
News Release**Tuesday 24th August 2010**
2010 Half Year Results**Six months ended 30th June**

Adjusted	2010	2009	Change	Constant FX
Revenue	£277.0m	£251.6m	+10%	+8%
Operating profit*	£53.5m	£37.8m	+41%	+38%
Operating profit margin*	19.3%	15.0%		
Profit before taxation*	£54.9m	£38.2m	+44%	+40%
Earnings per share*	49.8p	34.9p	+43%	+38%
Interim dividend per share	13.0p	10.5p	+24%	+24%

Statutory	2010	2009	Change	Constant FX
Operating profit	£60.1m	£30.1m	+100%	+94%
Profit before taxation	£61.3m	£30.2m	+103%	+96%
Earnings per share	58.5p	27.2p	+115%	+107%

* All profit measures exclude the amortisation of acquisition-related intangible assets of £1.6m (2009: £1.0m) of which £0.2m (2009: £0.2m) relates to Associates, and the profit on revaluation of investment arising from the acquisition of a company previously treated as an Associate of £8.0m (2009: £nil) net of acquisition costs. They also exclude headcount reduction costs of £nil (2009: £7.0m). The tax effect on these items was £0.2m (2009: £2.1m).

- Revenue up 10% - increase of 8% at constant currency
- Operating profit margin at record 19.3%
- Pre-tax profit up 44%
- Interim dividend increase of 24%
- Strong balance sheet with £20m net cash

Commenting on the results Mark Vernon, the Chief Executive, said:

We are pleased to report record results for the first half of 2010 with profits and trading margins ahead in all segments. We have seen an improvement in trading conditions as our markets recover from the recession in 2009. We operate with a strong balance sheet and the interim dividend has been increased 24%, demonstrating the Board's confidence in the growth prospects of our powerful niche businesses. The second half has started well and current trading comparisons since the half-year are benefiting from the progressive decline of sales until the end of the third quarter last year. Although we remain alert to the uncertain momentum of global economic activity and to unfavourable exchange rate movements, we expect to make good progress for the full year and to see a more normal second-half bias of sales and profits.

For further information, please contact:

Mark Vernon, Chief Executive
David Meredith, Finance Director
Tel: 020 7638 9571 at Citigate Dewe Rogerson until 6.00 p.m.

Note: Unless otherwise stated, the figures quoted in the text below are based on the Adjusted Group results.

REVIEW OF OPERATIONS

We are pleased to report record results for the first half of 2010 with profits and trading margins ahead in all segments. We have seen an improvement in trading conditions as our markets recover from the recession in 2009.

Sales in the half year were £277.0 million, up 10% from the £251.6 million achieved in 2009, led by Watson-Marlow Pumps and in the steam business by the Americas and Asia Pacific. Sales were ahead 8% at constant currency, of which acquisitions contributed 2%.

Adjusted operating profit increased by 41% from £37.8 million to £53.5 million (up 38% at constant currency) and the adjusted operating profit margin showed a strong improvement from 15.0% to 19.3% in the first half. We benefited from operational gearing on the higher sales, last year's cost reduction measures, lower material costs, favourable product mix and exchange movements.

Net finance expense reduced from £1.0 million to £0.4 million due to an improvement this year in the net pension schemes financial expense caused by the increase in scheme asset values in 2009. The Group's share of the after tax profits of Associates increased by 30% to £1.8 million.

Adjusted profit before tax increased by 44% from £38.2 million to £54.9 million. In addition, the Group recognised an exceptional non-cash revaluation gain of £8.2 million on the 49% investment in our former Mexican Associate company, following our acquisition on 25th May 2010 of the remaining 51% of the company. The total profit before tax, including this uplift and after deducting the amortisation of acquisition-related intangible assets, was £61.3 million in the first half of 2010 compared with £30.2 million in the comparable period, which was after deducting headcount reduction costs of £7.0m in the first half of 2009.

Our overall tax rate, based on the adjusted profit before tax excluding Associates, was unchanged at 31.4%. Adjusted basic earnings per share increased by 43% to 49.8p (2009: 34.9p)

Trading

The resilience of our strong business model and diversity of revenue generation was demonstrated in the good results achieved in 2009, and our historic good growth characteristics are being reasserted as our markets recover in 2010. Our teams of direct sales and service engineers, which comprise 30% of our total employees, work closely with customers to identify process and steam system improvements that deliver energy savings, greater process efficiency, better product quality and regulatory compliance. Of even greater importance today, is our ability to assist our customers in responding to the impact of the relatively high cost of energy and increasing regulatory pressures to improve environmental sustainability.

Global economic activity and industrial production output have been recovering this year from the recessionary levels in 2009, although recent indicators suggest a slowing of growth in industrial output from the relatively rapid pace of earlier months. However, the broad recovery remains patchy across most of our markets. We have seen the strongest market conditions in Asia and in Latin America. Our business in North America began recovering in the second half of last year, driven by the USA, but growth has slowed in the past quarter. The economic recovery in Europe appears fragile and mixed, although we have seen some improvement across Europe in the most recent quarter.

In our steam specialties business, we have seen good demand for our core traditional products, reflecting a rebound in maintenance spending by customers and an increase in smaller, locally-budgeted process improvement projects. Watson-Marlow pumps have seen general improvements in nearly all market areas and across the product range, especially in tubing which is now being supplied from our new extrusion plant in Falmouth, England that was opened at the end of last year.

The consolidation of manufacturing in Cheltenham, England from three sites down to one has been progressing well. We anticipate completing the relocation of most of our assembly and testing operations by year end, with the balance of the main machinery moves finalised in early 2011. The restructuring of our French manufacturing plant will also be completed in early 2011. In June, we opened our new facility in Shanghai, relocating existing sales, production and warehousing and preparing the way for the planned expansion of production in China. We have therefore made good progress implementing our global manufacturing strategy, which is expected to yield cost savings commencing in 2011 and building to full savings of about £4 million per annum in 2012.

Steam Specialties Business

Sales in Europe, Middle East and Africa (EMEA) at £112.8 million (2009: £113.2 million) were flat in sterling with a small negative currency impact from the weaker euro, offset by incremental sales from the acquisition of our Turkish distributor in October 2009. Market conditions and results were very mixed from country to country. Sales and profits were well ahead in Germany, helped by growth in export-oriented customers. Our Russian business grew strongly, continuing the sharp recovery that started in the second half of last year. Our M&M Italian valve business, saw a much improved performance as OEM activity increased. Sales and profits were marginally lower in our UK sales operation, although we secured several good energy saving projects earlier in the year that will ship in the second half. Trading conditions have been difficult for our sales companies in France, Italy and a number of other smaller operations in Europe, and their sales and profits were lower. Overall sales of controls and heat exchange solutions were lower from reduced project activity, particularly from Italy due primarily to a tough compare, but offset by higher sales of core steam specialties products. The performance of our manufacturing operations in the UK and France improved markedly versus the first half of 2009, which had been impacted by internal destocking by our direct sales operations. As factory throughput increased, we captured good operational efficiencies following the headcount reductions last year and benefited from lower material costs and a favourable product mix. Overall operating profit in EMEA increased by 19% from £15.6 million to £18.6 million; at constant currency the increase was 20%. The operating profit margin rose from 13.8% to 16.5%.

Sales in the Americas at £59.0 million (2009: £51.0 million) increased by 16% including a 4% gain from favourable exchange rates, notably Brazil, and a 2% contribution for the first-time consolidation of Mexico from late May. Growth was particularly strong in Latin America and our operations in Argentina and Brazil significantly increased sales and profits, benefiting from the higher business levels and capitalizing on the significant cost reduction actions taken last year that reduced the cost base. Sales and profits were well ahead in the USA due to lower material costs and a reduced headcount. Market conditions remained weak in Canada with a lack of project business and profits were down. In the Americas, sales were up across most product lines except heat exchange packages. Services sales grew substantially in the period as customers began to increase their maintenance spend. Overall operating profit in the Americas increased by 82% from £6.0 million to £10.9 million (up 75% at constant currency). The operating profit margin rose sharply from 11.7% to 18.5%.

Sales in Asia Pacific at £56.7 million (2009: £49.0 million) increased by 16% (up 9% at constant currency). Market conditions were mixed but overall good. Sales increased across virtually all product lines and we won a number of larger projects, which will benefit the second half year. Our company in China, the biggest in the region, continued to make excellent progress and our new much larger plant in Shanghai was opened in June, including factory, warehouse, offices and superb training facility. Demand increased in Korea, translating into higher sales and profits and with a robust order book heading into the second half, but trading conditions and results in some of our smaller operations were more mixed. Sales and profits in our Indian Associate were well ahead. Overall operating profit in Asia Pacific was up 39% from £9.4 million to £13.1 million. Exchange movements were favourable in the first half and at constant currency, the increase in operating profit was 24%. The operating profit margin improved further from 19.2% to 23.0%.

Watson-Marlow Pumps Business

Sales increased by 27% to £48.5 million (2009: £38.3 million). At constant currency and excluding acquisitions, the increase in sales was 15% with good growth across all regions, especially Asia

where we have continued to add sales resource. Pharmaceutical markets have generally been slow to recover with lower project activity. The markets in EMEA have been positive with good demand from OEMs, particularly in Germany. There were good results in the Americas, especially in Brazil, with growth in the mining and water & wastewater sectors, and in our new direct sales operations in Mexico and Argentina. MasoSine, which was acquired in August 2009, has seen flat demand but with good profits, and its integration into Watson-Marlow's direct food & beverage sales channel is progressing well. Operating profit increased by 57% from £8.9 million to £14.0 million and at constant currency and excluding acquisitions the increase was 44%. The operating profit margin expanded further from 23.2% to 28.8%, benefiting from the inclusion of MasoSine.

Balance Sheet and Cash Flow

Total capital employed was £269 million at 30th June 2010. Compared with 31st December 2009, this was an increase of 6% at constant currency and excluding acquisitions. On this basis, net fixed assets rose by £6 million this year reflecting the relatively high level of capital investment. Working capital rose by 7% in the first half largely due to an increase in stocks, although both stock weeks and debtor days showed a small improvement. Compared with a year earlier, total working capital was down 2% on the same basis.

We maintain a strong balance sheet and generated a good cash inflow of £11.9 million in the first half due to the increased profit and an outflow from working capital of only £3.8 million. The net cash balance at 30th June 2010 was £20.2 million (31st December 2009: £8.0 million).

Principal Risks and Uncertainties

The Group has an established risk management process which operates within the corporate governance framework, details of which are set out in note 11 below which is followed by a Directors' Responsibility Statement.

Dividend

The Board has declared an interim dividend of 13.0p (2009: 10.5p) per ordinary share, an increase of 24%. The dividend will be paid on 12th November 2010 to shareholders on the register at the close of business on 15th October 2010. The 2009 final dividend of 25.6p was paid on 21st May 2010 at a cash cost of £19.7 million.

Outlook

Our business is well spread across diverse geographic regions, industries and customers, and our markets ultimately reflect the general economic trends. Although global economic activity and industrial production growth rates have been rising for many months, more recent indicators suggest a slowdown in growth.

Historically, our organic sales growth has been well ahead of the market growth as we have increased market shares, introduced new products, extended our geographic sales coverage and enlarged our addressable markets. In addition, looking forward we see even more opportunities to assist our customers in improving their environmental performance through a reduction in their use of relatively expensive energy. Also, the continuing trend of customers outsourcing elements of their steam system design, installation and maintenance, provides further growth opportunities, particularly for our services and pre-fabricated engineered packages.

Having largely protected our direct sales and service organisation through the recession, we are well placed to maximise the opportunities in our markets. We acted decisively last year to reduce costs, with benefits flowing through into 2010 as sales have increased and operating efficiencies have been captured. We have increased our investment spend this year in geographic sales development and in R&D. We have also continued to invest in our global manufacturing strategy, the benefits of which will progressively come through in 2011, 2012 and future years.

Material costs were lower in the first half of this year but we anticipate some increase going forward as higher base metal prices work through to our cost of sales in the second half of 2010. Exchange movements have also been favourable but sterling has recently begun to strengthen which, if maintained, would produce a broadly neutral position for the full year versus 2009 average rates.

Prospects

We operate with a strong balance sheet and the interim dividend has been increased 24%, demonstrating the Board's confidence in the growth prospects of our powerful niche businesses. The second half has started well and current trading comparisons since the half-year are benefiting from the progressive decline of sales until the end of the third quarter last year. Although we remain alert to the uncertain momentum of global economic activity and to unfavourable exchange rate movements, we expect to make good progress for the full year and to see a more normal second-half bias of sales and profits.

Spirax-Sarco Engineering plc

GROUP BALANCE SHEET

	Notes	30 th June 2010 £'000	30 th June 2009 £'000	31 st December 2009 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		139,511	118,977	135,383
Goodwill		43,996	27,272	38,150
Other intangible assets		44,211	20,199	35,233
Prepayments		919	621	1,124
Investment in associates		7,789	9,599	9,794
Deferred tax		43,139	37,775	38,181
		<u>279,565</u>	<u>214,443</u>	<u>257,865</u>
Current assets				
Inventories		93,065	91,810	86,479
Trade receivables		116,008	105,805	118,835
Other current assets		15,441	13,668	11,592
Tax recoverable		1,506	2,020	1,896
Cash and cash equivalents	7	65,550	41,285	62,194
		<u>291,570</u>	<u>254,588</u>	<u>280,996</u>
Total assets		<u>571,135</u>	<u>469,031</u>	<u>538,861</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		88,807	62,758	79,335
Bank overdrafts	7	758	3,953	559
Short term borrowing	7	2,626	7,887	9,284
Current portion of long term borrowings	7	57	63	63
Current tax payable		8,494	6,952	8,138
		<u>100,742</u>	<u>81,613</u>	<u>97,379</u>
Net current assets		<u>190,828</u>	<u>172,975</u>	<u>183,617</u>
Non-current liabilities				
Long term borrowings	7	41,874	25,281	44,255
Deferred tax		14,422	12,272	14,659
Post-retirement benefits		89,576	90,652	73,763
Other payables and provisions		1,427	1,067	1,441
		<u>147,299</u>	<u>129,272</u>	<u>134,118</u>
Total liabilities		<u>248,041</u>	<u>210,885</u>	<u>231,497</u>
Net assets		<u>323,094</u>	<u>258,146</u>	<u>307,364</u>
Equity				
Share capital		19,323	19,307	19,310
Share premium account		48,025	47,559	47,601
Other reserves		42,524	29,514	43,327
Retained earnings		212,488	161,552	196,481
Equity attributable to equity holders of the parent		<u>322,360</u>	<u>257,932</u>	<u>306,719</u>
Minority interest		734	214	645
Total equity		<u>323,094</u>	<u>258,146</u>	<u>307,364</u>
Total equity and liabilities		<u>571,135</u>	<u>469,031</u>	<u>538,861</u>

Spirax-Sarco Engineering plc

GROUP INCOME STATEMENT

	Six months to 30 th June Adjusted	*Adj't	Total	Six months to 30 th June Adjusted	*Adj't	Total	Year ended 31 st Dec. Adjusted	*Adj't	Total
	2010 £'000	2010 £'000	2010 £'000	2009 £'000	2009 £'000	2009 £'000	2009 £'000	2009 £'000	2009 £'000
Revenue (note 1)	276,959	-	276,959	251,557	-	251,557	518,705	-	518,705
Operating costs	(223,456)	6,627	(216,829)	(213,723)	(7,769)	(221,492)	(428,767)	(13,416)	(442,183)
Operating profit (note 1)	53,503	6,627	60,130	37,834	(7,769)	30,065	89,938	(13,416)	76,522
Financial expenses	(8,658)	-	(8,658)	(7,893)	-	(7,893)	(16,072)	-	(16,072)
Financial income	8,233	-	8,233	6,848	-	6,848	13,558	-	13,558
Net financing expense (note 2)	(425)	-	(425)	(1,045)	-	(1,045)	(2,514)	-	(2,514)
Share of profit of associates	1,774	(195)	1,579	1,366	(187)	1,179	2,772	(365)	2,407
Profit before taxation	54,852	6,432	61,284	38,155	(7,956)	30,199	90,196	(13,781)	76,415
Taxation (note 3)	(16,674)	235	(16,439)	(11,571)	2,112	(9,459)	(27,472)	4,148	(23,324)
Profit for the period	38,178	6,667	44,845	26,584	(5,844)	20,740	62,724	(9,633)	53,091
Attributable to: Equity holders of the parent	38,100	6,667	44,767	26,552	(5,844)	20,708	62,596	(9,633)	52,963
Minority interest	78	-	78	32	-	32	128	-	128
Profit for the period	38,178	6,667	44,845	26,584	(5,844)	20,740	62,724	(9,633)	53,091
Earnings per share									
Basic earnings per share (note 4)			58.5p			27.2p			69.6p
Diluted earnings per share (note 4)			57.8p			27.1p			69.3p
Dividends									
Dividend paid per share (note 5)			25.6p			23.3p			36.1p
Dividend proposed per share (note 5)			13.0p			10.5p			33.8p

* Adjustments relate to amortisation of acquisition-related intangibles, profit on revaluation of investment arising from the acquisition of a company previously treated as an Associate, acquisition costs and headcount reduction costs (see note 1). The adjusted basic earnings per share for the six months ended 30th June 2010 is 49.8p, for the six months ended 30th June 2009 34.9p and for the year ended 31st December 2009 82.2p.

Spirax-Sarco Engineering plc

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Profit for the period	44,845	20,740	53,091
Actuarial loss on post-retirement benefits	(18,721)	(20,737)	(7,800)
Deferred tax on actuarial loss on post-retirement benefits	5,461	6,373	2,106
Foreign exchange translation differences	(716)	(28,933)	(14,051)
Profits on cash flow hedges	(87)	1,645	576
Total recognised income and expense for the period	30,782	(20,912)	33,922
Attributable to			
Equity holders of the parent	30,704	(20,944)	33,794
Minority interest	78	32	128
Total recognised income and expense for the period	30,782	(20,912)	33,922

GROUP STATEMENT OF CHANGES IN EQUITY

Six months to 30th June 2010

	Share Capital £000	Share Premium Account £000	Translation Reserve £000	Cash Flow hedge reserve £000	Capital Redemp- -tion Reserve £000	Retained Earnings £000	Total Equity £000
Shareholders' funds at beginning of period	19,310	47,601	41,320	175	1,832	196,481	306,719
Total recognised income and expense for the period	-	-	(716)	(87)	-	31,507	30,704
Dividends paid	-	-	-	-	-	(19,673)	(19,673)
Equity settled share plans net of tax	-	-	-	-	-	806	806
Proceeds of issue of share capital	13	424	-	-	-	-	437
Treasury shares reissued	-	-	-	-	-	4,339	4,339
Loss on the reissue of treasury shares	-	-	-	-	-	(972)	(972)
Equity attributable to equity holders of parent at end of period	19,323	48,025	40,604	88	1,832	212,488	322,360

Six months to 30th June 2009

	Share Capital £000	Share Premium Account £000	Translation Reserve £000	Cash Flow hedge reserve £000	Capital Redemp- -tion Reserve £000	Retained Earnings £000	Total Equity £000
Shareholders' funds at beginning of period	19,307	47,559	55,371	(401)	1,832	171,645	295,313
Total recognised income and expense for the period	-	-	(28,933)	1,645	-	6,344	(20,944)
Dividends paid	-	-	-	-	-	(17,752)	(17,752)
Equity settled share plans net of tax	-	-	-	-	-	972	972
Proceeds of issue of share capital	-	-	-	-	-	-	-
Treasury shares reissued	-	-	-	-	-	1,124	1,124
Loss on the reissue of treasury shares	-	-	-	-	-	(781)	(781)
Equity attributable to equity holders of parent at end of period	19,307	47,559	26,438	1,244	1,832	161,552	257,932

For the year ended 31st December 2009

	Share Capital £000	Share Premium Account £000	Translation Reserve £000	Cash Flow hedge reserve £000	Capital Redemp- -tion Reserve £000	Retained Earnings £000	Total Equity £000
Shareholders' funds at beginning of period	19,307	47,559	55,371	(401)	1,832	171,645	295,313
Total recognised income and expense for the period	-	-	(14,051)	576	-	47,269	33,794
Dividends paid	-	-	-	-	-	(25,733)	(25,733)
Equity settled share plans net of tax	-	-	-	-	-	1,379	1,379
Proceeds of issue of share capital	3	42	-	-	-	-	45
Treasury shares reissued	-	-	-	-	-	3,711	3,711
Loss on the reissue of treasury shares	-	-	-	-	-	(1,790)	(1,790)
Equity attributable to equity holders of parent at end of period	19,310	47,601	41,320	175	1,832	196,481	306,719

Spirax-Sarco Engineering plc

GROUP CASH FLOW

	Notes	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Cash flows from operating activities				
Profit before taxation		61,284	30,199	76,415
Depreciation and amortisation		10,294	9,338	18,550
Share of profit of associates		(1,579)	(1,179)	(2,407)
Profit on revaluation of investment on acquisition		(8,204)	-	-
Equity settled share plans		1,115	1,144	1,929
Net finance expense		425	1,045	2,514
Operating cash flow before changes in working capital and provisions		63,335	40,547	97,001
Change in trade and other receivables		846	4,080	(74)
Change in inventories		(4,261)	2,437	11,057
Change in trade and other payables		(425)	(6,283)	2,008
Change in provisions and post-retirement benefits		(3,741)	(4,101)	(7,072)
Cash generated from operations		55,754	36,680	102,920
Interest paid		(735)	(605)	(1,366)
Income taxes paid		(14,925)	(15,424)	(29,877)
Net cash from operating activities		40,094	20,651	71,677
Cash flows from investing activities				
Purchase of property, plant & equipment		(10,870)	(13,957)	(33,397)
Proceeds from sale of property, plant & equipment		489	375	1,898
Purchase of software & other intangibles		(510)	(758)	(1,056)
Development expenditure capitalised		(1,046)	(819)	(2,099)
Acquisition of businesses		(2,479)	(1,288)	(27,192)
Interest received		418	341	630
Dividends received		1,779	316	1,498
Net cash used in investing activities		(12,219)	(15,790)	(59,718)
Cash flows from financing activities				
Proceeds from issue of share capital		437	-	45
Proceeds from reissue of treasury shares		3,367	343	1,921
Repayment of borrowings	7	(10,256)	-	-
Proceeds from borrowings	7	-	2,056	20,614
Payment of finance lease liabilities	7	(7)	(24)	(67)
Dividends paid (including minorities)		(19,743)	(17,739)	(25,763)
Net cash used in financing activities		(26,202)	(15,364)	(3,250)
Net increase in cash and cash equivalents	7	1,673	(10,503)	8,709
Cash and cash equivalents at beginning of period	7	61,635	52,095	52,095
Exchange movement	7	1,484	(4,260)	831
Cash and cash equivalents at end of period	7	64,792	37,332	61,635
Borrowings and finance leases	7	(44,557)	(33,231)	(53,602)
Net cash	7	20,235	4,101	8,033

NOTES TO THE ACCOUNTS

1. SEGMENTAL REPORTING

Analysis by location of operation

Six months to 30th June 2010

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	130,772	17,984	112,788	18,041	18,616	16.5%
Americas	62,080	3,099	58,981	18,893	10,917	18.5%
Asia Pacific	58,362	1,667	56,695	13,061	13,061	23.0%
Steam Specialties business	251,214	22,750	228,464	49,995	42,594	18.6%
Watson-Marlow Pumps business	48,700	205	48,495	13,177	13,951	28.8%
Corporate Expenses				(3,042)	(3,042)	
	299,914	22,955	276,959	60,130	53,503	19.3%
Intra-Group	(22,955)	(22,955)				
Net Revenue	276,959	-	276,959	60,130	53,503	19.3%

Six months to 30th June 2009

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	127,081	13,846	113,235	10,187	15,640	13.8%
Americas	53,026	2,009	51,017	4,513	5,992	11.7%
Asia Pacific	50,351	1,330	49,021	9,116	9,404	19.2%
Steam Specialties business	230,458	17,185	213,273	23,816	31,036	14.6%
Watson-Marlow Pumps business	38,332	48	38,284	8,320	8,869	23.2%
Corporate Expenses				(2,071)	(2,071)	
	268,790	17,233	251,557	30,065	37,834	15.0%
Intra-Group	(17,233)	(17,233)				
Net Revenue	251,557	-	251,557	30,065	37,834	15.0%

Year ended 31st December 2009

	Gross revenue £'000	Inter-segment revenue £'000	Revenue £'000	Total operating profit £'000	Adjusted operating profit £'000	Adjusted operating margin %
Europe, Middle East & Africa	257,736	32,232	225,504	25,848	35,623	15.8%
Americas	109,911	5,301	104,610	11,974	13,854	13.2%
Asia Pacific	107,475	2,733	104,742	22,691	23,099	22.1%
Steam Specialties business	475,122	40,266	434,856	60,513	72,576	16.7%
Watson-Marlow Pumps business	84,008	159	83,849	20,964	22,317	26.6%
Corporate Expenses				(4,955)	(4,955)	
	559,130	40,425	518,705	76,522	89,938	17.3%
Intra-Group	(40,425)	(40,425)				
Net Revenue	518,705	-	518,705	76,522	89,938	17.3%

The total operating profit for each period is after crediting or charging the adjustments analysed below:

	30 th June 2010 £'000	30 th June 2009 £'000	31 st Dec. 2009 £'000
Revaluation of goodwill on acquisition	(8,204)	-	-
Amortisation of acquisition-related intangible assets	1,412	789	2,022
Acquisition costs	165	-	-
Headcount reduction costs	-	6,980	11,394
	(6,627)	7,769	13,416

Net assets

	30 th June 2010		30 th June 2009		31 st December 2009	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Europe, Middle East & Africa	191,050	(124,049)	193,973	(114,588)	194,394	(105,487)
Americas	93,032	(28,335)	61,197	(20,304)	65,703	(21,400)
Asia Pacific	90,436	(12,463)	70,070	(7,429)	86,724	(14,373)
Watson-Marlow Pumps business	86,422	(14,963)	62,712	(12,157)	89,769	(13,279)
	460,940	(179,810)	387,952	(154,478)	436,590	(154,539)
Liabilities	(179,810)		(154,478)		(154,539)	
Deferred tax	28,717		25,503		23,522	
Current tax payable	(6,988)		(4,932)		(6,242)	
Net cash	20,235		4,101		8,033	
Net assets	323,094		258,146		307,364	

Capital additions and depreciation and amortisation

	30 th June 2010		30 th June 2009		31 st December 2009	
	Capital additions £'000	Depreciation and amortisation £'000	Capital additions £'000	Depreciation and amortisation £'000	Capital additions £'000	Depreciation and amortisation £'000
Europe, Middle East & Africa	5,894	5,075	6,148	4,804	17,597	9,652
Americas	13,363	1,827	1,399	1,644	2,879	2,839
Asia Pacific	2,658	1,169	3,771	1,135	11,595	2,261
Watson-Marlow Pumps business	1,095	2,223	3,257	1,755	20,045	3,798
	23,010	10,294	14,575	9,338	52,116	18,550

Capital additions include property, plant and equipment at 30th June 2010 of £10,243K, at 30th June 2009 of £13,055K and at 31st December 2009 of £33,824K, and other intangible assets at 30th June 2010 of £12,767K, at 30th June 2009 of £1,520K and at 31st December 2009 of £18,292K.

Depreciation and amortisation includes amortisation of acquisition-related intangible assets.

2. NET FINANCING EXPENSE

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Financial expenses			
Bank and other borrowing interest payable	(731)	(605)	(1,369)
Interest on pension scheme liabilities	(7,927)	(7,288)	(14,703)
	(8,658)	(7,893)	(16,072)
Financial income			
Bank interest receivable	418	341	631
Expected return on pension scheme assets	7,815	6,507	12,927
	8,233	6,848	13,558
Net financing expense	(425)	(1,045)	(2,514)
Net pension scheme financial expense	(112)	(781)	(1,776)
Net bank interest	(313)	(264)	(738)
Net financing expense	(425)	(1,045)	(2,514)

3. TAXATION

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

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
United Kingdom corporation tax	647	879	237
Overseas taxation	14,995	8,243	25,789
Deferred taxation	797	337	(2,702)
	16,439	9,459	23,324

4. EARNINGS PER SHARE

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Profit attributable to equity holders of the parent	44,767	20,708	52,963
Weighted average shares in issue	76,540,641	76,006,495	76,132,486
Dilution	846,775	254,687	242,642
Diluted weighted average shares in issue	77,387,416	76,261,182	76,375,128
Basic earnings per share	58.5p	7.2p	69.6p
Diluted earnings per share	57.8p	27.1p	69.3p
Adjusted profit attributable to equity holders of the parent	38,100	26,552	62,596
Basic adjusted earnings per share	49.8p	34.9p	82.2p

The dilution is in respect of unexercised share options and the performance share plan.

5. DIVIDENDS

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Amounts paid in the period			
Final dividend for the year ended 31 st December 2009 of 25.6p (2008: 23.3p) per share	19,673	17,720	17,720
Interim dividend for the year ended 31 st December 2009 of 10.5p per share	-	-	8,013
	19,673	17,720	25,733
Amounts arising in respect of the period			
Interim dividend for the year ended 31 st December 2010 of 13.0p (2009: 10.5p) per share	10,003	7,983	8,013
Final dividend for the year ended 31 st December 2009 of 25.6p (2008: 23.3p) per share	-	-	19,556
	10,003	7,983	27,569

No scrip alternative to the cash dividend is being offered in respect of the 2010 interim dividend.

6. EMPLOYEE BENEFITS

Pension plans

The Group is accounting for pension costs in accordance with International Accounting Standard 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 2009 is included in the Group's Annual Report.

The defined benefit plan expense is recognised in the income statement as follows:-

	UK Pensions		Overseas pensions & medical			Total	
	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st Dec. 2009 £'000
Current service cost	(3,000)	(3,100)	(1,169)	(732)	(4,169)	(3,832)	(7,924)
Settlement, curtailment	-	-	-	(108)	-	(108)	(104)
Interest on schemes' liabilities	(6,500)	(5,900)	(1,427)	(1,388)	(7,927)	(7,288)	(14,703)
Expected return on schemes' assets	6,800	5,700	1,015	807	7,815	6,507	12,927
Total expense recognised in income statement	<u>(2,700)</u>	<u>(3,300)</u>	<u>(1,581)</u>	<u>(1,421)</u>	<u>(4,281)</u>	<u>(4,721)</u>	<u>(9,804)</u>

The expense is recognised in the following line items in the income statement:

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Operating costs	(4,169)	(3,940)	(8,028)
Financial expenses	(7,927)	(7,288)	(14,703)
Financial income	7,815	6,507	12,927
Total expense recognised in income statement	<u>(4,281)</u>	<u>(4,721)</u>	<u>(9,804)</u>

The amounts recognised in the balance sheet are determined as follows:

	UK Pensions		Overseas pensions & medical			Total	
	30 th June 2010 £'000	30 th June 2009 £'000	30 th June 2010 £'000	30 th June 2009 £'000	30 th June 2010 £'000	30 th June 2009 £'000	31 st Dec. 2009 £'000
Fair value of schemes' assets	181,830	150,500	26,594	21,376	208,424	171,876	211,147
Present value of schemes' liabilities	(241,240)	(217,200)	(56,760)	(45,328)	(298,000)	(262,528)	(284,910)
Retirement benefit liability recognised in the balance sheet	(59,410)	(66,700)	(30,166)	(23,952)	(89,576)	(90,652)	(73,763)
Related deferred tax	16,635	18,676	8,308	6,963	24,943	25,639	20,516
Net pension liability	<u>(42,775)</u>	<u>(48,024)</u>	<u>(21,858)</u>	<u>(16,989)</u>	<u>(64,633)</u>	<u>(65,013)</u>	<u>(53,247)</u>

Share based payments

The charge to the income statement in respect of share-based payments is made up as follows:-

	Six months to 30 th June 2010 £'000	Six months to 30 th June 2009 £'000	Year ended 31 st December 2009 £'000
Share Option Schemes	340	425	686
Performance Share Plan	384	347	500
Employee Share Ownership Plan	391	372	743
	<u>1,115</u>	<u>1,144</u>	<u>1,929</u>

7. ANALYSIS OF CHANGES IN NET CASH

	At 1 st Jan 2010 £'000	Cash flow £'000	Exchange movement £'000	At 30 th June 2010 £'000
Current portion of long term borrowings	(63)			(57)
Non-current portion of long term borrowings	(44,255)			(41,874)
Short term borrowing	(9,284)			(2,626)
Total borrowings	<u>(53,602)</u>			<u>(44,557)</u>
Comprising:				
Borrowings	(53,318)	10,256	(1,231)	(44,293)
Finance Leases	(284)	7	13	(264)
	<u>(53,602)</u>	<u>10,263</u>	<u>(1,218)</u>	<u>(44,557)</u>
Cash and cash equivalents	62,194	1,928	1,428	65,550
Bank overdrafts	(559)	(255)	56	(758)
Net cash and cash equivalents	<u>61,635</u>	<u>1,673</u>	<u>1,484</u>	<u>64,792</u>
Net cash	<u>8,033</u>	<u>11,936</u>	<u>266</u>	<u>20,235</u>

8. PURCHASE OF BUSINESSES 2010

	Mexico (based on 100%)			Other acquisitions			Total Fair Value £000
	Book Value £000	FV Adj £000	Fair Value £000	Book Value £000	FV Adj £000	Fair Value £'000	
Fixed assets							
Property, plant and equipment	1,081	-	1,081	24	-	24	1,105
Intangibles	-	10,645	10,645	-	1,074	1,074	11,719
	<u>1,081</u>	<u>10,645</u>	<u>11,726</u>	<u>24</u>	<u>1,074</u>	<u>1,098</u>	<u>12,824</u>
Current assets							
Inventories	1,042	-	1,042	948	(315)	633	1,675
Trade receivables	1,492	-	1,492	-	-	-	1,492
Other receivables	193	-	193	-	-	-	193
Cash	1,684	-	1,684	-	-	-	1,684
	<u>4,411</u>	<u>-</u>	<u>4,411</u>	<u>948</u>	<u>(315)</u>	<u>633</u>	<u>5,044</u>
Total assets	<u>5,492</u>	<u>10,645</u>	<u>16,137</u>	<u>972</u>	<u>759</u>	<u>1,731</u>	<u>17,868</u>
Current liabilities							
Trade payables	1,136	-	1,136	210	-	210	1,346
Other payables and accruals	237	-	237	-	-	-	237
	<u>1,373</u>	<u>-</u>	<u>1,373</u>	<u>210</u>	<u>-</u>	<u>210</u>	<u>1,583</u>
Long term liabilities	-	-	-	-	-	-	-
Total liabilities	<u>1,373</u>	<u>-</u>	<u>1,373</u>	<u>210</u>	<u>-</u>	<u>210</u>	<u>1,583</u>
Total net assets	<u>4,119</u>	<u>10,645</u>	<u>14,764</u>	<u>762</u>	<u>759</u>	<u>1,521</u>	<u>16,285</u>
Goodwill			6,776			728	7,504
Total			<u>21,540</u>			<u>2,249</u>	<u>23,789</u>
Satisfied by							
Cash paid			1,778			1,513	3,291
Deferred consideration			9,207			736	9,943
Accounting adjustments							
Associate investment eliminated			2,018			-	2,018
Gain on revaluation of existing share			8,537			-	8,537
			<u>21,540</u>			<u>2,249</u>	<u>23,789</u>

- On 25th May 2010 the Group acquired from its local partners the remaining 51% of Spirax-Sarco Mexicana S.A., which was previously 49% owned by the Group and treated as an Associate company in the Group Accounts. The acquisition method of accounting has been used. Consideration of £1,778K was paid on completion. Separately identified intangibles for

the entire business are recorded as part of the fair value adjustment. Goodwill recognised in the Group Accounts is also based on the business as a whole.

2. The acquisition of the distribution rights of Watson Marlow and Bredel products in Australia and New Zealand was made on 30th June 2010. Inventories, plant and equipment were also purchased as part of the transaction. The acquisition method of accounting has been used. Consideration of £1,254K was paid on completion. Separately identified intangibles are recorded as part of the fair value adjustment.
3. The acquisition of the distribution rights of Watson Marlow and Bredel products in the Rustenburg area of South Africa was made on 28th April 2010. Inventories were also purchased as part of the transaction. The acquisition method of accounting has been used. Consideration of £259K was paid on completion. Separately identified intangibles are recorded as part of the fair value adjustment.

9. CAPITAL EMPLOYED

An analysis of the components of capital employed is as follows:

	30 th June 2010 £'000	30 th June 2009 £'000	31 st December 2009 £'000
Property, plant and equipment	139,511	118,977	135,383
Prepayments	919	621	1,124
Inventories	93,065	91,810	86,479
Trade receivables	116,008	105,805	118,835
Other current assets	15,441	13,668	11,592
Tax recoverable	1,506	2,020	1,896
Trade and other payables	(88,807)	(62,758)	(79,335)
Current tax payable	(8,494)	(6,952)	(8,138)
	269,149	263,191	267,836

10. 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 2009. 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 2010 that have materially affected the financial position or the performance of the Group during that period.

11. BASIS OF PREPARATION

Spirax-Sarco Engineering plc is a company domiciled in the UK. The half year condensed consolidated financial statements of Spirax-Sarco Engineering plc and its subsidiaries (the 'Group') have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. The accounting policies applied are the same as those set out in the 2009 Spirax-Sarco Engineering plc Annual Report, with the following exceptions:

- Revised IFRS 3 *Business Combinations* has been adopted. This standard affects the accounting for acquisitions and transactions with non-controlling interests, in particular the acquisition of the subsidiary in Mexico.

These condensed consolidated half year financial statements do not include all of the information required for full annual statements and should be read in conjunction with the 2009 Annual Report. The comparative figures for the year ended 31st December 2009 do not constitute the Group's statutory accounts for that financial year. The consolidated statutory accounts for Spirax-Sarco Engineering plc in respect of the year ended 31st December 2009 have been reported on by the

company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group in respect of the year ended 31st December 2009 are available upon request from Mr. W.G. Stebbings, Company Secretary and Solicitor, Charlton House, Cheltenham, Gloucestershire, GL53 8ER, United Kingdom or on www.SpiraxSarcoEngineering.com

The financial statements for the six months ended 30th June 2010, which have not been audited or reviewed by the auditors, were authorised for issue by the Board on 24th August 2010.

The interim 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 interim report should not be relied upon by any other party or for any other purpose.

CAUTIONARY STATEMENTS

This interim 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.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. The principal risks and uncertainties are strategic, commercial, operational and financial. Ultimately these affect our ability to deliver our prime financial objective, which is to provide enhanced value to shareholders through consistent growth in earnings per share and dividends per share as a result of maintaining our world leading position and investing in our businesses for growth. More details of the key risks facing the Group's businesses are included on page 21 and page 37 of the Group's statutory financial statements for the year ended 31st December 2009. Details of further potential risks and uncertainties arising since the issue of the previous statutory financial statements are included within the Review of Operations as appropriate.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

RESPONSIBILITY STATEMENT

The directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- 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 financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - (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 24th August 2010 are listed in the 2009 Annual Report on page 31. There have been no changes to the directors since that report.

M E Vernon

Chief Executive

24th August 2010

D J Meredith

Director Finance

24th August 2010

on behalf of the Board