

Thursday 10th August 2023

2023 Half Year Results**First half trading broadly as expected; Biopharm return to growth now anticipated in 2024****HIGHLIGHTS****Six months ended 30th June**

Statutory	2023	2022	Reported	
Revenue ⁺	£850.8m	£750.1m	13%	
Operating profit	£132.2m	£142.1m	(7)%	
Operating profit margin	15.5%	18.9%	(340) bps	
Profit before taxation	£114.0m	£138.5m	(18)%	
Basic earnings per share	112.5p	131.8p	(15)%	
Dividend per share	46.0p	42.5p	8%	

Adjusted	2023	2022	Reported	Organic*
Revenue ⁺	£850.8m	£750.1m	13%	2%
Adjusted operating profit	£171.7m	£178.8m	(4)%	(13)%
Adjusted operating profit margin	20.2%	23.8%	(360) bps	(370) bps
Adjusted profit before taxation	£153.5m	£175.2m	(12)%	
Adjusted basic earnings per share	155.2p	175.1p	(11)%	

- Revenues up 13% or 2% organically
- Strong growth in Steam Specialties and ETS offset by lower Biopharm** sales in Watson-Marlow
- Statutory operating profit down 7% and margin down 340 bps due to ERP write-down and restructuring
- Adjusted operating margin down 360 bps due to unfavourable sales mix
- Strong sales growth +15% in Steam Specialties; adjusted operating profit margin +190 bps organically
- ETS organic sales growth +7%; adjusted operating profit margin lower due to Semicon WFE[^] weakness
- Vulcanic and Durex Industries integration progressing very well
- Watson-Marlow sales down 21% organically; adjusted operating profit lower due to operational gearing
- Underlying Biopharm demand remains strong; growth anticipated to return in 2024
- Adjusted cash conversion 48% in H1; anticipate full year conversion to be over 70%
- Interim dividend up 8% to 46.0 pence, following 12% total increase in 2022

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

"We achieved first half results that are broadly in line with our expectations, against the backdrop of continued destocking in the Biopharm and Semicon WFE sectors, as well as softening Industrial Production growth. I am grateful to all our colleagues for their continued support of our customers' critical industrial processes against this challenging backdrop.

"The underlying demand for Watson-Marlow products and solutions remains as robust as in pre-pandemic periods, albeit the short-term headwind from Biopharm destocking is now expected to continue into 2024, with Watson-Marlow's competitive strengths and market-leading capabilities to service that demand remaining unchanged. Similarly, we remain confident in the underlying growth drivers of the Semicon WFE sector.

"We are confident in our Group's strength and our ability to navigate the current macroeconomic uncertainty and short-term headwinds, while continuing to drive strategic progress. Our robust business model, diverse reach across end-markets and geographies and clear opportunity to accelerate the decarbonisation of industrial processes underpin our confidence in the medium-term outlook."

+ The term 'sales' is used interchangeably with 'revenue' when describing the financial performance of the business.

* Organic measures are at constant currency and exclude contributions from acquisitions and disposals (with our Russian Operating Companies treated as disposals from the date at which the Group suspended all trading with and within Russia).

** Biopharm refers to Watson-Marlow sales to the Pharmaceutical & Biotechnology sector

^ Semicon WFE refers to the Semiconductor Wafer Fabrication Equipment sector

See Appendix to the Financial Statements for an explanation of alternative performance measures.

For further information, please contact:

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Audio webcast

The meeting with analysts will be available as a live audio webcast at 9.00 am on the Company's website at www.spiraxsarcoengineering.com or via the following link:

<https://edge.media-server.com/mmc/p/2o4cf767/> and a recording will be made available on the website shortly after the meeting.

Conference Call

The meeting with analysts will also be available via a full conference call with Q&A facility, at 9.00 am, participants must register in advance using the provided link below:

<https://register.vevent.com/register/BI16128f01983b4d23bbf2208936e39fd6>

After completing the conference call registration, you will receive dial-in details on screen and via email.

About Spirax-Sarco Engineering plc

Spirax-Sarco Engineering plc is a leading global thermal energy management and fluid technology solutions Group that aims to deliver sustainable value to all its stakeholders through engineering a more efficient, safer and sustainable world. 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 process heating products, engineered packages, site services and systems expertise for a diverse range of industrial and institutional customers. Both Businesses help their customers improve process efficiencies, meet 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), with 40 strategically located manufacturing plants around the world and employs more than 10,000 people, including more than 2,100 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

RNS filter: Inside information prior to release

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SUMMARY FINANCIALS

Six months to 30th June	H1 2023	H1 2022	y-o-y change	
	£m	£m	Organic	Reported
SUMMARY FINANCIALS				
Steam Specialties	459.8	400.6	15%	15%
ETS	192.5	104.7	7%	84%
Watson-Marlow	198.5	244.8	(21)%	(19)%
Group Revenue	850.8	750.1	2%	13%
Steam Specialties	96.3	87.7		10%
ETS	10.7	(8.9)		220%
Watson-Marlow	42.1	83.6		(50)%
Corporate	(16.9)	(20.3)		
Group Statutory Operating Profit	132.2	142.1		(7)%
Steam Specialties	20.9%	21.9%		(100) bps
ETS	5.6%	(8.5)%		1,410 bps
Watson-Marlow	21.2%	34.2%		(1,300) bps
Group Statutory Operating Profit margin	15.5%	18.9%		(340) bps
Steam Specialties	112.2	92.1	25%	22%
ETS	26.9	12.8	(6)%	110%
Watson-Marlow	48.9	87.0	(47)%	(44)%
Corporate	(16.3)	(13.1)		
Group Adjusted Operating Profit	171.7	178.8	(13)%	(4)%
Steam Specialties	24.4%	23.0%	190 bps	140 bps
ETS	14.0%	12.2%	(140) bps	180 bps
Watson-Marlow	24.6%	35.5%	(1,220) bps	(1,090) bps
Group Adjusted Operating Profit margin	20.2%	23.8%	(370) bps	(360) bps
Cashflow				
Statutory cash from operations	85.6	92.1		(7)%
Adjusted cash from operations	82.8	78.4		6%
Adjusted cash conversion	48%	44%		400 bps
Net debt	748.3	202.7		

BUSINESS REVIEW

Engineering our Difference

Around the world, our teams are continuing to navigate the challenging macroeconomic backdrop to deliver mission-critical products and solutions to our customers while continuing to support all our stakeholders. The Board would like to express its sincere thanks and gratitude to all colleagues for their commitment, expertise and efforts during the first half of 2023.

Board changes

On Tuesday 8th August 2023, the Board announced that following his decision to retire, Nicholas Anderson will step down as Group Chief Executive and from the Board on 16th January 2024, upon completion of ten years in the role. The Board acknowledges with gratitude Nick's significant contribution to the Group's growth and prosperity, firmly establishing Spirax-Sarco Engineering as a constituent of the FTSE100 Index since 2019 and wishes him every success in his future Non-Executive career.

On the same date, the Board also announced that Nimesh Patel has been appointed to succeed Nick as Group Chief Executive and will take up the position on 16th January 2024. Nimesh joined the Group in 2020 as Chief Financial Officer and his appointment follows a rigorous succession process supported by external advisors, Egon Zehnder.

Nimesh's strategic approach and deep understanding of the three Businesses, together with his global and financial experience, all underpin the Board's confidence in the future leadership of the Group. Nimesh will provide both continuity and progression in the Group's journey towards creating sustainable value for all our stakeholders.

Nimesh will continue as Chief Financial Officer until 16th January 2024. The Board has commenced a process to appoint a successor to this role, which will be announced at the appropriate time. To support the transition Nick will remain as an employee of the Group until 31st March 2024, acting in an advisory capacity to Nimesh to ensure a seamless handover of the role.

On 2nd August 2023, the Board was pleased to confirm the appointment of Constance Baroudel as an Independent Non-Executive Director. Constance is Sector Chief Executive, Environmental & Analysis and Chief Sustainability Officer at Halma plc. She joined Halma in 2018, having previously held a range of executive positions with First Group plc, De La Rue and Strategic Decisions Group. Constance also brings considerable Board experience having previously served as a Non-Executive Director for both Keir Group and Synergy Health.

Summary of half year performance

In the first half demand for our products and services was strong in Steam Specialties and the industrial process focused Divisions of ETS (Chromalox and Vulcanic). Demand from industrial equipment customers of ETS was lower than anticipated, particularly in Semicon WFE, impacting Durex Industries and to a lesser extent, Thermocoax. Demand in Watson-Marlow was slightly weaker than expected, driven by destocking by its Biopharm customers post the COVID-19 pandemic.

First half sales of £850.8 million (+13%) benefited from a currency tailwind of 1.5% and a 10% impact from the first-time contribution of our acquisitions of Vulcanic and Durex Industries, net of a small adverse impact from the disposal of our Russian operations in 2022. Organic growth was 2% reflecting strong growth in Steam Specialties (+15%) and ETS (+7%) offset by a 21% decline in Watson-Marlow.

First half adjusted operating profit of £171.7 million was down 4% as an organic decline of 13% more than offset a currency tailwind of 1.7% and an 8% positive impact from acquisitions net of disposals. This organic

decline reflects lower sales to customers in the Biopharm and Semicon WFE sectors that impacted our highest margin Businesses. The resulting difference in the Group's mix of sales, compared to the first half of 2022, had an adverse impact on the adjusted operating profit.

The Board has declared an interim dividend of 46.0 pence (2022: 42.5 pence) per ordinary share, an increase of 8%, reflecting confidence in the medium and long-term outlook for the Group. This growth in the interim dividend follows an increase of 12% in the total dividend in respect of 2022.

Strategic progress in the half year

Our Businesses have continued to make progress against our strategic priorities. The key achievements during the first half are set out below:

Increasing direct sales effectiveness through market sector focus

All three of our Businesses have continued to develop new solutions in support of their sector specific growth programmes especially in the Americas and Asia Pacific. In Steam Specialties, the Customer Value Proposition (CVP) developed to support lithium mining projects in Argentina for the electric vehicle battery sector, is helping to expand our addressable market in this growing sector. Steam Specialties is also successfully expanding its delivery of solutions to lithium battery projects in China, with around one hundred of its customers active in this sector. In ETS, Chromalox continued to develop its decarbonisation projects pipeline and penetration of its Medium Voltage technology in the Oil & Gas and Petrochemicals sectors. Watson-Marlow's team successfully transformed its operating model in the mining sector in Australia from a distributor-led approach to direct sales, helping to build customer proximity and strengthen its competitive advantage.

Leverage our research & development (R&D) investments

Following commercial launch of the Group's '**TargetZero**' solutions, Steam Specialties has begun to build a pipeline of long-term opportunities amongst its extensive global customer base. There is strong interest in the '**TargetZero**' solutions, especially the first-to-world 'ElectroFit' product that has been fully commissioned for Diageo in Turkey. Watson-Marlow launched an important range extension for its Qdos pump, targeted at the industrial liquid/solid separation market that is forecast to grow at a mid-to-high single digit CAGR until 2030. We also continued to make progress in implementing our digital strategy with an acceleration in the number of Steam Specialties EMEA customers that are digitally connected, as well as growing momentum in connections throughout the Americas.

Optimise supply chain effectiveness

Across our Group, we measure our customer service levels using a number of metrics including on-time-to-request (OTTR). Steam Specialties notably achieved a material improvement in its OTTR performance that had been impacted by supply chain challenges during 2022.

Operate sustainably and help improve our customers' sustainability

We have achieved a significant reduction in our absolute Scope 1 and 2 market-based greenhouse gas emissions which have reduced by 16% in H1 2023, compared to H1 2022. The 47% reduction achieved against the 2019 baseline means the Group is on track to achieve its targeted reduction of 50% by 2025. There has also been a year-on-year reduction in water consumption across the Group compared to 2022 and building on the momentum of 78 biodiversity projects completed in 2022, a further 41 biodiversity projects have been undertaken so far in 2023. At the end of the first half, we had secured green energy contracts for close to 61% of the Group's electricity supply and made further progress in implementing Project Clear Sky which will fully decarbonise Steam Specialties' UK manufacturing facility in Cheltenham by early 2024.

Acquisitions and Disposals

In July, we completed the acquisition of a 15% stake in Kyoto Group (Euronext ticker: KYOTO) as part of a strategic investment agreement alongside Iberdrola to accelerate the decarbonisation of industrial process heat with Kyoto's proprietary '**Heatcube**', a molten salt thermal energy storage solution. Through Vulcanic, we

have been working with Kyoto since 2021 to provide the electric immersion heater and power control systems of ‘Heatcube’. Our investment and partnership will support the commercial and technological development of electrical heaters for existing and future generations of ‘Heatcube’ and help drive market adoption.

Market environment

Year-on-year Industrial Production growth (IP)	H1 2023	H1 2022
Europe, Middle East & Africa	(0.1)%	3.5%
<i>of which, Europe</i>	<i>(0.2)%</i>	<i>3.2%</i>
North America	0.4%	4.1%
Latin America	(0.4)%	(0.6)%
Asia Pacific	1.5%	3.3%
<i>of which, China</i>	<i>4.3%</i>	<i>3.4%</i>
Global	1.0%	2.9%

Source: Oxford Economics

Global industrial production growth (IP) was 1.0% in the first half of 2023, compared to 2.9% for the equivalent period in 2022. IP in all regions, except China where there are differing views on the extent of recovery, was lower than the equivalent period of 2022. IP contracted 0.8% in mature markets, reflecting weak growth in North America and declines across much of Europe, offset by 2.9% growth in emerging markets. In Asia Pacific, IP showed significant regional differences with apparent strength in China offset by weakness in Taiwan and Korea. There is a risk of downward revisions to IP in the second half in response to continuing macroeconomic uncertainty as governments and central banks seek to contain inflation, as well as the slower than anticipated post COVID-19 recovery in China. The weaker economic backdrop in China is beginning to impact customer demand, while broader macroeconomic uncertainty is also leading to customer deferrals of project orders.

Pharmaceutical & Biotechnology (Biopharm) customers accounted for around 60% of Watson-Marlow’s sales in 2022. At the beginning of this year and based upon customer feedback, we had anticipated that the normalisation of Biopharm demand that began in the second half of 2022 would largely complete during the first half of 2023. We also anticipated that demand growth would return during the second half of the year. In our trading update in May, we reiterated the challenges of predicting the precise timing and scale of this return to demand growth. More recently, customers have indicated higher excess inventory levels than they had originally estimated, with a return to demand growth now unlikely until 2024. Despite the challenges associated with forecasting short-term demand, the Biopharm end-markets remain robust and supported by demand for cell and gene therapies and personalised medicines. We anticipate that the underlying growth in demand has continued at its pre-pandemic rate of over 10% per annum, throughout the COVID-19 cycle.

Semicon WFE customers accounted for around 18% of ETS pro-forma sales in 2022. Anticipated lower demand for consumer electronics was factored into our forecasted demand from customers in the Semicon WFE sector. Nevertheless, demand in the first half was lower than we had anticipated. Based on recent customer feedback we expect demand to improve during the second half, although we remain cautious as to the extent of the recovery in this year. Over the medium term, Semicon WFE remains an attractive and growing sector. We continue to anticipate strong demand for our niche solutions for precise thermal control that are incorporated by Original Equipment Manufacturers (OEMs), into Wafer Fabrication Equipment (WFE) utilised in higher-end applications. Our niche positions partially mitigate the impact of any overall reduction in Semiconductor demand.

Other strategic sectors such as Food & Beverage, Oil & Gas and Power Generation have proven more resilient. Decarbonisation also remains a growing strategic imperative for customers, reflected in the strong interest we see for our sustainability solutions.

Against this backdrop and the strong comparative performance of H1 2022, overall Group performance in H1 2023 was broadly in line with our expectations.

FINANCIAL PERFORMANCE

	HY 2022	Exchange	Organic	Acquisitions & disposals*	HY 2023	Organic	Reported
Revenue	£750.1m	£11.6m	£15.9m	£73.2m	£850.8m	2%	13%
Adjusted operating profit	£178.8m	£3.0m	£(24.5)m	£14.4m	£171.7m	(13)%	(4)%
Adjusted operating profit margin	23.8%				20.2%	(370) bps	(360) bps
Statutory operating profit	£142.1m				£132.2m		(7)%
Statutory operating margin	18.9%				15.5%		(340) bps

*Results include the impact of (i) the acquisition of Vulcanic and Durex Industries and (ii) the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

To aid comparability with the first half of last year we refer to both organic and pro-forma performance measures in the commentary below. Organic performance measures exclude the contribution of Vulcanic and Durex Industries from both periods. Pro-forma comparisons include six months of contribution from Vulcanic and Durex Industries, as if they had been fully owned by the Group throughout H1 2022.

Sales

Group sales of £850.8 million (H1 2022: £750.1 million) grew 13% or 2% organically, benefiting from first-time contributions from Vulcanic and Durex Industries (acquired in H2 2022) and a currency tailwind. The disposal of our Russian operations in H1 2022 had a small adverse impact.

Strong organic sales growth in Steam Specialties (+15%) and ETS (+7%) was significantly ahead of IP.

On a pro-forma basis, Vulcanic and Durex Industries collective sales were higher than in the first half of last year, with strong growth at Vulcanic partially offset by lower sales at Durex Industries as a result of ongoing destocking by Semicon WFE OEMs.

Watson-Marlow sales were down by 21% organically, compared to a very strong H1 2022, as a result of ongoing destocking by Biopharm customers. Sales to Process Industries sectors were broadly flat on the very strong prior year comparator.

As a result, Group sales in H1 2023 were broadly in line with our expectations, with strong growth in Steam Specialties and ETS offsetting the reduction in Watson-Marlow. Excluding Watson-Marlow's Biopharm sales, the Group's sales grew 11% organically.

Adjusted operating profit

Group adjusted operating profit of £171.7 million (H1 2022: £178.8 million) was down 4% or 13% organically.

Strong organic growth in adjusted operating profit at Steam Specialties of 25% was driven by higher sales and cost containment initiatives.

ETS adjusted operating profit was broadly flat organically, compared to the first half of 2022 despite the Business' strong organic sales growth, with profit impacted by weaker Semicon WFE demand in Thermocoax.

On a pro-forma basis, the combined adjusted operating profit of Vulcanic and Durex Industries was lower than in the first half of 2022, reflecting investment in onboarding costs and the weaker Semicon WFE demand in Durex Industries. Actions were taken in the first half of the year to appropriately right-size capacity and overhead support costs in Durex Industries, with the full beneficial effect expected to be realised in the second half.

Watson-Marlow's adjusted operating profit was down 47% organically, as a result of lower sales to customers in the Biopharm sector. Actions were taken in the first half of the year to appropriately right-size capacity and

overhead support costs in Watson-Marlow, with the full beneficial effect expected to be realised in the second half of the year. Destocking by these customers is expected to be a short-term headwind, with a return to demand growth anticipated during 2024. As such, no further restructuring actions are currently planned to avoid compromising the longer-term growth potential of the Watson-Marlow Business.

Adjusted operating profit margin

Although strong sales growth in Steam Specialties and ETS offset Watson-Marlow's sales decline, the lower demand from customers in the Biopharm and Semicon WFE sectors impacted our highest margin Businesses. Therefore, the resulting difference in the Group's mix of sales compared to the first half of 2022, had an adverse impact on the adjusted operating profit margin.

Group adjusted operating profit margin of 20.2% (H1 2022: 23.8%) was down 370 bps organically. Steam Specialties adjusted operating profit margin of 24.4% saw strong organic progression (+190 bps), reflecting volume growth, cost containment initiatives and strong pricing discipline to offset inflation and protect margins. This strong growth was offset by organic declines in adjusted operating profit margin at ETS (-140 bps) and Watson-Marlow (-1,220 bps) to 24.6%, reflecting lower demand from customers in the Semicon WFE and Biopharm sectors respectively. On a pro-forma basis the combined adjusted operating profit margin of Vulcanic and Durex Industries was lower than in the prior year and lower than the Group average due to investment in onboarding costs and weaker Semicon WFE demand in Durex Industries.

Statutory operating profit and margin

Statutory operating profit decreased by 7% to £132.2 million (H1 2022: £142.1 million) and the statutory operating profit margin of 15.5% was down 340 bps (H1 2022: 18.9%). Statutory operating profit and statutory operating profit margin are impacted by the same drivers as explained in the adjusted operating profit sections above, as well as the reconciling items detailed below:

- A charge of £18.5 million (H1 2022: £10.5 million) for the amortisation of acquisition-related intangible assets
- A restructuring charge of £5.2 million in Watson-Marlow to appropriately right-size manufacturing capacity and reduce overhead support costs in order to offset the adverse impact of lower sales volumes
- Acquisition costs of £0.6 million relating to the acquisition of Vulcanic
- A one-off impairment charge of £13.9 million relating to a global ERP programme implementation within the Steam Specialties Business (see the Steam Specialties Business operating review for further details)
- A charge of £1.3 million from the reversal of fair value adjustments to inventory on the acquisition of Vulcanic

Outlook and full year guidance

We continue to be confident in our Group's resilience and ability to navigate the current uncertainty in the macroeconomic climate and short-term headwinds from weaker demand in the Biopharm and Semicon WFE sectors. Our confidence is underpinned by our robust business model, our proven price management practices to offset inflation and protect margins, as well as the opportunities arising from the demand for decarbonisation solutions.

Oxford Economics' latest forecast for 2023 global Industrial Production growth (IP) is largely unchanged from earlier this year at 1.4%, reflecting 5.1% growth in China, which implies a step up to 1.8% IP in the second half of the year from 1.0% IP in H1 2023. However, the equivalent CHR Economics forecast for global IP is 0.6%, based on 0.4% in China, illustrating the difficulties of forecasting in the current environment. There is a risk of downward revisions to forecasted IP in the second half of the year as governments and central banks seek to

contain inflation through active monetary policies, as well as a slower than anticipated post COVID-19 recovery in China. The weaker economic backdrop in China is beginning to impact customer demand, while broader macroeconomic uncertainty is also leading to customer deferrals of project orders.

At the time of our last trading update in May, we anticipated a modest adverse effect from currency movements on full year 2023 sales and adjusted operating profit if rates as at the end of April were to prevail for the remainder of the year. Given sterling's continued appreciation and based on rates at the end of July, we now anticipate an adverse impact on the Group's full year sales and adjusted operating profit of between 2.0% and 2.5%, compared with the full year 2022. However, movements in exchange rates are often volatile and unpredictable, therefore the actual impact could be significantly different.

The Biopharm and Semicon WFE sectors are likely to remain challenging across the remainder of the current year. Demand from Biopharm customers is now likely to normalise in 2024 as they continue to work through COVID-19-driven excess inventories. In both the Biopharm and Semicon WFE sectors, based upon the latest customer feedback, we expect demand to improve in the latter part of 2023 but remain cautious as to the extent of the recovery in this year.

Against this backdrop and consistent with our guidance at the beginning of the year, for the full year 2023 we continue to anticipate that organic sales growth in Steam Specialties will be significantly above IP, albeit at a lower rate of IP outperformance than in the first half. We anticipate that the improved first half adjusted operating profit margin will be sustained.

In ETS, compared to the full year 2022 pro-forma, we now anticipate full year 2023 sales growth well above IP and for adjusted operating profit margin, we now anticipate a larger decline in the full year 2023 margin than we had expected at the beginning of the year, reflecting the impact of weaker Semicon WFE demand in Durex Industries and Thermocoax.

Watson-Marlow is expected to deliver sequential growth in sales and adjusted operating profit in the second half of 2023, although both are likely to remain below prior year levels before returning to year-on-year growth in 2024.

As a result of these factors and excluding the impact of the currency headwind, compared to 2022 pro-forma sales of £1,734 million and the Group's adjusted operating profit margin of 23.6%, we anticipate Group sales for the full year 2023 to grow between 0% and 4%, with a year-on-year adjusted operating profit margin decline of between 100 bps and 200 bps.

We now anticipate that the half-yearly sales split of all three Businesses will be closer to the typical 48%:52% than we previously guided to. Second half adjusted operating profit will benefit from operational gearing and the full effect of right-sizing actions taken in the first half.

While our guidance for the remainder of the year reflects the short-term challenges of predicting the precise timing and scale of the return to growth in the Biopharm and Semicon WFE sectors, we remain confident in the strong underlying medium and long-term growth drivers for both sectors.

We continue to anticipate adjusted cash conversion of above 70% in 2023, as well as capital expenditure of approximately 7% of sales.

Net financing expense

Net financing expenses increased to £18.2 million (H1 2022: £3.6 million) comprising £16.5 million of net bank interest (H1 2022: £2.6 million), £0.8 million of interest on pension liabilities (H1 2022: £0.3 million) and £0.9 million of interest on lease liabilities (H1 2022: £0.7 million). Bank interest increased due to higher average net debt following the acquisitions of Vulcanic and Durex Industries at the end of the prior financial year. We expect net financing expenses for the second half of the year to be broadly in line with the first half.

Profit before tax

Adjusted operating profit before tax was down 12% to £153.5 million (H1 2022: £175.2 million), driven by a decrease of adjusted operating profit by 4% and additional net financing expense. Statutory operating profit before tax was down 18% to £114.0 million (H1 2022: £138.5 million). The reconciling items between adjusted operating profit before tax and statutory operating profit before tax are shown above and in the Appendix to the Financial Statements.

Taxation

The Group tax rate reflects the blended average of rates in tax jurisdictions around the world in which the Group trades and generates profit. The Group adjusted effective tax rate increased by 40 bps to 25.4% (FY 2022: 25.0%) and on a statutory basis the Group effective tax rate was 27.2% (FY 2022: 27.0%).

The Group adjusted effective tax rate is in line with our forecast for 2023, anticipating a marginally higher rate than in 2022. The Group is subject to a tax adjustment in Argentina that seeks to offset the impact of inflation upon taxable profits. Given the current high levels of inflation in Argentina, this has a meaningful impact on the effective tax rate. Whilst we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the volatility of Argentinian inflation.

The Group monitors income tax developments in the territories in which it operates, including the OECD Base Erosion and Profit Shifting (BEPS) initiative to set a new minimum global corporate tax rate of 15%. We do not currently expect that this BEPS initiative will lead to a material increase in our effective tax rate from 2024 onwards.

On 8th June 2022, the European Union (EU) General Court published its decision on the appeals for annulment made against the European Commission's (EC) 2019 decision that certain aspects of the UK's Controlled Foreign Company regime constituted State Aid, finding in favour of the EC. The UK Government has appealed the decision of the EU General Court. Whilst the EU General Court ruling was in favour of the EC, our assessment is that there are grounds for successful appeal. As a result, we have continued to recognise a receivable of £4.9 million in the Consolidated Statement of Financial Position. This relates to the full amount paid to HM Revenue & Customs for Charging Notices received in 2021. The Group has not received a Charging Notice for either the benefit received prior to 2017, which is estimated to be £2.8 million, or the benefit received during 2019 of £1.1 million. No provisions have currently been recognised relating to these amounts and therefore they remain a contingent liability at 30th June 2023.

Earnings per share

Adjusted basic earnings per share decreased by 11% to 155.2 pence (H1 2022: 175.1 pence), consistent with the decrease in adjusted operating profit. Statutory basic earnings per share were 112.5 pence (H1 2022: 131.8 pence). The statutory fully diluted earnings per share were not materially different to the statutory basic earnings per share in either year.

Dividends

The Board has declared an interim dividend of 46.0 pence (2022: 42.5 pence) per ordinary share, an increase of 8%. This growth in the interim dividend follows an increase of 12% in the total dividend in respect to 2022. The dividend will be paid on 10th November 2023 to shareholders on the register at the close of business on the 13th October 2023. The final dividend of 109.5 pence per share in respect of 2022 was paid on 19th May at a cash cost of £80.7 million.

Currency movements

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 companies. 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 forecast future 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 operating companies.

Financial Position and Cash Flow

Capital employed

	30th June 2023 £m	31st December 2022 £m
Property, plant and equipment	395.3	384.5
Right-of-use assets	90.2	67.2
Software & development costs	35.0	44.5
Non-current prepayments	2.5	2.0
Inventories	304.9	290.0
Trade receivables	317.2	341.1
Other current assets	81.8	79.6
Tax recoverable	16.6	19.0
Trade, other payables and current provisions	(242.7)	(295.0)
Current tax payable	(24.9)	(40.4)
Capital employed	975.9	892.5

Capital employed increased by £83.4 million to £975.9 million at 30th June 2023. In first half of this financial year, our capital expenditure was £50.6 million, which amounts to 6% of sales and is a comparable investment to H1 2022 at £49.3 million. For the full year, we expect capital expenditure to be approximately 7% of sales due to increased investment in the second half of the year, driven by the expansion of Chromalox's manufacturing facility in Ogden, Utah (USA). During the first half, tangible fixed assets (Property, Plant & Equipment (PPE) and right-of-use-assets) increased by £33.8 million to £485.5 million principally as a result of the new leased manufacturing facility for Watson-Marlow in Devens, Massachusetts (USA).

Total working capital increased by £62.7 million reflecting usual seasonality, with an increase in inventory and a reduction in payables driven by the completion of a number of large capital expenditure projects. Going forward, we anticipate that the ratio of working capital to sales will be at a similar level to the pro-forma basis reported at December 2022.

Adjusted cash flow

	30 th June 2023	30 th June 2022
	£m	£m
Adjusted Cash flow		
Adjusted operating profit	171.7	178.8
Depreciation and amortisation (excl. leased assets)	21.7	17.0
Depreciation of leased assets	7.5	6.4
Cash payments to pension schemes more than the charge to adjusted operating profit	(2.7)	(2.9)
Equity settled share plans	4.8	4.8
Working capital changes	(62.7)	(70.8)
Repayments of principal under lease liabilities	(7.7)	(6.2)
Capital expenditure (including software and development)	(50.6)	(49.3)
Capital disposals	0.8	0.6
Adjusted cash from operations	82.8	78.4
Net interest	(17.4)	(3.3)
Income taxes paid	(46.1)	(41.2)
Adjusted Free cash flow	19.3	33.9
Net dividends paid	(81.0)	(72.2)
Purchase of employee benefit trust shares/Proceeds from issue of shares	(8.8)	(10.4)
(Acquisitions)/Disposals of subsidiaries	(2.3)	(12.7)
Restructuring costs	(6.1)	-
Cash flow for the year	(78.9)	(61.4)
Exchange movements	21.0	(8.5)
Cash transferred to assets classified as held for sale	-	(2.3)
Opening net debt	(690.4)	(130.5)
Net debt at 30 June 2023	(748.3)	(202.7)
Lease liability	(88.4)	(61.8)
Net debt and lease liability 30th June 2023	(836.7)	(264.5)

Adjusted cash from operations of £82.8 million (H1 2022: £78.4 million) was up £4.4 million, resulting in cash conversion of 48% (H1 2022: 44%). For the full year we continue to expect cash conversion to be above 70%. Adjusted cash from operations is a measure of the cash flow generated from our operating companies that reflects the components within the control of local management. A reconciliation between this and statutory operating cash flow can be found in the Appendix to the Financial Statements.

Tax paid in the period increased to £46.1 million (H1 2022: £41.2 million) driven by payments made by Vulcanic and Durex Industries included in H1 2023 but not in H1 2022. Adjusted free cash flow decreased to £19.3 million (H1 2022: £33.9 million) principally due to increased financing expense in the period.

Dividend payments were £81.0 million (H1 2022: £72.2 million) including payments to minority shareholders.

Share purchases, net of new shares issued for the Group's various employee share schemes, resulted in a cash outflow of £8.8 million (H1 2022: £10.4 million).

Restructuring spend of £6.1 million relates primarily to the right-sizing of capacity and overhead support costs undertaken in Watson-Marlow.

The net post-retirement benefit liability under IAS 19 decreased to £43.4 million (FY 2022: £52.1 million, H1 2022: £35.2 million). The fair value of assets decreased by £7.8 million from 31st December 2022 to £333.8 million. This was more than offset by lower liabilities which reduced by £16.5 million since 31st December 2022 to £377.2 million.

Financing and Liquidity

Net debt (excluding leases) at the 30th June 2023 was £748.3 million (FY 2022: £690.4 million), with a net debt to EBITDA ratio of 1.8x (FY 2022: 1.7x on a reported basis and 1.5x on a pro-forma basis).

As at the 30th June 2023, total committed and undrawn debt facilities amounted to £227.7 million alongside a net cash balance of £214.7 million. The average tenor of our debt is over four years with the next contractual repayment maturity in September 2023. During the period, the Group successfully exercised an option to extend the maturity of our £400 million committed, revolving credit facility by an additional year to April 2028.

OPERATING REVIEW

Steam Specialties

	HY 2022	Exchange	Organic	Acquisitions & disposals*	HY 2023	Organic	Reported
Revenue	£400.6m	£0.6m	£60.0m	£(1.4)m	£459.8m	15%	15%
Adjusted operating profit	£92.1m	£(2.2)m	£22.4m	£(0.1)m	£112.2m	25%	22%
Adjusted operating margin	23.0%				24.4%	190 bps	140 bps
Statutory operating profit	£87.7m				£96.3m		10%
Statutory operating margin	21.9%				20.9%		(100) bps

*Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

Progress in the half year

Steam Specialties made exceptional progress during the first half, with demand above sales and continued growth in the overall order book. Steam Specialties sales of £459.8 million were up 15% on a reported basis and organically, significantly ahead of IP.

EMEA

In EMEA, organic sales growth of 15% reflected the delivery of our first 'TargetZero' order in Turkey and the benefits of prior year revenue investments to enter new markets in the Middle East and Africa. Growth in more mature markets, including the UK, was lower reflecting weaker IP.

Asia Pacific

In Asia Pacific, organic sales growth of 14% reflected an increase in self-generated sales across the region and a focus on driving maintenance and replacement orders, reducing the historical higher dependency on large orders. However, Korea benefited from growth in large orders, funded from our customers' capital expenditure budgets, continuing the post COVID-19 recovery.

Americas

In the Americas, organic sales growth of 17% was delivered against the backdrop of contracting IP during the first half. In North America, sales growth was supported by delivery against a significant order book built up in 2022. In Latin America, sales in Brazil were up strongly, driven by the Oil & Gas sector, while growth in Argentina was driven by both the Food & Beverage and Oil & Gas sectors including some significant large orders.

Across all regions broader macroeconomic uncertainty is leading to customer deferrals of project orders, while the weaker economic backdrop in China is beginning to impact on customer demand in Asia Pacific.

Steam Specialties adjusted operating profit of £112.2 million was up 25% up on an organic basis. Adjusted operating profit margin of 24.4% was up 190 bps on an organic basis, reflecting volume growth, cost containment initiatives and strong pricing discipline to offset inflation and protect margins.

Statutory operating profit of £96.3 million was up 10% from £87.7 million in the first half of 2022 and statutory operating profit margin of 20.9% was down 100 bps. Since 2018, Steam Specialties has been engaged in a project to upgrade its ERP systems, known as Project OPAL. Over time the scope of the project has expanded substantially to include a wider range of business applications. In parallel, the external technology market has continued to evolve and the Group has also taken the decision to implement consistent ERP solutions across all three Businesses. Within Steam Specialties, this will enhance future capability in addition to leveraging the scale of the broader Group. This has resulted in a non-cash impairment charge to statutory operating profit of £13.9 million in relation to existing assets which will no longer provide future economic benefit.

Operating highlights and strategic update

Following commercial launch of the Group's 'TargetZero' solutions late in 2022, Steam Specialties has begun to build a long-term pipeline of opportunities within its global customer base. There is strong interest in the 'TargetZero' solutions, especially the 'ElectroFit' solution, which is the retrofit of gas burners for electric heaters. In H1 2023, we completed the installation and commissioning of the first-to-world 'Electrofit' for global Food & Beverage customer Diageo in Turkey.

During the first half, Steam Specialties continued to implement its digital strategy with the continued build-out of regional 'digital hubs' and the deployment of our proprietary STRATA platform, which came with our acquisition in 2022 of the global energy consulting specialist Cotopaxi, across the Group's manufacturing facilities in all of our three Businesses.

Electric Thermal Solutions

	HY 2022	Exchange	Organic	Acquisitions & disposals*	HY 2023	Organic	Reported
Revenue	£104.7m	£4.4m	£7.1m	£76.3m	£192.5m	7%	84%
Adjusted operating profit	£12.8m	£0.4m	£(0.8)m	£14.5m	£26.9m	(6)%	110%
Adjusted operating margin	12.2%				14.0%	(140) bps	180 bps
Statutory operating (loss)/profit	£(8.9)m				£10.7m		220%
Statutory operating margin	(8.5)%				5.6%		1,410 bps

*Results include the impact of the acquisitions of Vulcanic and Durex Industries.

Progress in the half year

In 2022, on a pro-forma basis and following the acquisitions of Vulcanic and Durex Industries, the Americas and EMEA represented 56% and 32% of ETS sales respectively, with sales to the Semicon WFE sector representing 18% of total ETS sales. While IP remains a key underlying driver of growth in ETS, secular trends in the decarbonisation and Semiconductor markets are important additional drivers. As expected, the Semicon WFE sector continued to slow during the first half with demand additionally impacted by destocking in the supply chain.

Demand growth for ETS products was significantly ahead of IP and above sales. In Chromalox and Vulcanic, demand growth was strongest in the strategically important sectors of Energy Transition, which includes decarbonisation solutions, as well as Health & Nutrition, leading to a significantly enhanced order book. Thermocoax experienced strong demand from customers in the Aerospace, Power Generation and Nuclear industries. Both Durex Industries and Thermocoax were impacted by slowing Semicon WFE demand.

ETS sales of £192.5 million were up 84% reflecting the first-time contribution of sales from the acquisitions of Vulcanic and Durex Industries. Excluding this contribution, sales were up 11% or 7% organically, with the difference reflecting a currency tailwind during the first half.

On a pro-forma basis, Vulcanic and Durex Industries sales were higher than in the first half of last year, with strong growth at Vulcanic partially offset by lower sales at Durex Industries that were impacted by slowing Semicon WFE demand exacerbated by destocking in the supply chain.

Adjusted operating profit in ETS of £26.9 million was up 110% due to the first-time contribution from the acquisitions of Vulcanic and Durex Industries. Excluding this contribution, adjusted operating profit was broadly flat year-on-year with adjusted operating profit margin performance impacted by weaker Semicon WFE demand in Thermocoax. On a pro-forma basis, margins in the recently acquired Divisions were down year-on-year, driven by the impact of lower Semicon WFE demand at Durex Industries, as well as investment in systems and processes to align the Divisions with the Group's operating standards.

Statutory operating profit of £10.7 million was up 220% from a statutory operating loss of £8.9 million in the first half of 2022 reflecting the absence of restructuring charges in relation to Chromalox EMEA which impacted the H1 2022 result. For the same reason, statutory operating profit margin of 5.6% was up 1,410 bps.

Operating highlights and strategic update

We have made good progress with the operational integration of Vulcanic and Durex Industries to align both acquisitions to the Group culture, our Values including Safety, our business model, as well as core operational and financial processes. In addition, we have begun to leverage cross-selling opportunities between Vulcanic and Chromalox as well as Durex Industries and Thermocoax that are also consolidating their US manufacturing facilities.

In Q2 2023, we initiated a US\$58 million investment to extend Chromalox's facility in Ogden, Utah (USA) by 9,600 m³ and establish a state-of-the-art manufacturing unit dedicated to Medium Voltage heating solutions, which will be operational early in 2025.

Watson-Marlow

	HY 2022	Exchange	Organic	Acquisitions & disposals*	HY 2023	Organic	Reported
Revenue	£244.8m	£6.6m	£(51.2)m	£(1.7)m	£198.5m	(21)%	(19)%
Adjusted operating profit	£87.0m	£4.8m	£(42.9)m		£48.9m	(47)%	(44)%
Adjusted operating margin	35.5%				24.6%	(1,220) bps	(1,090) bps
Statutory operating profit	£83.6m				£42.1m		(50)%
Statutory operating margin	34.2%				21.2%		(1,300) bps

*Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

Progress in the half year

Watson-Marlow sells to the Biopharm sector through OEMs, contract manufacturers and directly to end customers. All three customer groups drove strong growth in Watson-Marlow from Q4 2020 through to H1 2022. This exceptional demand from the sector was driven by expectations of a far larger deployment of the COVID-19 vaccine than was subsequently required. The resulting excess inventory across the supply chain has driven destocking from H2 2022 onwards.

Expectations from our customers at the beginning of 2023 were that this destocking would complete during H1 2023, before demand normalised during H2 2023. In recent weeks it has become clear that destocking is likely to continue through the remainder of 2023, with a return to more normal levels of demand growth during 2024.

Against a challenging comparator in H1 2022, as well as the backdrop of continuing normalisation of demand in Biopharm, Watson-Marlow sales in the first half were 19% lower year-on-year, or down 21% organically, as our customers have been working through significant levels of overstocking. As a result, in H1 2023 Biopharm sales were down 33% organically, while Process Industries sales were broadly flat against a record H1 2022 that saw double-digit growth.

The higher-than-expected decline in sales volumes during the first half impacted Watson-Marlow's profitability. Adjusted operating profit in the first half of £48.9 million was 47% lower organically, with adjusted operating profit margin lower by 1,220 bps at 24.6%.

Although Watson-Marlow's performance in 2023 is below the exceptional levels experienced through the COVID-19 pandemic, the Business remains robust and is well positioned for a return to growth in 2024. Compared to the first half of 2019, Watson-Marlow's H1 2023 sales have grown by 9% on a compound annual basis, which is consistent with Watson-Marlow's pre-pandemic sales growth, demonstrating the underlying strength of its business model and strategy.

Statutory operating profit of £42.1 million was down 50% compared to the first half of 2022, while statutory operating profit margin was down 1,300 bps for the reasons set out above.

Operating highlights and strategic update

While the trading environment remains temporarily challenging, Watson-Marlow has taken a prudent approach to costs by balancing the needs of business-readiness for a recovery in volumes in 2024 against appropriate near-term actions to support margins.

In the first quarter, Watson-Marlow took steps to appropriately right-size manufacturing capacity and reduce overhead support costs to offset the adverse impact of lower sales volumes on adjusted operating profit margin. While the right-sizing was focused on our UK and EMEA operations, Watson-Marlow also closed the Flowsmart site in Delaware (USA) and transferred manufacturing to its newly built facility in Devens, Massachusetts (USA). Following these actions Watson-Marlow's manufacturing capacity is strongly positioned to respond to the return of Biopharm demand.

PRINCIPAL RISKS AND UNCERTAINTIES

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, as agreed at the most recent meeting of the Risk Management Committee, together with a description of why they are relevant and if the significance of the risk has changed during the first half of 2023, are set out below. Details of how they link with the Group's strategy, an explanation of the change in risk and how mitigation is managed are disclosed in the 2022 Annual Report & Accounts.

Economic and political instability – Consistent compared to 2022

The Group operates worldwide and maintains operations in territories that have historically experienced economic or political instability, including regime changes. In addition to the potential impact on our local operations, this instability also increases credit, liquidity and currency risks.

This risk was already increased in 2022 due to escalating global political uncertainties and a weakening macroeconomic outlook. For H1 2023 this the risk remains unchanged.

Significant exchange rate movements –Consistent compared to 2022

The Group reports its results and pays dividends in sterling. Sales and manufacturing companies trade in local currency. With our local presence in markets across the globe, the nature of our business necessarily results in exposure to exchange rate volatility.

Cybersecurity – Consistent compared to 2022

Cybersecurity risks include theft of information, malware, ransomware and compliance with evolving statutory and legislative requirements. Risks may manifest through a direct attack on our business or through our supply chain.

This risk was increased in 2022 due to rising geopolitical tensions and sophisticated, state-backed cyber attacks. For H1 2023 this risk remains unchanged.

Loss of manufacturing output at any Group factory – Consistent compared to 2022

The risk includes loss of output as a result of natural disasters, industrial action, accidents or other causes. Loss of manufacturing output from our larger plants risks serious disruption to Group sales.

Failure to realise acquisition objectives – Consistent compared to 2022

The Group mitigates this risk in various ways, including through comprehensive due diligence, professional advisers, contractual protections and comprehensive integration planning. However, there are some variables that are difficult to control, such as adverse economic conditions, or the loss of key colleagues, which could impact acquisition objectives.

Loss of critical supplier – Consistent compared to 2022

This risk relates to the loss of a critical supplier that could result in manufacturing constraints and delayed deliveries to customers.

Breach of legal and regulatory requirements (including ABC laws) – Consistent compared to 2022

We operate globally and must ensure compliance with laws and regulations wherever we do business. As we enter new markets and territories we continually review and update our operating procedures and ensure our colleagues are fully informed and educated in all applicable legal requirements, such as 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 – Consistent compared to 2022

This risk could lead to a reduction in demand from a failure to respond to changes in the needs of customers or technology shifts.

Climate change risks

Although not a Principal Risk, Climate change was elevated to risk 9 in our Risk Register in 2022. Our Group Director of Sustainability became a member of the Risk Management Committee in 2022 in recognition of the increasing importance of this risk. Following a comprehensive review, our description of this risk was updated in the Group Risk Register, aligning with the TCFD framework and recognising that climate change is not a singular risk, but a combination of physical and transitional risks that will emerge differently under various scenarios.

Climate change-related risks are currently deemed to be low for the Group (based on assessment of likelihood, impact and control) and climate change is not identified as a Principal Risk. However, a number of the key

risks associated with climate change are already managed through other Principal Risks on the Group Risk Register. These include physical risks – notably the impact of a climate-related event on our manufacturing operations, specifically the loss of a manufacturing site, or our supply chain – and transition risks – such as failure to meet changing market needs.

Based on this assessment we believe that our risk management processes are adequate and appropriate for the level of risk. During the first half of 2023, management of the Group’s climate-change risk mitigation activities was overseen by the Board, the Group Executive Committee and the Group Sustainability Management Committee.

Emerging risks

We are continuing to monitor the conflict in Ukraine and its subsequent impact on our Group, including volatile energy costs, inflationary pressures and corresponding interest rate rises in an effort to curb inflation.

INDEPENDENT REVIEW REPORT TO SPIRAX-SARCO ENGINEERING PLC

Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2023 which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related Notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1 the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor
London, United Kingdom
9th August 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 th June 2023 £m (unaudited)	30 th June 2022 £m (unaudited)	31 st December 2022 £m (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		395.3	311.1	384.5
Right-of-use assets		90.2	64.2	67.2
Goodwill		677.8	446.8	703.3
Other intangible assets		455.5	263.8	500.3
Prepayments		2.5	1.3	2.0
Investment in Associate		-	-	-
Taxation recoverable		4.9	4.9	5.1
Deferred tax assets		18.9	50.0	69.0
		1,645.1	1,142.1	1,731.4
Current assets				
Inventories		304.9	239.4	290.0
Trade receivables		317.2	311.1	341.1
Other current assets		81.8	58.7	79.6
Taxation recoverable		11.7	9.4	13.9
Assets classified as held for sale		-	0.7	-
Cash and cash equivalents	8	322.8	304.9	328.9
		1,038.4	924.2	1,053.5
Total assets		2,683.5	2,066.3	2,784.9
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		232.9	225.4	283.0
Provisions		9.8	14.2	12.0
Bank overdrafts	8	108.1	74.3	85.1
Current portion of long-term borrowings	8	196.7	0.9	202.9
Short-term lease liabilities	8	13.3	12.6	14.1
Liabilities directly associated with assets classified as held for sale		-	0.5	-
Current tax payable		24.9	33.8	40.4
		585.7	361.7	637.5
Net current assets		452.7	562.5	416.0
Non-current liabilities				
Long-term borrowings	8	766.3	432.4	731.3
Long-term lease liabilities	8	75.1	49.2	51.1
Deferred tax liabilities		76.8	88.1	128.1
Post-retirement benefits	7	43.4	35.2	52.1
Provisions		6.5	1.6	6.2
Long-term payables		8.6	6.2	8.8
		976.7	612.7	977.6
Total liabilities		1,562.4	974.4	1,615.1
Net assets	2	1,121.1	1,091.9	1,169.8
Equity				
Share capital		19.8	19.8	19.8
Share premium account		88.4	86.6	88.1
Translation reserve		(49.1)	17.8	17.5
Other reserves		(3.4)	(15.2)	(23.4)
Retained earnings		1,064.8	982.1	1,067.0
Equity shareholders' funds		1,120.5	1,091.1	1,169.0
Non-controlling interest		0.6	0.8	0.8
Total equity		1,121.1	1,091.9	1,169.8
Total equity and liabilities		2,683.5	2,066.3	2,784.9

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months to 30 th June 2023 £m (unaudited)	Six months to 30 th June 2022 £m (unaudited)	Year ended 31 st December 2022 £m (audited)
	Notes			
Revenue	2	850.8	750.1	1,610.6
Operating costs		(718.6)	(608.0)	(1,291.8)
Operating profit	2	132.2	142.1	318.8
Financial expenses		(22.3)	(5.5)	(16.3)
Financial income		4.1	1.9	5.6
Net financing expense	3	(18.2)	(3.6)	(10.7)
Share of (loss)/profit of Associate		-	-	-
Profit before taxation		114.0	138.5	308.1
Taxation	4	(31.0)	(41.3)	(83.1)
Profit for the period		83.0	97.2	225.0
Attributable to:				
Equity shareholders		82.9	97.1	224.7
Non-controlling interest		0.1	0.1	0.3
Profit for the period		83.0	97.2	225.0
Earnings per share				
Basic earnings per share	5	112.5p	131.8p	305.1p
Diluted earnings per share	5	112.3p	131.5p	304.4p
Dividends				
Dividends per share	6	46.0p	42.5p	152.0p
Dividends paid (per share)	6	109.5p	97.5p	140.0p

All amounts relate to continuing operations. The Notes on pages 26 to 37 form an integral part of the Interim Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 30 th June 2023 £m (unaudited)	Six months to 30 th June 2022 £m (unaudited)	Year ended 31 st December 2022 £m (audited)
Profit for the period	83.0	97.2	225.0
Items that will not be reclassified to profit or loss:			
Remeasurement gain on post-retirement benefits	5.9	8.5	(8.3)
Deferred tax on remeasurement gain on post-retirement benefits	(1.4)	(2.3)	1.8
	4.5	6.2	(6.5)
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of foreign operations and net investment hedges	(57.7)	63.8	54.8
Transfer to Income Statement of cumulative translation differences on disposal of subsidiaries	-	-	3.2
Gain/(loss) on cash flow hedges net of tax	5.7	(7.7)	(3.5)
	(52.0)	56.1	54.5
Total comprehensive income for the period	35.5	159.5	273.0
Attributable to:			
Equity shareholders	35.4	159.4	272.7
Non-controlling interest	0.1	0.1	0.3
Total comprehensive income for the period	35.5	159.5	273.0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended

30th June 2023

(unaudited)

	Share capital £m	Share premium account £m	Translation Reserve £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
Balance at 1st January 2023	19.8	88.1	17.5	(23.4)	1,067.0	1,169.0	0.8	1,169.8
Profit for the period	-	-	-	-	82.9	82.9	0.1	83.0
Other comprehensive (expense)/income:								
Foreign exchange translation differences and net investment hedges	-	-	(66.6)	8.9	-	(57.7)	-	(57.7)
Remeasurement gain on post-retirement benefits	-	-	-	-	5.9	5.9	-	5.9
Deferred tax on remeasurement gain on post-retirement benefits	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Cash flow hedges	-	-	-	5.7	-	5.7	-	5.7
Total other comprehensive (expense)/income for the period	-	-	(66.6)	14.6	4.5	(47.5)	-	(47.5)
Total comprehensive (expense)/income for the period	-	-	(66.6)	14.6	87.4	35.4	0.1	35.5
Contributions by and distributions to owners of the Company:								
Dividends paid	-	-	-	-	(80.7)	(80.7)	(0.3)	(81.0)
Equity-settled share plans net of tax	-	-	-	-	(8.9)	(8.9)	-	(8.9)
Issue of share capital	-	0.3	-	-	-	0.3	-	0.3
Employee Benefit Trust shares	-	-	-	5.4	-	5.4	-	5.4
Balance at 30th June 2023	19.8	88.4	(49.1)	(3.4)	1,064.8	1,120.5	0.6	1,121.1

Other reserves represent the Group's 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.

**For the period ended
30th June 2022
(unaudited)**

	Share capital £m	Share premium account £m	Translation Reserve £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
Balance at 1st January 2022	19.8	86.3	(53.2)	(5.0)	961.1	1,009.0	1.0	1,010.0
Profit for the period	-	-	-	-	97.1	97.1	0.1	97.2
Other comprehensive income/(expense):								
Foreign exchange translation differences and net investment hedges	-	-	71.0	(7.2)	-	63.8	-	63.8
Remeasurement gain on post-retirement benefits	-	-	-	-	8.5	8.5	-	8.5
Deferred tax on remeasurement gain on post-retirement benefits	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Cash flow hedges	-	-	-	(7.7)	-	(7.7)	-	(7.7)
Total other comprehensive income/(expense) for the period	-	-	71.0	(14.9)	6.2	62.3	-	62.3
Total comprehensive income/(expense) for the period	-	-	71.0	(14.9)	103.3	159.4	0.1	159.5
Contributions by and distributions to owners of the Company:								
Dividends paid	-	-	-	-	(71.9)	(71.9)	(0.3)	(72.2)
Equity-settled share plans net of tax	-	-	-	-	(10.4)	(10.4)	-	(10.4)
Issue of share capital	-	0.3	-	-	-	0.3	-	0.3
Employee Benefit Trust shares	-	-	-	4.7	-	4.7	-	4.7
Balance at 30th June 2022	19.8	86.6	17.8	(15.2)	982.1	1,091.1	0.8	1,091.9

**For the year ended 31st
December 2022
(audited)**

	Share capital £m	Share premium account £m	Translation Reserve £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
Balance at 1st January 2022	19.8	86.3	(40.5)	(17.7)	961.1	1,009.0	1.0	1,010.0
Profit for the period	-	-	-	-	224.7	224.7	0.3	225.0
Other comprehensive income/(expense):								
Foreign exchange translation differences and net investment hedges	-	-	54.8	-	-	54.8	-	54.8
Transfer to Income Statement of cumulative translation differences on disposal of subsidiaries	-	-	3.2	-	-	3.2	-	3.2
Remeasurement gain on post- retirement benefits	-	-	-	-	(8.3)	(8.3)	-	(8.3)
Deferred tax on remeasurement gain on post- retirement benefits	-	-	-	-	1.8	1.8	-	1.8
Cash flow hedges	-	-	-	(3.5)	-	(3.5)	-	(3.5)
Total other comprehensive income/(expense) for the period	-	-	58.0	(3.5)	(6.5)	48.0	-	48.0
Total comprehensive income/(expense) for the period	-	-	58.0	(3.5)	218.2	272.7	0.3	273.0
Contributions by and distributions to owners of the Company:								
Dividends paid	-	-	-	-	(103.1)	(103.1)	(0.5)	(103.6)
Equity-settled share plans net of tax	-	-	-	-	(9.2)	(9.2)	-	(9.2)
Issue of share capital	-	1.8	-	-	-	1.8	-	1.8
Employee Benefit Trust shares	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Balance at 31st December 2022	19.8	88.1	17.5	(23.4)	1,067.0	1,169.0	0.8	1,169.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months to 30 th June 2023 £m (unaudited)	Six months to 30 th June 2022 £m (unaudited)	Year ended 31 st December 2022 £m (audited)
Cash flows from operating activities				
Profit before taxation		114.0	138.5	308.1
Depreciation, amortisation and impairment		61.1	40.9	81.0
Loss/(profit) on disposal of fixed assets		0.5	(0.7)	(1.4)
Loss on impairment of assets classified as held for sale		-	3.6	-
Cash payments to the pension schemes greater than the charge to operating profit		(2.7)	(2.9)	(5.3)
Loss on disposal of subsidiaries		-	-	7.0
Acquisition related items		(0.6)	-	3.8
Restructuring related provisions and impairments		(0.9)	16.3	10.2
Equity-settled share plans		4.8	4.8	8.9
Net finance expense		18.2	3.6	10.7
Operating cash flow before changes in working capital and provisions		194.4	204.1	423.0
(Increase)/decrease in trade and other receivables		(7.0)	(36.3)	(56.3)
(Increase)/decrease in inventories		(28.3)	(29.7)	(58.3)
(Decrease)/increase in provisions		(0.3)	(0.8)	(0.8)
(Decrease)/increase in trade and other payables		(27.1)	(4.0)	23.5
Cash generated from operations		131.7	133.3	331.1
Income taxes paid		(46.1)	(41.2)	(90.0)
Net cash from operating activities		85.6	92.1	241.1
Cash flows from investing activities				
Purchase of property, plant and equipment		(42.4)	(44.1)	(104.3)
Proceeds from sale of property, plant and equipment		0.8	0.6	4.0
Purchase of software and other intangibles		(4.7)	(3.5)	(8.9)
Development expenditure capitalised		(3.5)	(1.7)	(4.3)
Disposal of subsidiaries		-	-	(2.8)
Acquisition of businesses net of cash acquired		-	(12.7)	(460.3)
Interest received		4.1	1.8	5.6
Net cash used in investing activities		(45.7)	(59.6)	(571.0)
Cash flows from financing activities				
Proceeds from issue of share capital		0.3	0.3	1.8
Employee Benefit Trust share purchase		(9.1)	(10.7)	(20.8)
Repaid borrowings		-	(59.1)	(511.1)
New borrowings		60.3	134.2	1,008.8
Interest paid including interest on lease liabilities		(21.5)	(5.1)	(15.5)
Repayment of lease liabilities	8	(7.7)	(6.2)	(12.9)
Dividends paid (including minority shareholders)	6	(81.0)	(72.2)	(103.6)
Net cash used in financing activities		(58.7)	(18.8)	346.7
Net change in cash and cash equivalents	8	(18.8)	13.7	16.8
Net cash and cash equivalents at beginning of period	8	243.8	219.0	219.0
Cash transferred to assets held for sale		-	(2.3)	-
Exchange movement	8	(10.3)	0.2	8.0
Net cash and cash equivalents at end of period	8	214.7	230.6	243.8
Borrowings	8	(963.0)	(433.3)	(934.2)
Net debt at end of period	8	(748.3)	(202.7)	(690.4)
Lease liabilities	8	(88.4)	(61.8)	(65.2)
Net debt and lease liabilities at end of period	8	(836.7)	(264.5)	(755.6)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Spirax-Sarco Engineering plc is a company domiciled in the UK. The Condensed Consolidated Interim Financial Statements of Spirax-Sarco Engineering plc and its subsidiaries (the Group) for the six months ended 30th June 2023 have been prepared in accordance with United Kingdom adopted International Financial Reporting Standard IAS 34 (Interim Financial Reporting). The accounting policies applied are consistent with those set out in the Spirax-Sarco Engineering plc 2022 Annual Report.

These Condensed Consolidated Interim Financial Statements do not include all the information required for full annual statements and should be read in conjunction with the 2022 Annual Report. The comparative figures for the year ended 31st December 2022 do not constitute the Group's statutory Financial Statements for that financial year as defined in Section 434 of the Companies Act 2006. The Financial Statements of the Group for the year ended 31st December 2022 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the United Kingdom. The statutory Consolidated Financial Statements for Spirax-Sarco Engineering plc in respect of the year ended 31st December 2022 have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Consolidated Financial Statements of the Group in respect of the year ended 31st December 2022 are available upon request from Mr A. J. Robson, General Counsel and Company Secretary, The Grange, Bishops Cleeve, Cheltenham, GL52 8YQ. The Report is also available on our website at www.spiraxsarcoengineering.com.

The Condensed Consolidated Interim Financial Statements for the six months ended 30th June 2023, which have been reviewed by the auditor in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council, were authorised by the Board on 9th August 2023.

The Half Year Report and Interim Financial Statements (Half Year Report) has been prepared solely to provide additional information to shareholders as a body to assess the Group's strategies and the potential for those strategies to succeed. This Half Year Report should not be relied upon by any other party or for any other purpose.

GOING CONCERN

Having made enquiries and reviewed the Group's plans and available financial facilities, the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for at least 12 months from the date of signing the 2023 Half Year Report. For this reason, it continues to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements.

The Group's principal objective when managing liquidity is to safeguard the Group's ability to continue as a going concern for at least 12 months from the date of signing the 2023 Half Year Report. The Group retains sufficient resources to remain in compliance with all the required terms and conditions within its borrowing facilities over this period. The Group continues to conduct ongoing risk assessments on its business operations and liquidity. Consideration has also been given to reverse stress tests, which seek to identify factors that might cause the Group to require additional liquidity and a view has been formed as to the probability of these occurring.

Our financial position remains robust, with the Group holding committed total debt facilities of £1,190.5 million at 30th June 2023 giving headroom in excess of £267 million. Committed facilities include a £400 million revolving credit facility with a maturity of April 2028 which has £227.7 million undrawn at 30th June 2023. The Group also has cash and cash equivalents, net of overdrafts, of £214.7 million. The next maturity of our committed debt facilities is €225 million of Private Placement notes which mature in September 2023. For the going concern modelling we have not included any refinancing assumptions in relation to existing debt. The Group's debt facilities contain a leverage (defined as net debt divided by adjusted earnings before interest, tax, depreciation and amortisation) covenant of up to 3.5x. Certain debt facilities also contain an interest cover (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net bank interest) covenant of a minimum of 3.0x.

The Group regularly monitors its financial position to ensure that it remains within the terms of these debt covenants. At 30th June 2023 leverage was 1.8x (30th June 2022: 0.5x; and 31st December 2022: 1.7x), showing an increase as a result of the debt taken on to finance the acquisitions of Vulcanic and Durex Industries in the second half of 2022. Interest cover was 19x at 30th June 2023 (30th June 2022: 91x; and 31st December 2022: 62x).

Reverse stress testing was also performed to assess what level of business under-performance would be required for a breach of the financial covenants to occur, the results of which evidenced that no reasonably possible change in future forecast cash flows would cause a breach of these covenants. In addition, the reverse stress test does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue and profitability decline, which would increase the covenant headroom further.

This assessment indicates that the Group can operate within the level of its current committed debt facilities, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

NEW STANDARDS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME

On 1st January 2023, the Group applied new or amended IFRS and interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1st January 2023. Their adoption has not had a material impact on the Condensed Consolidated Financial Statements.

The economy in Argentina and Turkey remain subject to high inflation. At 30th June 2023 we have concluded that applying IAS 29 (Financial Reporting in Hyperinflationary Economies) is not required as the impact of adopting is not material. We will continue to assess the position going forward.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

At the date of approval of these Condensed Consolidated Financial Statements, there were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Interim Financial Statements, in conformity with adopted IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements for the year ended 31st December 2022.

CAUTIONARY STATEMENTS

This Half Year Report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this Report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- This Condensed Consolidated set of Interim Financial Statements has been prepared in accordance with IAS 34 (Interim Financial Reporting), as adopted by the United Kingdom;
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.
 - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Spirax-Sarco Engineering plc on 9th August 2023 are as listed in the 2022 Annual Report on pages 104 and 105, except for Constance Baroude, appointed on 2nd August 2023 and Olivia Qiu who stepped down on 31st January 2023. Constance Baroude's biography can be found on the Group's website.

N. J. Anderson

Group Chief Executive

9th August 2023

N. B. Patel

Chief Financial Officer

9th August 2023

On behalf of the Board

2. 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.

Analysis by operating segment

Six months to 30th June 2023	Revenue £m	Total operating profit £m	Operating profit margin %
Steam Specialties	459.8	96.3	20.9%
Electric Thermal Solutions	192.5	10.7	5.6%
Watson-Marlow	198.5	42.1	21.2%
Corporate	-	(16.9)	
Total	850.8	132.2	15.5%

Net finance expense		(18.2)	
Share of (loss)/profit of Associate		-	
Profit before taxation		114.0	

Six months to 30th June 2022	Revenue £m	Total operating profit £m	Operating profit margin %
Steam Specialties	400.6	87.7	21.9%
Electric Thermal Solutions	104.7	(8.9)	(8.5)%
Watson-Marlow	244.8	83.6	34.2%
Corporate		(20.3)	
Total	750.1	142.1	18.9%

Net finance expense		(3.6)	
Share of (loss)/profit of Associate		-	
Profit before taxation		138.5	

Year ended 31st December 2022	Revenue £m	Total operating profit £m	Operating profit margin %
Steam Specialties	866.0	196.2	22.7%
Electric Thermal Solutions	256.1	7.3	2.9%
Watson-Marlow	488.5	154.4	31.6%
Corporate		(39.1)	
Total	1,610.6	318.8	19.8%

Net finance expense		(10.7)	
Share of (loss)/profit of Associate		-	
Profit before taxation		308.1	

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

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
	£m	£m	£m
Europe, Middle East and Africa	365.1	308.5	649.6
Asia Pacific	184.1	176.2	384.3
Americas	301.6	265.4	576.7
Total revenue	850.8	750.1	1,610.6

Net financing income and expense

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
	£m	£m	£m
Steam Specialties	(0.2)	0.7	1.8
Electric Thermal Solutions	(0.4)	(0.2)	(0.2)
Watson-Marlow	-	(0.2)	(0.3)
Corporate	(17.6)	(3.9)	(12.0)
Total net financing expense	(18.2)	(3.6)	(10.7)

Net assets

	30 th June 2023		30 th June 2022		31 st December 2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Steam Specialties	735.0	(180.1)	716.5	(178.7)	756.8	(219.2)
Electric Thermal Solutions	1,119.5	(78.7)	581.7	(42.1)	1,171.9	(80.2)
Watson-Marlow	447.2	(40.4)	386.0	(60.7)	423.8	(55.3)
Corporate*	23.5	(2.0)	12.2	(1.1)	15.5	(7.4)
	2,325.2	(301.2)	1,696.4	(282.6)	2,368.0	(362.1)
Liabilities	(301.2)		(282.6)		(362.1)	
Net deferred tax	(57.9)		(38.1)		(59.1)	
Net assets held for sale	-		0.2		-	
Net tax payable	(8.3)		(19.5)		(21.4)	
Net debt including lease liabilities	(836.7)		(264.5)		(755.6)	
Net assets	1,121.1		1,091.9		1,169.8	

*In order to align to with how we manage net assets across the Group, we have reallocated specific assets and liabilities to the corporate operating segment in both the current period and the comparative periods.

Capital additions, depreciation, amortisation and impairment

	Six months to 30 th June 2023		Six months to 30 th June 2022		Year ended 31 st December 2022	
	Capital additions £m	Depreciation, amortisation and impairment £m	Capital additions £m	Depreciation, amortisation and impairment £m	Capital additions £m	Depreciation, amortisation and impairment £m
Steam Specialties	20.9	30.6	19.5	15.5	43.8	32.9
Electric Thermal Solutions	7.6	20.1	3.3	11.8	285.4	24.7
Watson-Marlow	53.0	10.4	35.2	9.5	76.4	19.0
Corporate*	4.2	-	0.1	4.1	3.3	4.4
Total	85.7	61.1	58.1	40.9	408.9	81.0

*In order to align to with how we manage net assets across the Group, we have reallocated specific capital additions, depreciation, amortisation and impairment to the corporate operating segment in both the current period and the comparative periods.

Capital additions include property, plant and equipment at 30th June 2023 of £42.4 million (at 30th June 2022: £44.1 million; and at 31st December 2022: £135.0 million). Capital additions also include other intangible assets at 30th June 2023 of £8.5 million (at 30th June 2022: £8.0 million; and at 31st December 2022: £258.3 million), of which £0.3 million relates to acquisition related intangibles (at 30th June 2022: £2.8 million; and at 31st December 2022: £245.1 million). Right-of-use asset additions at 30th June 2023 were £34.8 million (at 30th June 2022: £6.0 million; and at 31st December 2022: £15.6 million).

3. NET FINANCING INCOME AND EXPENSE

	Six months to 30 th June 2023 £m	Six months to 30 th June 2022 £m	Year ended 31 st December 2022 £m
Financial expenses:			
Bank and other borrowing interest payable	(20.6)	(4.5)	(14.0)
Interest expense on lease liabilities	(0.9)	(0.7)	(1.5)
Net interest on pension scheme liabilities	(0.8)	(0.3)	(0.8)
	(22.3)	(5.5)	(16.3)
Financial income:			
Bank interest receivable	4.1	1.9	5.6
Net financing expense	(18.2)	(3.6)	(10.7)
Net bank interest	(16.5)	(2.6)	(8.4)
Interest expense on lease liabilities	(0.9)	(0.7)	(1.5)
Net pension scheme financial expense	(0.8)	(0.3)	(0.8)
Net financing expense	(18.2)	(3.6)	(10.7)

4. TAXATION

Taxation has been estimated at the rate expected to be incurred in the full year.

	Six months to 30 th June 2023 £m	Six months to 30 th June 2022 £m	Year ended 31 st December 2022 £m
UK corporation tax	(1.7)	(0.8)	6.4
Foreign tax	31.2	40.7	87.3
Deferred tax	1.5	1.4	(10.6)
Total taxation	31.0	41.3	83.1
Effective tax rate	27.2%	29.8%	27.0%

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 countries in which the Group operates. The rate may also be affected by the impact of any acquisitions.

The Group is subject to a tax adjustment in Argentina that seeks to offset the impact of inflation upon taxable profits. Given the current high levels of inflation in Argentina this has a meaningful impact on the effective tax rate. Whilst we include the expected impact of this adjustment in our effective tax rate this is difficult to accurately forecast given the volatility of Argentinian inflation.

The Group monitors income tax developments in the territories in which it operates, including the OECD Base Erosion and Profit Shifting (BEPS) initiative to set a new minimum global corporate tax rate of 15%. We do not currently expect that this BEPS initiative will lead to a material increase in our effective tax rate from 2024 onwards.

The Group's tax charge for the year ended 30th June 2023 includes a credit of £8.0 million in relation to certain items excluded from adjusting operating profit (as disclosed in the Appendix). The tax impacts of these items are:

- Amortisation of acquisition related intangible assets (£3.1 million credit)
- Watson-Marlow restructuring costs (£1.1 million credit)
- Costs association with the acquisition of Vulcanic in the prior year (£0.1 million credit)
- Impairment of global ERP system within the Steam Specialties Business (£3.4 million credit)
- Reversal of fair value adjustments to inventory on the acquisition of Vulcanic (£0.3 million credit)

Excluding these adjustments, the tax on profit and the effective tax rate are £39.0 million and 25.4% 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 to the EU General Court. In June 2022, the EU General Court dismissed the UK Government's appeal following which the UK Government lodged a further appeal to the European Court of Justice. The UK Government's appeal has not yet been heard. Like other UK Groups, the Group submitted its own appeal against the EC's decision.

The Group's benefit from the FCE in the period from 1st January 2013 to 31st December 2022 is approximately £8.8 million, including compound interest. To date, the Group has received, paid and appealed Charging Notices totalling £4.9 million, assessed for the period from 1st January 2017 to 31st December 2018. The Group expects to recover this in the event of a successful appeal and has recognised a receivable for the full amount at the balance sheet date. The Group has not received a Charging Notice for the period prior to 1st January 2017, the benefit for this period being £2.8 million. HMRC has enquired into the benefit received during 2019, which the Group estimates to be £1.1 million. No provisions have been recognised at the year-end balance sheet date for either the Charging Notice amounts or for the estimates for the other periods.

No UK tax (after double tax relief for underlying tax) is expected to be payable on the future remittance of retained earnings of overseas subsidiaries.

The effective tax rate is calculated as a percentage of profit before tax and a share of profits of associates.

5. EARNINGS PER SHARE

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
Profit attributable to equity shareholders (£m)	82.9	97.1	224.7
Weighted average shares in issue (million)	73.6	73.7	73.6
Dilution (million)	0.1	0.1	0.2
Diluted weighted average shares in issue (million)	73.7	73.8	73.8
Basic earnings per share	112.5p	131.8p	305.1p
Diluted earnings per share	112.3p	131.5p	304.4p

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

6. DIVIDENDS

	Six months to 30 th June 2023 £m	Six months to 30 th June 2022 £m	Year ended 31 st December 2022 £m
Amounts paid in the period:			
Final dividend for the year ended 31st December 2022 of 109.5p (2021: 97.5p) per share	80.7	71.9	71.9
Interim dividend for the year ended 31st December 2022 of 42.5p (2021: 38.5p) per share	-	-	31.2
Total dividends paid	80.7	71.9	103.1
Amounts arising in respect of the period:			
Interim dividend for the year ending 31st December 2023 of 46.0p (2022: 42.5p) per share	33.9	31.2	31.2
Final dividend for the year ended 31st December 2022 of 109.5p (2021: 97.5p) per share	-	-	80.7
Total dividends arising	33.9	31.2	111.9

The interim dividend for the year ending 31st December 2023 was approved by the Board after 30th June 2023. It is therefore not included as a liability in these Interim Condensed Consolidated Financial Statements. No scrip alternative to the cash dividend is being offered in respect of the 2023 interim dividend.

In addition, dividends paid to minority shareholders at 30th June 2023 were £0.3 million (31st December 2022: £0.5 million, 30th June 2022: £0.3 million).

7. POST-RETIREMENT BENEFITS

The Group is accounting for pension costs in accordance with IAS 19. The disclosures shown here are in respect of the Group's Defined Benefit Obligations. Other plans operated by the Group were either Defined Contribution plans or were deemed immaterial for the purposes of IAS 19 reporting. Full IAS 19 disclosure for the year ended 31st December 2022 is included in the Group's Annual Report.

The amounts recognised in the Consolidated Statement of Financial Position are as follows:

	30 th June 2023 £m	30 th June 2022 £m	31 st December 2022 £m
Post-retirement benefits	(43.4)	(35.2)	(52.1)
Related deferred tax asset	11.0	9.2	13.2
Net pension liability	(32.4)	(26.0)	(38.9)

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

	1 st January 2023 £m	Cash flow £m	Acquired debt* £m	Exchange movement £m	30 th June 2023 £m
Current portion of long-term borrowings	(202.9)				(196.7)
Non-current portion of long-term borrowings	(731.3)				(766.3)
Total borrowings	(934.2)				(963.0)
Comprising:					
Lease liability	(65.2)	6.8	(32.8)	2.8	(88.4)
Borrowings	(934.2)	(60.3)	-	31.5	(963.0)
Changes in liabilities arising from financing	(999.4)	(53.5)	(32.8)	34.3	(1,051.4)
Cash at bank	328.9	5.8	-	(11.9)	322.8
Bank overdrafts	(85.1)	(24.6)	-	1.6	(108.1)
Net cash and cash equivalents	243.8	(18.8)	-	(10.3)	214.7
Net debt and lease liability	(755.6)	(72.3)	(32.8)	24.0	(836.7)
Net debt excluding lease liability	(690.4)	(79.1)	-	21.2	(748.3)

* Acquired debt comprises debt recognised on the Statement of Financial Position due to net additions to lease liabilities

During the period £20.6 million of interest on external borrowings (31st December 2022: £14.0 million; 30th June 2022: £4.5 million) was incurred and paid.

At 30th June total lease liabilities consist of £13.3 million (31st December 2022: £14.1m, 30th June 2022: £12.6 million) short-term and £75.1 million (31st December 2022: and £51.1 million, 30th June 2022: £49.2 million) long-term.

	1 st January 2022 £m	Cash flow £m	Acquired debt* £m	Cash transferred to assets classified as held for sale £m	Exchange movement £m	30 th June 2022 £m
Current portion of long-term borrowings	(59.6)					(0.9)
Non-current portion of long-term borrowings	(289.9)					(432.4)
Total borrowings	(349.5)					(433.3)
Comprising:						
Lease liabilities	(60.1)	6.2	(6.0)	-	(1.9)	(61.8)
Borrowings	(349.5)	(75.1)	-	-	(8.7)	(433.3)
Changes in liabilities arising from financing	(409.6)	(68.9)	(6.0)	-	(10.6)	(495.1)
Cash at bank	274.6	30.8	-	(2.3)	1.8	304.9
Bank overdrafts	(55.6)	(17.1)	-	-	(1.6)	(74.3)
Net cash and cash equivalents	219.0	13.7	-	(2.3)	0.2	230.6
Net debt and lease liability	(190.6)	(55.2)	(6.0)	(2.3)	(10.4)	(264.5)
Net debt excluding lease liability	(130.5)	(61.4)	-	(2.3)	(8.5)	(202.7)

	1 st January 2022 £m	Cash flow £m	Acquired debt* £m	Disposal of subsidiaries £m	Exchange movement £m	31 st December 2022 £m
Current portion of long-term borrowings	(59.6)					(202.9)
Non-current portion of long-term borrowings	(289.9)					(731.3)
Total borrowings	(349.5)					(934.2)
Comprising:						
Lease liabilities	(60.1)	12.9	(15.2)	-	(2.8)	(65.2)
Borrowings	(349.5)	(497.7)	(67.0)	-	(20.0)	(934.2)
Changes in liabilities arising from financing	(409.6)	(484.8)	(82.2)	-	(22.8)	(999.4)
Cash at bank	274.6	46.3	-	(2.8)	10.8	328.9
Bank overdrafts	(55.6)	(26.7)	-	-	(2.8)	(85.1)
Net cash and cash equivalents	219.0	19.6	-	(2.8)	8.0	243.8
Net debt and lease liability	(190.6)	(465.2)	(82.2)	(2.8)	(14.8)	(755.6)
Net debt excluding lease liability	(130.5)	(478.1)	(67.0)	(2.8)	(12.0)	(690.4)

9. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Full details of the Group's other related party relationships, transactions and balances are given in the Group's Financial Statements for the year ended 31st December 2022. There have been no material changes in these relationships in the period up to the end of this Report.

No related party transactions have taken place in the first half of 2023 that have materially affected the financial position or the performance of the Group during that period.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table compares the carrying and fair values of the Group's financial assets and liabilities:

	<u>30th June 2023</u>		<u>30th June 2022</u>		<u>31st December 2022</u>	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets:						
Cash and cash equivalents	322.8	322.8	304.9	304.9	328.9	328.9
Trade, other receivables and contract assets	362.9	362.9	342.3	342.3	395.2	395.2
Total financial assets	685.7	685.7	647.2	647.2	724.1	724.1
Financial liabilities:						
Loans	963.0	948.7	433.3	423.1	934.1	918.1
Lease liabilities	88.4	88.4	61.8	61.8	65.2	65.2
Bank overdrafts	108.1	108.1	74.3	74.3	85.1	85.1
Trade payables	74.1	77.4	69.6	69.6	89.9	89.9
Other payables and contract liabilities	59.0	59.0	63.7	63.7	70.5	70.5
Long-term payables	8.6	8.6	6.2	6.2	8.8	8.8
Accruals	90.7	90.7	84.3	84.3	113.2	113.2
Total financial liabilities	1,391.9	1,380.9	793.2	783.0	1,366.9	1,350.8

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis for which fair value is disclosed.

Fair values of financial assets and financial liabilities

Fair values of financial assets and liabilities at 30th June 2023 are not materially different from book values due to their size, the fact that they were at short-term rates of interest or for borrowings at long-term rates of interest where the rate of interest is not materially different to the current market rate. Fair values have been assessed as follows:

Derivatives

Forward exchange contracts are marked to market by discounting the future contracted cash flows using readily available market data.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows using a current market rate of interest.

Lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at the incremental borrowing rate for the related geographical location, unless the rate implicit in the lease is readily determinable.

Trade and other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

The Group uses forward currency contracts to manage its exposure to movements in foreign exchange rates. The forward contracts are designated as hedging instruments in a cash flow hedging relationship. At 30th June 2023, the Group had contracts outstanding to economically hedge or to purchase £24.3 million with US dollars, £80.9 million with euros, £8.5 million with Korean won, £25.1 million with Chinese renminbi, £3.7 million with Singapore dollars, €18.8 million with US dollars, €3.4 million with Korean won, €8.1 million with Chinese renminbi and DKK15.9 million with euros. Derivative financial instruments are measured at fair value. The fair value at the end of the reporting period is a £4.0 million asset (31st December 2022: £3.7 million liability, 30th June 2022: £7.9 million liability).

Financial instruments fair value disclosure

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities

- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data

We consider that the derivative financial instruments fall into Level 2. There have been no transfers between levels during the period.

11. CAPITAL COMMITMENTS

Capital expenditure contracted for, but not provided for, at 30th June 2023 was £55.5 million (31st December 2022: £67.0 million; 30th June 2022: £60.4 million). All capital commitments related to property, plant and equipment.

12. EXCHANGE RATES

Set out below is an additional disclosure (not required by IAS 34) that highlights movements in a selection of average exchange rates between half year 2022 and half year 2023.

	Average half year 2023	Average half year 2022	Change %
US dollar	1.24	1.30	5%
Euro	1.14	1.19	4%
Renminbi	8.60	8.40	(2)%
Won	1,606	1,593	(1)%
Real	6.26	6.63	6%
Argentine peso	263.21	145.55	(81)%

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 increased by 1.5% and adjusted operating profit increased by 0.5%, with transactional currency impacts also increasing profit, giving a total benefit to profit from currency movements of 1.7%.

13. PURCHASE OF BUSINESSES

During the period the fair value of the assets acquired as part of the acquisition of Vulcanic (and its related companies) as well as Durex Industries were reassessed. The outcome of this reassessment was a decrease in goodwill of £1.2 million for Durex Industries and increase in goodwill of £0.7 million for Vulcanic.

Appendix – Alternative performance measures

The Group reports under International Financial Reporting Standards (IFRS) and also uses adjusted performance measures where the Board believes that:

- they help to effectively monitor the performance of the Group; and
- users of the Financial Statements might find them informative.

Certain adjusted performance measures also form a meaningful element of Executive Directors' annual remuneration. A definition of the adjusted performance measures and a reconciliation to the closest IFRS equivalent are disclosed below. The term 'adjusted' is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

Adjusted operating profit

Adjusted operating profit excludes items that are considered to be significant in nature and/or quantum at either a Group or an operating segment level and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items including those defined as follows:

- Amortisation and impairment of acquisition-related intangible assets
- Costs associated with the acquisition or disposal of businesses
- Gain or loss on disposal of a subsidiary and / or disposal groups
- Reversal of acquisition-related fair value adjustments to inventory
- Changes in deferred and contingent consideration payable on acquisitions
- Costs associated with a material restructuring programme
- Material gains or losses on disposal of property
- Accelerated depreciation, impairment and other related costs on non-recurring, material property redevelopments
- Material non-recurring pension costs or credits
- Costs or credits arising from regulatory and litigation matters
- Other material items which are considered to be non-recurring in nature and / or are not a result of the underlying trading of the business
- Related tax effect on adjusting items above and other tax items which do not form part of the underlying tax rate

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

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
	£m	£m	£m
Operating profit as reported under IFRS	132.2	142.1	318.8
Amortisation of acquisition-related intangible assets	18.5	10.5	23.7
Reversal of acquisition-related fair value adjustments to inventory	1.3	-	1.8
Restructuring costs	5.2	15.4	15.5
Acquisition-related items	0.6	3.2	9.1
Software related impairment	13.9	-	-
Disposal of subsidiaries in Russia	-	3.6	7.1
Accelerated depreciation and other related costs on one-off property redevelopments	-	4.0	4.2
Adjusted operating profit	171.7	178.8	380.2

Adjusted earnings per share

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
Profit for the period attributable to equity holders as reported under IFRS (£m)	82.9	97.1	224.7
Items excluded from adjusted operating profit disclosed above (£m)	39.5	36.7	61.4
Finance expenses excluded from adjusted operating profit (£m)	-	-	1.1
Tax effects on adjusted items (£m)	(8.0)	(4.8)	(9.4)
Adjusted profit for the period attributable to equity holders (£m)	114.4	129.0	277.8
Weighted average shares in issue (million)	73.6	73.7	73.6
Basic adjusted earnings per share	155.2p	175.1p	377.2p
Diluted weighted average shares in issue (million)	73.7	73.8	73.8
Diluted adjusted earnings per share	154.9p	174.8p	376.3p

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 in issue.

Basic and diluted EPS calculated on an IFRS profit basis are included in Note 5.

Adjusted cash flow

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. A reconciliation showing the items that bridge between net cash from operating activities as reported under IFRS to adjusted cash from operations is given below:

	Six months to 30 th June 2023	Six months to 30 th June 2022	Year ended 31 st December 2022
	£m	£m	£m
Net cash from operating activities as reported under IFRS	85.6	92.1	241.1
Restructuring and acquisition-related costs	8.6	-	10.2
Net capital expenditure excluding acquired intangibles from acquisitions	(49.8)	(48.7)	(113.5)
Income tax paid	46.1	41.2	90.0
Repayments of principal under lease liabilities	(7.7)	(6.2)	(12.9)
Adjusted cash from operations	82.8	78.4	214.9

Adjusted cash conversion in the first half was 48% (30th June 2022: 44%). Cash conversion is calculated as adjusted cash from operations divided by adjusted operating profit. The adjusted cash flow is included on page 12.

Capital employed

This is a non-statutory measure that the Board uses to effectively monitor the performance of the Group. More information on Capital employed can be found on page 11.

An analysis of the components is as follows:

	30 th June 2023	30 th June 2022	31 st December 2022
	£m	£m	£m
Property, plant and equipment	395.3	311.1	384.5
Right-of-use assets	90.2	64.2	67.2
Software & development costs	35.0	40.2	44.5
Non-current prepayments	2.5	1.3	2.0
Inventories	304.9	239.4	290.0
Trade receivables	317.2	311.1	341.1
Other current assets	81.8	58.7	79.6
Tax recoverable	16.6	14.3	19.0
Trade, other payables and current provisions	(242.7)	(239.6)	(295.0)
Current tax payable	(24.9)	(33.8)	(40.4)
Capital employed	975.9	766.9	892.5

A reconciliation of Capital employed to net assets as reported under IFRS and disclosed in the Consolidated Statement of Financial Position is given below:

	30 th June 2023	30 th June 2022	31 st December 2022
	£m	£m	£m
Capital employed	975.9	766.9	892.5
Goodwill and other intangible assets	1,098.3	670.4	1,159.1
Investment in Associate	-	-	-
Post-retirement benefits	(43.4)	(35.2)	(52.1)
Net deferred tax	(57.9)	(38.1)	(59.1)
Non-current provisions and long-term payables	(15.1)	(7.8)	(15.0)
Lease liabilities	(88.4)	(61.8)	(65.2)
Net assets classified as held for sale	-	0.2	-
Net debt	(748.3)	(202.7)	(690.4)
Net assets as reported under IFRS	1,121.1	1,091.9	1,169.8

Net debt including lease liabilities

A reconciliation between net debt and net debt including lease liabilities is given below. A breakdown of the balances that are included within net debt is given in Note 8. Net debt excludes lease liabilities to be consistent with how net debt is defined for external debt covenant purposes, as well as to enable comparability with prior years.

	30 th June 2023	30 th June 2022	31 st December 2022
	£m	£m	£m
Net debt	748.3	202.7	690.4
Lease liabilities	88.4	61.8	65.2
Net debt including lease liabilities	836.7	264.5	755.6

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 EBITDA. EBITDA is calculated by adding back depreciation and amortisation of owned property, plant and equipment, software and development to adjusted operating profit. For half year calculations, this is based on the results for the last 12 months all translated at the exchange rate used for the half year period. Net debt is calculated as Cash and cash equivalents less Bank overdrafts, Short-term borrowings and Long-term borrowings (excluding Short-term and Long-term lease liabilities). The net debt to EBITDA ratio is calculated as follows:

	12 month period to 30th June 2023 £m	12 month period to 31st December 2022 £m
Adjusted operating profit	366.2	380.2
Depreciation and amortisation of property, plant and equipment, software and development	40.3	37.4
EBITDA	406.5	417.6
Net Debt	748.3	690.4
Net debt to EBITDA	1.8x	1.7x

Organic measures

As we are a multi-national Group of companies that trade in a large number of currencies and also acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the Half Year Report. Organic measures strip out the effects of the movement in exchange rates and of acquisitions and disposals. The Board believe that this allows readers 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 that occurred in either the current period or prior period is excluded from the organic results of the current period at current period exchange rates. For any disposals that occurred in the current or prior period, the current period organic results include the difference between the current and prior period financial results only for the like-for-like period of ownership.

The organic percentage movement is calculated as the organic movement divided by the prior period at current period exchange rates, excluding disposals for the non like-for-like period of ownership. The organic bps change in adjusted operating margin is the difference between the current period margin, excluding the incremental impact of acquisitions, and the prior period margin excluding disposals for the non like-for-like period of ownership at current period exchange rates.

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

	Six months to 30 th June 2022	Exchange	Organic	Acquisitions and disposals*	Six months to 30 th June 2023	Organic	Reported
Revenue	£750.1m	£11.6m	£15.9m	£73.2m	£850.8m	2%	13%
Adjusted operating profit	£178.8m	£3.0m	£(24.5)m	£14.4m	£171.7m	(13)%	(4)%
Adjusted operating profit margin	23.8%				20.2%	(370) bps	(360) bps

*Results include the impact of (i) the acquisition of Vulcanic and Durex Industries and (ii) the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

Analysis by operating segment

Six months to 30 th June 2023	Revenue	Adjusted operating profit	Adjusted operating profit margin
	£m	£m	%
Steam Specialties	459.8	112.2	24.4%
Electric Thermal Solutions	192.5	26.9	14.0%
Watson-Marlow	198.5	48.9	24.6%
Corporate	-	(16.3)	
Total	850.8	171.7	20.2%
Net finance expense		(18.2)	
Share of (loss)/profit of Associate		-	
Adjusted profit before taxation		153.5	

Six months to 30 th June 2022	Revenue	Adjusted operating profit	Adjusted operating profit margin
	£m	£m	%
Steam Specialties	400.6	92.1	23.0%
Electric Thermal Solutions	104.7	12.8	12.2%
Watson-Marlow	244.8	87.0	35.5%
Corporate		(13.1)	
Total	750.1	178.8	23.8%
Net finance expense		(3.6)	
Share of (loss)/profit of Associate		-	
Adjusted profit before taxation		175.2	

Year ended 31 st December 2022	Revenue	Adjusted operating profit	Adjusted operating profit margin
	£m	£m	%
Steam Specialties	866.0	206.1	23.8%
Electric Thermal Solutions	256.1	39.9	15.6%
Watson-Marlow	488.5	160.0	32.8%
Corporate		(25.8)	
Total	1,610.6	380.2	23.6%
Net finance expense		(9.6)	
Share of (loss)/profit of Associate		-	
Adjusted profit before taxation		370.6	

The reconciliation for each operating segment for adjusting items is analysed below:

Six months to 30 th June 2023	Amortisation of acquisition-related intangible assets	Reversal of acquisition-related fair value adjustments to inventory	Restructuring costs	Acquisition-related items	Software related impairment	Total
	£m	£m	£m	£m	£m	£m
Steam Specialties	(2.0)	-	-	-	(13.9)	(15.9)
Electric Thermal Solutions	(14.9)	(1.3)	-	-	-	(16.2)
Watson-Marlow	(1.6)	-	(5.2)	-	-	(6.8)
Corporate expenses	-	-	-	(0.6)	-	(0.6)
Total	(18.5)	(1.3)	(5.2)	(0.6)	(13.9)	(39.5)

**Six months to 30th June
2022**

	Amortisation of acquisition- related intangible assets £m	Restructuring costs £m	Accelerated depreciation and other related costs on one-off property redevelopments £m	Impairment of Russia disposal groups £m	Acquisition- related items £m	Total £m
Steam Specialties	(2.3)	-	-	(2.1)	-	(4.4)
Electric Thermal Solutions	(6.3)	(15.4)	-	-	-	(21.7)
Watson-Marlow	(1.9)	-	-	(1.5)	-	(3.4)
Corporate expenses	-	-	(4.0)	-	(3.2)	(7.2)
Total	(10.5)	(15.4)	(4.0)	(3.6)	(3.2)	(36.7)

**Year ended 31st
December 2022**

	Amortisation of acquisition- related intangible assets £m	Reversal of acquisition- related fair value adjustments to inventory £m	Disposal of subsidiaries in Russia £m	Restructuring costs £m	Acquisition -related items £m	Accelerated depreciation and other related costs on one-off property redevelopment £m	Total £m
Steam Specialties	(4.6)	-	(5.3)	-	-	-	(9.9)
Electric Thermal Solutions	(15.3)	(1.8)	-	(15.5)	-	-	(32.6)
Watson-Marlow	(3.8)	-	(1.8)	-	-	-	(5.6)
Corporate expenses	-	-	-	-	(9.1)	(4.2)	(13.3)
Total	(23.7)	(1.8)	(7.1)	(15.5)	(9.1)	(4.2)	(61.4)

Pro-forma Revenue

Due to the disposal of our Russian operating companies and the acquisitions of Cotopaxi Limited, Vulcanic and Durex Industries, our reported financial results for the six months to 30th June 2022 and year ended 31st December 2022 only include the impact of these operations for the period of ownership by the Group. The table below reconciles between statutory revenue as reported within the Consolidated Income Statement, and the pro-forma revenue had all acquisition and disposal transactions occurred on 1st January 2022. This allows readers of the accounts to see the split of revenue by operating segment on a basis that will be like-for-like.

**Six months to 30th
June 2022**

	Revenue (statutory) £m	Pro-forma adjustments £m	Revenue (pro-forma) £m	Proportion of group
Steam Specialties	400.6	(1.2)	399.4	49%
Electric Thermal Solutions	104.7	72.5	177.2	21%
Watson-Marlow	244.8	(1.9)	242.9	30%
Total	750.1	69.4	819.5	

**Year ended 31st
December 2022**

	Revenue (statutory) £m	Pro-forma adjustments £m	Revenue (pro-forma) £m	Proportion of group
Steam Specialties	866.0	(1.2)	864.8	50%
Electric Thermal Solutions	256.1	126.8	382.9	22%
Watson-Marlow	488.5	(1.9)	486.6	28%
Total	1,610.6	123.7	1,734.3	

The term 'sales' is used interchangeably with 'revenue' when describing the financial performance of the business.

Tax on adjusting items

	Six months to 30 th June 2023			Six months to 30 th June 2022			Year ended 31 st December 2022		
	Adjusted	Adj't	Total	Adjusted	Adj't	Total	Adjusted	Adj't	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK Corporation tax	(1.8)	-	(1.8)	(0.8)	-	(0.8)	6.6	(0.2)	6.4
Foreign tax	36.2	(4.9)	31.3	40.7	-	40.7	88.1	(0.8)	87.3
Deferred tax	4.6	(3.1)	1.5	6.2	(4.8)	1.4	(2.2)	(8.4)	(10.6)
Total taxation	39.0	(8.0)	31.0	46.1	(4.8)	41.3	92.5	(9.4)	83.1
Effective tax rate	25.4%	20.3%	27.2%	26.3%	13.0%	29.8%	25.0%	15.0%	27.0%