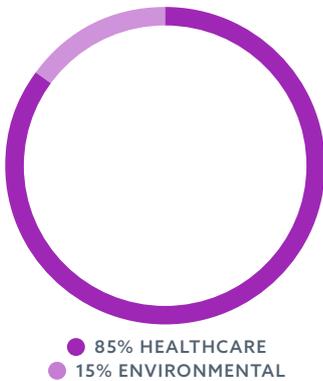




THE LIFE SCIENCES SECTOR BUSINESSES SUPPLY A RANGE OF CONSUMABLES, INSTRUMENTATION AND RELATED SERVICES TO THE HEALTHCARE AND ENVIRONMENTAL INDUSTRIES

PRINCIPAL SEGMENTS



GEOGRAPHY

50% Canada
26% Europe
24% Australasia

CUSTOMERS

84% Clinical
9% Utilities
3% Chemical & Pharmaceutical
2% Life Sciences Research
2% Other Life Sciences

PRODUCTS

70% Consumables
21% Instrumentation
9% Service

HEALTHCARE

The Diploma Healthcare Group ("DHG") operates in three principal geographies – Canada, Australasia and Europe. In Canada, DHG supplies to the ca. 600 public hospitals across the country as well as to private clinics and pathology laboratories. Somagen Diagnostics ("Somagen") supplies a range of consumables and instruments used in the diagnostic testing of blood, tissue and other samples. It is also a leading supplier to the growing cancer screening and the assisted reproductive technology ("ART") markets. AMT/Vantage comprises the AMT Surgical and Vantage Endoscopy ("Vantage") divisions. AMT Surgical supplies specialised equipment and consumables for electrosurgery and minimally invasive ("MI") surgery use in hospital operating rooms. Vantage supplies endoscopes and related consumables, therapeutic devices and services to GI Endoscopy suites in hospitals and private clinics. Vantage is also expanding its portfolio into the Urology and Gynaecology surgical segments with rigid and flexible scopes and specialised instrument sets.

In Australia and New Zealand, DHG also supplies to hospitals, private clinics and pathology laboratories. In April 2017, DHG acquired Abacus ALS, a long established supplier of instrumentation and consumables to the Pathology and Life Sciences sectors. At the start of the current financial year, Abacus ALS was combined with Diagnostic Solutions to form Abacus dx, a market leading clinical diagnostics business supplying to both public and private laboratories. Big Green Surgical ("BGS") supplies a range of products to the Surgical Products sector. Abacus dx and BGS share several common suppliers with DHG's Canadian businesses.

In Europe, DHG operates through Technopath Distribution ("TPD"), an established supplier of products to the Biotechnology, Clinical Laboratory and Medical Device markets in Ireland and the

UK. Similar to the other DHG businesses, TPD focuses on specialised laboratory diagnostics and specialty medical device segments, again leveraging several common suppliers.

ENVIRONMENTAL

The a1-group is a supplier to Environmental testing laboratories and to Health & Safety engineers. The a1-envirosciences business, based in Germany, supplies a range of containment enclosures for potent powder handling. The a1-CBISS business, based in the UK, supplies equipment and services for the monitoring and control of environmental emissions, as well as a range of gas detection devices.

MARKET DRIVERS

The DHG businesses in Canada supply into areas of **Healthcare** that are predominantly public sector funded. Private sector funding, representing ca. 30% of Healthcare expenditure in Canada, is largely focused on areas where DHG does not participate, specifically dental, cosmetic, eye surgery and pharmaceuticals. The principal demand driver for DHG in Canada is therefore the sustainable level of Healthcare spending funded by the Canadian Government.

The Canadian Health Act ("the Act") ensures universal coverage for all insured persons for all medically necessary services provided by hospitals, physicians and other Healthcare providers. A growing, ageing and well educated population demands high standards of service delivery, helping to ensure ongoing growing demand.

The Provinces are responsible for the delivery of the Healthcare services, but the Federal Government partially controls delivery through Federal Provincial transfer payments, which represent the largest source of revenues for the Provinces. The relative stability and consistency in funding by each of the Provinces, guaranteed through the Act, ensures that the market remains well funded through the economic cycle and current expenditure of 10.4%

PRINCIPAL OPERATIONS

Healthcare

Somagen Diagnostics	Edmonton, AB, Canada
AMT/Vantage	Kitchener, ON, Canada
Abacus dx	Brisbane, QLD & Melbourne, VIC, Australia
Big Green Surgical	Melbourne, VIC, Australia
Technopath Distribution	Ballina, Co. Tipperary, Ireland

Environmental

a1-CBISS	Tranmere, UK
a1-envirosciences	Düsseldorf, Germany

of GDP (11.5% including capital expenditure) places Canada in the top 20% of OECD countries.

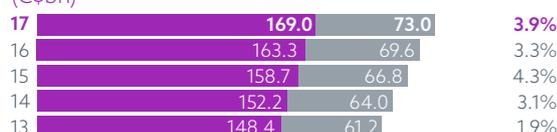
Over many years, Healthcare expenditure has grown steadily with annual variations mostly dependent on the periodic additional tranches of funding provided by individual Provinces. In periods when the economy has been slower, Healthcare funding has still shown growth, albeit at reduced levels. In 2017, public Healthcare spending in Canada was ca. C\$170bn, with the largest category of expenditure (ca. C\$70bn) being in the hospital sector.

The Healthcare market in Australia shares with Canada many of the same attractive characteristics for specialised distribution. While privately funded Healthcare is more prevalent in areas such as surgery and laboratory testing, public sector Healthcare funding is still large and supported by a stable, resource based economy. As with Canada, Australia has a large geography to be covered, low population density and purchasing processes that vary by State. These characteristics necessarily demand a significant investment by manufacturers in technical sales and service resource, which makes the specialised local distribution model a very attractive mechanism for manufacturers to serve the local markets.

Since 2013, the Canadian and Australian economies have come under pressure from low oil prices and reduced demand for the countries' natural resources. This tougher economic environment has resulted in greater pressure on budgets throughout the Healthcare systems in both countries. In such periods, Healthcare funding is tightly constrained through targeted controls imposed on the number of laboratory tests and operating procedures as well as more rigorous tendering and Group procurement processes for expenditure on capital equipment. Even with such pressures, however, Healthcare funding has shown positive growth in total Healthcare expenditure of 3-4% and 4-6% respectively in Canada and Australia.

The principal market driver for the TPD business is Healthcare funding in the UK and Ireland, which totals ca. £215bn, representing ca. 10% of combined GDP. The UK accounts for ca. 90% of the total funding and ca. 80% is provided by public funding and 20% by private funding. Following the 2009 recession, annual growth in UK Healthcare expenditure has slowed to

Canadian Healthcare expenditure¹ (C\$bn)



● Public ● Private

Source: Canadian Institute for Health Information.
1 Includes capital expenditure, forecast data 2016 and 2017.

Australian Healthcare expenditure¹ (A\$bn)



● Public ● Private

Source: Australian Institute of Health & Welfare.
1 Includes capital expenditure.

UK Healthcare expenditure¹ (£bn)



● Public ● Private

Source: UK Health Accounts (2017 data not available).
1 Excluding capital expenditure.

Total current Healthcare expenditure¹ as a percentage of GDP

	2013	2014	2015	2016	2017
Canada	10.1%	10.0%	10.4%	10.5%	10.4%
Australia	8.8%	9.1%	9.3%	9.3%	9.1%
Ireland	10.3%	9.7%	7.4%	7.4%	7.1%
UK	9.8%	9.7%	9.8%	9.8%	9.7%

Source: OECD
1 Excluding capital expenditure.

low single-digit levels, compared with average growth of 8% p.a. over the previous decade. In Ireland, Healthcare expenditure saw reductions year-on-year in 2010 and 2011, since then growth has resumed at low single-digit levels.

The a1-group supplies to customers in the Environmental industry in the UK, Germany and France. The market demand is largely driven by **Environmental** and Health & Safety regulations and growth in recent years has been driven by the need

to be compliant with a range of EU regulations. Since market demand is driven by regulation, this ensures reasonably steady demand for essential consumable products and services, though customers may defer capital expenditure during significant downturns in the economy.



LIFE SCIENCES

HIGHLIGHTS FROM THE YEAR

- **Sector revenue growth of 7%; underlying growth of 5% after adjusting for currency and an acquisition completed last year**
- **In Canada, DHG underlying revenues increased by 8% with strong consumable revenues from its leading products; the Surgical and Endoscopy products lines at the Vantage business reported strong revenues from the introduction of new premium products**
- **In Australia and New Zealand, underlying revenues increased by 4%; Abacus ALS acquired in April 2017 reported strong growth across its portfolio of products, which more than offset reduced revenues in the Surgical Products business following the acquisition of a key supplier by a large industry player**
- **TPD revenues were broadly flat in Ireland and the UK with new suppliers and product segments replacing suppliers moving to a direct supply model**
- **The Environmental businesses reported unchanged underlying revenues with strong revenue growth in Germany, offset by reduced revenues in the UK from delays in order placement**

SECTOR PERFORMANCE

Reported revenues of the Life Sciences Sector businesses increased by 7% to £134.7m (2017: £125.9m). The acquisition of Abacus ALS, acquired in April 2017, incrementally added £6.4m or 5% to Sector revenues, which was partly offset by a headwind of 3% from currency movements on translation of the results from overseas businesses to UK sterling. After adjusting for currency effects and this acquisition, underlying revenues increased by 5%.

Adjusted operating margins reduced by 80bps to 17.7% largely reflecting the investment made during the year developing opportunities for the new endoscopes introduced in Canada. DHG margins were also diluted from a full year contribution, together with one-off integration costs, of the combined diagnostic businesses in Australia and New Zealand and weaker revenues following a loss of a supplier in BGS. In addition, an increase in underlying costs in the Environmental businesses on unchanged revenues led to negative leverage. However gross margins improved reflecting a more favourable mix of revenues in both the Healthcare and Environmental business. Transactional currency pressures on the Healthcare margins remained subdued, but favourable currency hedges helped offset some volatility of the Canadian and Australian dollars relative to the US dollar and Euro during the second half of the year. Adjusted operating profits increased by 3% to £23.9m (2017: £23.3m).

The Life Sciences businesses invested £3.5m (2017: £2.0m) in new capital during the year of which £2.3m (2017: £1.6m) was spent on acquiring field equipment for both new placements in hospitals and laboratories and for loan equipment and demonstration models to support existing placements. The increase in spend on field equipment was largely driven by the launch of a new series of flexible endoscopes, together with the addition of a range of rigid endoscopes under a new supplier agreement. A further £0.6m was invested in completing the refurbishment of the AMT and Vantage office and service facilities in Kitchener and Markham, Canada and on a new facility for a1-CBISS in the UK. The balance of £0.6m was invested in warehouse equipment and on upgrading the IT infrastructure in both businesses. Free cash flow increased marginally to £17.3m (2017: £17.0m), reflecting reduced cash flows into working capital, offset by higher capital investment.

Healthcare

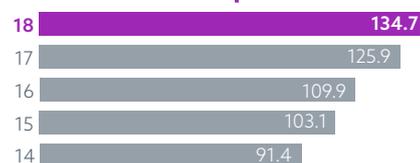
The DHG businesses, which account for 85% of Life Sciences revenues, increased underlying revenues by 6% after adjusting for currency effects and the incremental revenue from the acquisition of Abacus ALS.

In Canada, underlying revenues increased by 8% against the background of continuing budget pressures throughout the Provincial healthcare systems, with Group Procurement Offices ("GPOs") continuing to restructure and amalgamate, both nationally and regionally.

Somagen's core Clinical Diagnostics business delivered an underlying increase of 2% in revenues, with steady growth in consumable and service revenues. Capital sales decreased reflecting the impact of laboratory centralisation and reduced spending after a "catch-up" in procurement last year, following the 2016 hospital spending freeze in some Provinces. Demand for diagnostic testing remained robust, particularly with a combination of strong growth and contract extensions for cancer screening tests and growth from new technology introduced in the areas of Autoimmunity. A long term contract was renewed with a major supplier and an additional supply agreement was gained during the year that will provide opportunities for Somagen in the Microbiology market. Somagen has also secured large Provincial contracts to provide colorectal cancer screening products and services that are expected to ramp up in the next financial year.

Revenue (£m)
(compound growth over five years)

+8% p.a.



REVENUE

£134.7m

	2018	2017	
Revenue	£134.7m	£125.9m	+7%
Adjusted operating profit	£23.9m	£23.3m	+3%
Adjusted operating margin	17.7%	18.5%	-80bps
Free cash flow	£17.3m	£17.0m	+2%
ROATCE	19.1%	19.7%	-60bps

AMT and Vantage, the Surgical and Endoscopy businesses in Canada, delivered strong growth in revenues, primarily driven by the successful introduction and rebranding of a premium range of rigid and flexible endoscopes and surgical instrument sets in Vantage. These offer further growth potential in the Urology and Gynaecology segments of the surgical market. The introduction of a new series of endoscopes in early 2018 has also provided Vantage with opportunities to replace existing customer supply contracts in several Provinces. Strong growth was also achieved at AMT in the supply of specialised instruments used in laparoscopic and other minimally invasive surgical procedures. These growth initiatives have diversified the revenue streams across both the core surgical and GI businesses and mitigated the continuing pressures in the electrosurgery and smoke evacuation businesses, where pricing has now stabilised, albeit at lower levels. In October 2018, AMT secured a new five-year contract with a large GPO to provide electrosurgical and smoke evacuation products.

In Australia, Diagnostic Solutions has been integrated into Abacus ALS to form Abacus dx, a larger broader-based Clinical Diagnostics, Life Science and Patient Simulation business, supplying to both the public and private pathology laboratories and to research and educational establishments across Australasia. Abacus dx has delivered strong growth in revenues on a like-for-like basis, despite the continuing consolidation of testing within Clinical Diagnostics and expanded professional procurement in the fragmented Life Sciences market. Abacus dx is working closely with key suppliers to position itself strongly in response to the shift towards track based laboratory systems. BGS, the Surgical Products business, reported a reduction in revenues as it struggled with securing sales of new products introduced to replace electrosurgical products from a supplier that had been acquired by a larger industry player with its own channels to market. However strong growth from key suppliers of other Surgical Products helped mitigate some of the shortfall. In smoke evacuation, the implementation of nursing guidelines enforcing smoke evacuation compliance will drive longer term growth, but has also slowed evaluation and decision processes during the year.

The TPD business in Ireland and the UK reported revenues broadly flat in Euro terms, as it managed the transition of a number of suppliers who have moved from specialised distribution to a direct supply model. New suppliers have been secured that will help mitigate this transition, together with solid growth within the Clinical segment supplying clinical chemistry and serology control products. New suppliers and businesses providing agitators and separators used in the NHS Blood and Transplant service continued to diversify the breadth of the portfolio. The Biotechnology and Service segments also delivered good growth from strong capital sales, which reflected management's efforts to forge strong strategic partnerships with their diverse customer base both in Ireland and the UK. TPD is further broadening its service capability beyond diagnostic instrumentation and has established a new Surgical Products division to bring to market the electrosurgical and smoke evacuation products similar to those supplied by AMT and BGS in Canada and Australia, respectively.

Environmental

The a1-group of Environmental businesses in Europe, which account for 15% of Life Sciences revenues, saw revenues increase by 1% in UK sterling terms, but remained unchanged in constant currency terms.

The a1-envirosciences business based in Germany increased revenues by 7% in Euro terms driven by strong demand in Germany for high-end halogen analysers and increased sales of customised containment enclosures. The increasing environmental awareness and in particular, the anticipated regulations on toxic polyfluorinated compounds, found in a range of man-made products, is creating demand for these analysers in R&D and Environmental control. Health & Safety regulations continue to increase demand for customised containment enclosures for the safe weighing of hazardous materials. The business is also targeting investment in service personnel to support the larger installed base and demand from customers for faster response times. In addition, investment is being made in an IT based field service management system to enhance customer service and improve efficiency of its growing service team.

POTENTIAL FOR GROWTH

Increase share of specialised segments of **Healthcare** markets in Canada, Australia and UK/Ireland

Leverage DHG product portfolio across existing businesses and extend into other medical disciplines

Pursue further **Healthcare** acquisition opportunities in Northern Europe and Asia-Pacific

Continue to develop product and geographic spread of **Environmental** businesses

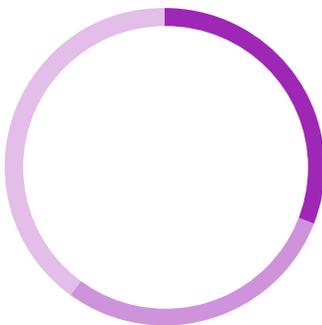
The a1-CBISS business based in the UK reported an 8% decrease in revenues reflecting significant delays during the year in order placement for continuous emissions monitoring systems ("CEMS"). However the opportunities in this sector remain encouraging with new Energy from Waste ("EFW") plants playing an important role in reducing landfill waste. Revenue from service contracts continues to grow as EFW plants supplied over the last 18 months become operational.

SEALS



THE SEALS SECTOR BUSINESSES SUPPLY A RANGE OF SEALS, GASKETS, FILTERS, CYLINDERS, COMPONENTS AND KITS USED IN HEAVY MOBILE MACHINERY AND SPECIALISED INDUSTRIAL EQUIPMENT

PRINCIPAL SEGMENTS



- 31% NORTH AMERICAN AFTERMARKET
- 29% NORTH AMERICAN INDUSTRIAL OEM
- 40% INTERNATIONAL

GEOGRAPHY

- 57% North America
- 34% Europe
- 9% Rest of World

CUSTOMERS

- 47% Industrial OEMs
- 31% Heavy Construction
- 18% MRO & Other Industrial
- 3% Dump & Refuse Trucks
- 1% Logging & Agriculture

PRODUCTS

- 38% Seals & Seal Kits
- 18% O-Rings
- 17% Cylinder & Other
- 12% Gaskets
- 11% Filters
- 4% Attachment Kits

NORTH AMERICA

The **Aftermarket** businesses in North America supply seals and associated products to support a broad range of mobile machinery in applications that include Heavy Construction, Mining, Logging, Agriculture, Material Handling (lift trucks, fork lifts and dump trucks) and Refuse Collection. The products are generally supplied on a next day delivery basis and are used in the repair and maintenance of equipment after it has completed its initial warranty period or lease term or has been sold on the pre-used market. The main customers are machinery and cylinder repair shops, engine and transmission rebuilders and other heavy equipment parts distributors.

The **Industrial OEM** businesses in North America supply seals, gaskets, O-rings and custom moulded and machined parts to a range of Industrial OEM customers. The businesses work closely with customers to select the most appropriate seal design, material and manufacturer for the application, provide technical support and guidance during the product development process and deliver the logistics capabilities to supply from inventory to support small to medium sized production runs.

INTERNATIONAL

The International Seals businesses outside North America supply a range of seals, gaskets, filters, custom moulded and machined parts and hydraulic cylinder components to both Aftermarket and Industrial OEM customers. The businesses also supply products to end users operating process plants within the Mining, Oil & Gas, Pharmaceutical, Chemical, Food and Energy sectors, where products are required to support Maintenance, Repair and Overhaul ("MRO") operations.

MARKET DRIVERS - NORTH AMERICA

In the **Aftermarket** businesses in North America, the principal drivers are the general GDP growth, and activity and spending levels in the Heavy Construction and Infrastructure sectors. In 2018, the US economy is forecast to show annual GDP growth of 2.9% (2017: 2.3%) driven primarily by strong consumer spending, growth in business investments fuelled by major tax reforms and growth in exports. Although the imposition of tariffs has dampened its impact, export growth has been underpinned by a pick-up in the world economy. Total US Construction spend (including non-residential and infrastructure spend, as well as residential housing activity) has continued to rise through 2018.

Unit sales in the US of Construction Equipment (defined as heavy mobile equipment including excavators above 14 tonnes, crawler dozers and wheeled loaders) is important as a medium term indicator for Hercules' replacement hydraulic seals activities, as the new equipment will move out of the dealer warranty period in the following years. It is also a good short term indicator for the HKX attachment kit business. Demand for new equipment increased by ca. 9% in 2017. However, the demand for new equipment remains below 2015 levels as utilisation levels are high, the general mobile machinery population is relatively new, and contractors continue to opt for the rental model for their equipment needs.

In Canada, following a strong period of expansion, GDP growth has slowed to a more sustainable level, driven by smaller increases in public consumption and slower increases in exports resulting from an adjustment in automobile production and the outage of an Oil & Gas pipeline.

PRINCIPAL OPERATIONS

North America (HFPG)

Aftermarket

Hercules US	Clearwater, FL, US
Hercules Canada	Barrie, ON & Montreal, QC, Canada
HKX	Monroe, WA, US

Industrial OEM

J Royal	Winston-Salem, NC & Tallassee, AL, US; Shanghai, China
RT Dygert	Minneapolis, MN, Chicago, IL & Seattle, WA, US
All Seals	Lake Forest, CA, & Denver, CO, US

International

FPE Seals	Darlington & Aberdeen, UK; Breda, The Netherlands
Kentek	Helsinki, Finland; St. Petersburg, Russia; Riga, Latvia
M Seals	Espergaerde, Denmark; Halmstad, Sweden; Beijing, China; Gateshead & Leicester, UK
Kubo	Effretikon, Switzerland; Linz, Austria
WCIS	Perth & Brisbane, Australia; Noumea, New Caledonia

In 2018, a gradual restoration of oil pipeline capacity and strong US growth is forecast to result in robust GDP growth of 2.1%.

In general, the economic conditions in the South and Central American economies served by the North American Aftermarket businesses continue to be challenging but are showing signs of improvement with private consumption, exports and earthquake related reconstruction activities expected to have a positive impact.

For the **Industrial OEM** Seals businesses in North America, the principal market driver is the growth rate in the general industrial economy. US industrial production declined through 2015 and 2016 but, having achieved strong growth in 2017 and 2018, has now risen back above 2014 levels. Increases in Mining output supported by substantial gains in the Oil & Gas segment and continued strength in the general Manufacturing segment have been the primary drivers of recent growth.

MARKET DRIVERS - INTERNATIONAL

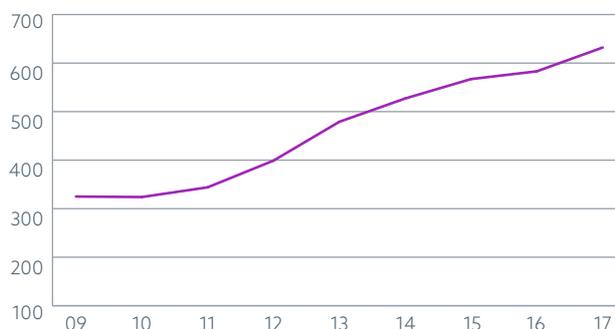
The International Seals businesses operate in a range of countries and diverse market sectors and each has its own specific market drivers. The most relevant market drivers and indicators are therefore the general GDP growth and Industrial sector performance for the major geographies in which the businesses operate.

In the UK, economic growth is forecast to be marginally higher in 2018 at the modest level of ca. 1.6% (2017: 1.8%), with stronger export growth offset by uncertainties over the outcome of Brexit negotiations and reduced levels of investment. The UK Construction sector, which drives the Aftermarket business, had been steadily growing since mid-2012 until growth slowed in 2017. Construction output contracted in the first quarter of 2018 but began to recover through the year. However, the environment remains highly uncertain with new orders at a low level.

In the Nordic region, all countries are forecast to show positive GDP growth in 2018. Average growth across the region is forecast to be ca. 2.4% (2017: 2.3%).

In Switzerland, after years of subdued growth, the manufacturing sector gained momentum in 2017 as exporters benefited from the depreciation of the Swiss franc against the Euro making exports of Swiss Industrial products more attractive. GDP growth is forecast to increase to ca. 2.3% in 2018 (2017: 1.1%), recovering to levels of growth similar to those achieved prior to the decoupling of the Swiss franc from the Euro.

US construction spend (US\$bn)



Source: Cylcast Intercast.

US construction equipment units ('000)



Source: Cylcast Intercast.

US industrial production index



Source: US Federal Reserve (seasonally adjusted).

GDP growth in principal International Seals territories

Real GDP growth	2014	2015	2016	2017	2018
UK	+3.1%	+2.3%	+1.9%	+1.8%	+1.6%
Nordic region	+1.7%	+2.5%	+2.3%	2.3%	+2.4%
Switzerland	+2.5%	+1.2%	+1.4%	+1.1%	+2.3%
Russia	+0.7%	-2.5%	-0.2%	+1.6%	+1.7%
Australia	+2.6%	+2.5%	+2.6%	+2.3%	+3.0%

Source: IMF and Nordic Statistics

In Russia, the impact of low oil prices and EU and US sanctions continues to hinder economic growth. However, the economy is benefiting from a stabilisation of oil prices and foreign exchange rates and lower levels of inflation and, after having contracted by 2.5% in 2015 and 0.2% in 2016, GDP grew by 1.6% in 2017 with further growth of 1.7% forecast in 2018.

In Australia, investment activity has been adversely affected by the downturn in the Mining sector, but the broader economy has been driven by increased public and consumer spending. In 2018, despite expectations that consumption growth will be more subdued, GDP growth is forecast to increase to ca. 3.0% (2017: 2.3%), supported by increases in resource sector capacity and investment in public infrastructure.

SEALS



HIGHLIGHTS FROM THE YEAR

- **Sector revenue growth of 7%; underlying growth of 10% after adjusting for currency and the net impact from acquisitions and a disposal completed during the past two years**
- **In North America, Aftermarket underlying revenues increased by 9%, driven by strong markets in the core Hercules business and continued robust growth in the HKX business**
- **Industrial OEM underlying revenues in North America increased by 13% in a very strong US industrial market, supported by healthy manufacturing PMI data**
- **Implementation of a new ERP system in the Industrial OEM businesses in the US, following the establishment of a senior management team last year to manage this cluster of businesses**
- **International Seals businesses increased underlying revenues by 7% with stronger trading across all businesses in the second half of the year**

SECTOR PERFORMANCE

Reported revenues of the Seals Sector businesses increased by 7% to £208.0m (2017: £195.3m). The acquisitions of PSP and Edco completed in 2017, net of a small disposal this year, contributed £3.3m or 2% to Sector revenues, but this was more than offset by currency movements on translation of the results from overseas businesses to UK sterling, which reduced Sector revenues by 5%. After adjusting for the acquisitions and for currency effects, underlying revenues increased by 10%.

Adjusted operating margins for the Sector increased by 100bps to 17.3% (2017: 16.3%) with stronger revenues providing operating leverage. This more than offset a small reduction in gross margins arising from both a lag in the first half of the year in passing on supplier price increases and increased freight costs from expediting inventories. Adjusted operating profits increased by 13% to £36.0m (2017: £31.9m).

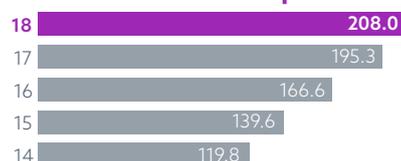
During the year, £2.0m (2017: £1.1m) of capital expenditure was invested in the Seals businesses. This primarily comprised £1.1m on implementing a new single ERP system across the US Industrial OEM businesses and a new ERP system in Kentek. A further £0.9m was spent on upgrading warehouse equipment and facilities and on the general IT infrastructure across the Seals businesses. The free cash flow generated in this Sector increased by £1.0m to £25.9m, with stronger operating cash flow being partly absorbed by higher working capital to support the strong trading environment.

The HFPG **Aftermarket** businesses increased revenues by 9% on a constant currency basis, driven by strong trading conditions in the core Hercules business in both the US and Canada and continued robust growth in the HKX attachment kit business. There was significant pick-up in activity in the Oil & Gas sector and both new Construction and large Infrastructure projects led to increased demand for heavy machinery that required increased servicing and repair. The significant increase in activity has led to extended lead times in the supply chain and robust supplier price increases, which HFPG has sought to mitigate through increased catalogue prices.

In the domestic US market, Hercules revenues increased by 9% with the Repair and Distributor segments growing steadily through the year reflecting higher equipment levels. With seal manufacturers struggling to keep up with demand, Distributors turned to Hercules for their superior service and inventory availability. Hercules continue to add products to their portfolio and broaden the scope of equipment supported to include Aerial-Lifts, Logging, Injection Moulding and Agriculture. Investment was also made to enhance existing sales resources and extend into new territories. New market opportunities include seal kitting services for industrial plants of OEMs. E-commerce continues to deliver strong year-on-year growth and now accounts for 30% of invoices processed and 25% of Hercules US revenues. Enhancements were made to the E-commerce functionality to allow customers to configure custom seals and provide access via mobile applications.

Revenue (£m)
(compound growth over five years)

+14% p.a.



REVENUE

£208.0m

	2018	2017	
Revenue	£208.0m	£195.3m	+7%
Adjusted operating profit	£36.0m	£31.9m	+13%
Adjusted operating margin	17.3%	16.3%	+100bps
Free cash flow	£25.9m	£24.9m	+4%
ROATCE	25.3%	22.8%	+250bps

North American Seals

The North American Seals businesses, which account for 60% of Seals revenues, reported revenues up 6% on the prior year. Underlying revenues increased by 11%, after adjusting for the strengthening of UK sterling against both the US and Canadian dollar, for the disposal of a small non-core business in June and the bolt-on acquisition of PSP completed last year.

The core Hercules business in the US has also made good progress in developing a major project to invest ca. US\$10m in a second warehouse facility to provide capacity to meet the growing demand for a broader range of products, as well as gain greater access to expanded territories in the US. Potential facilities have been identified and work on this project will commence in 2019 with the aim of becoming fully operational in the 2020 financial year.

In Canada, revenues increased by 7% in local currency terms, supported by a robust Construction sector with increased residential housing starts driving growth in the repair market. Non-residential construction also grew with several new mining projects and demand for additional warehouse facilities. Robust industrial markets had a positive impact on revenues from sales to OEM cylinder manufacturers.

In markets outside of North America, Hercules achieved a double-digit increase in revenues from sales in Colombia and Chile and record sales to the Rest of World, including China.

The HKX attachment kit business has continued to benefit from tight availability of OEM excavator equipment. In this environment revenues increased by 13%, with strong demand for Tier 3 machines in Canada (ahead of the Tier 4 mandate on 1 January 2019).

In June 2018, Hercules sold its small Bulldog gasket business at net asset value for cash consideration of £4.0m as it was no longer a core part of the Hercules business.

The HFPG **Industrial OEM** businesses in North America increased revenues by 13% in a very strong US industrial market, supported by healthy Manufacturing PMI data. The business has a number of large key accounts across a range of specialised industrial applications in industries including Water, Medical, Oil & Gas, Fluid Handling and Food Equipment. Good double-digit growth was achieved in all these accounts through deeper and broader penetration to identify additional value-adding opportunities. The businesses continue to provide high levels of customer service and technical support to service existing projects, while looking for opportunities to deploy higher specification, regulatory-compliant compounds, to target new projects with higher levels of added-value.

A constant challenge during the year was managing supplier price increases against a background of generally annual customer supply agreements, particularly with the larger key accounts. The introduction of US tariffs towards the end of the financial year has initially also led to some pressure on gross margins, as existing inventory works through. Tariff charges are now being passed on to customers in the form of a separate line charge and selling prices will be updated as supply agreements are renewed.

The Industrial OEM Seals businesses now comprise a cluster of businesses led by a single senior management team directing the key functions of Sales, Supply Chain, Technical and Finance, while maintaining the distinct identity of each business. This has provided the opportunity to realign sales resources and consolidate the supply chain and finance functions within one back office. A key and necessary part of this exercise was the implementation of a new ERP system to replace the disparate legacy IT systems in the businesses. The new ERP system, which went live shortly after the year end, will increase operational efficiency and improve business intelligence to allow field sales to focus on higher margin market segments and products. These initiatives will be supported by new branding and through strategic advertising and trade shows.

International Seals

The International Seals businesses, which account for 40% of Seals revenues, reported a 7% increase in UK sterling terms, benefiting from substantially stronger revenues in the second half of the year. After adjusting for currency effects, the impact from the disposal of the Bulldog business on FPE revenues and the acquisition of Edco completed last year, underlying revenues were also up 7%. During the year the International Seals cluster of businesses strengthened management, set up projects to implement new ERP systems in 2019 and shared best practice in developing E-commerce functionality across the businesses.

The FPE Seals and M Seals businesses, with their principal operations in the UK, Scandinavia and the Netherlands, together delivered underlying growth of 6% in revenues on a constant currency basis and after adjustment for the acquisition of Edco and disposal of Bulldog. The FPE Seals business delivered modest underlying revenue growth, despite robust growth in its core UK Aftermarket hydraulic seals and cylinder parts business and a strong improvement in the Oil & Gas market. This was offset by weaker international sales reflecting the absence of a large export order delivered last year. Sales coverage has now been realigned to focus on account management and the existing capacity for the production of machined seals will be utilised to help penetrate the small OEM and Repair businesses outside the hydraulic cylinder market.

M Seals continued to deliver good growth in revenues from its core markets driven by strong customer relationships that have provided a number of major new projects, particularly in Sweden. As with FPE Seals, M Seals has also benefited in the UK from the recovery in the Oil & Gas market with customers expanding activities and providing good growth in revenues. In its first full year with the Group, Edco (now collectively branded M Seals UK) delivered good growth in revenues on a like-for-like basis, with increased sales to key customers.

Kubo, which operates in Switzerland and Austria, increased underlying revenues by 13%, benefiting from strong industrial production driven by increased exports and supported by the depreciation of the Swiss franc. Customers and suppliers reported full order books with production capacity at high levels. Kubo continues to target smaller manufacturing plants focused on Life Sciences, Biotechnology and Microelectronics where Kubo's specialised products and technical knowledge can add value to the customer. During the year, Kubo

POTENTIAL FOR GROWTH

Continue to gain share in Aftermarket Seals in North America through superior marketing and new products

Leverage E-commerce best practice from North America across International Seals businesses

Build and expand the group of Industrial OEM Seals businesses in North America and leverage procurement activities with the International Seals businesses

Explore opportunities more broadly in Industrial Distribution in North America

Build larger, broader-based International Seals business in the EMEA and Asia-Pacific regions

gained a large new distribution supply contract representing a pan European manufacturer that will provide further opportunity for growth next year. The market in Austria has also been buoyant and Kubo has continued to increase revenues from existing and new customer contracts.

The Kentek business, with principal operations in Finland and Russia, increased revenues by 1% in Euro terms, despite the significant impact on the region from the EU/US sanctions regime. Revenues generated in Russia, which account for ca. 65% of Kentek revenues, improved strongly in the second half of the year, after a weak first half, supported by stronger global Oil & Gas markets. Kentek has also benefited significantly from expanding its own-brand filter range and from widening its geographical coverage towards eastern Russia. In Finland, revenues also increased with sales targeted to support projects in the large Industrial OEM sector.

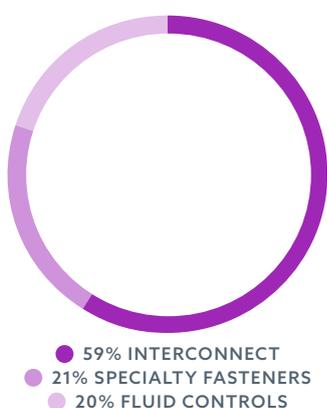
WCIS has core capabilities in industrial gaskets and mechanical seals used in MRO operations in complex, high specification and arduous conditions. Revenues were negatively impacted this year by cost reduction initiatives in the nickel mining and processing operations of its major customer in New Caledonia. This more than offset strong growth in Australian revenues as new contracts were gained in the Power Generation sector and as Mining activity continued to improve with repairs of customer assets. WCIS continues to broaden its coverage across a wider range of products, market sectors and regional territories.

CONTROLS



THE CONTROLS SECTOR BUSINESSES SUPPLY SPECIALISED WIRING, CABLE, CONNECTORS, FASTENERS AND CONTROL DEVICES USED IN A RANGE OF TECHNICALLY DEMANDING APPLICATIONS

PRINCIPAL SEGMENTS



GEOGRAPHY

57%	UK
32%	Continental Europe
11%	Rest of World

CUSTOMERS

31%	Aerospace & Defence
30%	Industrial
13%	Food & Beverage
14%	Motorsport
5%	Energy & Utilities
5%	Medical & Scientific
2%	Rail

PRODUCTS

45%	Wire & Cable
22%	Fasteners
11%	Connectors
12%	Equipment & Components
9%	Control Devices
1%	Other Controls

INTERCONNECT

The IS-Group, Filcon, Cablecraft and FS Cables businesses supply high performance electrical interconnect products used in technically demanding applications in a range of industries including Aerospace & Defence, Motorsport, Energy, Medical, Rail and Industrial. A high proportion of the products supplied are used in refurbishment, upgrade and maintenance programmes for equipment in service. Products include electrical wiring, cable, protective sleeving, connectors and harnessing products and customised assemblies. A range of value adding activities enhances the customer offering, including marking of protective sleeves and cables, customised labelling solutions, cut-to-length tubing, kitting, connector assembly and prototype quantities of customised multi-core cables. There is also a range of internally manufactured products, including flexible braided products for screening, earthing and lightning protection, power shunt connectors, multi-core cables, cable markers, sleeving and trunking.

SPECIALTY FASTENERS

The Clarendon business supplies specialty aerospace-quality fasteners to the Civil Aerospace (focus on aircraft seating and cabin interiors), Motorsport and Industrial & Defence markets. Clarendon supports its key customers with its automated inventory replenishment solution ("Clarendon AIR") utilising bespoke dispensing racks located within the customers' production cells.

FLUID CONTROLS

The Hawco Group businesses supply a range of fluid control products used broadly in the Food & Beverage sectors, in applications including food retailing and transportation, catering equipment, vending machines, coffee brewing, pure

water and water cooling systems. Products include fluid controllers, compressors, valves, temperature and pressure measurement devices and specialised vending and liquid dispensing components. The customer offering is enhanced by value adding services including kitting for production line flow and the repair and refurbishment of soft drinks dispensing equipment.

MARKET DRIVERS

Industrial economic background

The Controls businesses focus on specialised, technical applications in a range of industries, with ca. 90% of Sector revenues generated in the UK and Continental Europe (principally Germany). The background market drivers are therefore the growth of the industrial economies in the UK and Germany.

A good indicator of the health of the UK industrial economy is the UK Index of Production. Following the 2009 recession, gains in 2010 were reversed in 2011 and 2012 and, except for a period of reduced activity in 2015, since then there has been slow, steady growth. However, the index is still some 7% below pre-recession levels and over the period 2012 to 2017, economic growth has been primarily driven by the Services and Retail sectors.

In Germany, the Production Sector Output index tracks a strong period of recovery through 2010 and 2011, since when it has slowly increased and is now ca. 5% above pre-recession levels.

Specific industry drivers - Interconnect and Specialty Fasteners

Although influenced by the general industrial economic cycles, there are also more specific drivers within the main market segments served by the Interconnect and Specialty Fasteners businesses.

Principal operations

Interconnect

IS-Group	
IS-Rayfast	Swindon, UK
IS-Cabletec	Weston-super-Mare, UK
IS-Sommer	Stuttgart, Germany
IS-Connect	Indianapolis, IN, US
Filcon	Munich, Germany
Cablecraft	Houghton Regis, Tewkesbury & Plymouth, UK
FS Cables	St Albans, UK

Specialty Fasteners

Clarendon	Leicester, Swindon & Totnes, UK; Huntington Beach, CA, US
-----------	---

Fluid Controls

Hawco Group	Godalming, Bolton & Faringdon, UK
-------------	-----------------------------------

The Civil Aerospace market continues to grow steadily with growth in world passenger traffic averaging over 6% p.a. over the last five years and with continuing strong order books at Boeing and Airbus. The demand for new aircraft is being driven by the need to replace ageing fleets with more fuel-efficient aircraft and the demand from airlines in China and the rest of the Asia-Pacific region. There is increased activity in the cabin interiors market, where the wide range of complex seating and entertainment systems is driving growth.

In the Defence sector, the UK remains committed to maintaining the NATO spend target of 2% of GDP and defence spending is forecast to increase by an average of 1.3% p.a. in real terms through to 2021. In Germany, in response to the emergence of new perceived threats and pressure to meet NATO's spending target, the government has pledged to increase defence spending from ca. 1.2% of GDP in 2018 to ca. 1.5% of GDP in 2024.

In Motorsport, the major drivers of demand in Formula 1 are the number of races (which increased in the 2018 season) and teams (which remained unchanged in the 2018 season) and the level of development work related to technology and rule changes (which, after significant changes in 2017, were not substantial in the 2018 season). The businesses do supply to other motor racing series, however, the spend is relatively low in these series compared to Formula 1.

In the UK, where the current five-year funding control period runs until April 2019, investment in Rail infrastructure continues with electrification projects, station upgrades, line upgrades and the final stages of the Crossrail project. In addition, the design phase of the first stage of the High Speed Two ("HS2") project has commenced, with construction work expected to run through to 2033. More generally, UK infrastructure investment is expected to continue with more than £240bn of investment planned between 2017/18 and 2020/21 and a particular focus on transport, energy and utilities. In Germany, electricity generation and distribution remains a positive sector due to the fragmented nature of the local supply of electricity, where it is the responsibility of towns and cities.

Specific industry drivers - Fluid Controls

The Fluid Controls businesses generate ca. 70% of their revenues from the Food & Beverage sector in the UK. In Food Retailing, the trend away from major out-of-town stores to convenience stores

UK index of production (value)



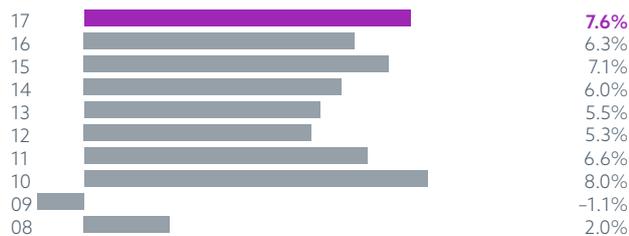
Source: UK Office for National Statistics. Calendar and seasonally adjusted, reference year 2010 = 100.

German production sector output (including construction)



Source: Deutsche Bundesbank. Calendar and seasonally adjusted, reference year 2015 = 100.

World passenger traffic (annual growth rate)



Source: International Civil Aviation Organisation.

Revenue passenger km growth rate

and home delivery continues. There is also a drive in the Retail industry to reduce energy consumption and to introduce low Global Warming Potential ("GWP") refrigerants to comply with EU F-Gas regulations roadmap through to 2022. In 2018, as a first step to the implementation of tighter regulation, the International Electrotechnical Commission voted to increase charge limits in flammable refrigerants. These trends are driving demand for smaller, more energy efficient components as supplied by Hawco.

The Coffee market sector saw continued growth of ca. 7% in 2017 and is forecast to grow at ca. 5.5% p.a. over the next four years with Abbeychart supplying both the coffee machine manufacturers and the Aftermarket sector, predominately in the UK but also in Europe. The Vending market sector continues to see modest growth, driven by the sale of premium products, particularly in the hot drinks segment.

CONTROLS



HIGHLIGHTS FROM THE YEAR

- **Sector revenue growth of 9%; underlying growth of 5% after adjusting for currency and acquisitions completed this year**
- **The Interconnect businesses delivered underlying growth of 7%; the FS Cables acquisition brings a range of own-branded specialist wire and cable products**
- **Clarendon increased underlying revenues by over 8%, with growth driven by broadening its range of customers in Civil Aerospace; US market targeted through the acquisition of Coast**
- **Fluid Controls revenues reduced by 4% reflecting the decision to focus on higher margin business and the absence of a large one-off project**

SECTOR PERFORMANCE

Reported revenues of the Controls Sector businesses increased by 9% to £142.4m (2017: £130.7m). The acquisitions of Coast, acquired in October 2017 and FS Cables, acquired in August 2018, added £5.1m or 4% to Sector revenues. After adjusting for negligible currency movements on revenues from translation to UK sterling and for these acquisitions, underlying Sector revenues increased by 5%, with activity in the final quarter particularly robust in what is normally a slower summer period.

Adjusted operating margins were unchanged at 17.6% (2017: 17.6%). Gross margins improved overall reflecting a stronger customer mix in Clarendon, the absence in Fluid Controls of a large low margin project last year, together with a focus away from lower margin air conditioning business. In Interconnect, stronger gross margins in the Cablecraft business offset the impact of strategic pricing used selectively by the IS-Group to penetrate new customers within the broader European region. Investment in sales resources to drive growth for Clarendon in the US and to enhance E-commerce at Cablecraft contributed to an increase in operating costs ahead of revenue. Adjusted operating profits increased by 9% to £25.0m (2017: £23.0m).

Capital expenditure in Controls increased to £1.1m (2017: £0.2m), with £0.7m invested in the IS-Sommer freehold facility to expand the existing warehouse and office capacity. A further £0.4m was invested in small refurbishment projects at both Cablecraft and Clarendon's newly acquired US facility and in product testing equipment in the UK businesses. Free cash flow increased by 6% to £19.8m (2017: £18.6m) reflecting stronger trading and the additional contribution from the acquisitions, partly offset by higher capital expenditure.

Interconnect

The Interconnect businesses account for 59% of Controls revenues and reported an increase in revenues of 9% in UK sterling terms. After adjusting for the FS Cables acquisition and for currency effects, underlying revenues increased by 7% with good growth in the IS-Group and Cablecraft, more than offsetting the absence of major project activity in Filcon.

The IS-Group's UK businesses reported a 18% increase in revenues reflecting good success achieved in broadening its customer base across the broader European region, through directly targeting cable harness houses, as well as supplying the traditional network of European sub-distributors. In Aerospace and Defence, the UK businesses reported a strong increase in revenues supported by high value repeat orders and new project wins to expand market share. New projects included the design-in of manufactured cables into the KC-46 refuelling tanker, as well as harness components used on the "Crow'snest" Merlin helicopter and the Ajax armoured fighting vehicle. An active Industrial sector also contributed to a strong growth in revenues from a broad range of end-users. In Energy, the recovery in the oil price has led to renewed activity with demand for products going into subsea applications and Tier 4 engines used in the global fracking and mining industries. In Motorsport, revenues were flat on the prior year with a much quieter year for development in Formula 1, WRC and the America's Cup, but were partly compensated by additional activity in Formula E.

The IS-Group's German business, IS-Sommer, delivered 12% growth in revenues with particularly strong performances in the Aerospace, Defence and Industrial markets. A new distribution agreement was concluded during the year with a leading manufacturer of specialist aviation cables, which boosted Aerospace growth. Defence revenues benefited from supplying into new programmes to refit and refurbish Leopard II tanks and Boxer armoured vehicles, as well as the ongoing programme to produce Boxer armoured vehicles for the Lithuanian military. Industrial revenues benefited from the strength of the export led German economy. Medical revenues continued to benefit from design-in efforts initiated in earlier years to help manufacturers manage strict new European regulations for medical devices.

Revenue (£m)
(compound growth over five years)

+11% p.a.



REVENUE

£142.4m

	2018	2017	
Revenue	£142.4m	£130.7m	+9%
Adjusted operating profit	£25.0m	£23.0m	+9%
Adjusted operating margin	17.6%	17.6%	-
Free cash flow	£19.8m	£18.6m	+6%
ROATCE	29.8%	32.2%	-240bps

Motorsport sales remained depressed as a result of the withdrawal of Audi and Volkswagen from the German DTM series. IS-Sommer was also successful in extending its distribution contract with its main supplier of Energy tubing products to a much larger region within Germany, which will provide additional opportunities for growth.

Following over 30% revenue growth last year, Filcon had a tough year with a 26% decrease in revenues due to the absence of major project activity, as well as much lower Motorsport sales following the withdrawal of Audi and Porsche from the Le Mans series and Volkswagen from the World Rally Championship.

Cablecraft reported a 5% increase in revenues as it continued to target new end-user customers including panel builders, switchgear manufacturers, Industrial OEMs and Contractors. During the year the business also focused on substantially refreshing its brand offering and marketing strategy, to be supported by the launch of an enhanced E-commerce website in the first quarter of the new financial year to target a broader range of customers in both the UK and overseas. The facility was also upgraded, creating an expanded and more efficient sales office and relocating the Identification Solutions department to an improved environment that will help drive future growth.

In August 2018, the Group acquired FS Cables, an established and leading supplier of specialist cable products to installers, end-users and wholesalers for a range of industries including Electrical Contracting, Home Automation and Building Management, Rail, Marine and Telecommunications. Based in St Albans, UK, the business primarily supplies own-branded products, which are sourced from a portfolio of long-standing suppliers. These products complement Cablecraft's range of cable accessory products and will provide cross-selling opportunities to both businesses.

After the year end, in October 2018, the IS-Group acquired Gremtek, a long established and leading supplier of own branded protective sleeving and cable identification products to a broad range of industrial markets principally in France, but also in Germany and elsewhere in Europe. Gremtek's principal location is in Paris, France, supported by a facility in Quickborn, Germany. The business will be integrated into the IS-Group to support the strategy of developing a broader Interconnect business across Europe.

Specialty Fasteners

The Clarendon Specialty Fasteners business now accounts for 21% of Controls revenues. The acquisition in the US of Coast Fabrication Inc (rebranded Clarendon Specialty Fasteners Inc) in October 2017 contributed to a 25% increase in revenues. After adjusting for this acquisition, underlying revenues increased by 8% with growth driven principally from increased demand from customers in a buoyant Civil Aerospace sector. In this sector Clarendon continued to broaden its customer base of major aircraft seating and cabin interior manufacturers and their sub-contractors across Europe and Asia. Clarendon supports its major customers by supplying its product through its automatic inventory replenishment system ("Clarendon AIR"). During the year, the number of sites operating this system doubled, enabling Clarendon to better service these customers' requirements and providing opportunities for further growth.

In Clarendon's other major market of Motorsport, underlying revenue growth from Formula 1 customers was held back by the absence of any major rule changes in 2018. However, new revenue opportunities arose in projects undertaken for "supercar" development with major automotive OEMs. Good revenue growth was also achieved in the supply of pre-assembled and captive fasteners and bespoke engineered solutions to the Defence and Industrial sectors.

The US business acquired at the beginning of the year has made a good contribution, with particular success in the Space Technology sector. The US business also provides a base to build on the success Clarendon has achieved in the aircraft cabin interiors market in Europe by targeting the US based manufacturers and their subcontractors. The strong Motorsport focus complements Clarendon's existing Motorsport customer base and provides opportunities to increase market share from a more focused sales approach. During the year, investment was made to strengthen sales resources, refurbish the facility and upgrade IT systems to provide a platform for growth.

Fluid Controls

The Hawco Group of Fluid Controls businesses accounts for 20% of Controls revenues and supplies temperature, pressure and fluid control products, principally to the Food & Beverage industry. Revenues decreased by 4% against the prior year reflecting the absence of a large one-off project delivered last year and the decision to focus on higher margin products and pull-back from the highly price competitive air conditioning business.

POTENTIAL FOR GROWTH

In Interconnect, create a broader-based European cable harnessing components business and extend product range with own-branded products

In Interconnect develop cross-selling opportunities between Cablecraft and FS Cables to drive future growth

In Specialty Fasteners, build on strong positions in Civil Aerospace and Motorsport, with a particular focus on the US and Asian markets

In Fluid Controls, target the business to grow export markets in the Food & Beverage industry

Hawco experienced a challenging year with weaker activity in the OEM Refrigeration equipment market as key accounts suffered from a softer UK Food Retail market, caused by the low level of new store openings. Sales to the hospitality trade also slowed as chains embarked on programmes to rationalise branches and cannibalise equipment. In the Contractor market, revenues decreased as Hawco focused on the higher margin products and pulled back from the lower margin air conditioning and cold-room business. However, revenues from the Industrial OEM market increased through a focus on core product lines and on developing broader export markets.

Abbeychart reported strong trading in its core markets, although revenue growth was held back by the absence of a large one-off project delivered last year refreshing a range of vending machines. After adjusting for this project, Abbeychart achieved strong revenue growth by focusing on its value added services, such as refurbishment, kitting and assemblies and through improved marketing. In particular, good growth was achieved in the Water, Vending and Soft Drinks sectors where Abbeychart continues to take market share. Abbeychart also continues to strengthen its relationships with key vending machine operators in Europe through the supply of its range of spare parts for Wurlitzer vending machines.