Annual Results
23 September 2015

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Introduction & Overview

Philip Bowman
Chief Executive

Agenda

Introduction and overview	Philip Bowman
Financial review	Rob White
Operational review – introduction	Philip Bowman
John Crane	*Duncan Gillis*
Smiths Medical	*Jeff McCaulley*
Smiths Detection	*Richard Ingram*
Smiths Interconnect	*Roland Carter*
Flex-Tek	*Tedd Smith*
Conclusion and outlook	Philip Bowman

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Results overview

- Revenue down 2% with challenging conditions in certain markets
- Headline operating profit up 1%; margin up 50 bps to 17.6%
- Headline EPS up 5% to 86.1p; dividend up 2% to 41 pence
- Cash conversion remains strong at 95%; ROCE up 30 bps at 16.0%
- *Fuel for Growth* restructuring on track to deliver £60m; £33m to date
- Investment increased for *Engineered for Growth* initiatives
- Net accounting pension deficit reduces to £108m – lowest level since 2008

Divisional performance highlights

John Crane	**Focus on aftermarket services delivers a resilient performance** • Underlying growth in aftermarket services; First-fit revenue continues to decline • Margins broadly maintained benefiting from product mix and cost controls
Smiths Medical	**Good revenue growth driven by innovation and some competitor disruption** • Reflects recent investment in new products and sales execution in infusion products • Margins maintained on higher volumes and efficiencies despite increased investment
Smiths Detection	**Action plans stabilising performance; building a platform for profitable growth** • Margin recovery after last year's one-off charges and efficiency gains • Strengthening order book for delivery next fiscal year
Smiths Interconnect	**Tough trading with continued programme delays and challenging markets** • Growth in data centres offset by tougher trading in telecoms and connectors • Margins remain under pressure despite cost saving initiatives
Flex-Tek	**Continued solid performance; innovation investment is driving growth** • Growth driven by US residential construction, specialty heating & aero/auto hoses • Margins slightly down with increased investment in growth and adverse product mix

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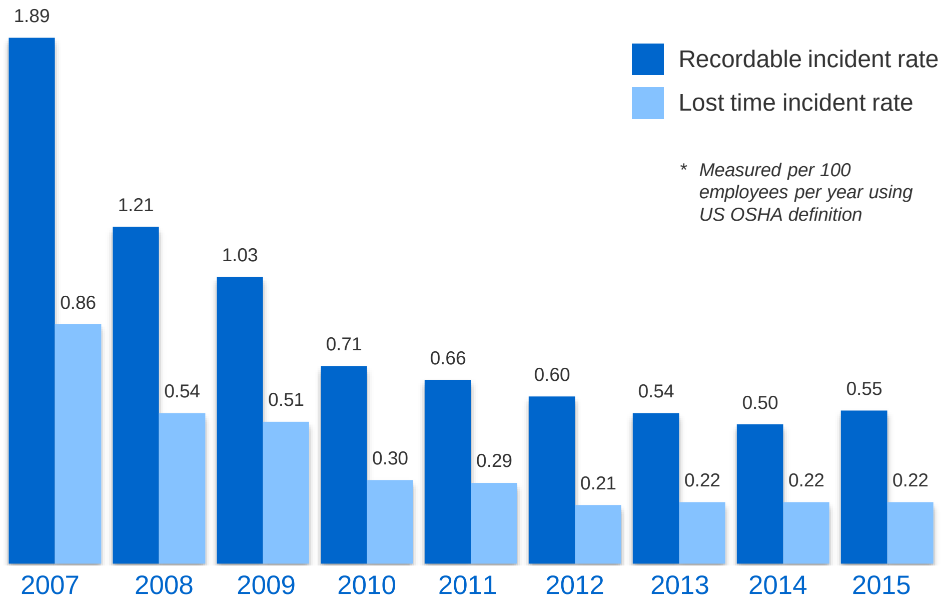
Delivering safety and environmental improvements

Recordable incident rate trended slightly higher



Achieved target Safety Leading Indicator Activity Score

95%

FY15 target **90%**

Environmental metrics

- 5 year environmental goal period ending FY2018

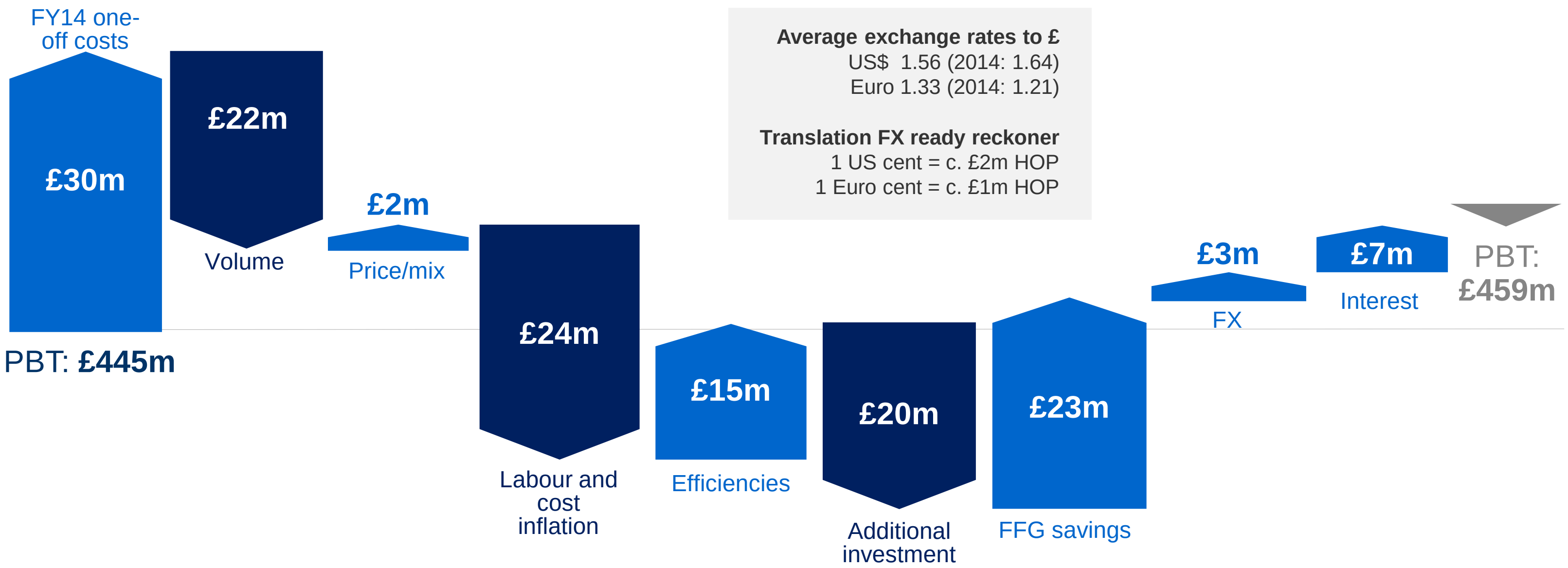
- FY2013-15* performance:
  - Energy: 2% increase
  - Greenhouse gas: 4% reduction
  - Water: 6% reduction
  - Non-recycled waste: 17% reduction

** Calculated over rolling 12-month period to July 2015 compared to goal baseline of FY2013. Normalised to revenue at FY2015 budgeted exchange rates.*

Financial review

Rob White
Interim CFO

Headline profit progression 2014 to 2015



- **One-offs:** Detection FY14 one-off charges that were not repeated
- **Volume**: Significant volume losses in John Crane and Interconnect offset by growth in Medical.
- **Price/mix:** Gains in John Crane offset by price pressure in Medical and Detection
- **Labour and cost inflation:** Wage-related increases, higher depreciation and other plant costs
- **Efficiencies:** Procurement and cost reduction programmes offset by variable cost inflation
- **Additional investment**: New product development and sales & marketing across divisions
- **Fuel for Growth:** Benefits from Group-wide restructuring programme
- **Foreign exchange:** Translation (+£2m), transaction (+£1m)
- **Interest:** Lower interest charge from refinancing

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Group cash conversion

£m	**2015**	2014
Headline operating profit	511	504
Changes in working capital	(36)	(11)
Share-based payment	8	9
Capital expenditure (property, plant & equipment)	(59)	(54)
Capitalised development and other intangibles	(35)	(40)
Net disposal proceeds	8	2
Depreciation and amortisation	87	80
Operating cash-flow	484	490
Conversion rate	**95%**	97%

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Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**511**
Restructuring programmes	*(38)*	
Litigation provision: John Crane, Inc.	*(19)*	
Litigation provision: Titeflex Corporation	*(8)*	
Gains on changes to post-retirement benefits	*14*	
Profit on disposals & acquisitions and disposal costs	*2*	
Exceptional operating items		(49)
Amortisation of acquired intangible assets		(33)
Goodwill impairment for John Crane Production Solutions		(27)
Legacy retirement benefits		(8)
Statutory operating profit		**394**

Fuel for Growth – driving efficiencies to support growth investment

£m	TO DATE		FULL PROGRAMME	
	Costs	Annual savings	Costs	Annual savings
John Crane	12	10	27	13
Smiths Medical	26	12	50	23
Smiths Detection	16	4	28	10
Smiths Interconnect	11	7	11	9
Flex-Tek	1	0	4	5
Total	**66**	**33**	**120**	**60**

£m	2013/14	2014/15	2015/16	2016/17	Total
Savings in year	**10**	**33**	**50**	**60**	**60**
Costs in year	**27**	**39**	**23**	**31**	**120**

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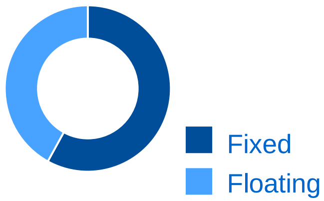
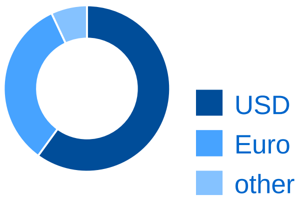
Successful €600m bond issue underpins strong financial profile

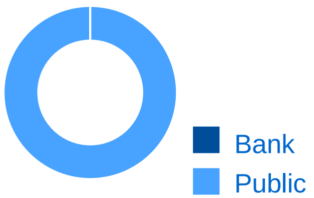
Interest split



Currency split

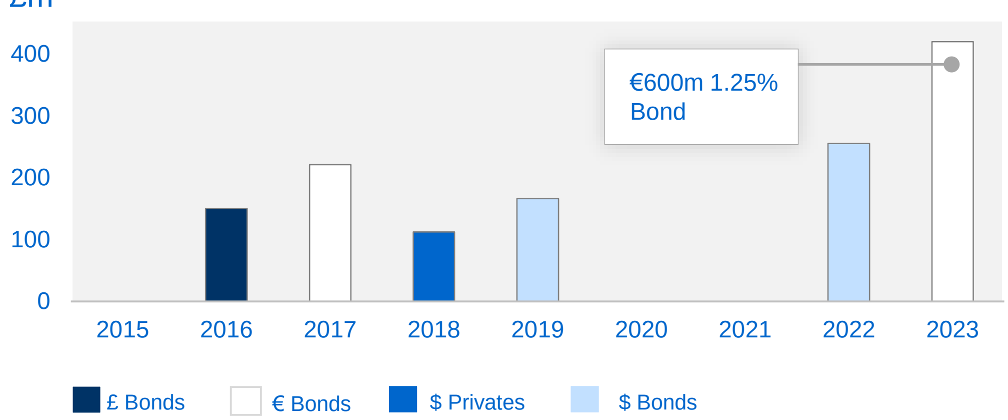


Debt split



Net debt	**£m**
Borrowings	**1,313**
Cash	**(495)**
Net debt	**818**

Weighted average life of debt is 5.0 years



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

$800m Revolving Credit Facility
maturity 2020

Target net debt to EBITDA: 1.5-2.0x

31 July 2015: 1.37x

Undrawn committed bank facilities of US$800m at 31 July 2015

Guidance – financial items

Headline tax rate	25.5 – 26.5%
Cash conversion	85 – 95%
Funded pension scheme contributions*	c. £125m + £24m to escrow
Debt finance charge (subject to FX)	c. £54-58m

* 2015/16 subject to the outcome of the triennial review

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Operational review and priorities

Philip Bowman
Chief Executive

Engineered for Growth – Progress update

Sales & marketing excellence

- Established Group-wide councils sharing best practices on customer insight, market segmentation, value proposition, etc.
- Established a Sales Academy: held four events for 170 sales leaders

Quality improvement

- Quality Council established and quality metrics agreed
- Improvement plans underway in the divisions

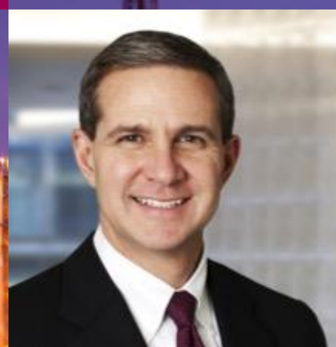
Innovation

- Investment prioritised more tightly; increases in John Crane, Medical and Flex-Tek
- Focus on talent development and recognition through new awards programme

Expanding our presence in China

- New China office now open and key appointments made
- Providing local expertise in legal, government affairs and commercial practice

John Crane



Duncan Gillis
President

John Crane: Resilient performance from focus on aftermarket services

Underlying revenue

-2%	£905m

Underlying headline profit

-2%	£225m

Headline operating margin

24.8%	-10 bps

% of revenue*		% growth
56%	Aftermarket	**+4%**
44%	First-fit	**-9%**

- Revenue growth from aftermarket offset by declines with first-fit customers
- Margins stable as cost saving actions helped offset first-fit volume declines
- Aftermarket revenue grew 4%
  - Demand for oil and gas remains high; many refineries operating at full capacity
  - New global framework agreements signed with key customers; strengthened capabilities in two service super centres
- First-fit business underlying revenues down 9%
  - Delays in oil and gas projects that have not yet secured funding; however, John Crane project win-rate has improved
  - Cost controls mitigated margin impact

* Revenue for upstream energy services has been reclassified from ‘aftermarket’ to ‘first-fit’ – see Note 1 to the accounts

John Crane: A strong platform for value creation

Revenue from emerging markets up 5%; now 24% of sales

- Good growth in Latin America: Mexico, Colombia, Chile

Increased innovation investment by 17%

- Next-generation gas seal technology: AURA 220
- New Predictive Diagnostics System in customer trials – real-time assessments and diagnostics
- Next-generation sucker rod launched

Strengthening our aftermarket service centre network

- Upgraded c. 10% of service centres over past 2 years
- Increasing capabilities in strategic locations

Addressed manufacturing constraints for rotating equipment

- 10% increase in machining capacity added into existing lower cost facilities
- Permits greater insourcing capabilities during market downturn

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John Crane: Operating in sustained challenging market conditions

Business model provides resilience

- Biased to mid- and downstream applications in oil and gas
- **56% revenues from aftermarket** – supports resilience and positive mix

Margin protection actions continuing

- Discretionary cost reduction plan implemented
- Continued focus on other cost areas

Continued investment in long-term growth drivers

- Focus is on commercial excellence, innovation and IT infrastructure
- Continue to review investment opportunities based upon market outlook

John Crane: Outlook

Servicing local and global customers from John Crane's expanded Service Super Centre in Edmonton, Canada

Outlook

- Global energy markets expected to remain challenging with depressed oil prices
- Absent any improvement, revenue is expected to decline further
- Margins anticipated to be in the lower half of the medium-term target range (22-25%)

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Smiths Medical

Jeff McCaulley
President

Smiths Medical: Strong growth from innovation investment in infusion systems

Underlying revenue

+4%	£836m

Underlying headline profit

+2%	£166m

Headline operating margin

19.8%	0 bps

% of revenue*		% growth
32%	Infusion systems	**+11%**
33%	Vascular access	**0%**
27%	Vital care	**+2%**
8%	Specialty products	**0%**

- Strong underlying revenue growth driven by targeted execution in infusion systems and key disposables
- Headline profit improved on higher volumes and efficiencies despite increased R&D and adverse price
- Infusion systems – underlying sales up 11%
  - Strong growth in ambulatory pumps from recent product launches and sales execution
- Vascular access – underlying sales flat
  - Growth in developing markets, offset by a decline in developed markets
- Vital care – underlying sales up 2%
  - Growth driven by bronchial hygiene and silicone tracheostomy; strong growth in emerging markets
- Specialty products – underlying sales flat
  - Strong growth in IVF and diabetes offset by declines in patient monitoring and animal health

* Revenue segmentation has been reclassified – see Note 1 to the accounts

Smiths Medical: Building a platform for continued growth

Increasing investment in innovation

- Investment up 60 bps to 5.4% of sales (2014: 4.8%)
- Vitality index up to 9% benefiting from CADD, Medfusion 4000, Graseby C6 and F6, Acapella
- Improvements in prioritisation, programme discipline, execution, and efficiency

Continued focus on developing markets

- 8% growth (2014: -5%)
- Broader strategy and execution in China delivering results (+14%)
- Continued strong performance in India (+23%), Brazil (+5%), and SE Asia distributors (+16%)

Improving total cost productivity (*Fuel for Growth*)

- Optimising our manufacturing network; site closures at Rossendale and Rockland
- Relocation and consolidation of HQ; closure of Americas' region sales office in Norwell
- 100 bps improvement in SG&A

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Smiths Medical: Outlook

Inspecting a CADD®-Solis Ambulatory Infusion Pump medication cassette to ensure a sealed reservoir for drug delivery

Outlook

- Revenue expected to grow in line with medium-term range (0-3%)
- Infusion systems growth rates expected to moderate, returning to normal market dynamics
- Margins expected to show some improvement driven by volume efficiencies and restructuring, despite higher investment in growth initiatives

Smiths Detection

Richard Ingram
President

Smiths Detection: Margin recovery; actions are stabilising performance

Underlying revenue

-7%	£467m

Underlying headline profit

+167%	£55m

Headline operating margin

11.9%	+710 bps

% of revenue		% growth
52%	Transportation	**-5%**
11%	Ports & borders	**-34%**
14%	Military & ER	**-14%**
23%	Critical infrastructure	**+13%**

- Revenue down due to expected variations in contract timing and continued tough trading conditions
- Margin recovery without last year's one-off charges and actions to restructure and cut costs
- Transportation underlying sales down 5%
  - Decline reflects benefit of Doha contract in prior year
  - Recent contract wins strengthen order book for delivery from FY16
- Ports & borders underlying sales down 34%
  - Reduced contract activity in the period; biggest volume declines in Europe and US
- Military and Emergency Responders underlying sales down 14%
  - Defence budgets constrained; continue to benefit from long-term contracts
- Critical Infrastructure underlying sales up 13%
  - Driven by strong growth in US and Saudi Arabia

Smiths Detection: Strategic initiatives are delivering business improvements

Building our installed base and expanding our aftermarket

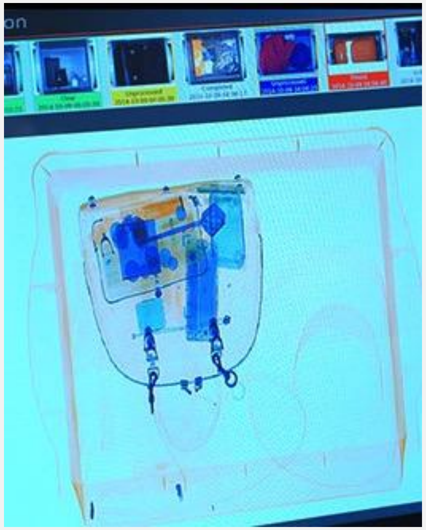
- Aftermarket grew 9% and now represents more than a third of revenue
- Contract wins have increased and will build installed base during FY16
- Continuing to focus on growth markets e.g. Asia, Middle East

Business improvement initiatives delivering benefits – *Fuel for Growth*

- Focus on cost controls improving margins
- Global footprint reduction; three North American sites now closed
- Stronger management controls have been implemented
- Focus on value engineering and a streamlined product range
- R&D more tightly focused on fewer product areas

More focused innovation investment

- R&D investment reduced to 5.3% of sales (2014: 7.3%) – as programmes conclude
- Successful launch of the new IONSCAN 600 trace detector
- Checkpoint.Evo software inspection and integration capabilities
- Focus on further software development opportunities



Smiths Detection: Outlook

The HCVM T mobile cargo scanner's advanced 'material discrimination' software detects threat items and contraband

Outlook

- Recent contract wins and the improved order book expected to deliver revenue growth in coming year
- Margins should be broadly maintained as cost savings are balanced by investments in future growth

Smiths Interconnect

Roland Carter
President

Smiths Interconnect: Results affected by tough trading and customer cutbacks

Underlying revenue

-9%	£420m

Underlying headline profit

-34%	£49m

Headline operating margin

11.6%	-440 bps

% of revenue		% growth
35%	Connectors	**-4%**
40%	Microwave	**-19%**
25%	Power	**+5%**

- Revenues affected by cuts in customer spending and some programme slowdowns and delays
- Margins affected by adverse operational gearing from lower volumes and mix
- Connectors – revenues down 4% with contract delays and lower medical demand
  - Defence sales lower due to Eurofighter slowdown; commercial aerospace flat
  - Medical and semiconductor test sales down due to customer pressures
- Microwave – revenue down 19% due to programme reductions and as customers cut capex
  - Low growth with defence customers
  - Dramatically lower demand for cable assemblies; large US telecoms customer cut back on network infrastructure capex deployments
- Power – revenue up 5%: benefiting from good data centre demand
  - Increasing win rates and enterprise projects drove strong data centre growth in US
  - Telecoms and industrial markets demand for power protection products remained weak

Smiths Interconnect: Focused on growth initiatives and efficiencies

Continued focus on cost optimisation

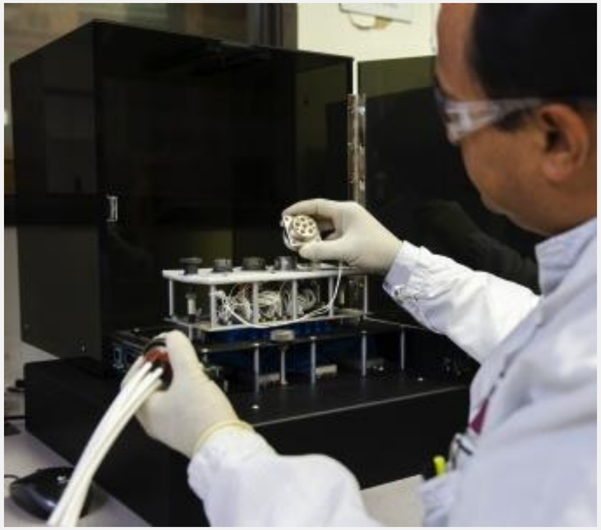
- Restructuring and lean/value engineering delivering efficiencies
- Connectors factory consolidation in Americas

New product development focused on high growth markets

- Company-funded R&D maintained at 5.4% of sales
- New product initiatives include:
  - High speed data connector for aerospace and defence
  - Next generation semiconductor test sockets
  - Tail-mounted airborne antenna for regional and biz jets
  - Power distribution and busway products for data centres

Business development focus on emerging markets

- Emerging market revenue decline caused by timing of orders
- Continuing investments in sales channels, resources and capabilities, especially in Asia



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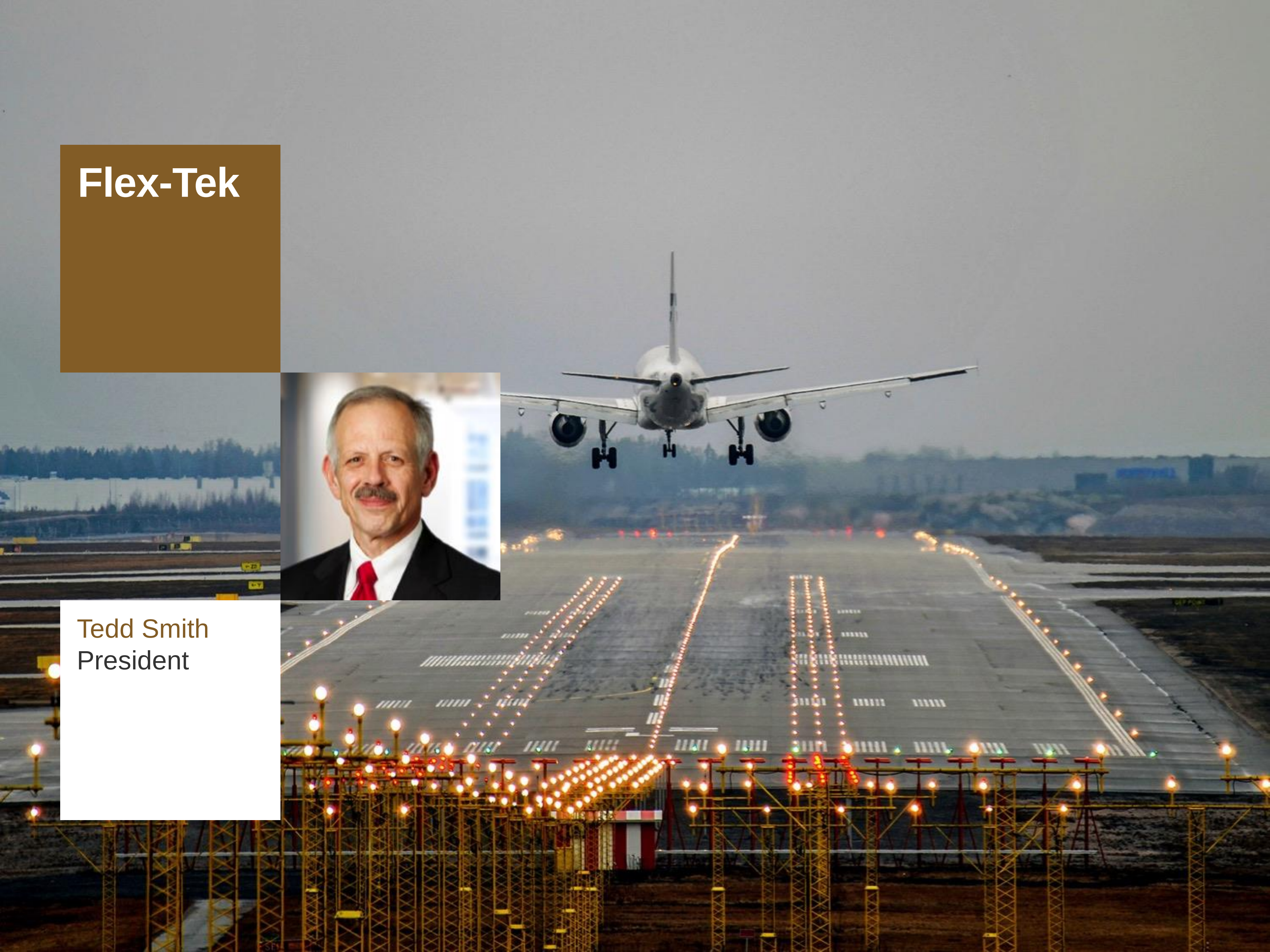
Smiths Interconnect: Outlook

High-speed ruggedized cable assemblies are used in various aerospace and defence applications

Outlook

- General market conditions expected to stabilise
- Individual customer and programme dynamics will still affect demand
- Margins should stabilise as restructuring efficiencies outweigh increased investment, pricing pressure and cost inflation

Flex-Tek



Tedd Smith
President

Flex-Tek: Sustained revenue growth; margins affected by product mix and investment

Underlying revenue	
+4%	£269m

Underlying headline profit	
+1%	£50m

Headline operating margin	
18.5%	-40 bps

% of revenue		% growth
26%	Fluid Management	**+2%**
31%	Construction	**+6%**
24%	Heat Solutions	**+8%**
19%	Flexible Solutions	**-3%**

- Revenue growth from specialty heating, US construction and hoses for aerospace applications
- Margins slightly down despite higher volumes due to adverse product mix and increased R&D
- Fluid Management – revenue up 2%
  - New aircraft platforms beginning to drive growth
  - Success with 5000 psi hoses
- Construction – revenue up 6%
  - Flexible gas piping and HVAC ducting driving growth; shift in flexible gas piping product mix
- Heat Solutions – revenue up 8%
  - Growth driven by specialty heating elements; strong China growth; appliance demand flat
- Flexible Solutions – revenue down 3%
  - Growth in sleep apnoea and US industrial products; floor care continues to be weak

Flex-Tek: Increased investment in new products and sales & marketing

Product innovation is driving growth

- R&D spend up 13%
- New product initiatives focused on:
  - Hoses for next generation of fuel efficient aircraft
  - Specialty heating elements to drive revenue and margins
  - Next generation construction products

Sales and marketing investment

- Investing in additional sales and marketing capabilities in key growth markets, e.g. construction products in new geographies

Expand Laconia manufacturing for aerospace applications

- Delivers additional capacity to meet demand
- Improve efficiency and quality
- Provides a dedicated R&D capability for aerospace

Flex-Tek: Outlook

The Virtual Pipeline Hose can withstand immense pressure needed for transferring CNG, whilst remaining flexible in temperatures as low as -100°F.

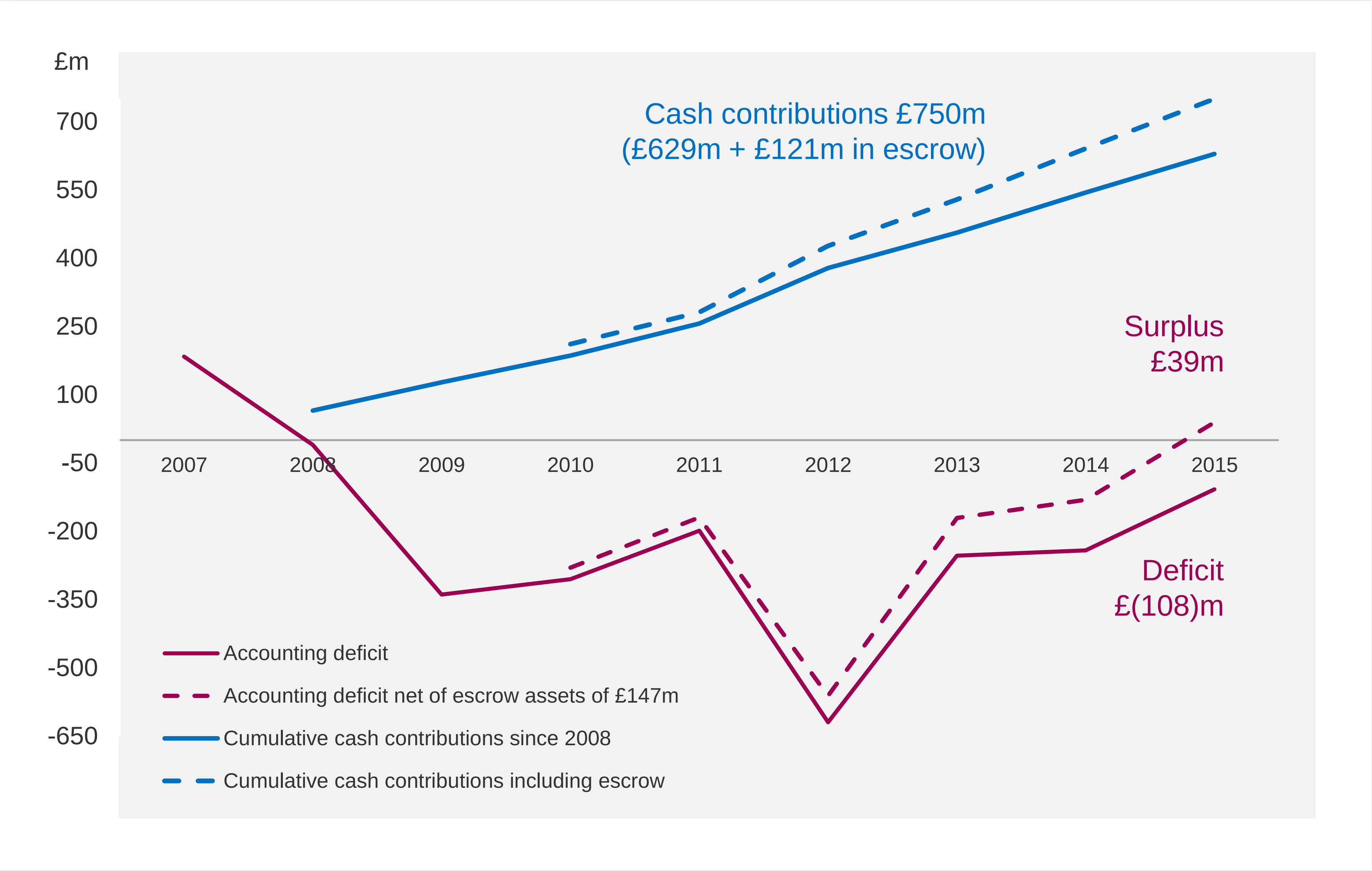
Outlook

- Commercial aerospace demand and increasing output rates of OEMs are positive for Fluid Management
- Residential construction market is expected to see modest growth
- Specialty applications for Heat Solutions and Flexible Solutions will benefit from continued economic growth

Conclusion

Philip Bowman
Chief Executive

Pensions: Deficit falls to £108m – lowest level since 2008



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Actions to address pension liabilities and lower actuarial deficits

Closure of pension schemes to future accruals in 2009

- Curtailment and past service gains totalling £91m between FY2008 and FY2015

UK: SIPS

- March 2013 – 20% of asset switched to index-linked gilts
- July 2013 – 30% gilts; increased asset diversification

Actuarial deficit	
2012	**£535m**
2015	**c.£330m**

UK: TIGPS

- 2008-2013 – Asset de-risking with annuity buy-in programme in 4 tranches
- Since Sept 2013, all pensioners have been insured: £871m of annuities
- Further asset de-risking in Sept 2014 - £150m moved from equities to gilts
- Ongoing £2m per month de-risking assets to gilts

Actuarial deficit	
2012	**£117m**
2015	**TBC -** significant fall

US plan

- Oct 2013 – Moving assets to liability-driven investment strategy
- Aug 2014 – 'Cash out' offered to deferred members: $170m reduction in liabilities
- Aug 2015 – Buy-out for all 5,600 retirees: c. $500m reduction in liabilities

Plan liabilities	
Jul 2014	**$900m**
Aug 2015	**c.$350m**

Meeting our responsibilities and managing our liabilities is reducing the strategic constraints

Pensions: Net accounting deficit decreased £134m to £108m

Deficit movement since 31 July 2014 (£m)

Deficit at 31 July 2014	**(242)**
Foreign exchange	(3)
Return on assets	389
Contributions (net of service costs)	73
Change in liabilities	(325)
Deficit at 31 Jul 2015	**(108)**
Surplus including escrow gilts of £147m	***39***

Annual cash contributions

	2015	2016 est*
Funded scheme contributions	£79m	£127m
- Smiths Industries PS	*£36m*	*£36m*
- TI Group PS	*£16m*	*£17m*
- US and other	*£27m*	*£74m*
Escrow contributions	£24m	£24m

£m	**31 July 2015**	31 January 2015	31 July 2014
Assets	**4,017**	4,118	3,800
Liabilities	**(4,125)**	(4,456)	(4,042)
Deficit	**(108)**	(338)	(242)
UK bond yields	**3.5%**	2.9%	4.0%
UK inflation	**3.2%**	2.7%	3.3%
US bond yields	**4.4%**	3.65%	4.4%

* 2016 subject to the outcome of the triennial review

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Questions & answers

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Appendix

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John Crane

A leading provider of engineered products and services to global energy services customers. Our products and services help ensure the reliability of mission-critical equipment in challenging operating environments.

Contribution to 2015 Group revenue: **31%**

Contribution to 2015 headline operating profit: **41%**

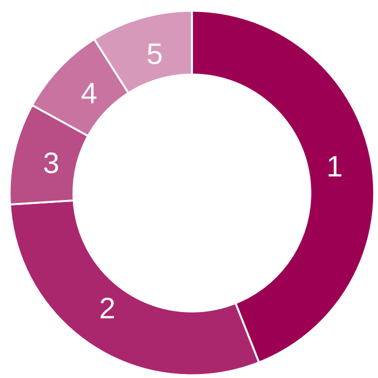
Percentage relates to headline operating profit before corporate costs

Employees: (2015) **6,950**

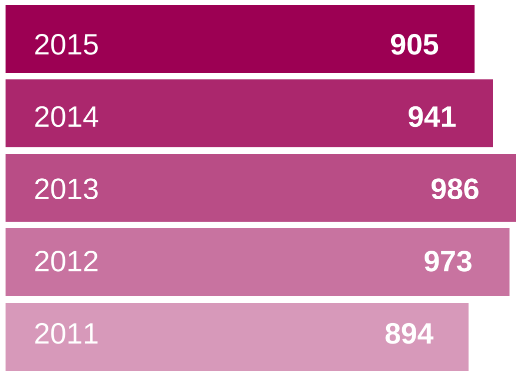
Revenue performance

£905m (4)%

1 First-fit	44%
Aftermarket	
2 Oil, gas & petrochem	30%
3 Chemical and pharma	9%
4 Distributors	8%
5 General Industry	9%



Revenue performance £m



John Crane

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.

Principal operating regions: John Crane is a global business with a presence in more than 50 countries. We have the largest global service network in the industry with 17 super service centres around the globe supported by more than 230 sales and service centre locations. We have 19 manufacturing sites in 14 countries and global R&D centres in the US, UK and China.

Customers: John Crane serves companies in the energy services sector including production, transmission & storage, refining, power generation, petrochemical, as well as pump and compressor manufacturers. Its main customers include Chevron, BP, Dresser Rand, Valero, ExxonMobil, SABIC, Pemex, Saudi Aramco, Shell, Petrom, Sulzer, Flowserve, GE Energy, Siemens, Solar Turbines and Weir Group. 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); Danaher and Hydac (filtration systems); Rexnord and Regal Beloit (couplings). For equipment in upstream oil services, John Crane's principal global competitors include Weatherford and Dover.

John Crane: Resilient performance from focus on aftermarket services

£m	**2015**	2014	reported	underlying
Revenue	**905**	941	(4)%	(2)%
Headline operating profit	**225**	234	(4)%	(2)%
Headline operating margin	***24.8%***	*24.9%*	*(10) bps*	
Statutory operating profit	**165**	166	(1)%	
Return on capital employed	**25.8%**	26.7%	(90) bps	

Headline operating profit	£m
2013/14	234
Volume	(20)
Price/mix	22
Labour and cost inflation	(7)
Net efficiencies	12
Fuel for Growth	3
Investment	(16)
Foreign exchange	(3)
2014/15	225

- Volume: Decrease in first-fit offset by resilient aftermarket
- Price/ mix: Price increases in parts of business
- Labour and cost inflation: Mainly wage-related increases
- Net efficiencies: Procurement savings offset by factory inefficiencies
- Fuel for Growth: Restructuring savings
- Investment: R&D, sales, manufacturing footprint
- FX: Impact of translation (£3m), transaction zero impact

Smiths Medical

A leading supplier of specialty medical devices and consumables that are vital to patient care around the world, Smiths Medical is dedicated to providing innovative solutions and superior support to help healthcare professionals and providers ensure safety, enhance patient outcomes and improve the total cost of care.

Contribution to 2015 Group revenue: **29%**

Contribution to 2015 headline operating profit: **31%**

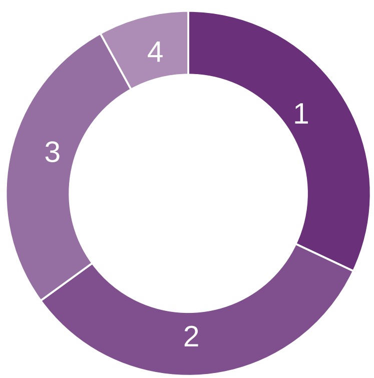
Percentage relates to headline operating profit before corporate costs

Employees: (2015) **7,950**

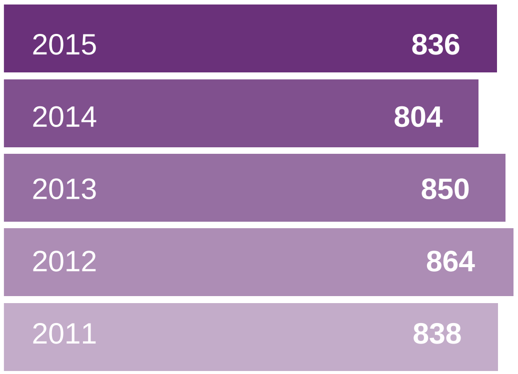
Revenue performance

£836m +4%

1	Infusion systems	32%
2	Vascular access	33%
3	Vital care	27%
4	Specialty products	8%



Revenue performance £m



smiths

Smiths Medical

Our broad portfolio offers products that aid in the delivery of medication, protect healthcare workers and patients from cross-infection and injury, manage patient airway and temperature, as well as deliver specialised care in areas of in-vitro fertilisation, diagnostics and emergency patient transport.

Principal operating regions: We have operations in over 30 countries with manufacturing located in the US, UK, Mexico, Italy, Germany, Czech Republic, and China. We sell to approximately 120 markets and, while the US continues to be our largest single market with over 50% of sales, we continue to build our presence in developing markets.

Customers: Approximately three-quarters of our end user 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 business units. Major competitors include Medtronic (Covidien), Teleflex, B Braun, Becton Dickinson (CareFusion), Terumo, C R Bard, 3M, Edwards Lifesciences, and Pfizer (Hospira). We often compete with a portion of a major competitor’s medical device business, as well as single product line companies as they enter a particular market segment. In developing markets, we compete with both large multinational companies and smaller domestic players.

Smiths Medical: Strong growth from innovation investment in infusion systems

£m	**2015**	2014	reported	underlying
Revenue	**836**	804	4%	4%
Headline operating profit	**166**	159	4%	2%
Headline operating margin	***19.8%***	*19.8%*	-	
Statutory operating profit	**142**	142	-	
Return on capital employed	**14.7%**	14.5%	20 bps	

Headline operating profit	£m
2013/14	159
Volume	25
Price/mix	(10)
Net efficiencies	3
Labour and cost inflation	(14)
Investment	(6)
Fuel for Growth	11
FX	(2)
2014/15	**166**

- Volume: Strong growth in Infusion Therapies
- Price/mix: Pricing pressures in America and EMEA
- Net efficiencies: Procurement savings
- Labour and cost inflation: Higher distribution costs and wage-related increases
- Investment: New product development
- Fuel for Growth: Programme benefits
- FX: Impact of translation £4m, transaction (£6m)

smiths

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.

Contribution to 2015 Group revenue: **16%**

Contribution to 2015 headline operating profit: **10%**

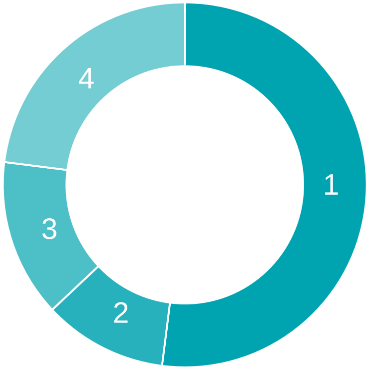
Percentage relates to headline operating profit before corporate costs

Employees: (2015) **2,150**

Revenue performance

£467m (9)%

1	Transportation	52%
2	Ports and borders	11%
3	Military and ER	14%
4	Critical infrastructure	23%



Revenue performance £m

Smiths Detection

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

Principal operating regions:
Our manufacturing centres are concentrated in Germany, France, Malaysia, USA and the UK. We sell to over 200 countries around the world either direct or through third-party distributors.

Customers: The majority of revenues 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. All US sales and support activities are controlled under a Special Security Agreement with the US Department of Defense and managed by the operating subsidiary Smiths Detection Inc., to provide independent oversight of the business, its classified contracts and work.

Competitors: Smiths Detection's exposure to the homeland security and defence sectors brings it into competition with a wide range of companies in each end-use market. Principal competitors include: Morpho (transportation), Rapiscan (transportation, ports and borders, critical infrastructure), L-3 Security & Detection Systems (transportation), Nuctech (ports and borders, critical infrastructure), Astrophysics (critical infrastructure), AS&E (ports and borders), Leidos (transportation, ports and borders), Chemring (military), Bruker (military, emergency responders), and Thermo Fisher (military and emergency responders).

Smiths Detection: Margin recovery; actions are stabilising performance

£m	2015	2014	reported	underlying
Revenue	**467**	512	(9)%	(7)%
Headline operating profit	**55**	25	124%	167%
Headline operating margin	***11.9%***	*4.8%*	*710 bps*	
Statutory operating profit	**45**	23	96%	
Return on capital employed	**9.6%**	3.9%	570 bps	

Headline operating profit	£m
2013/14	25
One-offs	30
Volume	(9)
Price/mix	(5)
Efficiencies	7
Fuel for Growth	4
FX	3
2014/15	**55**

- One-offs: FY14 charges not repeated
- Volume: Declines in transportation, ports & borders and military
- Price/mix: Impact of lower margin contracts
- Efficiencies: Cost reductions
- Fuel for Growth: Programme benefits
- FX: Impact of translation (£4m), transaction £7m

Smiths Interconnect

A recognised leader in technically differentiated electronic components and sub-systems providing signal, power and microwave solutions.

Contribution to 2015 Group revenue: **15%**

Contribution to 2015 headline operating profit: **9%**

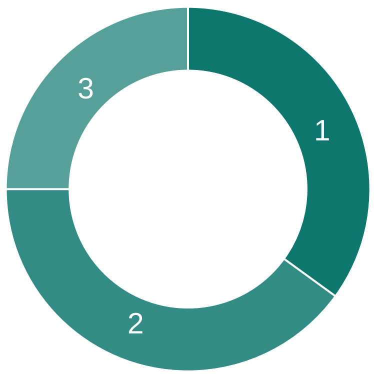
Percentage relates to headline operating profit before corporate costs

Employees: (2015) **3,850**

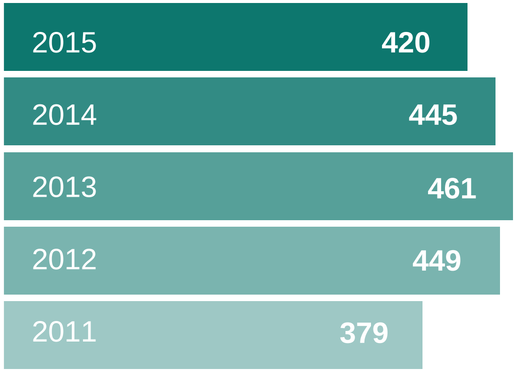
Revenue performance

£420m (9)%

1 Connectors 35%
2 Microwave 40%
3 Power 25%



Revenue performance £m



smiths

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.

Principal operating regions: Smiths Interconnect operates globally and has locations in the US, Mexico, Costa Rica, UK, France, Germany, Italy, Tunisia, Singapore, China and Australia.

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, AAI/Textron, Lockheed Martin, Thales, Global Eagle Entertainment, Rockwell Collins, Telstra, Motorola, Verizon, Vodafone, Huawei, Foxconn, Schneider, CyrusOne, Microsoft, Qualcomm, NVIDIA, Broadcom, GE Healthcare, Biosense Webster and Varian.

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, TE Connectivity, MultiTest (part of Xcerra), Yokowo, Glenair, ODU and Harting. Microwave competes with, amongst others, Anaren, KMW, Dover, CommScope, Cobham, 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.

Smiths Interconnect: Results affected by tough trading conditions and order timing

£m	**2015**	2014	reported	underlying
Revenue	**420**	445	(6)%	(9)%
Headline operating profit	**49**	71	(31)%	(34)%
Headline operating margin	***11.6%***	*16.0%*	*(440) bps*	
Statutory operating profit	**28**	49	(43)%	
Return on capital employed	**9.1%**	13.7%	(460) bps	

Headline operating profit	£m
2013/14	71
Volume	(17)
Price/mix	(7)
Labour and cost inflation	(4)
Efficiencies	(1)
Fuel for Growth	5
FX	2
2014/15	**49**

- Volume: Reduced customer spending, lower demand and programmes slowdown
- Price/mix: Revenue weakness in higher margin sectors
- Labour and cost inflation: Wage related increases and IT investment
- Efficiencies: Negative operational gearing due to lower volumes offset by procurement savings
- Fuel for Growth: Programme benefits
- FX: Impact of translation £3m, transaction (£1m)

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.

Contribution to 2015 Group revenue: **9%**

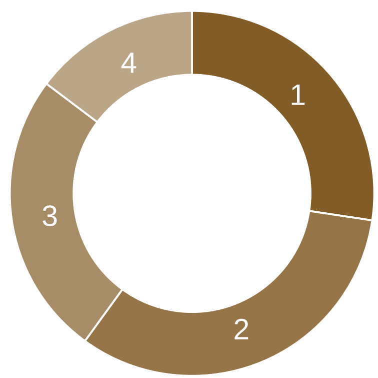
Contribution to 2015 headline operating profit: **9%**
Percentage relates to headline operating profit before corporate costs

Employees: (2015) **2,050**

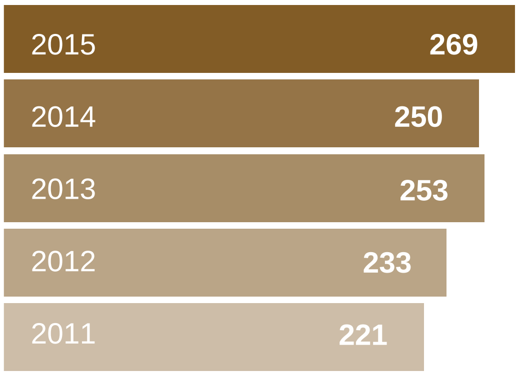
Revenue performance

£269m +8%

1 Fluid Management 26%
2 Construction Products 31%
3 Heat Solutions 24%
4 Flexible Solutions 19%



Revenue performance £m



smiths

Flex-Tek

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.

Principal operating regions: Flex-Tek operations are mainly located in the US and Mexico with Asian operations located in India, China and Malaysia, and European facilities in France and Germany.

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: Wardflex, Atco, Omega-Flex, Hart & Cooley and Goodman. Flexible Solutions competes globally with a number of smaller privately owned businesses which manufacture specialty hoses.

Flex-Tek: Sustained revenue growth; margins affected by product mix and investment

£m	**2015**	2014	reported	underlying
Revenue	**269**	250	8%	4%
Headline operating profit	**50**	47	5%	1%
Headline operating margin	***18.5%***	*18.9%*	*(40) bps*	
Statutory operating profit	**41**	37	11%	
Return on capital employed	**33.6%**	34.0%	(40) bps	

Headline operating profit	£m
2013/14	47
Price/mix	1
Labour and cost inflation	(1)
Efficiencies	2
Investment	(2)
FX	3
2014/15	**50**

- Price/mix: Gastite price increases offset by negative mix
- Labour and cost inflation: Wage related increases
- Efficiencies: Procurement savings
- Investment: New product marketing costs
- FX: Impact of translation £2m, transaction £1m

smiths

Annual results 2015

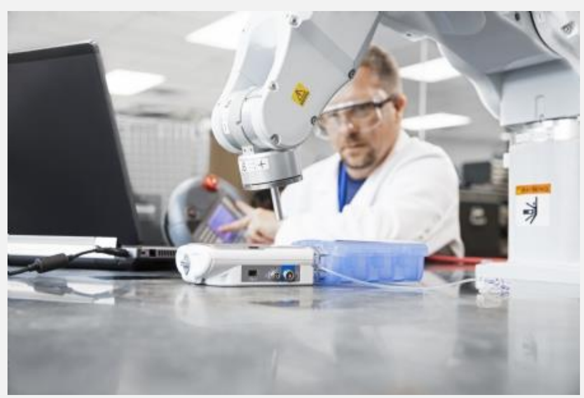
£m	Headline*				Statutory	
	2015	2014	reported	underlying#	**2015**	2014
Revenue	**2,897**	2,952	(2)%	(2)%	**2,897**	2,952
Operating profit	**511**	504	1%	1%	**394**	378
Operating margin	***17.6%***	*17.1%*	*50 bps*		***13.6%***	*12.8%*
Pre-tax profit	**459**	445	3%	3%	**325**	302
Basic EPS (p)	**86.1**	81.8	5%		**62.4**	59.0
Free cash-flow	**158**	143				
Dividend (pps)	**41.00**	40.25	2%		**41.00**	40.25
Return on capital employed	**16.0%**	15.7%	30 bps			

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

\# Organic growth adjusting for foreign exchange translation.

Underlying headline revenue and profit performance

	Revenue growth	Operating profit growth
John Crane	**-2%**	**-2%**
Smiths Medical	**+4%**	**+2%**
Smiths Detection	**-7%**	**+167%**
Smiths Interconnect	**-9%**	**-34%**
Flex-Tek	**+4%**	**+1%**
Group	**-2%**	**+1%**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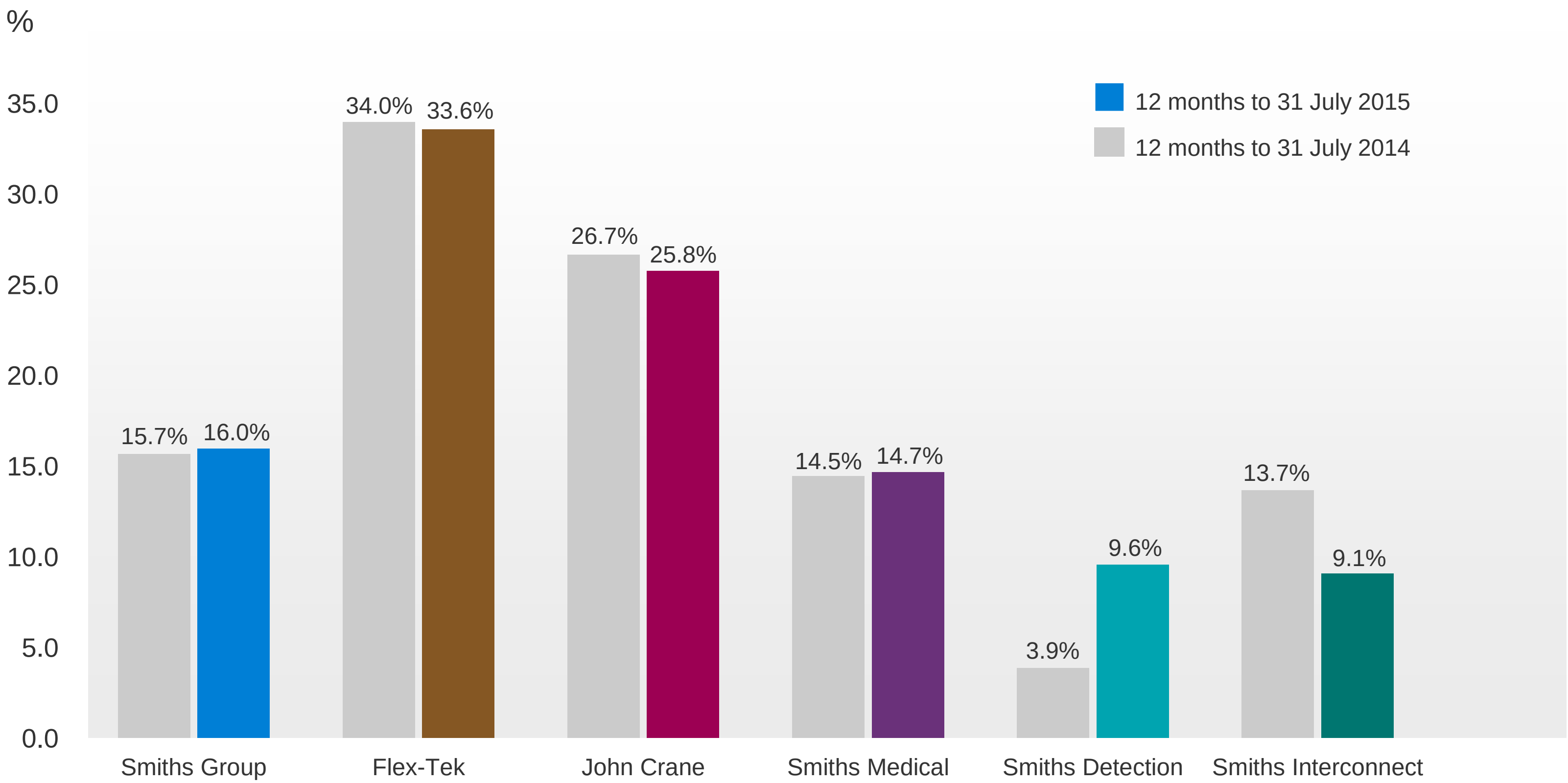
Return on capital improved with recovery in Detection



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 increased by £14m to £818m

£m	**2015**
Net debt at start of period	**(804)**
Operating cash (after capex etc.)	484
Interest and tax	(155)
Exceptionals/Pensions	(171)
Free cash flow	158
Dividends	(160)
Financing acquisitions, investments and disposals	(1)
Foreign exchange	(13)
Purchase of own shares less proceeds from issue of share capital	(8)
Cash outflows from financial instruments	4
Movement in fair value of swapped debt and interest accrual	6
Change in net debt	(14)
Net debt at end of period	**(818)**

Asbestos litigation

Key facts

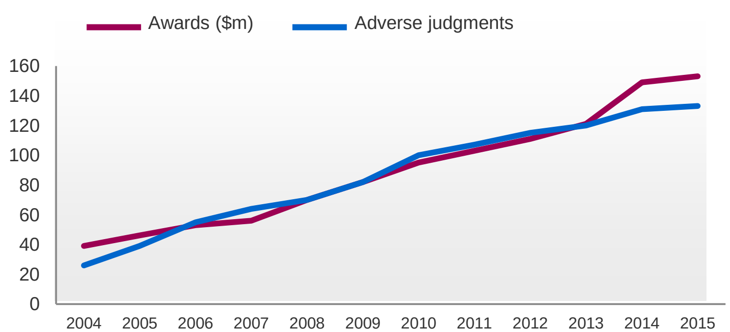
- Production ceased in 1985
- Exposure within John Crane, Inc.
- Resists claims based on 'safe product' defence
- Provision determined using independent valuation experts based on 10-year time horizon
- Number of outstanding claims has fallen over time

Key figures

Gross provision	£236m
Discounted pre-tax provision	£216m
Claims dismissed	242,000
Claims outstanding	76,000
Adverse judgments	133
Adverse judgment awards paid	$153m

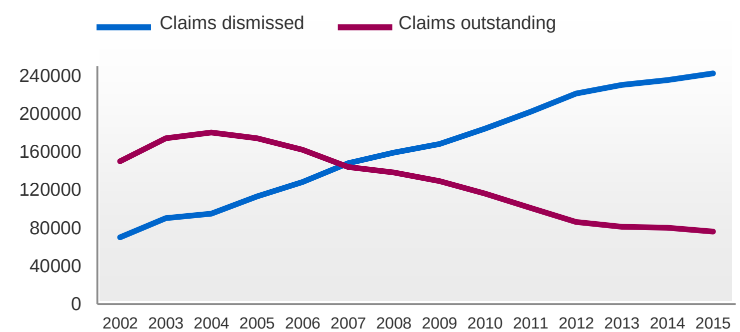
Provisions and claims as at 31 July 2015

Cumulative claim history



Cumulative charts as at 31 July 2015

Cumulative claim trends



Cumulative charts as at 31 July 2015