-year, STS delivered a high-single-digit increase in demand from distribution partners that were onboarded early in the year, compared to 2024. This success is attributed to joint account planning, strategic alignment and a differentiated approach that leverages each partner's strengths. By concentrating resources and attention on these key relationships, we have aligned our efforts with partners who are committed to co-generating value for customers and driving mutual growth.

The distribution network includes both national and strong regional players. National partners provide scale, logistical support and access to large, multi-site customers, while regional partners offer deep local knowledge and agility. For instance, the leading national distributor

partner's sector and account focus is similar to that of STS Americas, enabling seamless collaboration on complex projects. Regional distributors excel at building long-term relationships with local customers and delivering a tailored service. In both cases, STS works closely with distributor teams, sometimes leading the sales process, other times supporting to ensure that customer needs are met efficiently and effectively.

Today, direct sales and co-generated sales with distributors account for over 40% of STS sales in the USA. This hyperfocus within the distribution strategy is a key example of Commercial Excellence. By leveraging the reach and scale of the strongest partners, prioritising strategic relationships and focusing on collaborative solution-selling, we are well positioned to keep driving growth in STS through co-generation in 2026 and beyond.

High-single-digit

increase in demand growth from distribution partners onboarded early in 2025

