smiths
bringing technology to life

Interim Results

19 March 2014

Celebrating 100 years on the London Stock Exchange

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Philip Bowman
Chief Executive

Introduction

Key messages

Good progress in commercial end markets, tough in medical and defence

- Continued to rebalance the business towards growth markets
- Strengthening the management team, our processes and information systems

Continued focus on investment in growth drivers

- Company-funded R&D investment up 7%
- Emerging market sales flat - representing 15.2% of Group revenues

Focus on operational efficiencies to fund growth and enhance returns

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

Setting medium-term operating ranges to reiterate organic potential

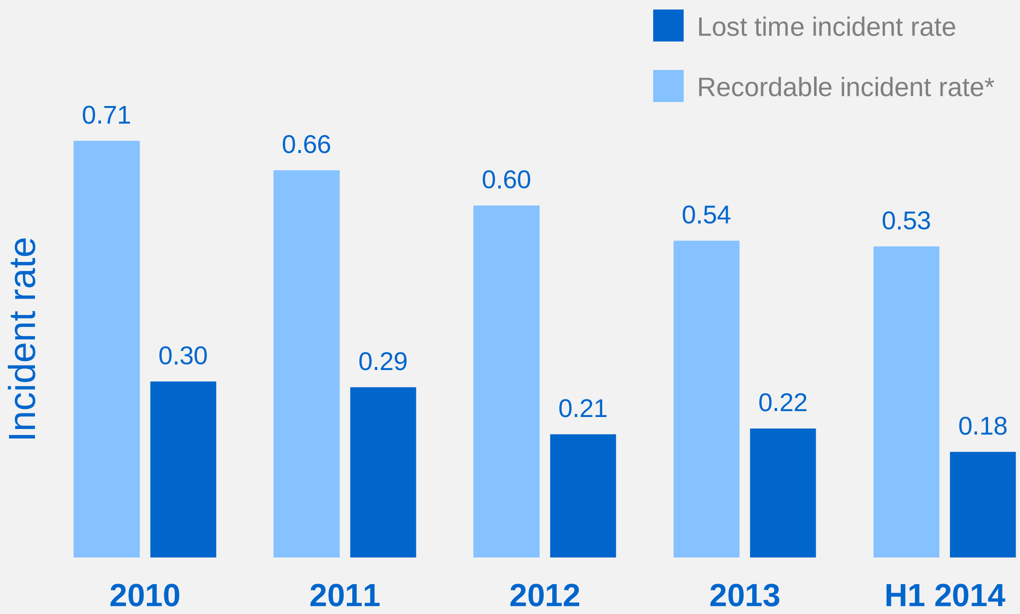
- Divisional organic annual revenue growth and margin ranges
- Augment these ranges with acquisitions to accelerate our strategy and drive value

Results overview

- Reported headline revenue down 2%; underlying down 1%
- Headline operating profit down 3%, underlying down 2%
- Headline EPS down 1.4p to 39.5p
- Cash conversion strong at 86% - free cash flow of £30m
- Return on capital employed down 10 bps at 16.6%
- Dividend up 2% to 12.75 pence

Promoting responsibility: An increased focus is delivering improvements

Recordable & lost time incident rates continue to improve



** Measured per 100 employees per year using US OSHA definition*

- Continued progress on environment performance
- Beat multi-year targets in FY2013
- Set new 5 year targets starting FY2014
  - Energy
  - Greenhouse gases
  - Water
  - Non-recycled waste
- Performance improvements are progressing

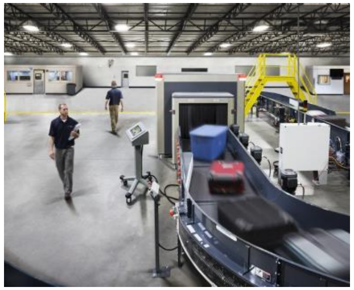
Peter Turner
Finance Director

Financial review

Underlying headline revenue and profit performance

	Revenue growth	Operating profit growth
John Crane	**+2%**	**+9%**
Smiths Medical	**-4%**	**-18%**
Smiths Detection	**-1%**	**-7%**
Smiths Interconnect	**-4%**	**-7%**
Flex-Tek	**+3%**	**+13%**
Group	**-1%**	**-2%**





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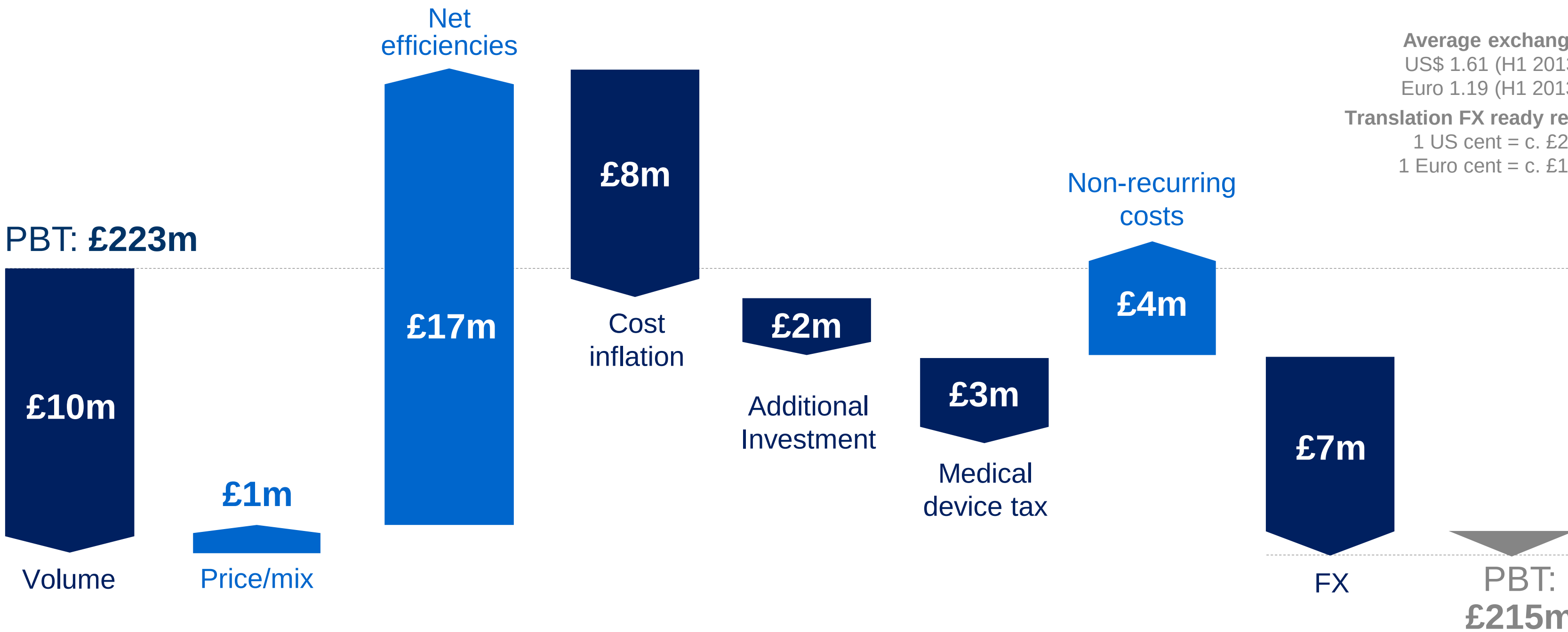
Headline profit progression 2013 to 2014



Average exchange rates
US$ 1.61 (H1 2013: 1.60)
Euro 1.19 (H1 2013: 1.24)

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

- **Volume**: Volume declines primarily in Medical, Interconnect and Detection offset by increases in John Crane and Flex-Tek
- **Price/mix**: Favourable price/mix
- **Net efficiencies:** Operational efficiency initiatives across all divisions
- **Cost inflation:** Mainly wage-related offsetting procurement efficiencies
- **Additional Investment:** Increased investment in new product development
- **Medical device tax:** 2.3% tax on US Medical device sales – five incremental months in the period
- **Non-recurring costs**: One-off costs in prior year not repeated – mainly Detection
- **Foreign exchange**: Translational losses of £2m and transactional losses of £5m

Group cash conversion

£m (for continuing activities)	**2014**	2013
Headline operating profit	245	253
Changes in working capital	(32)	(43)
Share based payment	4	6
Capital expenditure (Property, plant & equipment)	(24)	(21)
Depreciation	23	27
Development costs & other intangibles (net of amortisation and deferred income)	(5)	1
Operating cash-flow	211	223
Conversion rate	**86%**	88%

Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**245**
Restructuring programmes	*(14)*	
Litigation provision: John Crane, Inc.	*(34)*	
Litigation provision: Titeflex Corporation	*(5)*	
Other items	*2*	
Exceptional operating items		(51)
Amortisation and impairment of acquired intangible assets		(21)
Legacy retirement benefits		(3)
Statutory operating profit		**170**

Fuel for growth – driving efficiencies to support growth investment

£m	Costs H1 2014	Total costs	Full annualised benefits
John Crane	4	28	14
Medical	4	46	23
Detection	2	28	14
Interconnect	2	15	7
Flex-Tek	-	3	2
Total	**12**	**120**	**60**

£m	H1	2013/14	2014/15	2015/16	2016/17	Ongoing
Savings in year	**1**	**5**	**20**	**40**	**50**	**60**

£25m of costs expected in H2 2014

Pensions: Deficit improved modestly to £236m

Deficit movement since 31 July 2013

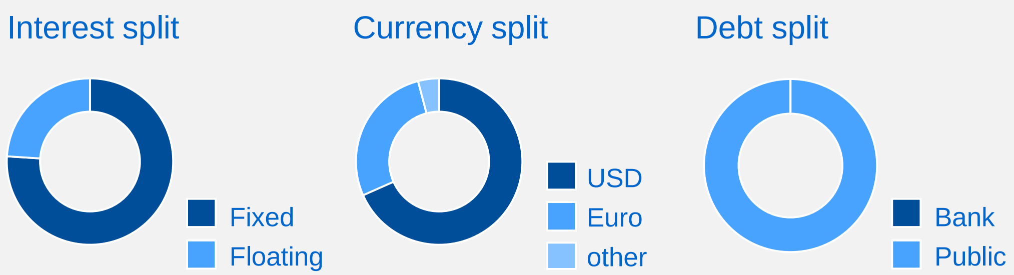
	£m
Deficit at 31 July 2013	**(254)**
Foreign exchange	13
Return on assets	106
Contributions (net of service costs)	47
Change in liabilities	(148)
Deficit at 31 Jan 2014	**(236)**
Including escrow gilts of £96m	***(140)***

Annual cash contributions

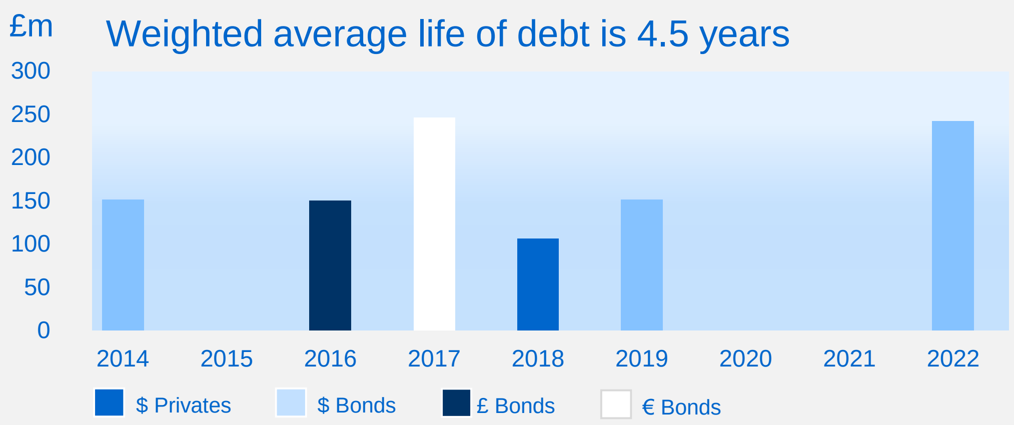
	2014
Funded scheme contributions	£80m
- Smiths Industries PS	*£36m*
- TI Group PS	*£16m*
- US and other	*£28m*
Escrow contributions	£24m

£m	**31 January 2014**	31 July 2013	31 January 2013
Assets	**3,716**	3,696	3,517
Liabilities	**(3,952)**	(3,950)	(3,899)
Deficit	**(236)**	(254)	(382)
UK bond yields	**4.2%**	4.4%	4.5%
UK inflation	**3.3%**	3.4%	3.4%
US bond yields	**4.7%**	4.8%	4.2%

Strong balance sheet supports investment in acquisitions and growth



Net debt	**£m**
Borrowings	**1,071**
Cash	**(170)**
Net debt	**901**



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

New $800m Revolving Credit Facility maturing in 2019

Undrawn committed bank facilities of US$800m at 31 January 2014

Guidance – financial items

Headline finance charge	c. £60m
Headline tax rate	26-28%
Cash conversion	90-100%
Funded pension scheme contributions	c. £80m + £24m to escrow
Year end net debt (subject to FX and acquisitions)	c. £800m

Philip Bowman
Chief Executive

Operational review and priorities

John Crane: Delivering revenue growth, improving margins and returns

Underlying revenue	Underlying headline profit	Headline operating margin
+2%	+9%	+140 bps 23.2%

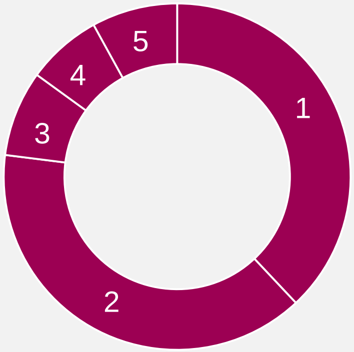
- Sales growth driven by mid- and downstream oil and gas customers
- Margins driven by higher revenue and productivity efforts
- Aftermarket revenue grew 3%; excluding upstream oil services
  - Strong activity across Middle East, Latin American, North America
  - New Performance Plus agreements in several markets
- Upstream oil services declined – affected by severe weather in US and competitive environment
- First-fit OEM underlying revenues up 6%
  - New capital projects in oil and gas
  - Power generation remains challenging

2014 H1 Revenue:£469m

1 First-fit OEM 38%

Aftermarket 62%

2 Oil, gas & petrochem 39%
3 Chemical and pharma 8%
4 Distributors 7%
5 General Industry 8%



John Crane: Investments position John Crane for future growth



Investments in emerging markets are driving revenues

- Emerging market revenues up 9%
    - Up 47% in Saudi Arabia, up 15% in Brazil, Singapore and Malaysia both up 60%
- Investing in China, ASEAN countries and Middle East
- Emerging markets represent c. 23% of revenues

New products and services expected to drive medium-term growth

- Focused on addressing customer demands in challenging operating situations
    - Higher pressures and speed; more difficult operating environments
    - Reducing environmental impact and improving energy efficiency
- New technology developed for condition monitoring of gas seals during operation

John Crane: Medium-term operating ranges

Revenue growth

Market growth drivers

- Demand for global energy
  - Investment in oil and gas
  - Utilisation of installed base
- Increasing emerging market consumption
- Exploitation of unconventional reserves

Strategic growth initiatives

- Driving above average growth
- Expansion of service centre network in high-growth markets
- Leverage global scale
- New product development to expand core and exploit adjacencies
- Opportunities from wider exploitation of shale

Underlying growth

Mid-single digits

4-6%

Headline operating margin

Margin drivers

- Volume leverage and ongoing productivity initiatives
- Restructuring programme
- Focus on service and quality to support pricing opportunities
- New product launches

Margin constraints

- Investment initiatives in high growth markets
- Increasing new product development (+12-15% pa)
- Investment in information systems
- Cost inflation
- Talent upgrades

Margin expansion to support top quartile margins

22-25%

Note: Annual organic growth at constant currencies over the medium term - assuming there are no discontinuities in market growth drivers

John Crane: Outlook

Outlook

- Strong order book supports growth
- H2 growth rate expected within our operating range
- Increased investment in growth initiatives – sales network, new product development
- Margins expected towards upper end of target range

Reliability engineer performs system checks at a refinery

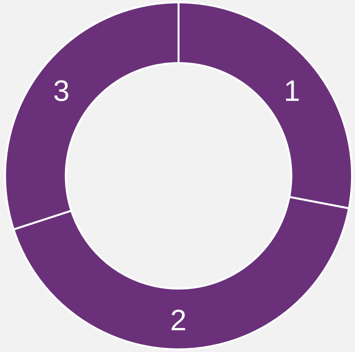
Smiths Medical: Tough trading: volume and price pressure with distributor destocking

Underlying revenue	Underlying headline profit	Headline operating margin
(4)%	(18)%	(280) bps 18.3%

- Tough trading in developed markets – sluggish procedure volumes, price pressure
- US revenue down 6% due to distributor destocking while US end customer sales down only 1%
- Margins affected by lower volumes and £3m medical device tax
- Medication delivery - sales flat
  - Capital budget constraints affecting syringe pumps
  - Growth in ambulatory pumps offset by syringe pumps
- Vital care - sales down 3%
  - Affected by lower volumes, pricing and distributor destocking
- Safety devices - sales down 8%
  - Pressure in sharps safety, PIVC and vascular access

2014 H1 Revenue: £389m

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



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

New product investment at new high - up 5% to 4.9% of revenue (2013: 4.5%)

- CADD-Solis PIB – recently received FDA clearance, launched in US in February
- Recent launches continue to provide traction:
    - Jelco IntuitIV, ViaValve, Bivona Inner Cannula, CADD-Solis VIP in US, MedFusion 3500 V6

Continued investment to rebalance towards high growth markets

- 3-5-year programme to expand emerging market presence
- Good growth in Brazil (up 15%) and India (up 27%)
- But overall emerging market sales down 10%
- Reflecting delays with a new infusion pump launch in China and lower distributor demand
- Product registrations continue to be slow as requirements have been raised
- Ongoing programme to realign the business but more work to be done

Smiths Medical: Medium-term operating ranges

Revenue growth

Market growth drivers

- Emerging market growth
- Safety legislation (EU, Brazil)
- Chronic conditions increasing
- Shift to alternate sites of care
- Developed markets: low growth rate, pricing pressure and capex constraints

Strategic growth initiatives

- Portfolio penetration in developed markets
- Continued investment in emerging market growth
- Accelerated new product development to protect core and exploit adjacencies
- Expanded portfolio penetration in alternate sites
- Solutions to reduce hospital costs and drive quality

Underlying growth

Low-single digits

0-3%

Headline operating margin

Margin drivers

- Footprint optimisation; Variable cost productivity initiatives
- Volume leverage; favourable mix
- New product launches
- Commercial model refinements
- G&A cost controls

Margin constraints

- US Medical Device Tax
- Developing market investments
- Increasing new product development
- Continued investment in information systems
- Cost inflation
- Price pressure drop through
- Talent upgrades

Margin range

20-24%

Note: Average annual organic growth at constant currencies over the medium term - assuming there are no discontinuities in market growth drivers

Smiths Medical: Outlook

Outlook

- Developed markets are likely to remain challenging
- Second half performance is expected to be below the prior year at constant currencies with a reduced rate of decline compared with the first half
- Focus will remain on investment in new product development
- Investing in sales and marketing; increasing emerging market exposure
- Focus on cost savings to fund growth
- Improve quality and delivery

More advanced and robotics-led surgical procedures demand longer anaesthesia breathing circuits

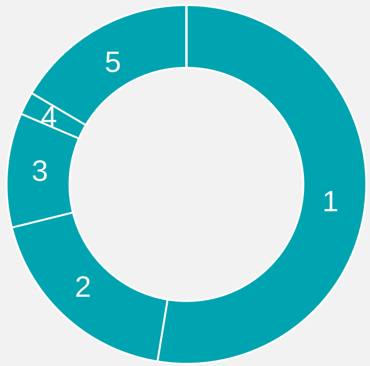
Smiths Detection: Government budget pressures against a strong comparator

Underlying revenue	Underlying headline profit	Headline operating margin
(1)%	(7)%	(20) bps 11.8%

- Revenue down against strong comparator period
- Growth in critical infrastructure offset by declines elsewhere
- Margins affected by volumes declines and low margin contracts
- Transportation underlying sales down 3%
  - Against a strong prior year comparator
- Ports & borders underlying sales down 3%
  - Declines against a strong comparator period
- Military underlying sales down 11%
  - Defence budget pressures
- Critical infrastructure underlying sales up 17%
  - Success in emerging markets; stabilisation in US revenues

2014 H1 Revenue: £251m

1 Transportation 51%
2 Ports & borders 18%
3 Military 10%
4 Emergency responders 2%
5 Critical infrastructure 19%



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

Increased investment in new products – strong pipeline of new launches

- Company-funded spend increased 13% to £19m or 7.5% of sales (2013: £17m and 6.6%)
- Total spend of £21m or 8.4% of sales – with £2m of customer-funded projects

Recent product launches

- HI-SCAN 6040-2is: next generation, dual view X-ray scanner
- HCVL and HCVMe35: two new powerful X-ray system for scanning complete vehicles
- ACE-ID: handheld explosives identifier using RAMAN laser based spectroscopy

Aftermarket revenues grew 15%

- Increased focus is delivering benefits
- Boosted by some large consumables contracts
- Grown to 27% of revenues – excluding large consumable contracts

Smiths Detection: Medium-term operating ranges

Revenue growth

Market growth drivers

- Globalisation of trade
- Increasing international travel
- On-going terrorist threats
- Increasing regulatory standards

Strategic growth initiatives

- Increase penetration of specific end-use markets/key geographies to drive revenue growth
- Focus on customer needs to drive profitability
  - Aftermarket service
  - Optimise customer value proposition
  - Innovation

Underlying growth

Variable, Averaging mid-single digits

4-6%

Headline operating margin

Margin drivers

- Ongoing productivity initiatives
- Restructuring programme
  - Supply chain
  - Product optimisation
- New product launches

Margin constraints

- Investment in new growth platforms
- Investment in information systems
- Cost inflation
- Talent upgrades
- External pricing pressure

Margin range

14-20%

Note: Average annual organic growth at constant currencies over the medium term - assuming there are no discontinuities in market growth drivers

Smiths Detection: Outlook

Outlook

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

The Target-ID helps police and government agencies identify illicit drugs.

Smiths Interconnect: Defence market headwinds against a strong comparator period

Underlying revenue	Underlying headline profit	Headline operating margin
(4)%	(7)%	(40) bps 13.1%

- Reduced demand on military programmes offsetting general improvements in commercial markets
- Margins affected by lower volume and mix despite productivity initiatives – cost savings mainly reinvested in business development
- Connectors – sales down 3%
  - Defence weak with falling Eurofighter demand and lower US spend
  - Commercial aviation, medical segments and Asia grew
- Microwave – sales down 6% against a strong comparator
  - Reductions in major defence programmes
  - Telecoms grew in Asia and Middle East and won new US customers
- Power – sales down 2%
  - Data centre demand positive – particularly in colocation sector
  - Offset by declines in power protection products, largely US telecoms

2014 H1 Revenue: £210m

1 Connectors 35%
2 Microwave 43%
3 Power 22%

Smiths Interconnect: Investing in new products and emerging markets

New product development focused on high growth markets

- Company-funded R&D increased 8% to £12m or 5.8% of sales (2013: 5.2%)
- Customer-funded portion stable at £2m
- Total R&D spend of £14m or 6.5% of sales (2013: 5.9%)
- New product initiatives include:
  - New higher density semiconductor test sockets
  - Connectors for new applications such as electric vehicles and downhole logging
  - New variants for PIM testing and satellite communications antenna systems

Expansion in emerging markets

- Emerging market sales up 8% underlying to represent 16.7% of sales, up 180 bps

Smiths Interconnect: Medium-term operating ranges

Revenue growth

Market growth drivers

- Growth in commercial markets - data centre, mobile telecoms, semiconductor, aerospace
- Defence customers under budgetary pressures
- Other end markets grow in line with developed market GDP

Strategic growth initiatives

- Transition focus towards higher-growth commercial customers with reduced reliance on lower-growth defence customers
- Investment in strategic marketing opportunities to leverage existing customers and exploit adjacent markets
- Shifting focus and resources to emerging markets, particularly Asia

Underlying growth

Low to mid-single digits

3-5%

Headline operating margin

Margin drivers

- Volume leverage and ongoing productivity initiatives
- Restructuring programme: value engineering and site efficiencies
- New product launches

Margin constraints

- Investment in growth and efficiency initiatives
- Pricing pressure driven by pace of competition
- Cost inflation, especially in higher growth geographies

Improving margin trend over medium-term

16-18%

Note: Average annual organic growth at constant currencies over the medium term - assuming there are no discontinuities in market growth drivers

Smiths Interconnect: Outlook

Outlook

- Commercial markets (telecoms, semiconductor test, data centres) are expected to grow
- Defence market is likely to remain challenging
- Revenue and profit growth improving in H2 compared with H1
- Margins should benefit from continuing productivity initiatives

Smiths Interconnect's connectors enable fast and reliable testing of packaged semiconductors.

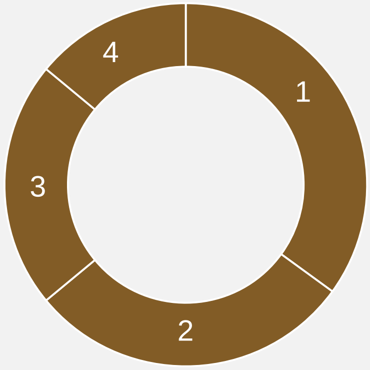
Flex-Tek: Growth from US construction and specialty heating; strong margin boost

Underlying revenue	Underlying headline profit	Headline operating margin
+3%	+13%	+160 bps 18.3%

- Revenue growth from US construction, specialty heating and medical hoses
- Margins up 160 bps from higher volumes
- Fluid Management - sales flat
  - Growth in commercial airframe and automotive products
  - Declines in space, military and development work on aerospace engines
- Construction - sales up 10%
  - Improved demand; single family home starts up 7% to December
- Heat Solutions - sales flat
  - Growth in specialty heating elements; weak sales of HVAC components
- Flexible Solutions - sales up 2%
  - Sales of sleep apnoea products offset US floorcare declines

2014 H1 Revenue: £123m

1 Fluid Management 33%
2 Construction 32%
3 Heat Solutions 21%
4 Flexible Solutions 14%



Flex-Tek: Medium-term operating ranges

Revenue growth

Market growth drivers

- Demand for next generation aircraft
  - Improved fuel efficiency, quieter, greener, and lower maintenance costs.
- Improving US residential housing market
- Increased use of natural gas

Strategic growth initiatives

- Secure positions on next generation airframes and engines
- Capacity expansion in the US and India for Fluid Management & Heat Solutions
- Expanding our geographic market for flexible gas tubing
- New product development to expand core technologies and exploit adjacencies

Underlying growth

Mid-single digits

3-6%

Headline operating margin

Margin drivers

- Efficiency gains from new production facilities in Fluid Management & Heat Solutions
- New products, features, and benefits for next generation aircraft.
- Greater mix of revenues from higher margin businesses.

Margin constraints

- Significant investment in R&D and FAA approval for next generation aviation products.
- Increased S&M spend for personnel in new geographies for gas tubing
- Price pressure in competitive commodity product lines, i.e. bulk heating element & HVAC ducting

Margin range

15-20%

Note: Average annual organic growth at constant currencies over the medium term - assuming there are no discontinuities in market growth drivers

Flex-Tek: Outlook

Outlook

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

Production of rigid tubing for next generation aerospace engine platforms

Operational priorities for 2014

- Continue to rebalance the business profile to accelerate sales growth
- Increase investment in growth drivers: new products, emerging markets
- Deliver the benefits of ‘Fuel for Growth’
- Seek acquisitions to support growth and improved returns for shareholders
- Focus on talent improvement to drive growth and business performance

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bringing technology to life

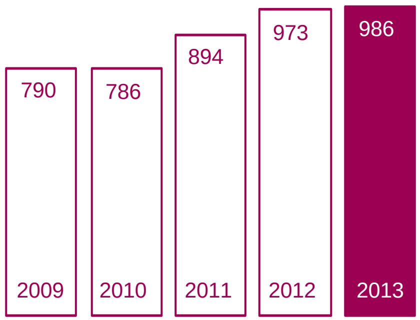
Questions & Answers
Interim Results
19 March 2014

Celebrating 100 years on the London Stock Exchange

John Crane

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

Revenue £m



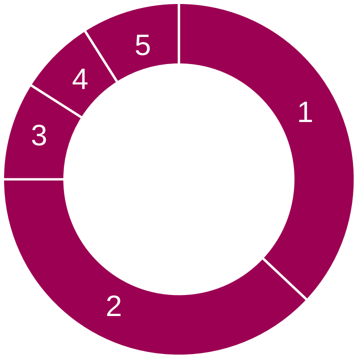
2013 Revenue by sector

£986m

1 First-fit OEM 37%

Aftermarket

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



Contribution to 2013 Group revenue: 32%

Contribution to 2013 headline operating profit: 39%

Percentage relates to headline operating profit before corporate costs

Employees: (2013) 7,000

John Crane

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

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

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

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

John Crane: Margins ahead with higher underlying revenues and efficiencies

£m	**2014**	2013	reported	underlying
Revenue	**469**	469	0%	+2%
Headline operating profit	**109**	102	+6%	+9%
Margin	***23.2%***	*21.8%*	*+140 bps*	
ROCE	***26.5%***	*24.3%*	*+220 bps*	

Headline operating profit	£m
2012/13	102
Price/mix	5
Volume	1
Operational efficiencies	7
Cost inflation	(3)
Foreign exchange	(3)
2013/14	109

- Price/mix: Favourable movement on service contracts
- Volume: Driven by OEM
- Operational efficiencies: Procurement, restructuring and other productivity improvements
- Cost inflation: Labour related
- FX: Net impact of translation (£2m) / transaction (£1m)

Smiths Medical

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

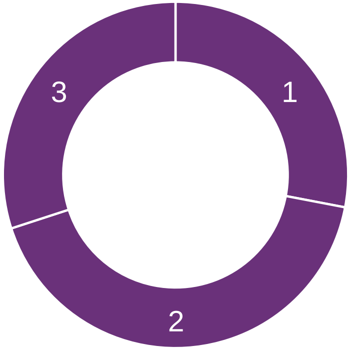
Our products are focused on the medication delivery, vital care and safety devices market segments.

Headline revenue £m

2013 Headline revenue by sector

£850m

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



Contribution to 2013 Group revenue: **27%**

Contribution to 2013 headline operating profit: **32%**

Percentage relates to headline operating profit before corporate costs

Employees: (2013) **7,900**

Smiths Medical

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

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

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

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

Smiths Medical: Facing headwinds from volume, price and US device tax

£m	**2014**	2013	reported	underlying
Headline revenue	**389**	413	(6)%	(4)%
Headline operating profit	**71**	87	(18)%	(18)%
Margin	***18.3%***	*21.1%*	*(280) bps*	
ROCE	***15.3%***	*16.9%*	*(160) bps*	

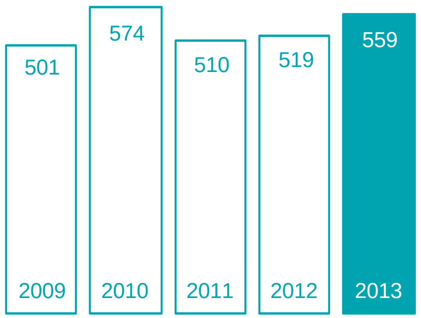
Headline operating profit	£m
2012/13	87
Price/mix	(3)
Volume	(7)
Medical device Tax	(3)
Operational efficiencies	2
Cost inflation	(2)
FX	(3)
2013/14	71

- Price/mix: Negative pricing in many markets
- Volume: Volume pressures including US distributor destocking
- Medical device tax: 2.3% on US sales (five months)
- Efficiencies: Value engineering and procurement savings
- Cost inflation: One-off income in prior period and labour costs offset by reduced sales commissions
- FX: Net impact of translation (£1m) and 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.

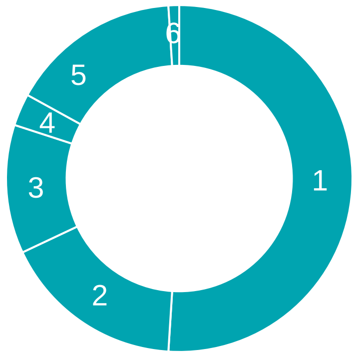
Revenue £m



2013 Revenue by sector

£559m

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



Contribution to 2013 Group revenue: **18%**

Contribution to 2013 headline operating profit: **10%**

Percentage relates to headline operating profit before corporate costs

Employees: (2013) **2,250**

Smiths Detection

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

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

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

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

Smiths Detection: Decline in contract margins offset by restructuring initiatives

£m	2014	2013	reported	underlying
Revenue	**251**	255	(1)%	(1)%
Headline operating profit	**30**	31	(3)%	(7)%
Margin	***11.8%***	*12.0%*	*(20) bps*	
ROCE	***8.6%***	*12.2%*	*(360) bps*	

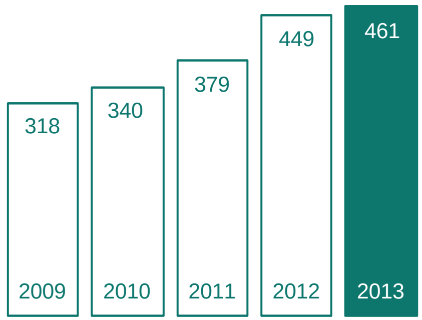
Headline operating profit	£m
2012/13	31
Volume	(2)
Price/mix	(3)
Operational efficiencies	4
One-off costs	4
Investment	(1)
Cost inflation	(2)
Foreign exchange	(1)
2013/14	30

- Volume: Critical infrastructure growth offset by declines elsewhere
- Price/mix: Impact of low margin contracts
- Operational efficiencies: Restructuring savings
- One-off costs: Litigation and restructuring costs in prior period
- Investment: Increase in R&D to drive future growth
- Cost inflation: Labour related
- FX: Net impact of transaction and translation

Smiths Interconnect

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

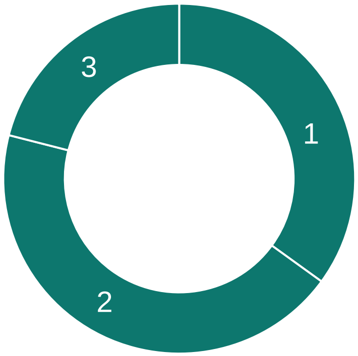
Revenue £m



2013 Revenue by sector

£461m

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



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

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

Percentage relates to headline operating profit before corporate costs

Employees: (2013) **3,850**

Smiths Interconnect

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

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

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

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

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

Smiths Interconnect: Volume declines partly offset by operational efficiencies

£m	**2014**	2013	reported	underlying
Revenue	**210**	218	(4)%	(4)%
Headline operating profit	**27**	30	(7)%	(7)%
Margin	***13.1%***	*13.5%*	*(40) bps*	
ROCE	***12.2%***	*12.3%*	*(10) bps*	

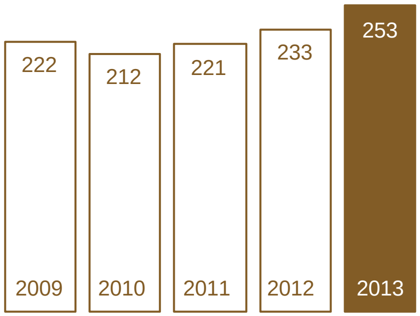
Headline operating profit	£m
2012/13	30
Volume	(3)
Operational efficiencies	2
Investment	(1)
Cost inflation	(1)
2013/14	27

- Volume: Declines across all business units
- Operational efficiencies: Procurement and restructuring savings
- Investment: R&D to drive future growth
- Cost inflation: Labour related

Flex-Tek

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

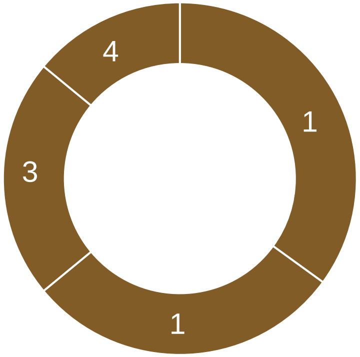
Revenue £m



2013 Revenue by sector

£253m

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



Contribution to 2013 Group revenue: **8%**

Contribution to 2013 headline operating profit: **7%**

Percentage relates to headline operating profit before corporate costs

Employees: (2013) **2,000**

Flex-Tek

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

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

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

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

Flex-Tek: Volume and pricing improvements; record return on capital employed

£m	**2014**	2013	reported	underlying
Revenue	**123**	120	+3%	+3%
Headline operating profit	**22**	20	+13%	+13%
Margin	***18.3%***	*16.7%*	*+160 bps*	
ROCE	***32.7%***	*29.8%*	*+290 bps*	

Headline operating profit	£m
2012/13	20
Price/mix	1
Volume	1
2013/14	22

- Price/mix: Improved pricing
- Volume: US residential construction, specialty heating elements and medical hoses

Interim results 2014

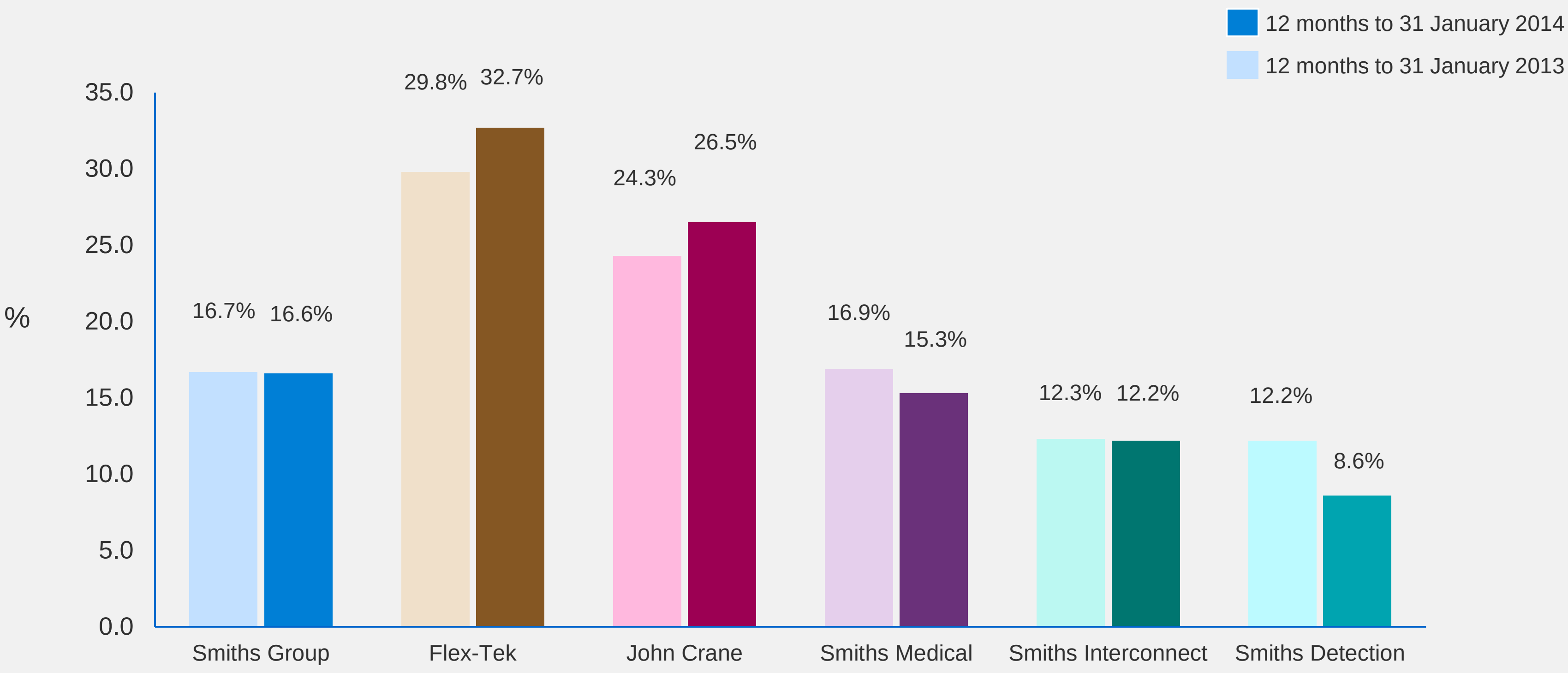
£m	Headline*				Statutory†	
	2014	2013			**2014**	2013
			reported	underlying#		
Revenue	**1,442**	1,475	(2)%	(1)%	**1,442**	1,475
Operating profit	**245**	253	(3)%	(2)%	**170**	211
Margin	***17.0%***	*17.1%*	*(10) bps*	-	***11.8%***	*14.3%*
Pre-tax profit	**215**	223	(4)%	(3)%	**132**	166
Basic EPS (p)	**39.5**	40.9	(4)%		**23.7**	30.7
Free cash flow	**30**	71				
Dividend (pps)	**12.75**	12.50	2%		**12.75**	12.50
Return on capital employed	**16.6%**	16.7%	(10) bps			

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

†The statutory figures for 2013 have been restated for IAS 19 (revised 2011).

#Organic growth at constant currency.

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



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

Net debt increased by £157m driven by dividend payments

£m	2014
Net debt at start of period	**(744)**
Operating cash (after capex etc.)	211
Interest and tax	(88)
Exceptionals/Pensions	(93)
Free cash flow	30
Dividends	(225)
Financing acquisitions and disposals	(1)
Foreign exchange	50
Movement in fair value of swapped debt and interest accrual	(11)
Change in net debt	(157)
Net debt at end of period	**(901)**

Asbestos litigation

Key facts

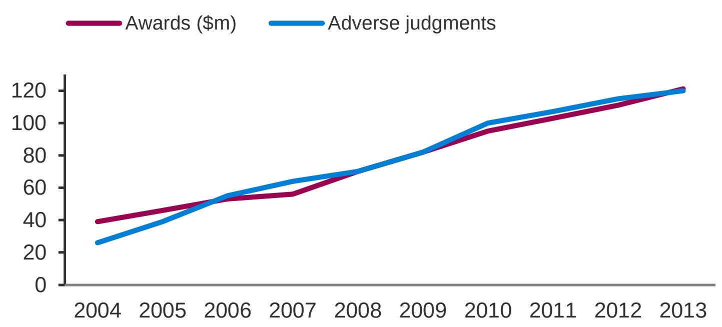
- Production ceased in 1985
- Exposure within John Crane, Inc.
- Resists claims based on ‘safe product’ defense
- Provision determined using independent valuation experts based on 10-year time horizon
- Number of outstanding claims has fallen over time

Key figures

Gross provision	£231m
Discounted pre-tax provision	£207m
Claims dismissed	232,000
Claims outstanding	81,000
Adverse judgments	127
Adverse judgment awards paid	$138m

Provisions and claims as at 31 January 2014

Cumulative claim history



Cumulative charts as at 31 July 2013

Cumulative claim trends