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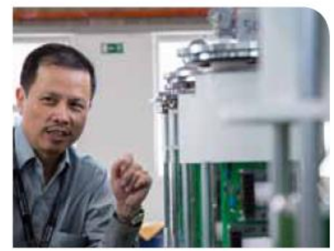
Bringing technology to life

Annual Results

18 September 2013



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This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This presentation contains brands that are trademarks and are registered and/or otherwise protected in accordance with applicable law.

Philip Bowman
Chief Executive

Introduction

Agenda

Introduction and overview	Philip Bowman
Financial review	Peter Turner
Operational review – introduction	Philip Bowman
John Crane	*Duncan Gillis*
Smiths Medical	*Srini Seshadri*
Smiths Detection	*Mal Maginnis*
Operational review and priorities	Philip Bowman

Key messages

Group is better positioned today as a result of our initiatives

- Resilient results reflect a Group that is being strengthened and repositioned
- Delivering sales and profit growth in a challenging trading environment

Significantly increased investment in growth drivers

- Emerging market sales up 14% - now representing 16.1% of Group revenues
- Company-funded R&D investment up 5%; up c. 60% over past six years

Focus on operational efficiencies to fund growth and enhance returns

- Identified another phase of restructuring initiatives across all divisions
- Provide the ‘fuel’ to fund additional investment for growth

Committed to efficient allocation of capital to drive returns

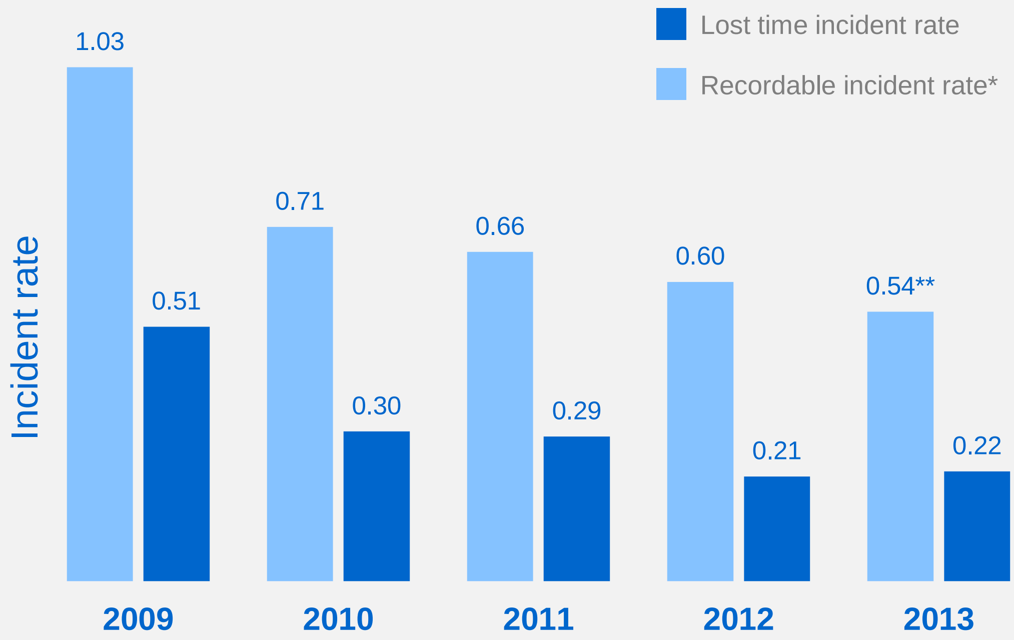
- Strong cash-flows and balance sheet efficiency
- Recommending a special dividend of 30p per share

Results highlights

- Reported headline revenue up 2%; underlying up 2%
- Headline operating profit up 1%, underlying up 1%
- Headline EPS up 0.1p to 92.7p
- Cash conversion strong at 98% - free cash flow of £237m
- Return on capital employed up 10 bps at 16.6%
- Dividend up 4% to 39.5 pence and special dividend of 30 pence

Promoting responsibility: An increased focus is delivering improvements

Recordable & lost time incident rates continue to improve



** Measured per 100 employees per year using US OSHA definition*
*** 0.50 excluding recently acquired businesses*

Solid progress on environmental targets***

- Energy:
  19% reduction
- Greenhouse gases:
  27% reduction
- Water:
  25% reduction
- Non-recycled waste:
  21% reduction

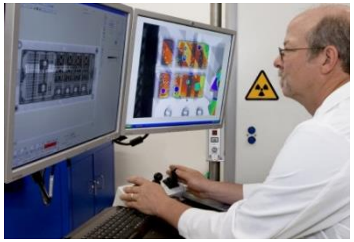
**** FY2013 compared to current goal baseline of FY2010. Normalised to revenue at FY2013 exchange rates.*

Peter Turner
Finance Director

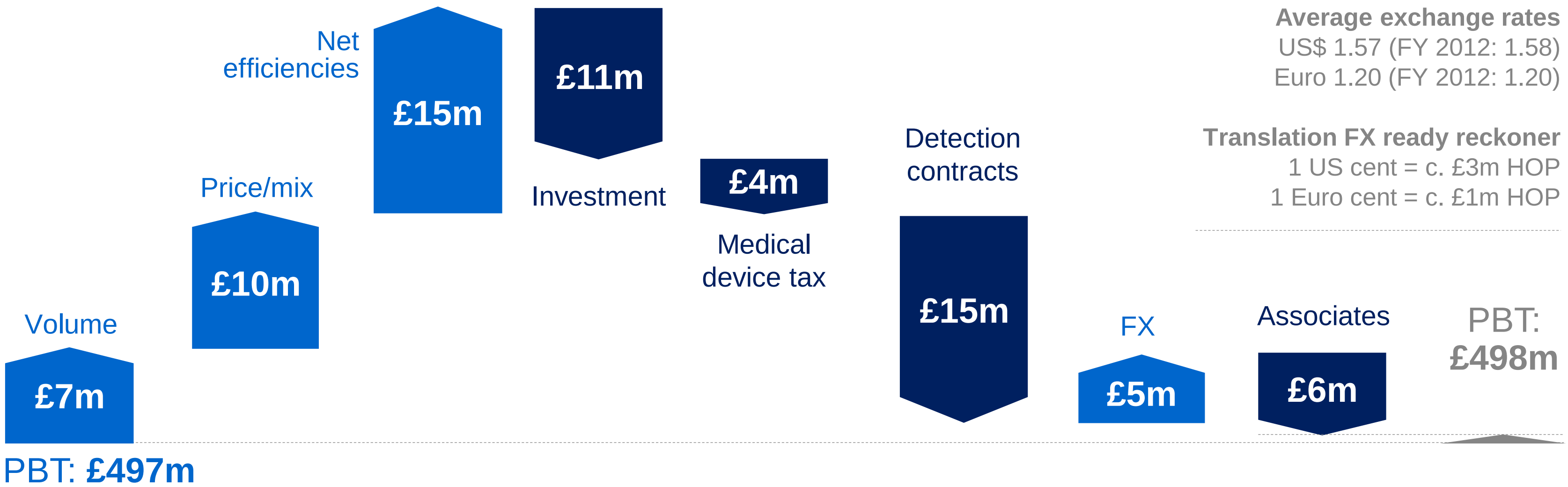
Financial review

Underlying headline sales and profit performance

	Revenue growth H1	Revenue growth H2	**Revenue growth**	**Operating profit growth**
John Crane	+3%	+1%	**+2%**	**+10%**
Smiths Medical	+2%	-3%	**-1%**	**-7%**
Smiths Detection	+19%	+0%	**+8%**	**-16%**
Smiths Interconnect	+4%	-5%	**-1%**	**+3%**
Flex-Tek	+11%	+5%	**+8%**	**+13%**
Group	+6%	-1%	**+2%**	**+1%**



Headline profit progression 2012 to 2013



Average exchange rates
US$ 1.57 (FY 2012: 1.58)
Euro 1.20 (FY 2012: 1.20)

Translation FX ready reckoner
1 US cent = c. £3m HOP
1 Euro cent = c. £1m HOP

- **Volume**: Volume growth in Smiths Detection, John Crane and Flex-Tek
- **Price/mix**: Positive in John Crane and Flex-Tek offsetting negative pricing in other divisions
- **Net efficiencies:** Operational efficiency initiatives across all divisions more than offsetting cost inflation
- **Investment:** Increased investment in new product development and sales & marketing – particularly in emerging markets
- **Medical device tax:** 2.3% tax on US Medical device sales since Jan 2013
- **Detection contracts:** Execution challenges with three Detection contracts and legal disputes
- **Foreign exchange**: Translational gains of £1m and transactional gains of £4m
- **Associates**: Impact from the sale of Crossmatch Technologies in July 2012

Group cash conversion

£m (for continuing activities)	**2013**	2012
Headline operating profit	**560**	554
Changes in working capital	**(15)**	(23)
Share based payment	**12**	14
Capital expenditure (Property, plant & equipment)	**(56)**	(46)
Depreciation	**52**	59
Development costs & other intangibles (net of amortisation and deferred income)	**(5)**	(9)
Operating cash-flow	**548**	549
Conversion rate	**98%**	99%

Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**560**
Restructuring programmes	*(8)*	
Litigation provision: John Crane, Inc.	*(14)*	
Litigation provision: Titeflex Corporation	*(7)*	
Gains on changes to pension plans	*4*	
Profit on disposal of properties/businesses	*6*	
Other transaction related	*(1)*	
Exceptional operating items		(20)
Amortisation and impairment of acquired intangible assets		(47)
Statutory operating profit		**493**
Key exceptional items below operating profit		
Pension finance credit		16

smiths

Pensions: Deficit improved to £254m, driven by asset performance

Deficit movement since 31 July 2012

	£m
Deficit at 31 July 2012	**(620)**
Foreign exchange	(5)
Return on assets	449
Contributions (net of service costs)	67
Change in liabilities (incl settlement)	(145)
Deficit at 31 Jan 2013	**(254)**
Including escrow gilts of £83m	***(171)***

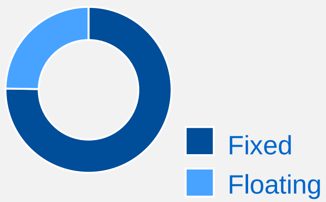
Cash contributions

	2013	2014
Funded scheme contributions	£71m	£83m
- Smiths Industries PS	*£36m*	*£36m*
- TI Group PS	*£16m*	*£16m*
- US and other	*£19m*	*£31m*
Escrow contributions	£24m	£24m

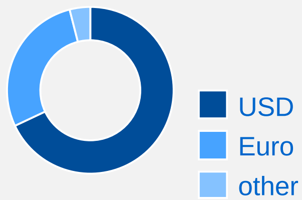
£m	**31 July 2013**	31 January 2013	31 July 2012
Assets	**3,696**	3,517	3,348
Liabilities	**(3,950)**	(3,899)	(3,968)
Deficit	**(254)**	(382)	(620)
UK bond yields	**4.4%**	4.5%	4.1%
UK inflation	**3.4%**	3.4%	2.8%
US bond yields	**4.8%**	4.2%	3.8%

Strong balance sheet supports investment in acquisitions and growth

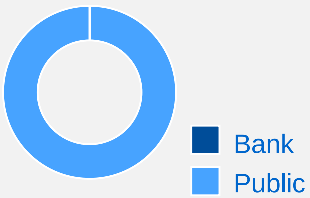
Interest split



Currency split

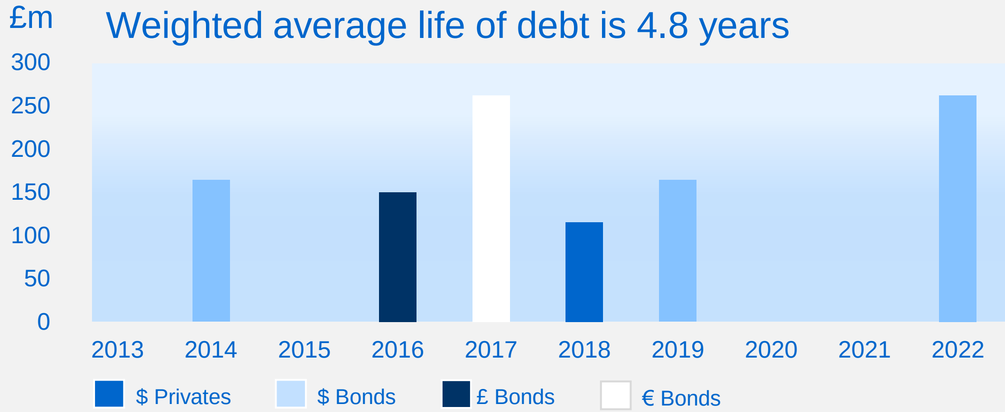


Debt split



Net debt	**£m**
Borrowings	**1,138**
Cash	**(394)**
Net debt	**744**

Weighted average life of debt is 4.8 years



Credit Rating:
BBB+ (stable)/Baa2 (stable)

Target net debt to EBITDA:	1.5-2.0x
31 Jul 2013:	1.2x

Undrawn committed bank facilities of US$800m at 31 July 2013

Guidance – financial items

Headline finance charge	c. £60m
Headline tax rate	26-28%
Cash conversion	90-100%
Funded pension scheme contributions	c. £80m + £24m to escrow
Year end net debt	<£850m

Philip Bowman
Chief Executive

Operational review and priorities

Delivering shareholder value: Our strategic themes

- **Driving top-line growth through investment**
  Investing in new products and high growth markets
- **Enhancing margins through operational improvement**
  Driving operational efficiencies to fund investment and/or enhance margins
- **Transforming Smiths into a world-class organisation**
  Having the right people, processes and systems to deliver our strategy
- **Promoting corporate responsibility**
  Sustained focus on delivering continuous improvements
- **Generating cash and managing the balance sheet**
  Focus on cash conversion and balance sheet efficiency
- **Allocating capital to maximise returns**
  Managing portfolio through acquisitions and disposals

Next phase of Group-wide restructuring

Focus on three areas:

- Site rationalisation – including manufacturing footprint
- Organisational effectiveness
- Upgrading of business information systems

Our approach:

- Divisions have developed a series of bottom-up plans – undergoing final evaluation
- Currently planning £50m of annualised savings over 4 years
- With £100m of opex costs over 3 years
- Some capex is required – expect capex to be slightly ahead of recent years
- Expect the programme to take around three years by addressing next level of costs
- Provides ‘fuel’ for growth investment

Delivering shareholder value: Our strategic themes

Driving top-line growth through investment
Investing in new products and high growth markets

Enhancing margins through operational improvement
Driving operational efficiencies to fund investment and/or enhance margins

Transforming Smiths into a world-class organisation
Having the right people, processes and systems to deliver our strategy

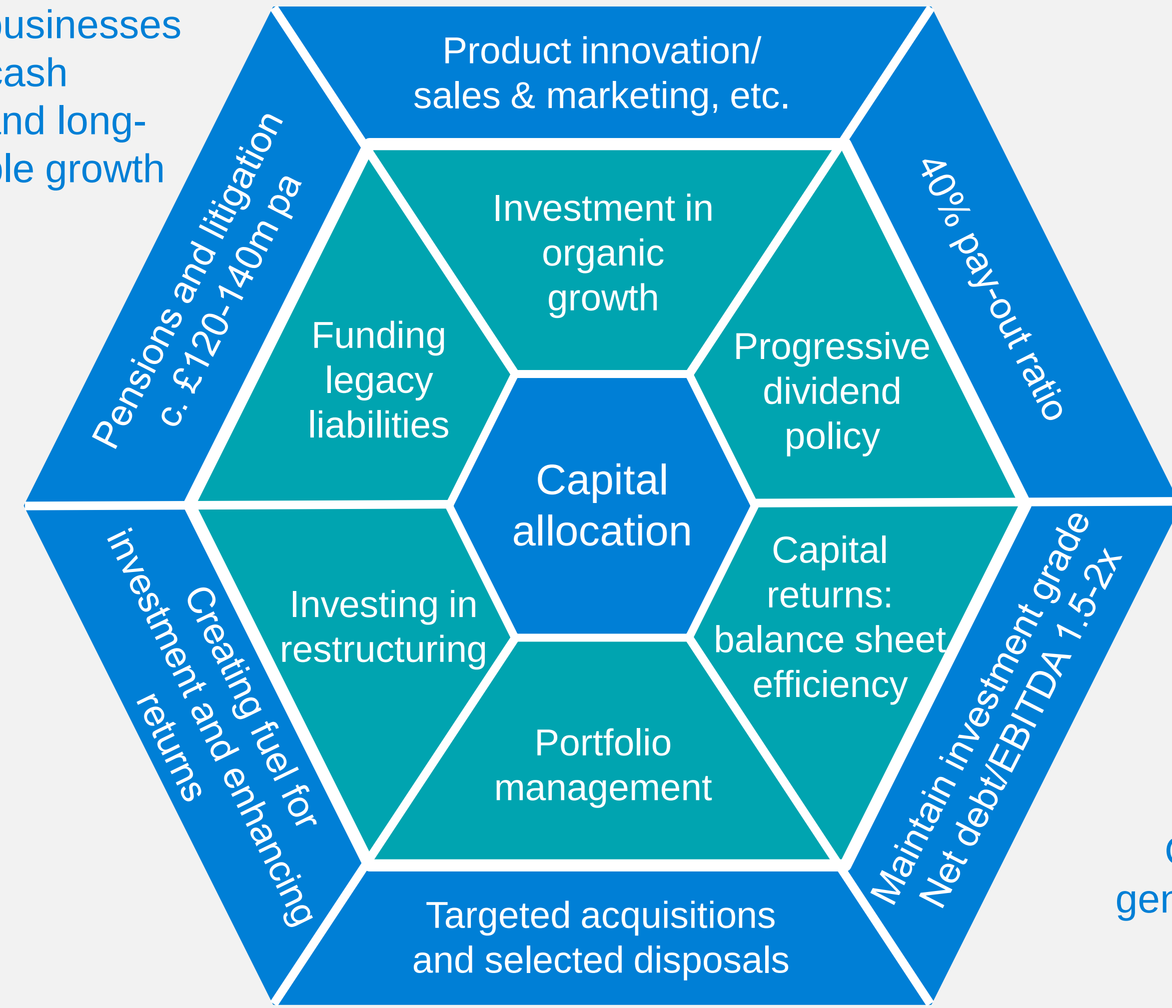
Promoting corporate responsibility
Sustained focus on delivering continuous improvements

Generating cash and managing the balance sheet
Focus on cash conversion and balance sheet efficiency

Allocating capital to maximise returns
Managing portfolio through acquisitions and disposals

Managing a multi-industry business

Portfolio of businesses with strong cash generation and long-term profitable growth



Opportunities to generate attractive returns for shareholders

Duncan Gillis
CEO & President
John Crane

John Crane: Delivering sales growth, improving margins and returns

Underlying revenue	Underlying headline profit	Headline operating margin
+2%	+10%	+180 bps 23.4%

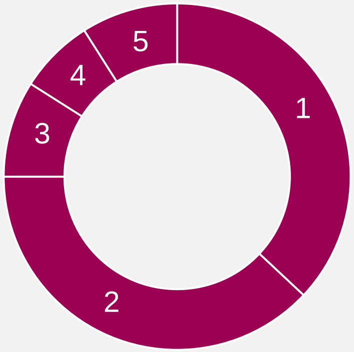
- Sales growth driven by oil & gas and chemical
- Margins at record highs despite continued investment in first-fit projects, sales & marketing and new product development
- Aftermarket sales grew 2%
  - Strong activity across North America, Asia and the Middle East
  - 5-year agreement with Shell/4-year extension with Petrom
  - Oil and gas aftermarket up 3%
  - Chemical and pharmaceutical aftermarket up 4%
- First-fit OEM sales up 2% - customer investments in new projects remained cautious

2013 Revenue (£986m)

1 First-fit OEM 37%

Aftermarket 63%

2 Oil, gas & petrochem 38%
3 Chemical and pharma 9%
4 Distributors 7%
5 General Industry 9%



John Crane: Investments position John Crane for future growth

Investments in high-growth markets are driving revenues

- Emerging markets and fast-growth businesses represent over 21% of John Crane sales
- Revenues up 7%
    - 12% in Middle East & Africa, 15% in China, 21% in Russia

New products and services expected to drive mid-term growth

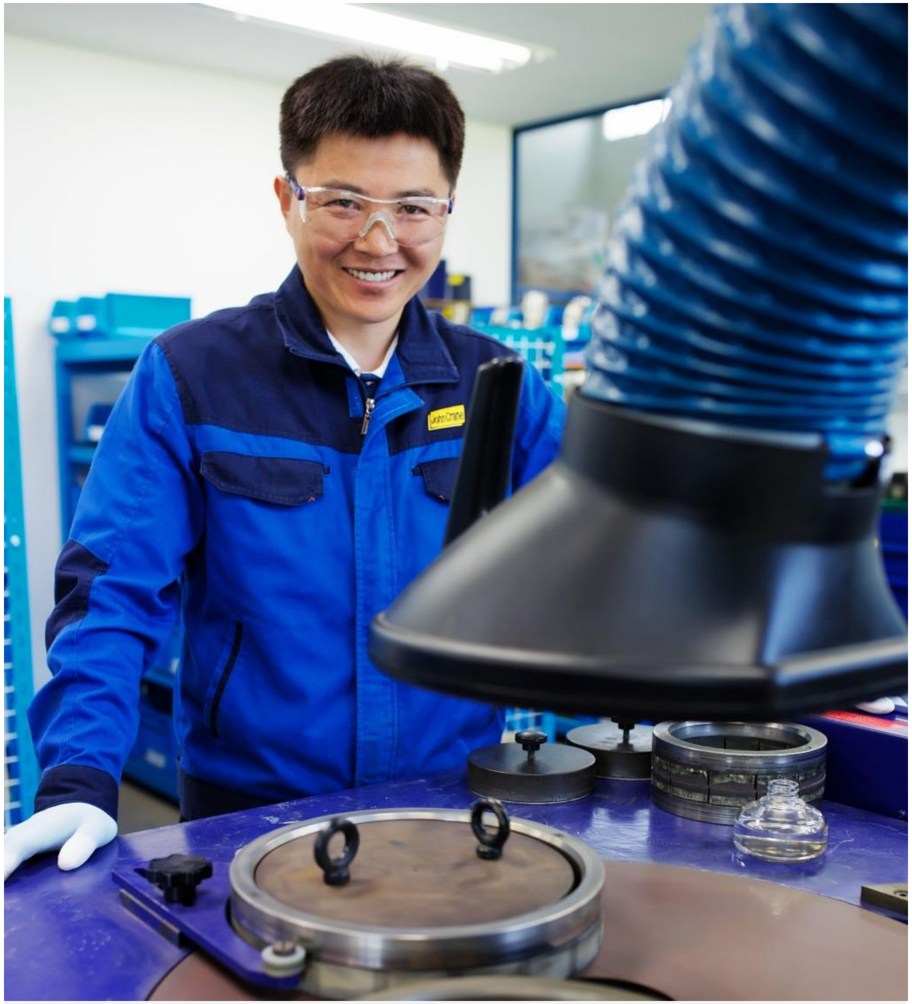
- Growth through Performance Plus reliability programmes
- 9% increase in new product development and engineering
- Expanding R&D infrastructure in select regions
- Focused on addressing customer demands in challenging operating situations

John Crane: Outlook

Outlook

- H1 2014 revenue growth rate expected to be similar to comparator period
- Shift in investments to enable faster growth
- Increased investment in growth initiatives – sales network, new product development

John Crane Investor Day:
17 December in Dubai



Precision lapping mechanical seal face in Busan, South Korea service centre

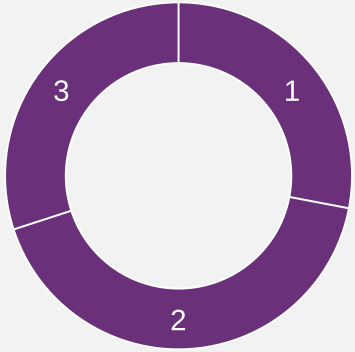
Srini Seshadri
President
Smiths Medical

Smiths Medical: Tough trading; margins affected by growth investment and device tax

Underlying revenue	Underlying headline profit	Headline operating margin
(1)%	(7)%	(130) bps 22.2%

2013 Revenue (£850m)

1 Medication delivery 28%
2 Vital care 42%
3 Safety devices 30%



- Tough trading in developed markets offsets emerging market growth
- Consumables flat; hardware down 3%
- Margins affected by additional £10m investment in growth drivers and £4m cost of medical device tax
- Safety devices - sales down 4%
  - Volume and price pressure in US; good Asia growth
- Medication delivery - sales down 2%
  - Capital budget constraints affecting syringe pumps
  - New product launches driving growth in ambulatory pumps
- Vital care - sales up 3%
  - Growth in respiratory, anaesthesia, temperature management, assisted reproduction

Smiths Medical: Investing in growth opportunities: emerging markets/new products

Emerging market revenues up 8% - now representing over 11% of revenue

- Invested additional £13m over past two years and added 230 heads
- Good growth in Middle East (38%), South East Asia (18%) and Latin America (10%)
- Distributor network strengthened and new product introductions in certain markets
- But product registrations have taken longer than expected as requirements have been raised
- Gaps in leadership team in China and slowdown in infusion business
- Returns expected over the medium term – more work to be done

New product investment at new high - up 12% to 4.4% of revenue (2012: 3.9%)

- CADD-Solis VIP – received FDA clearance
- Medfusion 4000 – strong start; growth affected by hospital capital constraints
- Recent launches: Jelco IntuitIV, ViaValve and Bivona Inner Cannula

Smiths Medical: Outlook

Outlook

- Developed markets are likely to remain challenging
- Focus will remain on investment in new product development
- Investing in sales and marketing; increasing emerging market exposure
- US medical device tax (2.3%)
- Focus on cost savings such as value engineering to offset higher costs

Arterial Blood Sampling syringes collect blood samples that provide information to guide critical treatment decisions.

Mal Maginnis
President,
Smiths Detection

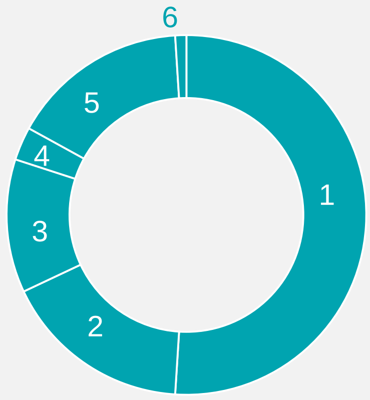
Smiths Detection: Delivering revenue growth; margins affected by contract issues

Underlying revenue	Underlying headline profit	Headline operating margin
+8%	(16)%	(290) bps 10.4%

- Revenue growth driven by transportation, ports and borders and military
- Margins affected by contract execution challenges (£15m)
- Transportation underlying sales up 17%
  - Doha, Spain, New Zealand and Canada
- Ports & borders underlying sales up 18%
  - Contracts in Azerbaijan and Brazil
- Military underlying sales up 24%
  - US chemical detectors and UK biological consumables
- Critical infrastructure underlying sales down 17%
  - US budget pressure affecting sales to government buildings, public utilities, prisons

2013 Revenue (£559m)

1 Transportation 51%
2 Ports & borders 17%
3 Military 12%
4 Emergency responders 3%
5 Critical infrastructure 16%
6 Non security 1%



Smiths Detection: Delivering the restructuring benefits

Smiths Detection performance improvement programme to be delivered by FY2015

Total planned savings	Total planned costs*
£36m	**£33m**

£m	FY 2013 savings	FY 2013 costs	Total savings to date	Total costs to date*
	9	7	24	27

Restructuring priorities for 2014

- Implement the agreed restructuring plan at Wiesbaden to remove 170 roles
- Deliver £5m of savings in FY2014

**Treated as exceptional costs except for £7m charged against headline operating profit in FY2012*

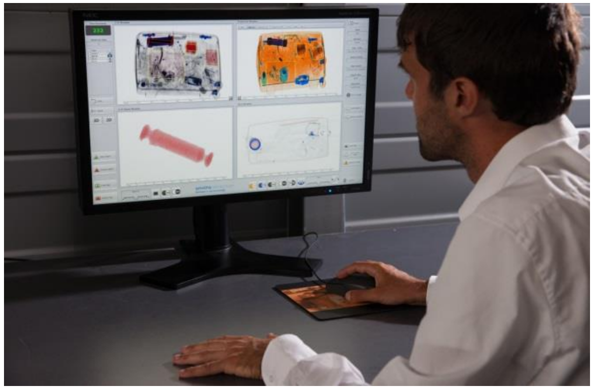
Smiths Detection: Investing in future growth through new products and markets

Increased investment in new products – strong pipeline of new launches
- Company-funded spend broadly stable at £36m or 6.5% of sales (2012: £37m and 7.2%)
- Total spend of £42m or 7.6% of sales – with £6m of customer-funded projects

Recent product launches
- CIP-300: low energy X-ray scanner for rapid screening of cars and light vehicles
- HI-SCAN 10080 XCT: next generation explosives scanner under evaluation by USA

Continued focus on emerging market sales
- Emerging market sales up 34% to represent over 20% of sales
- Malaysian factory supplying Asia; shortened lead times for Asian customers

Aftermarket revenues grew 8% - representing 26% of revenue
- Global organisation and increased focus is delivering benefits



Smiths Detection: Outlook

Outlook

- Order book is slightly behind last year
- Remains subject to government budgets and project timing
- Strong pipeline of new products
- Margins will benefit from cost savings and operational efficiencies

Next generation high-speed checked baggage scanner, can screen up to 1800 bags an hour

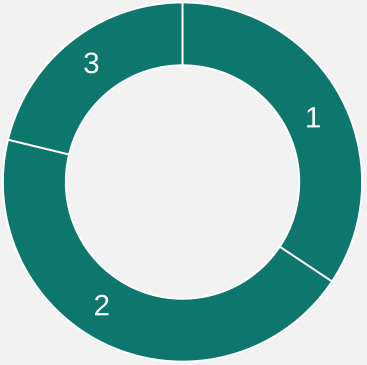
Smiths Interconnect: Defence market headwinds; efficiencies drive margins

Underlying revenue	Underlying headline profit	Headline operating margin
(1)%	+3%	+20 bps 14.9%

- Sales growth from Connectors offset by Microwave and Power
- Margins benefited from on-going productivity initiatives
- Connectors – sales up 3%
  - Growth in semiconductor test, medical and commercial aerospace
  - Defence weak with falling Eurofighter demand
- Microwave – sales down 2% against a strong comparator
  - Delays in defence follow-on awards; progress on existing programmes
  - Telecoms benefited from emerging markets and gained US share
- Power – underlying sales down 6%
  - Improving trend: H2 up 7% vs H1 down 21%
  - Demand from co-location data centres, weakness in alternative energy

2013 Revenue (£461m)

1 Connectors 35%
2 Microwave 44%
3 Power 21%



Smiths Interconnect: Investing in new products and emerging markets

New product development focused on high growth markets

- Company-funded R&D increased 5% to £24m or 5.2% of sales (2012: 5.1%)
- Customer-funded portion declined to £3m (2012: £4m) due to US defence budget cuts
- Total R&D spend of £27m or 5.8% of sales (2012: 6.0%)
- New product initiatives include:
  - Connectors: new test socket with exceptional signal integrity
  - Microwave: high frequency radio links for commercial applications
  - Power: new AC surge protection platform range

Expansion in emerging markets

- Emerging market sales up 5% to represent c. 16% of sales

Smiths Interconnect: Outlook

Outlook

- Commercial markets (telecoms, semiconductor test, data centres) are expected to grow
- Defence market is likely to remain challenging
- Modest revenue and profit growth overall – with a bias to H2
- Margins should benefit from continuing productivity initiatives

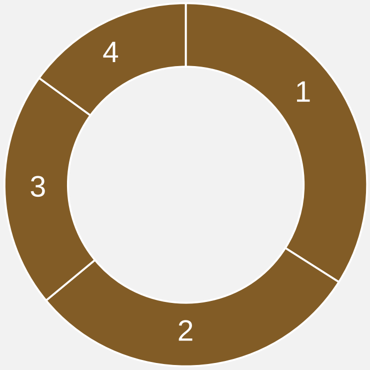
Production of the innovative Da Vinci test socket, providing higher performance semiconductor testing

Flex-Tek: Strong growth from Fluid Management and Construction; margins benefit

Underlying revenue	Underlying headline profit	Headline operating margin
+8%	+13%	+80 bps 17.1%

2013 Revenue (£253m)

1 Fluid Management 35%
2 Construction 29%
3 Heat Solutions 22%
4 Flexible Solutions 14%



- Strong sales growth from aerospace and US residential construction
- Margins up 80 bps from higher volumes despite 17% increase in R&D
- Fluid Management - sales grew 9%
  - Benefiting from backlog for major airframe platforms and engines
  - US automotive sales for fuel/brake applications saw steady growth
- Construction - sales up 18%
  - Improved demand; single family home starts up 15% to July
- Heat Solutions - sales flat
  - Growth in specialty heating elements; weak sales of HVAC components
- Flexible Solutions - sales down 2%
  - Sales of new sleep apnoea product offset US floorcare declines

Flex-Tek: Outlook

Outlook

- Commercial aerospace market remains positive
- Residential construction market should see steady modest growth
- Margins will benefit from higher volumes but face pressure from increased R&D investment, competitive pricing and potential commodity inflation

Precision stainless steel braiding provides protection and strength for high pressure Teflon® tubing

Solid progress on our financial metrics despite tough trading conditions

Performance 2009-2013

Revenue growth	CAGR +4%	
Headline operating margin	+230 bps	18.0%
Operating cash conversion	Average 102%	
Return on capital	+260 bps	16.6%

Operational priorities for 2014

- Deliver new product launches to accelerate sales growth
- Invest in sales and marketing capabilities in high growth markets
- Seek acquisitions to support growth and improved returns for shareholders
- Launch new restructuring programme to support increased growth investment
- Sustain strong cash conversion to fund acquisitions and enhance returns

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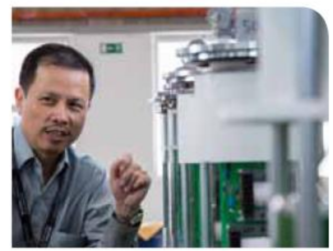
Questions & Answers
Annual Results
18 September 2013

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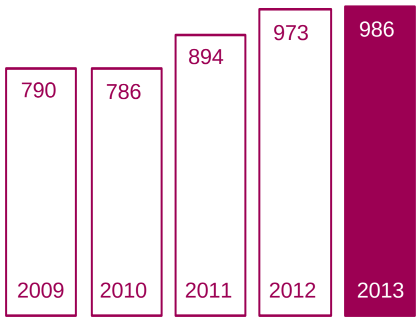
John Crane

A world-leading provider of engineered products and services for a global customer base across the energy services sector. Operating in more than 50 countries with more than 230 facilities, we offer customers the largest global service network in the industry.

Revenue £m



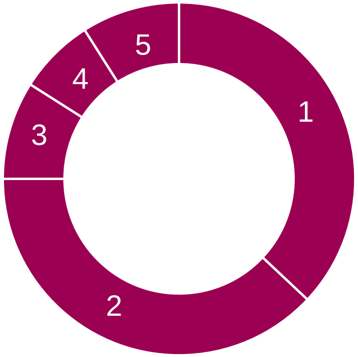
2013 Revenue by sector

£986m

1 First-fit OEM 37%

Aftermarket

2 Oil, gas & petrochem 38%
3 Chemical and pharma 9%
4 Distributors 7%
5 General Industry 9%



Contribution to 2013 Group revenue: 32%

Contribution to 2013 headline operating profit: 39%

Percentage relates to headline operating profit before corporate costs

Employees: 7,000

John Crane

Our products and services help ensure the reliability of mission-critical equipment in challenging operating environments. In addition to lowering total cost of ownership of equipment, our products reduce emissions and help our customers meet environmental responsibilities. For nearly 100 years, our customers have depended on our global service network and technical excellence.

Customers: John Crane serves major companies in the energy services sector including production, transmission and storage, refining, power generation, petrochemical, as well as pump and compressor manufacturers. Its main customers include Chevron, BP, China Petroleum, Suncor/Petro Canada, Valero, Petrobras, ExxonMobil, Gazprom, TOTAL, Sabic, PDVSA, Pemex, Saudi Aramco, Shell, Petrom, Sulzer, ITT Goulds, Flowserve, GE Nuovo Pignone, GE Energy and Power, Andritz Hydro, Rolls Royce, Siemens, Mitsubishi, Solar Turbines, Elliot, York, BASF, Weir Group, Bayer, and Dow. No customer is larger than 3% of revenue.

Competitors: For rotating equipment technologies, John Crane's main competitors are Flowserve and Eagle Burgmann Industries (mechanical seals); Kingsbury and Waukesha (engineered bearings); Pall and Hydac (filtration systems); Rexnord and Emerson (couplings). For equipment in upstream energy, John Crane's principal global competitors include Weatherford and Norris.

Suppliers: John Crane operates a global supply chain, using regional and local partnerships to meet the required service levels. Major suppliers include Morgan Crucible, CoorsTek, Penn United Carbide, Schunk, Metalized Carbon, ESK, Earle M. Jorgensen, Femax, BE Group, DuPont, and Greene Tweed.

John Crane: Margins ahead on price despite inflation and investment

£m	**2013**	2012	reported	underlying
Revenue	**986**	973	+1%	+2%
Headline operating profit	**231**	210	+10%	+10%
Margin	***23.4%***	*21.6%*	*+180 bps*	
ROCE	***25.7%***	*24.0%*	*+170 bps*	

Headline operating profit	£m
2011/12	210
Price/mix	17
Volume	1
Operational efficiencies	9
Investment	(1)
Cost inflation	(6)
Foreign exchange	1
2012/13	231

- Price/mix: Favourable sales mix and pricing
- Volume: Driven by OEM
- Operational efficiencies: Procurement and other productivity improvements
- Investment: Increased R&D spend
- Cost inflation: Labour related
- FX: Net impact of translation/transaction

Smiths Medical

A leading supplier of specialist medical devices, consumables and equipment for global markets.

Our products are focused on the medication delivery, vital care and safety devices market segments.

Headline revenue £m

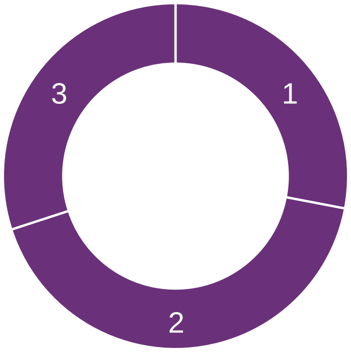
2013 Headline revenue by sector

£850m

1 Medication delivery 28%

2 Vital care 42%

3 Safety devices 30%



Contribution to 2013 Group revenue: 27%

Contribution to 2013 headline operating profit: 32%

Percentage relates to headline operating profit before corporate costs

Employees: 7,900

In medication delivery, our devices help treat cancer patients and provide relief to those in pain. Our vital care products reduce hospital-acquired infections, manage patients' airways before, during, and after surgery, maintain body temperature and assist reproduction through IVF therapy. Our safety products protect health workers by helping prevent needlestick injuries and reducing cross-infections.

Customers: We estimate that three-quarters of our end customers are hospitals, with the remainder comprising the alternate care market such as homecare, clinics and other surgery centres as well as OEM relationships. We have a direct sales presence in over 20 countries, and distribution arrangements in approximately 100 others.

Competitors: The competitive landscape for Smiths Medical is complex as we compete with different companies across our broad product portfolio. Our major competitors include Covidien, Teleflex, B Braun, Becton Dickinson, C R Bard, 3M (Arizant), Hospira and CareFusion. We often compete with a small portion of a major competitor's medical business, as well as with smaller, single product line companies trying to gain entrance into a particular market. In emerging markets, we compete with both large multinational companies and smaller domestic players.

Suppliers: Our strategy is to actively engage suppliers in product innovation, value engineering and a commitment to quality. Our goal is to reduce product and supply chain costs, improve delivery performance and ensure supply continuity plans. The majority of our direct spending is on resins, plastic injection mouldings, and electronics.

Smiths Medical: Margins affected by growth investment and medical device tax

£m	**2013**	2012	reported	underlying
Headline revenue	**850**	864	(2)%	(1)%
Headline operating profit	**189**	203	(7)%	(7)%
Margin	***22.2%***	*23.5%*	*(130) bps*	
ROCE	***16.6%***	*17.6%*	*(100) bps*	

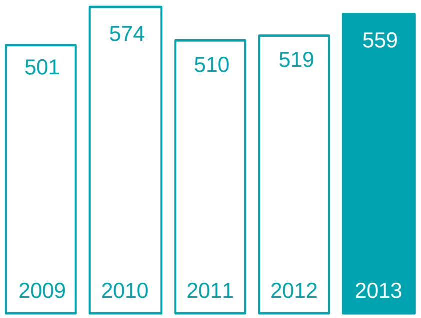
Headline operating profit	£m
2011/12	203
Price/mix	(5)
Volume	(6)
Medical device tax	(4)
Operational efficiencies	7
One-off gains	6
Growth investment	(10)
Cost inflation/FX	(2)
2012/13	189

- Price/mix: Negative pricing in many markets
- Volume: Decline in developed markets due to cuts in healthcare budgets
- Medical device tax: 2.3% on US sales since 1 Jan
- Efficiencies: Value engineering, manufacturing savings and lower overheads
- One-off gains: Mainly related to insurance receipts
- Investment: Mainly sales and marketing and new product development
- Cost inflation/FX: Labour related and FX benefit

Smiths Detection

A world-leading designer and manufacturer of sensors that detect and identify explosives, weapons, chemical agents, biohazards, nuclear & radioactive material, narcotics and contraband.

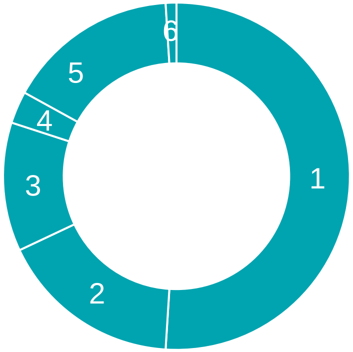
Revenue £m



2013 Revenue by sector

£559m

1 Transportation 51%
2 Ports and borders 17%
3 Military 12%
4 Emergency responders 3%
5 Critical infrastructure 16%
6 Non-security 1%



Contribution to 2013 Group revenue: 18%

Contribution to 2013 headline operating profit: 10%

Percentage relates to headline operating profit before corporate costs

Employees: 2,250

Our technology helps customers in the global transportation, ports and borders, critical infrastructure, military and emergency responder markets. We have the most comprehensive range of detection technologies in the world, including X-ray, trace detection, infra-red and gamma ray spectroscopy.

Customers: A significant majority of sales are influenced by more than 100 governments and their agencies, including homeland security authorities, customs authorities, emergency responders and the military. These include the US Department of Defense, US Transportation Security Administration (TSA), and the UK Ministry of Defence.

Competitors: Smiths Detection's broad portfolio in the homeland security and defence sectors brings it into competition with a wide range of companies in individual segments. Principal competitors include: Morpho (air transportation), Rapiscan (air transportation, ports and borders, critical infrastructure), L3 Security & Detection Systems (air transportation), Nuctech (ports and borders), AS&E (ports and borders), FLIR (air transportation, defence), SAIC (ports and borders), Chemring (military), Bruker (military, emergency responders), and Thermo Fisher (military, emergency responders).

Suppliers: We are actively developing synergies across sites and restructuring our purchasing group to ensure that we fully leverage the size of our business. These developments will be ongoing taking into account the demand for local content with some of our major customers as well as our stringent quality and delivery requirements. Our procurement team has now been centralised and our engagement with suppliers is being standardised across all business operations.

Smiths Detection: Growth in revenue; margins impacted by contract execution

£m	2013	2012	reported	underlying
Revenue	**559**	519	+8%	+8%
Headline operating profit	**58**	69	(16)%	(16)%
Margin	***10.4%***	*13.3%*	*(290) bps*	
ROCE	***8.8%***	*10.3%*	*(150) bps*	

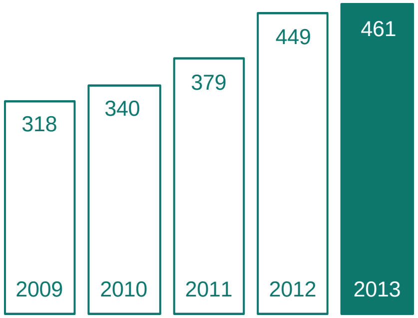
Headline operating profit	£m
2011/12	69
Volume	8
Mix/Price	(5)
Cost savings	9
Contract execution	(15)
One-off costs	(4)
Cost inflation/factory overheads	(7)
Foreign exchange	3
2012/13	58

- Volume: Transportation, ports and borders and military offset by critical infrastructure
- Mix/Price: Changes in contract mix
- Cost savings: Benefits from restructuring projects
- Contract execution: Three contracts and legal disputes
- One-off costs: Restructuring costs and working capital provisions
- Cost inflation/factory overheads: Labour inflation/initial under recovery of overheads at new manufacturing sites
- FX: Impact of translation/transaction

Smiths Interconnect

A leader in electronic components and sub-systems that connect, protect and control critical systems for the global data centre, wireless telecommunications, aerospace, defence, space, medical, rail, test and industrial markets.

Revenue £m



Contribution to
2013 Group revenue: **15%**

Contribution to 2013
headline operating profit: **12%**

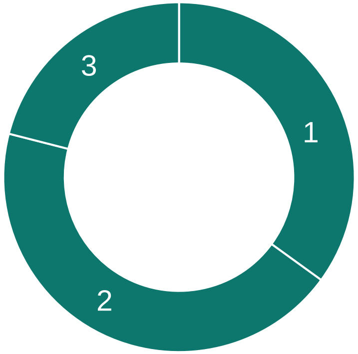
Percentage relates to headline operating profit before corporate costs

Employees: **3,850**

2013 Revenue by sector

£461m

1 Connectors 35%
2 Microwave 44%
3 Power 21%



Smiths Interconnect

We design and manufacture products that connect, protect and control critical systems for the global data centre, wireless telecommunications, aerospace, defence, space, medical, rail, test and industrial markets.

Our products are application-specific and incorporate innovative technologies to provide our customers with a competitive advantage.

Customers: Smiths Interconnect supplies to multiple levels of the supply chain and its blue chip customers include prime contractors and service providers, OEMs, system suppliers and sub-system manufacturers. Amongst our largest customers are Raytheon, Finmeccanica, BAE Systems, Boeing, EADS, AAI/Textron, Northrop Grumman, General Dynamics, Lockheed Martin, Row 44, Ericsson, Motorola, AT&T, Verizon, Sprint, China Mobile, Facebook, APC, Foxconn, GE Healthcare, Varian, Qualcomm, NVIDIA and Alstom.

Competitors: Smiths Interconnect operates in relatively fragmented markets with many small, medium and larger competitors in various product and technology areas. Connector competitors include Amphenol, Deutsch (part of TE Connectivity), MultiTest (part of Dover), Yokowo, Glenair, ODU and Harting. Microwave competes with, amongst others, Anaren, KMW, Dover, CommScope, Cobham, EMS (part of Honeywell) and Teledyne. Emerson Network Power, Cyberex (part of ABB), Eaton, Starline (part of Universal Electric), Huber & Suhner, Dehn + Söhne and Phoenix Contact offer competitive power management products.

Suppliers: Smiths Interconnect maintains a strong supply base with machined parts and electronic components together representing approximately half of the total spend. No individual supplier accounts for more than 4% of total purchased value.

Smiths Interconnect: Margins up despite tough trading environment

£m	**2013**	2012	reported	underlying
Revenue	**461**	449	+3%	(1)%
Headline operating profit	**69**	66	+4%	+3%
Margin	***14.9%***	*14.7%*	*+20 bps*	
ROCE	***12.4%***	*12.3%*	*+10 bps*	

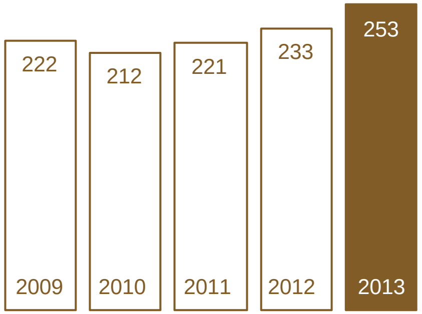
Headline operating profit	£m
2011/12	66
Volume	(2)
Price/mix	(1)
Operational efficiencies	7
Cost inflation	(2)
Foreign Exchange	1
2012/13	69

- Volume: Declines in Power and Microwave
- Price/mix: Mainly mix driven by Microwave and Connectors
- Operational efficiencies: Site rationalisation benefits and procurement savings
- Cost inflation: Labour related
- FX: Impact of translation/transaction

Flex-Tek

A global provider of engineered components that heat and move fluids and gases for the aerospace, medical, industrial, construction and domestic appliance markets.

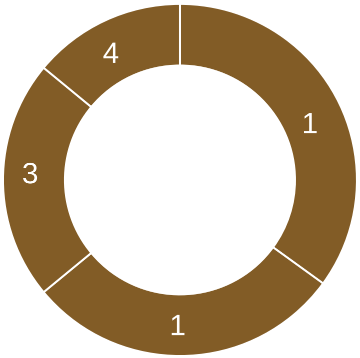
Revenue £m



2013 Revenue by sector

£253m

1 Fluid Management 35%
2 Construction 29%
3 Heat Solutions 22%
4 Flexible Solutions 14%



Contribution to 2013 Group revenue: 8%

Contribution to 2013 headline operating profit: 7%

Percentage relates to headline operating profit before corporate costs

Employees: 2,000

Flex-Tek

Our flexible hosing and rigid tubing provide fluid management for fuel and hydraulic applications on commercial and military aircraft, deliver fuel gas and conditioned air in residential and commercial buildings, and provide respiratory care for medical applications. Flex-Tek heating elements and thermal systems improve the performance of a range of devices; from medical and diagnostic equipment to domestic appliances such as clothes tumble dryers and HVAC equipment.

Customers: We serve mainly aerospace engine and airframe manufacturers, domestic appliance manufacturers and the US construction industry. Large customers include Boeing, Airbus, Pratt & Whitney, GE Aerospace, Whirlpool, Electrolux, Trane, and Carrier. Our notable distributors in the US construction market include Ferguson and Watsco.

Competitors: Competitors for our Fluid Management business include specialty segments of Parker-Hannifin, Eaton, and Kongsberg; as well as vertically integrated capacity from key customers. Heat Solutions competitors in the US include: Zoppas, Nibe, Watlow and Chromalox; and in China, Kawai and Dongfang manufacture a wide variety of electric heaters. Flex-Tek's Construction products compete with US manufacturers: Hitachi, Atco, Omega-Flex, Hart & Cooley and Goodman. Flexible Solutions competes globally with a number of smaller privately owned businesses which manufacture specialty hoses.

Suppliers: Flex-Tek sources key raw materials from world-class companies including electrical resistance wire from Sandvik, fibreglass insulation from Owens Corning, specialty plastic resins from DuPont and PolyOne, and stainless steel from Allegheny Ludlum. Each of these supply chain partners is chosen based on its ability to provide exceptional quality, service and value.

Flex-Tek: Volume and pricing offset inflation pressures to grow margins

£m	2013	2012	reported	underlying
Revenue	**253**	233	+9%	+8%
Headline operating profit	**43**	38	+14%	+13%
Margin	***17.1%***	*16.3%*	*+80 bps*	
ROCE	***30.8%***	*28.4%*	*+240 bps*	

Headline operating profit	£m
2011/12	38
Volume	5
Price/mix	3
Cost inflation	(4)
Foreign Exchange	1
2012/13	43

- Volume: Gains in Aerospace and Construction sectors
- Price: Driven by increases in Gastite and Thermaflex
- Cost inflation: PTFE, tubes, etc. and higher distribution expenses driven by increase in sales
- FX: Impact of translation/transaction

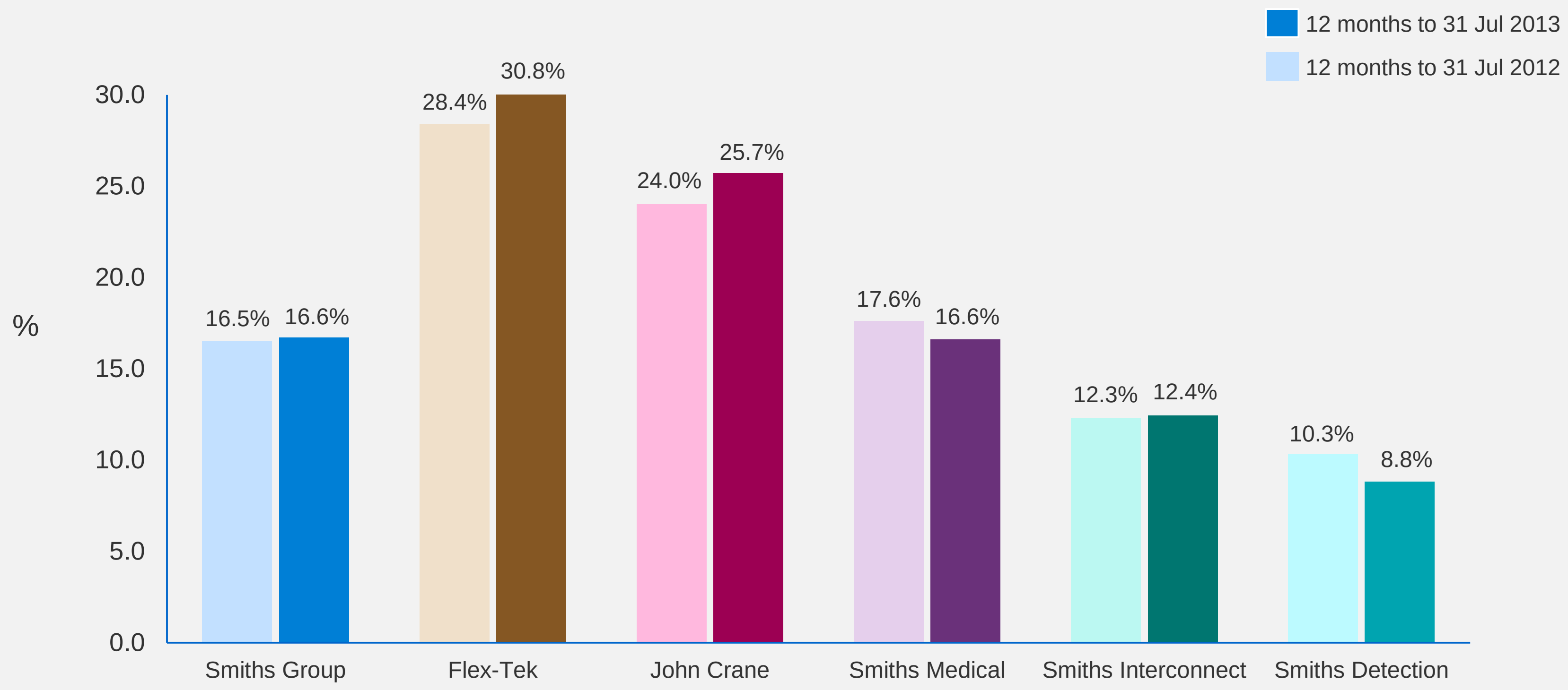
Annual results 2013

£m	Headline*				Statutory	
	2013	2012			**2013**	2012
			reported	underlying**		
Revenue	**3,109**	3,038	2%	2%	**3,109**	3,030
Operating profit	**560**	554	1%	1%	**493**	407
Margin	***18.0%***	*18.2%*	*(20) bps*	-	***15.9%***	*13.4%*
Pre-tax profit	**498**	497	0%	1%	**442**	366
Basic EPS (p)	**92.7**	92.6	0%		**90.7**	65.4
Free cash flow	**237**	217				
Dividend (pps)	**39.5**	38.0	4%		**39.5**	38.0
Special dividend	**30.0**	-			30.0	-
Return on capital employed	**16.6%**	16.5%	10 bps			

* In addition to statutory reporting, Smiths Group reports its continuing operations on a headline basis. Headline revenue and profit is before exceptional items, amortisation and impairment of acquired intangible assets, pension finance credit and financing gains/losses from currency hedging. Free cash-flow and return on capital employed are defined in the Financial review in the press release.

** Organic growth at constant currency.

Improved return on capital from Flex-Tek, John Crane and Interconnect



Return on capital employed is calculated over a rolling 12-month basis and is the percentage that headline operating profit comprises of monthly average capital employed. Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, post-retirement benefit related assets and liabilities and litigation provisions relating to exceptional items, both net of tax, and net debt.

Net debt reduced by £47m driven by strong operating cash conversion

£m	2013
Net debt at start of period	**(791)**
Operating cash (after capex etc.)	548
Interest and tax	(174)
Exceptionals/Pensions	(137)
Free cash flow	237
Dividends	(152)
Financing including net investment hedges	(2)
Foreign exchange	(41)
Movement in fair value of swapped debt and interest accrual	5
Change in net debt	47
Net debt at end of period	**(744)**

Asbestos litigation

Key facts

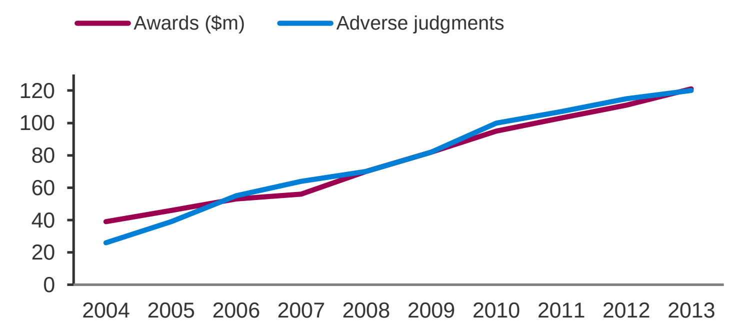
- Production ceased in 1985
- Exposure within John Crane, Inc.
- Resists claims based on ‘safe product’ defense
- Provision determined using independent valuation experts based on 10-year time horizon
- Number of outstanding claims continues to fall

Key figures

Gross provision	£226m
Discounted pre-tax provision	£210m
Claims dismissed	230,000
Claims outstanding	81,000
Adverse judgments	121
Adverse judgment awards paid	$120m

Provisions and claims as at 31 July 2013

Cumulative claim history



Cumulative charts as at 31 July 2013

Cumulative claim trends