CHAIRMAN'S STATEMENT

I am pleased to report good progress in the first half of 2005 with further increases in sales and profits together with a strong cash position.

The implementation of our plans for continued growth in our industrial steam and peristaltic pumping businesses enabled us to increase sales strongly in Asia and the Rest of the World; we also saw good growth in North America. The markets in Continental Europe and the UK remained difficult but, despite this, we increased our sales in these territories.

These results have been prepared under International Financial Reporting Standards (IFRS) and all comparisons are with 2004 results restated to comply with IFRS.

Worldwide sales increased by 9% during the first half of 2005 to £166.6 million from £152.9 million. This comprises organic growth of 7%, an exchange gain of 1% and a contribution from acquisitions of 1%.

Operating profit increased by 13% to £25.0 million (2004: £22.1m) and the operating profit margin improved to 15.0% from 14.4%, mainly due to the sales increase. Demand on our factories increased and higher material and energy costs were offset by our continuing programme of resourcing materials in Asia and productivity improvements.

Net finance income was £0.6 million in 2005 compared with a net charge of £0.2 million in the first half of 2004. This results partly from the strong cash flow over the last twelve months and partly from an improved net finance income in respect of pension funds. The Group's share of profits of Associates increased to £0.4 million (2004: £0.3 million).

The tax charge of 33% was similar to 2004 and the profit attributable to equity shareholders increased by 18% to £17.4 million. Earnings per share increased by 17% to 23.0p from 19.7p in the corresponding period last year.

TRADING

Our two niche businesses - the Spirax Sarco industrial steam business and the Watson-Marlow Bredel peristaltic pump business - are world leaders in their focused markets. They have achieved this position by supplying knowledge, service and products which provide customers with benefits such as energy saving, cost reduction, improved product quality or higher output. This is possible because we have over 1,000 sales and service engineers worldwide who are specialists in the application of our products and so able to solve customers' pumping or process heating problems.

The UK market showed no sign of improvement; industrial production and investment were subdued and the manufacturing base continues to decline. Nevertheless, we increased sales in the UK and Republic of Ireland by 4% (including Eirdata, the small environmental services company acquired in October 2004) with higher sales to the petrochemical and pharmaceutical sectors. The operating profit, at £3.4 million, was marginally ahead after increases in pension costs and share-based payments.

The Continental European economies remained weak and our industrial markets were flat although our sales increased by 3%, including a small exchange benefit. In Germany, sales grew, helped by extra business in Watson-Marlow Bredel and the Hygromatik humidifier businesses. The economies in France and Italy were weak. Sales in France were lower, while sales in Italy were flat overall despite increases in sales to shipyards and of peristaltic pumps. In Spain, although sales were lower, the mix of business was better and profits were up. In Finland, Poland and Norway, we grew sales well but in the Czech and Slovak Republics, Portugal and Sweden the sales were down, although for Sweden the comparison is with a very strong performance in 2004. Operating profit in the region increased by 4% to £10.0 million, most of the increase being due to exchange rate movements.

Business in Asia has grown well with sales up 17%. The Korean Won strengthened significantly and the underlying increase at constant exchange was therefore 13%. Our company in China continued to increase sales and profits, and in Korea the growth was strong with good sales to the electronics, oil and petrochemical industries. Our Thai and Taiwanese companies also grew sales well but in Japan business was flat and the market continues to be subdued. The operating profit in Asia increased by 29% to £5.0 million including an exchange gain.

In North America, there was a good increase in sales of 9% and, excluding adverse exchange movements, the underlying increase was 12%. The US economy is still growing and there has been a better than expected level of customer confidence. Watson-Marlow Bredel has grown shipments to sanitary, OEM and water treatment applications, and Spirax Sarco Inc. also achieved a good increase in sales levels, notably of packaged systems and energy services. Operating profit in North America, at £3.2 million, was 29% ahead of 2004 despite adverse exchange movements.

We also made good progress in the Rest of the World (mainly South America, Africa and Australasia) with a sales increase of 23% which, after allowing for an exchange benefit, gives an underlying increase of 17%. Our operations in Brazil and Argentina performed well with higher sales and profits. In Australia, business levels were quiet and in South Africa, while sales were up, margins were under pressure and profits were down. The operating profit in the Rest of the World increased by 20% to £3.4 million including an exchange gain.

The results from India and Mexico, in accordance with IFRS, are now disclosed separately under "Associates" and their results were well ahead of 2004.

BALANCE SHEET AND CASH FLOW

Capital employed (property, plant and equipment, inventories, debtors and creditors) increased by 5% to £186 million compared with a year earlier. Excluding exchange movements the underlying increase was 3% as we maintained our controls on working capital. Capital expenditure was £6.0 million and, although this was below the long-term trend, we continue to invest in capital projects to improve productivity and expand our global sales presence. Dividend payments were £11.5m during the half year. We also spent a total of £4.9 million on the acquisition in June of the Mitech group of controls companies in South Africa and the EMCO metering business in the USA. The exercise of options, which are granted to a relatively large pool of senior managers across the world, brought in £4.5 million of cash during the period. There was a small net cash position at 30th June 2005 of £1.5 million compared with net cash of £1.3 million at the beginning of the year and net debt of £14.0 million at 30th June 2004.

Post-retirement benefits net of related deferred tax increased during the period by £8 million to £36 million due to lower bond yields, mitigated by improved stock market performance.

DIVIDEND

The Board has declared an interim dividend of 6.8p (2004: 6.3p) per ordinary share, an increase of 8%, which will be paid on 11th November 2005 to shareholders on the register at the close of business on 14th October 2005. No scrip alternative to the cash dividend is being offered in respect of the 2005 interim dividend.

BOARD CHANGES

During the first half of 2005, both Tim Fortune and Chris Ball retired from the Board after long and distinguished careers with Spirax. They contributed a great deal to the Group's success over the years through their energy and enthusiasm and we owe them both a debt of gratitude, which I am pleased to acknowledge.

We welcome Tony Scrivin to the Board as director responsible for most of the sales operations in Europe. We also welcome Gareth Bullock, a director of Standard Chartered Bank, as a non-executive director, both appointments taking effect from 2nd May 2005.

PROSPECTS

The Group achieved a good performance in the first half against a mixed but relatively benign economic background. The economies in the Americas appear to be continuing to grow and, assuming no deterioration here or in our major markets elsewhere, we expect to continue to make progress, although the comparison in the second half will be with the relatively strong second half of 2004.

Mike Townsend, **Chairman**
6th September 2005