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Andy Reynolds Smith
Chief Executive
Agenda

- H1 Performance review
  - Andy Reynolds Smith
- H1 Financial performance
  - Chris O’Shea
- Initial observations
  - Andy Reynolds Smith
- Question & Answer session
H1 results overview

- Revenue and headline operating profit in line with expectations
- John Crane impacted by challenging oil and gas markets; aftermarket revenues more resilient
- Continued growth at Smiths Medical
- Good profit growth at Smiths Detection
- Interim dividend 13.25 pence per share

Revenue*

£1,372m  
-3%

Headline operating profit

£217m  
-6%

* On an underlying basis
John Crane results impacted by challenging oil and gas end markets.

- Revenue down 11% - first-fit sales declined 15%, more resilient aftermarket sales down 7%
- Margins driven lower by volumes and investment in strategic first fit projects to expand the installed base
- Action to position the business in current environment by addressing fixed costs

Revenue
£393m
-11%

Headline profit
£78m
-24%

Headline operating margin
19.9%  
-330bps

58% aftermarket

Non Energy 40%
Downstream 45%
Midstream 9%
Upstream 6%
Smiths Medical reported underlying revenue growth. Again.

- Continued growth in revenue and profitability driven by Infusion Systems and Vital Care
- R&D increased 50 bps to 5.8% of sales
- Emerging market sales increased – growth of 9% in China, 20% in India

**Revenue**
- £411m
- +1%

**Headline profit**
- £84m
- +4%

**Headline operating margin**
- 20.5%
- +150bps

* Consumables and disposables
Smiths Detection management actions delivered profitable growth.

- Value engineering and programme management initiatives delivered revenue and margin benefit
- Strong performance in Ports & Borders, with progress in Military; offset by weakness in Transportation and Critical Infrastructure
- R&D at 5.1% of sales reflects disciplined approach to new product development

Revenue  
£240m  
+4%

Headline profit  
£30m  
+38%

Headline operating margin  
12.4%  
+210bps

38% aftermarket
Smiths Interconnect performance stabilised.

- Restructuring and cost controls helped to stabilise performance
- Margin improvement also driven by Connectors and Power; more than offsetting Microwave performance
- Increased focus on commercial opportunities in Asia

Revenue
£196m
-3%

Headline profit
£19m
-%

Headline operating margin
9.7%
+50bps
Revenue and margin performance in line with expectations

- Growth in aerospace, U.S. housing and medical sectors; partly offset by some industrial commercial segments
- Further progress in China with double digit sales growth

Flex-Tek delivered a solid performance.

Revenue
£132m
-1%

Headline profit
£23m
-5%

Headline operating margin
17.6%
-50bps
Chris O’Shea
Chief Financial Officer

H1 Financial performance
### Resilient financial performance

<table>
<thead>
<tr>
<th>(£m)</th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>Underlying growth</th>
<th>Reported growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,372</td>
<td>1,416</td>
<td>(3)%</td>
<td>(3)%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>217</td>
<td>232</td>
<td>(6)%</td>
<td>(6)%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>15.8%</td>
<td>16.4%</td>
<td>(60) bps</td>
<td>(60) bps</td>
</tr>
<tr>
<td>Headline free cashflow</td>
<td>174</td>
<td>132</td>
<td></td>
<td>32%</td>
</tr>
<tr>
<td>ROCE</td>
<td>15.4%</td>
<td>15.4%</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Basic EPS</td>
<td>35.2p</td>
<td>38.5p</td>
<td></td>
<td>(9)%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>13.25p</td>
<td>13.0p</td>
<td></td>
<td>2%</td>
</tr>
</tbody>
</table>
Group revenue fell 3% on an underlying basis…
…whilst profitability remained resilient

### Operating margin

<table>
<thead>
<tr>
<th></th>
<th>H1’16</th>
<th>H1’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Crane</td>
<td>19.9%</td>
<td>23.2%</td>
</tr>
<tr>
<td>Medical</td>
<td>20.5%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Detection</td>
<td>12.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Interconnect</td>
<td>9.7%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Flex-Tek</td>
<td>17.6%</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>Group margin</strong></td>
<td><strong>15.8%</strong></td>
<td><strong>16.4%</strong></td>
</tr>
</tbody>
</table>

### Operating profit

- **H1’15 Operating profit**: £232m
- **Currency and A&D**: £1m
- **Underlying**: £233m
- **John Crane**: £25m
- **Interconnect**: £0m
- **Flex-Tek**: £1m
- **Central costs**: £1m
- **Detection**: £8m
- **Medical**: £3m
- **H1’16 Operating profit**: £217m
Cash conversion exceeded 100%...
...resulting in an 32% improvement in headline free cashflow
Net debt higher due to final dividend and FX

- Opening net debt: £818
- Foreign exchange: £108
- Legacy and non-headline payments: £102
- Headline free cashflow: £1,028
- Dividend: £174
- Other: £111
- Closing net debt: £986

Total increase in net debt due to final dividend and FX: £21

£m

1,050
1,000
950
900
850
800
750
700
650
The Group has a good range of debt maturities

Weighted average debt facilities maturity
4.6 years

Weighted average interest rate
4.03%

Credit ratings
BBB+/Baa2 stable

The chart shows the distribution of bonds and bank facility usage over the years 2016 to 2023. The weighted average debt facilities maturity is 4.6 years, the weighted average interest rate is 4.03%, and the credit ratings are BBB+/Baa2 stable.
Substantial progress made on pensions

Pension funding exercise concluded

- Significantly lower deficits
- Schemes de-risked
- Enhanced free cash flow
- Certainty of funding over the next 3 years
- FY16 pension cash contributions of £124m is £27m less than previously stated

Annual cash contributions

<table>
<thead>
<tr>
<th>Y/E July (£m)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIPS</td>
<td>60</td>
<td>39</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>TIGPS</td>
<td>16</td>
<td>11</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>US</td>
<td>27</td>
<td>74</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>124</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>
A strong financial framework

- Intelligent cost control: Reduce costs to invest in growth generating activities
- Use assets more efficiently: Opportunity to improve utilisation
- Optimal working capital investment: Reduce inventory and invest cash in growth
- Relentless focus on cash generation: Cash as a key measure of underlying performance
- Disciplined capital allocation: Deploy capital to maximise risk-adjusted returns
Andy Reynolds Smith
Chief Executive

Initial observations
Smiths Group today

Revenue by division

- John Crane: 29%
- Medical: 30%
- Detection: 17%
- Interconnect: 14%
- Flex-Tek: 10%

Revenue by destination

- North America: 52%
- Europe: 21%
- RoW: 27%

Employees worldwide: 23,000
Engineers & scientists: 3,000
Sites worldwide: 350
How we look at excellence at Smiths

Technology
Smiths Detection, Wiesbaden

Customer
Smiths Medical, St Paul

Production
Smiths Interconnect, Shanghai

Supply Chain
Flex-Tek, Tennessee

Programme
Smiths Detection, Wiesbaden

People
John Crane, Tianjin
Customer intimacy

- Continuous drive to broaden and deepen customer intimacy across the Group
- Increase our customer offering in service element of delivery
- Relentlessly innovate to meet our customers’ needs

Embedding ourselves as a trusted partner with customers - a key initiative to drive aftermarket sales.
Increase operational intensity

- Good but can be so much better
- Faster and more agile decision making
- Consistent execution across the portfolio is key
- More efficient, better flow in our operations
- Opportunities to streamline cost base

Considerable scope for operational improvements to unlock value.
Above market growth

Increasing aftermarket sales can help to smooth revenue profile and benefit margins.

- Target leadership positions in attractive markets to unlock long-term growth
- 80% of Group revenues come from 5 market sectors
- Only half of our top 28 product lines are growing
- Need to change our approach to focus on attractive markets and capabilities
- Plan to grow above the markets we serve
Assessing our market attractiveness and competitiveness

Revenue by market

- Healthcare
- Energy & petrochemical
- Homeland security
- Industrial
- Defence
- Other
Squaring the circle

Squaring the circle to optimise growth, investment and returns

Revenue Growth

Profitability

Returns

Cash Generation

Investment

Capital Returns

Growth
Priorities

Customer intimacy
- Drive growth
- Address competitive positioning
- Establish continuous improvement culture

Operational intensity
- Extract operational efficiencies to free up cash
- Invest in long-term value creation

Above market growth
- Develop asset light and technology heavy business

Potential to unlock significant value
Group outlook

- Global energy markets to remain challenging in H2; taking action to position John Crane in an uncertain environment
- Smiths Medical to deliver a similar revenue performance in H2; some margin benefit
- Strong order book at Smiths Detection expected to drive revenue growth in H2; margins to moderate due to contract mix and investment
- Group performance slightly more weighted to H2 than usual
- Our expectations for the full year remain unchanged
Appendix
Reconciliation of operating profit

<table>
<thead>
<tr>
<th>Classification</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headline Operating Profit</strong></td>
<td>217</td>
</tr>
<tr>
<td><em>Restructuring programmes</em></td>
<td>(15)</td>
</tr>
<tr>
<td><em>Litigation provision: John Crane, Inc.</em></td>
<td>(2)</td>
</tr>
<tr>
<td><em>Litigation provision: Titeflex Corporation</em></td>
<td>7</td>
</tr>
<tr>
<td><em>Changes to post-retirement benefits</em></td>
<td>(10)</td>
</tr>
<tr>
<td>Amortisation of acquired intangible assets</td>
<td>(9)</td>
</tr>
<tr>
<td>Legacy retirement benefits administration</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Statutory operating profit</strong></td>
<td>183</td>
</tr>
</tbody>
</table>
Normal full year translational foreign exchange impact

- A 10c movement in USD would have £15m effect on profit
- A 10c movement in EUR would have £5m effect on profit