Interim Results
18 March 2015

We bring technology to life to help make the world…

safer

healthier

and more productive
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Introduction & overview

Philip Bowman
Chief Executive
Agenda

- Introduction and overview  
  Philip Bowman

- Financial review  
  Peter Turner

- 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
Results overview

- Reported headline revenue down 2%; underlying up 1%
- Headline operating profit down 5%; underlying down 3%
- Headline EPS down 3% to 38.5p
- Cash conversion remains strong at 88%; dividend up 2% to 13 pence
- Return on capital employed down 120 bps at 15.4%
- “Fuel for Growth” restructuring on track to deliver £60m; £20m to date
- New growth investment initiative launched: “Engineered for Growth”
Divisional performance highlights

- **Smiths Medical**
  - Good revenue and margin growth
  - Reflects recent investment in new products and sales execution in infusion
  - Disposables recovery after the distributor destock last year

- **John Crane**
  - Focus on aftermarket services delivers a resilient performance
  - Underlying growth in aftermarket for rotating equipment
  - Upstream faces challenges and first-fit OEM rotating equipment begins to slow

- **Smiths Detection**
  - Action plans are beginning to stabilise performance; but more to do
  - Trading conditions remain challenging; obscuring benefit of efficiency gains
  - Strengthening order book for delivery next fiscal year

- **Smiths Interconnect**
  - Tough trading with programme delays and challenging markets
  - Margins under pressure from lower volumes, adverse cost absorption and mix
  - Growth in data centres offset by tougher trading in telecoms and connectors

- **Flex-Tek**
  - Continued solid performance
  - Growth driven by US residential construction, specialty heating & aero/auto hoses
  - Margins slightly down with increased investment in marketing and new products
Promoting responsibility: Focus on leading indicators to drive future improvement

Recordable incident rate trended slightly higher

<table>
<thead>
<tr>
<th>Year</th>
<th>Incident Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.66</td>
</tr>
<tr>
<td>2012</td>
<td>0.60</td>
</tr>
<tr>
<td>2013</td>
<td>0.54</td>
</tr>
<tr>
<td>2014</td>
<td>0.50</td>
</tr>
<tr>
<td>H1 2015</td>
<td>0.53</td>
</tr>
</tbody>
</table>

*Measured per 100 employees per year using US OSHA definition

Environmental metrics

- 5 year environmental goal period ending FY2018
- FY2015 H1* performance:
  - Energy: 2% reduction
  - Greenhouse gas: 6% reduction
  - Water: 5% reduction
  - Non-recycled waste: 9% reduction

Leaders indicator safety activity score on track

<table>
<thead>
<tr>
<th>Period</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>90%</td>
<td>96%</td>
</tr>
<tr>
<td>H1 2015</td>
<td>45%</td>
<td>57%</td>
</tr>
</tbody>
</table>

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

Peter Turner
Finance Director
Headline profit progression 2014 to 2015

- **Volume**: Significant volume growth in Medical offset by slight declines in other divisions
- **Price/mix**: Unfavourable price/mix movements in Medical, Detection and Interconnect partly offset by benefits in John Crane
- **Cost inflation**: Mainly wage-related increases
- **Efficiencies**: Operational efficiencies across all divisions partly offset by adverse cost absorption in John Crane, Interconnect and Detection
- **Additional investment**: Increased investment in new product development and sales & marketing in all divisions
- **Fuel for Growth**: Benefits from this Group-wide restructuring programme
- **Foreign exchange**: Translation (-£6m) and offset by transaction gains (£5m)
- **Interest**: Benefit of a lower interest charge

Average exchange rates to £
- US$ 1.59 (H1 2014: 1.61)
- Euro 1.27 (H1 2014: 1.19)

Translation FX ready reckoner
- 1 US cent = c. £2m HOP
- 1 Euro cent = c. £1m HOP

PBT: £215m
- Volume: £4m
- Price/mix: £4m
- Cost inflation: £13m
- Efficiencies: £1m
- FFG savings: £8m
- Additional investment: £8m
- FX: £1m
- Interest: £6m

PBT: £208m
### Group cash conversion

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>H1 2015</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headline operating profit</strong></td>
<td></td>
<td>232</td>
<td>245</td>
</tr>
<tr>
<td><strong>Changes in working capital</strong></td>
<td>(31)</td>
<td></td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Share-based payment</strong></td>
<td></td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Capital expenditure (property, plant &amp; equipment)</strong></td>
<td>(26)</td>
<td></td>
<td>(24)</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td><strong>Development costs &amp; other intangibles (net of amortisation and deferred income)</strong></td>
<td></td>
<td>1</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Operating cash-flow</strong></td>
<td></td>
<td>204</td>
<td>211</td>
</tr>
<tr>
<td><strong>Conversion rate</strong></td>
<td></td>
<td>88%</td>
<td>86%</td>
</tr>
</tbody>
</table>
### Reconciliation: Headline operating profit to statutory profit

<table>
<thead>
<tr>
<th>Component</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headline operating profit</strong></td>
<td>232</td>
</tr>
<tr>
<td><strong>Restructuring programmes</strong></td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Litigation provision: John Crane, Inc.</strong></td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Litigation provision: Titeflex Corporation</strong></td>
<td>(1 )</td>
</tr>
<tr>
<td><strong>Gains on changes to post-retirement benefits</strong></td>
<td>13</td>
</tr>
<tr>
<td><strong>Exceptional operating items</strong></td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Amortisation of acquired intangible assets</strong></td>
<td>(18)</td>
</tr>
<tr>
<td><strong>Goodwill impairment for John Crane Production Solutions</strong></td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Legacy retirement benefits</strong></td>
<td>(5 )</td>
</tr>
<tr>
<td><strong>Statutory operating profit</strong></td>
<td>164</td>
</tr>
</tbody>
</table>
## Fuel for Growth – driving efficiencies to support growth investment

<table>
<thead>
<tr>
<th>£m</th>
<th>Costs to date</th>
<th>Annualised savings to date</th>
<th>Total costs</th>
<th>Full annualised benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Crane</td>
<td>8</td>
<td>10</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Smiths Medical</td>
<td>15</td>
<td>5</td>
<td>45</td>
<td>23</td>
</tr>
<tr>
<td>Smiths Detection</td>
<td>13</td>
<td>-</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td>Smiths Interconnect</td>
<td>8</td>
<td>5</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Flex-Tek</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>20</strong></td>
<td><strong>120</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

### £m

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Ongoing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings in year</td>
<td>10</td>
<td>25</td>
<td>40</td>
<td>50</td>
<td>60</td>
</tr>
</tbody>
</table>

£19m of costs in H1; c. £40m of costs expected in FY2015
Deficit movement since 31 July 2014 (£m)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit at 31 July 2014</td>
<td>(242)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(15)</td>
</tr>
<tr>
<td>Return on assets</td>
<td>411</td>
</tr>
<tr>
<td>Contributions (net of service costs)</td>
<td>30</td>
</tr>
<tr>
<td>Change in liabilities</td>
<td>(522)</td>
</tr>
<tr>
<td><strong>Deficit at 31 Jan 2015</strong></td>
<td><strong>(338)</strong></td>
</tr>
<tr>
<td><strong>Including escrow gilts of £139m</strong></td>
<td><strong>(199)</strong></td>
</tr>
</tbody>
</table>

Annual cash contributions

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded scheme contributions</td>
<td>£81m</td>
</tr>
<tr>
<td>- Smiths Industries PS</td>
<td>£36m</td>
</tr>
<tr>
<td>- TI Group PS</td>
<td>£16m</td>
</tr>
<tr>
<td>- US and other</td>
<td>£29m</td>
</tr>
<tr>
<td>Escrow contributions</td>
<td>£24m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>£m</th>
<th>31 January 2015</th>
<th>31 July 2014</th>
<th>31 January 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>4,118</td>
<td>3,800</td>
<td>3,716</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(4,456)</td>
<td>(4,042)</td>
<td>(3,952)</td>
</tr>
<tr>
<td>Deficit</td>
<td>(338)</td>
<td>(242)</td>
<td>(236)</td>
</tr>
<tr>
<td>UK bond yields</td>
<td>2.9%</td>
<td>4.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>UK inflation</td>
<td>2.7%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>US bond yields</td>
<td>3.65%</td>
<td>4.4%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>
Guidance – financial items

- Headline tax rate: 26-27%
- Cash conversion: 85-95%
- Funded pension scheme contributions: c. £80m + £24m to escrow
- Year end net debt: c. 850m (subject to FX and acquisitions)
Operational review and priorities
Engineered for Growth – Four cross divisional initiatives to accelerate growth

- Delivered good progress on margins, cash and returns on capital
- Revenue growth has been more difficult
- Launched four initiatives under “Engineered for Growth”
- Drive cross-divisional collaboration and best practice sharing
- Improve capabilities in key areas
- Increase investment and resources in targeted areas
Engineered for Growth – Four cross divisional initiatives to accelerate growth

Sales & marketing excellence

Objectives
- Become a more customer and marketing-led business
- Drive higher growth rates

Activities
- Improve capabilities through a Sales Academy
- Develop sales indicators and improve pipeline management

Quality improvement

Objectives
- Drive a significant improvement in quality and customer satisfaction
- Lower the cost of poor quality

Activities
- Establish a range of quality metrics
- Develop divisional quality improvement plans
### Engineered for Growth – Four cross divisional initiatives to accelerate growth

#### Innovation

**Objectives**
- Improve the effectiveness of new product development
- Accelerate pace of new launches
- Enhance project prioritisation

**Activities**
- Drive innovation around customer insight
- Share best practice and processes
- Focus on talent development

#### Expanding our presence in China

**Objectives**
- Build sales & marketing presence this high growth market
- Accelerate growth rates in China

**Activities**
- Establish a Group presence in China to provide local expertise in legal, government affairs, commerce, etc.
- Focus on divisional China strategies
### John Crane: Resilient performance from focus on aftermarket services

<table>
<thead>
<tr>
<th>Underlying revenue</th>
<th>Underlying headline profit</th>
<th>Headline operating margin</th>
<th>Aftermarket</th>
<th>First-fit OEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>£453m</td>
<td>£105m</td>
<td>23.2%</td>
<td>+3%</td>
<td>-2%</td>
</tr>
<tr>
<td>+1%</td>
<td>+0%</td>
<td>+0 bps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Excluding upstream oil services, underlying revenue grew 3%
- Revenue growth from aftermarket for rotating equipment, offset by first-fit OEM and upstream
- Margins stable
- Aftermarket revenue for rotating equipment grew 7%; excluding upstream oil services
  - Demand for oil and gas remains high; many refineries operating at full capacity
  - Continue to secure new global framework agreements with key customers
- Upstream oil services declined – reflecting lower crude oil prices
- First-fit OEM underlying revenues down 2%
  - Market pressures in Europe were partly offset by growth in North America
  - Gaining share of new downstream projects
**John Crane: A strong platform for value creation**

Addressed manufacturing constraints for rotating equipment
- 10% increase in machining capacity
- Added in existing lower cost facilities

Revenue from emerging markets up 11%; now 25% of sales
- Good growth in Mexico and Nigeria

Good progress on cross-selling initiative

Increased innovation investment by 28%
- Next generation gas seal technology: AURA 220

Strengthening our aftermarket service centre network
- Upgraded c. 10% of service centres over past 2 years
- Increasing capabilities in strategic locations
**John Crane: Operating in a low oil price environment**

Aftermarket focus expected to support resilience

- Predictable revenues from large installed base

Bias towards mid- and downstream applications in oil and gas

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market dynamics</th>
<th>12 mth Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downstream &amp; midstream aftermarket</td>
<td>• Low oil prices driving record high utilization of refineries and petrochemical factories</td>
<td></td>
</tr>
</tbody>
</table>
| Downstream & midstream first-fit projects | • North America pipeline remains strong  
                                      | • Timing on select projects being deferred                                      |               |
| Upstream oil & gas             | • Upstream customers cutting back on capex                                       |               |

Clear action plan to preserve margins in a challenging environment

- Drive near-term cost reduction programme
- Pull machining capacity back in-house
- Focus on aftermarket should support a positive mix dynamic
**John Crane: Outlook**

- Second half trading performance expected to ease slightly versus the prior year.
- Upstream oil services business expected to decline with lower oil price environment.
- Aftermarket revenues for rotating equipment expected to show resilience.
- Solid order book, but deferrals possible.
- Cost saving initiatives expected to help underpin operating profit margins in H2.
Smiths Medical: Strong growth from focus on infusion and disposables recovery

<table>
<thead>
<tr>
<th>Segment</th>
<th>Underlying revenue</th>
<th>Underlying headline profit</th>
<th>Headline operating margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smiths Medical</td>
<td>£406m (+6%)</td>
<td>£78m (+9%)</td>
<td>19.0% (+70 bps)</td>
</tr>
</tbody>
</table>

- Strong underlying revenue growth driven by targeted execution on infusion products and key disposables
  - Hardware up 24%; disposables up 3%
- Headline profit benefiting from higher volumes, efficiencies, and restructuring despite pressures
- Medication delivery – underlying sales up 19%
  - Strong growth in ambulatory pumps – consistent investment in new products and targeted execution
  - Launch of new infusion pump in China
- Vital care – underlying sales up slightly
  - Growth in key franchises despite tough market conditions; assisted by a weak prior year comparator
- Safety devices – underlying sales up 3%
  - Return to growth in PIVC and safety; against a weak comparator
Smiths Medical: Building a platform for sustainable growth

Investing in new products
• Investment up 13% to 5.3% of sales (2014: 4.9%)
• Recent product launches are delivering growth: CADD, Medfusion 4000, Jelco IntuitIV and ViaValve
• Significant focus on innovation and pipeline execution to improve competitiveness and vitality across the portfolio

Delivering growth in emerging markets
• Better execution in China is delivering results – up 17%
• Continued strong progress in India and South East Asia

Improving productivity (Fuel for Growth)
• 3-5 year programme to optimise our manufacturing network and improve gross margins
• 1-2 year programme to optimise the organisation structure to improve SG&A
Smiths Medical: Outlook

Outlook

• Full year performance will moderate compared to H1 – against a strong comparator

• Medication delivery is expected to perform well, but the growth rate will slow

• Margins expected to show modest improvement for full year driven by volume efficiencies and restructuring – despite FX transaction headwind
### Smiths Detection: Tough trading environment; actions are stabilising performance

<table>
<thead>
<tr>
<th></th>
<th>Underlying revenue</th>
<th>Underlying headline profit</th>
<th>Headline operating margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£231m (5)%</td>
<td>£24m (15)%</td>
<td>10.3% (150) bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>(5)%</td>
<td>Revenue down due to delays in a number of major programmes and tough trading conditions</td>
</tr>
<tr>
<td>Ports &amp; borders</td>
<td>(55)%</td>
<td>Strong competition in all regions; biggest declines in EMEA and US</td>
</tr>
<tr>
<td>Military</td>
<td>+1%</td>
<td>Underpinned by long-term contracts; secured a new $9m order from the US DoD</td>
</tr>
<tr>
<td>Emergency responders</td>
<td>(2)%</td>
<td>Lower contract activity in the period; biggest declines in EMEA and US</td>
</tr>
<tr>
<td>Critical infrastructure</td>
<td>+36%</td>
<td>Driven by strong growth in US (up 30%) and Middle East</td>
</tr>
</tbody>
</table>
Smiths Detection: Business improvement plan is gaining traction

Building our installed base and expanding our aftermarket
- Aftermarket grew 11% 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

Improving our programme delivery – no new surprises
- New programme review process in place
- Investing in capabilities – training and qualification

Reducing our cost base – “Fuel for Growth” programme
- Global footprint reduction; 3 North American sites will close by end April
- Exploit efficiencies of lower cost manufacturing sites; address working capital
- Value engineering programme focused on savings; enhancing product appeal and improving value proposition
- Streamlined product range; targeted R&D

More focused innovation investment
- R&D investment reduced to 6% of sales (2014: 8%) – as programmes conclude and we seek better returns on investment
- New products include: CheckPoint.Evo; HI-SCAN 180180-2is
Smiths Detection: Outlook

Outlook

- Rate of sales decline in H1 is likely to persist during H2
- Reported profit should recover against a comparator affected by one-off costs
- Like-for-like H2 margins likely to be relatively soft vs H1
- Recent contract wins and strengthening order book supports revenue growth in FY16
- Medium-term margins expected to improve as cost savings take effect
### Smiths Interconnect: Performance affected by tough trading conditions

<table>
<thead>
<tr>
<th>Underlying revenue</th>
<th>Underlying headline profit</th>
<th>Headline operating margin</th>
<th>Connectors</th>
<th>Microwave</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>£198m (6)%</td>
<td>£18m (33)%</td>
<td>9.2% (390) bps</td>
<td>(4)%</td>
<td>(12)%</td>
<td>+4%</td>
</tr>
</tbody>
</table>

- Revenues affected by delays in customer spending and some programme slowdowns
- Margins affected by lower volumes, adverse operational gearing and mix
- Connectors – revenues down 4% with contract delays and lower medical demand
  - Defence sales lower due to export license delays; weaker demand in medical and aerospace
  - Improving trend in Q2 for defence, medical and semiconductor test sales
- Microwave – revenue down 12% due to timing of orders and as customers cut capex
  - Phasing of cable assemblies orders favoured the prior year Q4 leading to Q1 reduction
  - Large telecoms customer cut back on network infrastructure spend on 4G LTE deployments
- Power – revenue up 4%: benefiting from good data centre demand
  - Data centre sales grew in US with increasing win rates and recovery in the enterprise segment
  - Demand remained weak for power protection products for telecoms and industrial markets
Smiths Interconnect: Focused on growth initiatives and efficiencies

New product development focused on high growth markets
- Total R&D spend (including customer-funded) maintained as % of sales at 6.5% or £13m
- New product initiatives include:
  - Next generation semiconductor test sockets
  - Tail-mounted airborne antenna for regional and biz jets
  - Value engineered busway product for data centres
  - New RF test product to complement our PIM range

Focus on quality improvement
- Analysed main causes of poor quality and developed improvement plans

Business development focus on emerging markets
- Investing in business development capabilities in Asia
- China H1 revenue decline caused by timing of orders

Continued focus on cost optimisation
- Restructuring and lean/value engineering delivering efficiencies
Smiths Interconnect: Outlook

Outlook

- Commercial markets, such as Medical, are expected to improve
- Defence market showing signs of stabilisation
- Expect continued capex constraints for US wireless telecom customers; opportunities in Asia and Australia
- Seasonality will bias performance towards the second half although H2 trading will remain below prior year levels
Smiths Group plc Interim Results 2015

Tedd Smith
President

Flex-Tek
**Flex-Tek:** Growth from US construction and specialty heating; strong margin boost

<table>
<thead>
<tr>
<th>Underlying revenue</th>
<th>Underlying headline profit</th>
<th>Headline operating margin</th>
<th>Fluid Management</th>
<th>Construction</th>
<th>Heat Solutions</th>
<th>Flexible Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>£128m (+4%)</td>
<td>£23m (+3%)</td>
<td>18.1% (20) bps</td>
<td>+1%</td>
<td>+4%</td>
<td>+13%</td>
<td>(2)%</td>
</tr>
</tbody>
</table>

- Revenue growth from specialty heating, US construction, aerospace, automotive and appliances
- Margins slightly down despite higher volumes due to increased marketing and R&D investment
- **Fluid Management** - sales up 1%
  - Growth in commercial airframe and automotive products
  - Declines in space (satellite launch vehicles) and military (gas turbines)
- **Construction** - sales up 4%
  - Gradually improving and consistent with the market
- **Heat Solutions** - sales up 13%
  - Growth in specialty heating elements; improved appliance revenues of 9%
- **Flexible Solutions** - sales down 2%
  - Sales of sleep apnoea products down against a strong comparator; floorcare continues to be weak
Flex-Tek: Increased investment in new products and sales & marketing

Increasing new product investment to drive innovation
- R&D spend up 23%
- New product initiatives include:
  - Hoses for next generation aircraft
  - New heating technologies to support specialty growth

Sales and marketing excellence
- Investing in additional sales and marketing capabilities in key growth markets

Plans in place to expand Laconia for aerospace applications
- Will deliver additional capacity for growth
- Improve efficiency and quality
- Support a dedicated R&D capability for aerospace
Flex-Tek: Outlook

Outlook

• Residential construction market should see steady modest growth

• Commercial aerospace demand is likely to remain muted until the new programmes benefiting our products begin to ramp up

• Expect further growth in specialty heating elements

• Floorcare expected to remain weak

High pressure pipeline hose transfers natural gas at temperatures down to -73°C at pressure up to 345 bar
Operational priorities for 2015

- Continue to reposition the business profile to accelerate sales growth
- Implement the divisional improvement plans – particularly in Detection
- Increase investment in growth drivers: new products, emerging markets
- Deliver the benefits of *Fuel for Growth*
Questions & Answers
Appendix

We bring technology to life to help make the world…

safer

healthier

and more productive
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.

2014 Revenue by sector

£941m

1  First-fit OEM  38%
2  Oil, gas & petrochem  37%
3  Chemical and pharma  9%
4  Distributors  7%
5  General Industry  9%

Revenue £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>941</td>
</tr>
<tr>
<td>2013</td>
<td>986</td>
</tr>
<tr>
<td>2012</td>
<td>973</td>
</tr>
<tr>
<td>2011</td>
<td>894</td>
</tr>
<tr>
<td>2010</td>
<td>786</td>
</tr>
</tbody>
</table>
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.

Principal operations 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 and UK.

Customers: John Crane serves major 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, China Petroleum, Suncor/Petro Canada, Valero, Petrobras, ExxonMobil, Gazprom, TOTAL, Sabic, PDVSA, Pemex, Saudi Aramco, Shell, Petrom, Sulzer, ITT Goulds, Flowserve, GE Energy, 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 Dover.
**John Crane:** Margins maintained amid tougher market conditions

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
<th>reported</th>
<th>underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>453</td>
<td>469</td>
<td>(3)%</td>
<td>1%</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>105</td>
<td>109</td>
<td>(3)%</td>
<td>0%</td>
</tr>
<tr>
<td>Margin</td>
<td>23.2%</td>
<td>23.2%</td>
<td>0 bps</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>26.5%</td>
<td>26.5%</td>
<td>0 bps</td>
<td></td>
</tr>
</tbody>
</table>

**Headline operating profit £m**

<table>
<thead>
<tr>
<th>2013/14</th>
<th>109</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>(4)</td>
</tr>
<tr>
<td>Price/mix</td>
<td>11</td>
</tr>
<tr>
<td>Cost inflation</td>
<td>(6)</td>
</tr>
<tr>
<td>Net efficiencies</td>
<td>(3)</td>
</tr>
<tr>
<td>Fuel For Growth</td>
<td>3</td>
</tr>
<tr>
<td>Investment</td>
<td>(4)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(1)</td>
</tr>
</tbody>
</table>

| 2014/15 | 105 |

- Volume: Decrease, primarily in first fit and upstream oil services
- Price/mix: Favourable price/mix
- Cost inflation: Mainly wage-related increases
- Net efficiencies: Factory inefficiencies partly offset by procurement savings
- Fuel For Growth: Programme benefits
- Investment: New product development and sales & marketing
- FX: Impact of translation (£4m)/transaction +£3m
Smiths Medical

A leading supplier of specialty medical devices and consumables for global markets.

2014 Revenue by sector

**£804m**

1. Medication delivery 30%
2. Vital care 41%
3. Safety devices 29%

Relevant headings:

- Contribution to 2014 Group revenue: 27%
- Contribution to 2014 headline operating profit: 30%
- Employees: (2014) 7,850

Revenue £m

- 2014: 804
- 2013: 850
- 2012: 864
- 2011: 838
- 2010: 858

Percentage relates to headline operating profit before corporate costs.
Smiths Medical

In medication delivery, our devices help treat patients with acute and chronic disease and relieve pain. Our vital care products help 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.

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

Customers: 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 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 portion of a major competitor’s medical business as well as single product line companies trying to enter a particular market. In emerging markets, we compete with both large multinational companies and smaller domestic players.
**Smiths Medical**: Improved margins due to higher volumes and efficiencies

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2015</th>
<th>2014</th>
<th>reported</th>
<th>underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>406</td>
<td>389</td>
<td></td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>78</td>
<td>71</td>
<td></td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Margin</td>
<td>19.0%</td>
<td>18.3%</td>
<td></td>
<td>70 bps</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>15.1%</td>
<td>15.3%</td>
<td></td>
<td>(20) bps</td>
<td></td>
</tr>
</tbody>
</table>

- **Headline operating profit £m**
  - 2013/14: 71
  - Volume: 16
  - Price/mix: (8)
  - Operational efficiencies: 3
  - Cost inflation: (3)
  - Investment: (2)
  - Fuel For Growth: 3
  - FX: (2)

- **2014/15**: 78
  - Volume: Strong growth in ambulatory infusion
  - Price/mix: Negative pricing in many markets
  - Efficiencies: Value engineering and procurement savings
  - Cost inflation: Labour inflation and higher distribution costs
  - Investment: New product development
  - Fuel For Growth: Programme benefits
  - FX: Impact of transaction (£2m)
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.

2014 Revenue by sector

£512m

1 Transportation 51%
2 Ports and borders 15%
3 Military 12%
4 Emergency responders 3%
5 Critical infrastructure 19%

Revenue £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>512</td>
</tr>
<tr>
<td>2013</td>
<td>559</td>
</tr>
<tr>
<td>2012</td>
<td>519</td>
</tr>
<tr>
<td>2011</td>
<td>510</td>
</tr>
<tr>
<td>2010</td>
<td>574</td>
</tr>
</tbody>
</table>

Contribution to 2014 Group revenue: 17%
Contribution to 2014 headline operating profit: 5%
Employees: (2014) 2,250

Percentage relates to headline operating profit before corporate costs.
Smiths Detection

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

Principal operations regions:
Our manufacturing centres are concentrated in North America, Germany, France, Malaysia and the UK. We sell to over 180 countries around the world either direct or through third-party distributors.

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. 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 (air transportation), Rapiscan (air transportation, ports and borders, critical infrastructure), L-3 Security & Detection Systems (air transportation), Nuctech (ports and borders, critical infrastructure), Astrophysics (critical infrastructure), AS&E (ports and borders), Leidos (air transportation, ports and borders), Chemring (military), Bruker (military, emergency responders), and Thermo Fisher (military, emergency responders).
### Smiths Detection: Margins affected by tough trading

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
<th>reported</th>
<th>underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>231</td>
<td>251</td>
<td>(8)%</td>
<td>(5)%</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>24</td>
<td>30</td>
<td>(20)%</td>
<td>(15)%</td>
</tr>
<tr>
<td>Margin</td>
<td>10.3%</td>
<td>11.8%</td>
<td>(150) bps</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>3.1%</td>
<td>8.6%</td>
<td>(550) bps</td>
<td></td>
</tr>
</tbody>
</table>

#### Headline operating profit £m

- **2013/14:** 30
- **Volume:** (2)
- **Price/mix:** (5)
- **Net efficiencies / Cost inflation:** (1)
- **FX:** 2
- **2014/15:** 24

- **Volume:** Declines in transportation, ports & borders and military
- **Price/mix:** Impact of lower margin contracts
- **Net efficiencies:** Inflationary increases partly offset by cost savings and efficiencies
- **FX:** Impact of translation (£2m) / transaction +£4m
Smiths Interconnect

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

2014 Revenue by sector

£445m

1 Connectors 34%
2 Microwave 45%
3 Power 21%

Contribution to 2014 Group revenue: 15%
Contribution to 2014 headline operating profit: 13%

Employees: (2014) 4,000

Revenue £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>445</td>
</tr>
<tr>
<td>2013</td>
<td>461</td>
</tr>
<tr>
<td>2012</td>
<td>449</td>
</tr>
<tr>
<td>2011</td>
<td>379</td>
</tr>
<tr>
<td>2010</td>
<td>340</td>
</tr>
</tbody>
</table>
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 operations 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, 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, 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: Margins and volumes down due to tough trading conditions

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2014</th>
<th>reported</th>
<th>underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>198</td>
<td>210</td>
<td>(6)%</td>
<td>(6)%</td>
</tr>
<tr>
<td>Headline operating profit</td>
<td>18</td>
<td>27</td>
<td>(33)%</td>
<td>(33)%</td>
</tr>
<tr>
<td>Margin</td>
<td>9.2%</td>
<td>13.1%</td>
<td>(390) bps</td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>12.0%</td>
<td>12.2%</td>
<td>(20) bps</td>
<td></td>
</tr>
</tbody>
</table>

- Headline operating profit
- Volume: Delays in customer spending and programme slowdowns in many markets
- Price/mix: Adverse mix and pricing pressure in data centres
- Operational efficiencies: Factory inefficiencies due to lower volumes partly offset by procurement savings
- Investment: Sales investment to drive future growth
- Fuel For Growth: Programme benefits
A global provider of engineered components that heat and move fluids and gases for the aerospace, medical, industrial, construction and domestic appliance markets.

Contributions to 2014 Group revenue:
- Fluid Management: 33%
- Construction: 30%
- Heat Solutions: 23%
- Flexible Solutions: 14%

Revenue £m
- 2014: 250
- 2013: 253
- 2012: 233
- 2011: 221
- 2010: 212

Employees: 2,000 (2014)
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.

**Principal operations 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: Hitachi, 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: Improved volumes, price/mix; increased growth investment

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>reported</th>
<th>underlying</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>128</td>
<td>123</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Headline operating profit</strong></td>
<td>23</td>
<td>22</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td>18.1%</td>
<td>18.3%</td>
<td>(20) bps</td>
<td></td>
</tr>
<tr>
<td><strong>ROCE</strong></td>
<td>33.7%</td>
<td>32.7%</td>
<td>100 bps</td>
<td></td>
</tr>
</tbody>
</table>

- Volume: Driven by US residential construction, specialty heating elements and aero/automotive hoses
- Price/mix: Improved pricing mainly in construction
- Investment: New product development and marketing
## Interim results 2015

<table>
<thead>
<tr>
<th></th>
<th>Headline*</th>
<th></th>
<th>Statutory</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>reported</td>
<td>underlying#</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,416</td>
<td>1,442</td>
<td>1,416</td>
<td>1,442</td>
</tr>
<tr>
<td>Operating profit</td>
<td>232</td>
<td>245</td>
<td>164</td>
<td>170</td>
</tr>
<tr>
<td>Operating margin</td>
<td>16.4%</td>
<td>17.0%</td>
<td>11.6%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>208</td>
<td>215</td>
<td>131</td>
<td>132</td>
</tr>
<tr>
<td>Basic EPS (p)</td>
<td>38.5</td>
<td>39.5</td>
<td>21.8</td>
<td>23.7</td>
</tr>
<tr>
<td>Free cash-flow</td>
<td>58</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend (pps)</td>
<td>13.00</td>
<td>12.75</td>
<td>13.00</td>
<td>12.75</td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>15.4%</td>
<td>16.6%</td>
<td>(120) bps</td>
<td></td>
</tr>
</tbody>
</table>

* 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

<table>
<thead>
<tr>
<th></th>
<th>Revenue growth</th>
<th>Operating profit growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Crane</td>
<td>+1%</td>
<td>0%</td>
</tr>
<tr>
<td>Smiths Medical</td>
<td>+6%</td>
<td>+9%</td>
</tr>
<tr>
<td>Smiths Detection</td>
<td>-5%</td>
<td>-15%</td>
</tr>
<tr>
<td>Smiths Interconnect</td>
<td>-6%</td>
<td>-33%</td>
</tr>
<tr>
<td>Flex-Tek</td>
<td>+4%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>+1%</strong></td>
<td><strong>-3%</strong></td>
</tr>
</tbody>
</table>
Return on capital reduced with lower profit in Detection 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.
Strong balance sheet supports growth investment

Interest split

Currency split

Debt split

<table>
<thead>
<tr>
<th></th>
<th>Net debt</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>1,107</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>(178)</td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>929</td>
<td></td>
</tr>
</tbody>
</table>

Weighted average life of debt is 4.3 years

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

$800m Revolving Credit Facility
now maturing in 2020

Target net debt to EBITDA: 1.5-2.0x

31 July 2014: 1.38x

Undrawn committed bank facilities of US$567m at 31 January 2015
## Net debt increased by £125m to £929m

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt at start of period</td>
<td>(804)</td>
</tr>
<tr>
<td>Operating cash (after capex etc.)</td>
<td>204</td>
</tr>
<tr>
<td>Interest and tax</td>
<td>(71)</td>
</tr>
<tr>
<td>Exceptionals/Pensions</td>
<td>(75)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>58</td>
</tr>
<tr>
<td>Dividends</td>
<td>(108)</td>
</tr>
<tr>
<td>Financing acquisitions, investments and disposals</td>
<td>(1)</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(47)</td>
</tr>
<tr>
<td>Purchase of own shares less proceeds from issue of share capital</td>
<td>(9)</td>
</tr>
<tr>
<td>Cash outflows from financial instruments</td>
<td>(3)</td>
</tr>
<tr>
<td>Movement in fair value of swapped debt and interest accrual</td>
<td>(15)</td>
</tr>
<tr>
<td>Change in net debt</td>
<td>(125)</td>
</tr>
<tr>
<td><strong>Net debt at end of period</strong></td>
<td>(929)</td>
</tr>
</tbody>
</table>
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 £249m
Discounted pre-tax provision £232m
Claims dismissed 237,000
Claims outstanding 79,000
Adverse judgments 132
Adverse judgment awards paid $150m

Cumulative charts as at 31 January 2015

Cumulative claim history

Cumulative claim trends

Provisions and claims as at 31 January 2015