

A close-up photograph of a microscope's objective lenses resting on a blue printed circuit board (PCB). The lenses are labeled 'PAA42' and 'PAA43'. The background is a blurred blue PCB with various components and traces. The overall color scheme is a deep blue with white text and a dotted white circle highlighting the central area.

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bringing technology to life

# ANNUAL RESULTS

22 SEPTEMBER 2017

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## AGENDA

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➤ **BUSINESS REVIEW** | ANDY REYNOLDS SMITH

➤ **FINANCIAL REVIEW** | BILL SEEGER

➤ **STRATEGY UPDATE** | ANDY REYNOLDS SMITH

➤ **Q&A**

BUSINESS REVIEW

**ANDY REYNOLDS SMITH**  
CHIEF EXECUTIVE



## EXECUTING OUR STRATEGY

### STRATEGIC PRIORITIES

### FY17 PROGRESS



**OUTPERFORMING OUR  
CHOSEN MARKETS**

- Focused investment for organic growth
- Significant portfolio upgrading



**ACHIEVING WORLD-CLASS  
COMPETITIVENESS**

- Smiths Excellence System implemented Group-wide
- Innovation driving technological and digital transformation
- Global leadership development plan



**STRONG FINANCIAL  
FRAMEWORK**

- Relentless focus on cash generation
- Supporting further investment capacity

**TO DELIVER SUSTAINABLE GROWTH AND ATTRACTIVE RETURNS**

## GOOD PERFORMANCE DURING PERIOD OF REPOSITIONING

- Revenue broadly in line with prior year
- Strong operating profit and margin expansion whilst also increasing investment
- Operational excellence supporting strong cash conversion of 118%
- Generating further investment capacity to continue portfolio upgrading for growth
- 3% full year dividend growth

### HEADLINE REVENUE

**£3,280m**  
-1%\*

### HEADLINE OPERATING PROFIT

**£589m**  
+3%\*

### HEADLINE OPERATING PROFIT MARGIN

**18.0%**  
+70bps

### AFTERMARKET AND CONSUMABLES

**55%**  
+200bps

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

## BUILDING ON A HIGH QUALITY BUSINESS - JOHN CRANE

- Aftermarket revenue up 1%, OE sales down 11%
- Growth in non oil & gas up 2%, oil & gas down 7%
- Operational efficiency and disposal of Artificial Lift driving margin improvement
- R&D: new products including innovative new seal designs and advanced surface coatings

### HEADLINE REVENUE

**£885m**  
- 4%\*

### HEADLINE OPERATING PROFIT

**£204m**  
- 4%\*

### HEADLINE OPERATING PROFIT MARGIN

**23.0%**  
**+110bps**

### AFTERMARKET

**64%**  
**+500bps**

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

## INCREASED INVESTMENT FOR FUTURE GROWTH - SMITHS MEDICAL

- Portfolio repositioning with investment in product pipeline and the disposal of Wallace
- Softer revenue performance as we refresh and expand our product portfolios
- Efficiency improvements supporting further investment and margin expansion
- R&D: increased 40bps to 6.4% of sales, strong pipeline of new product launches in 2018

### HEADLINE REVENUE

**£951m**  
**- 3%\***

### HEADLINE OPERATING PROFIT

**£209m**  
**+8%\***

### HEADLINE OPERATING PROFIT MARGIN

**22.0%**  
**+60bps**

### AFTERMARKET AND CONSUMABLES

**82%**  
**-100bps**

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability



## STRONG REVENUE DRIVERS - SMITHS DETECTION

- Continued strong growth
- Contract phasing weighted to the first half
- Strong transportation sales; orders for 140 CT scanners
- Increased focus on aftermarket and improved mix supporting margin expansion
- R&D: increased 190bps to 7.1% of sales, pioneering new products
- Financials include 4 months of Morpho Detection

### HEADLINE REVENUE

**£687m**  
**+4%\***

### HEADLINE OPERATING PROFIT

**£103m**  
**+21%\***

### HEADLINE OPERATING PROFIT MARGIN

**15.0%**  
**+200bps**

### AFTERMARKET AND CONSUMABLES

**39%**  
**+200bps**

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

Headline financials inclusive of Morpho Detection acquisition

## EXTENDING OUR GLOBAL LEADERSHIP & CAPABILITIES - MORPHO

- Acquisition successfully completed and disposal of trace business
- Integration on track
- Supporting the division's strong transportation sales in H2
- Confident of even greater benefits of the combination



## REFOCUSSED ON CORE GROWTH MARKETS - SMITHS INTERCONNECT

- Ongoing revenue up 3%\*; strong growth in space and commercial aerospace
- Now focused on leading positions in six core markets which value technology
- Divisional restructuring and procurement savings strengthening margin
- Pursuing organic and selected inorganic investment opportunities
- R&D: 6.7% of sales, improved commercialisation and speed to market

### HEADLINE REVENUE

**£419m**  
**+1%\***

### HEADLINE OPERATING PROFIT

**£56m**  
**+5%\***

### HEADLINE OPERATING PROFIT MARGIN

**13.4%**  
**+30bps**

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

## FURTHER GROWTH AND MARGIN IMPROVEMENT - FLEX-TEK

- Outperforming its key markets
- Strong growth especially Heat solutions
- Margin expansion supported by improved mix and operational efficiency
- Agreement to acquire Osram's heating division; further enhancing product portfolio and market position

### HEADLINE REVENUE

**£338m**  
**+3%\***

### HEADLINE OPERATING PROFIT

**£65m**  
**+11%\***

### HEADLINE OPERATING PROFIT MARGIN

**19.3%**  
**+130bps**

\* On an underlying basis. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

FINANCIAL REVIEW

**BILL SEEGER**  
CHIEF FINANCIAL OFFICER



## 2017 FINANCIAL RESULTS

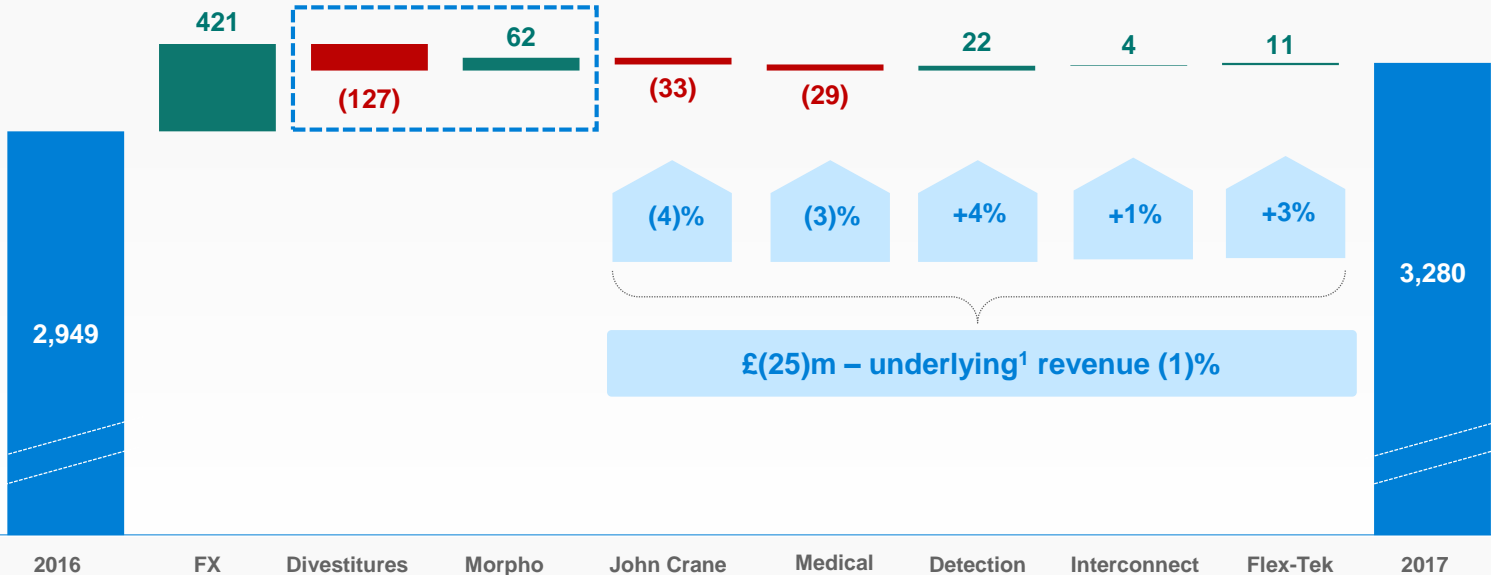
| £m                             | 2017          | 2016   | Change |  |
|--------------------------------|---------------|--------|--------|--|
| Revenue                        | <b>3,280</b>  | 2,949  | +11%   | ▶ (1)% Underlying decline <sup>2</sup> |
| Operating profit <sup>1</sup>  | <b>589</b>    | 510    | +16%   | ▶ 3% Underlying growth <sup>2</sup>    |
| Operating margin <sup>1</sup>  | <b>18.0%</b>  | 17.3%  | +70bps |  |
| Profit before tax <sup>1</sup> | <b>528</b>    | 451    | +17%   |  |
| Free cash flow                 | <b>370</b>    | 243    | +52%   | ▶ Strong cash flow                     |
| ROCE <sup>1</sup>              | <b>16.2%</b>  | 15.3%  | +90bps |  |
| EPS <sup>1</sup>               | <b>97.6p</b>  | 85.2p  | +15%   | ▶ EPS up 15%                           |
| Dividend per share             | <b>43.25p</b> | 42.00p | +3%    | ▶ DPS up 3%                            |

1. Headline excludes non operating items as defined in note 3 of the accounts

2. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

# PORTFOLIO REPOSITIONING...UNDERLYING REVENUE BROADLY IN LINE

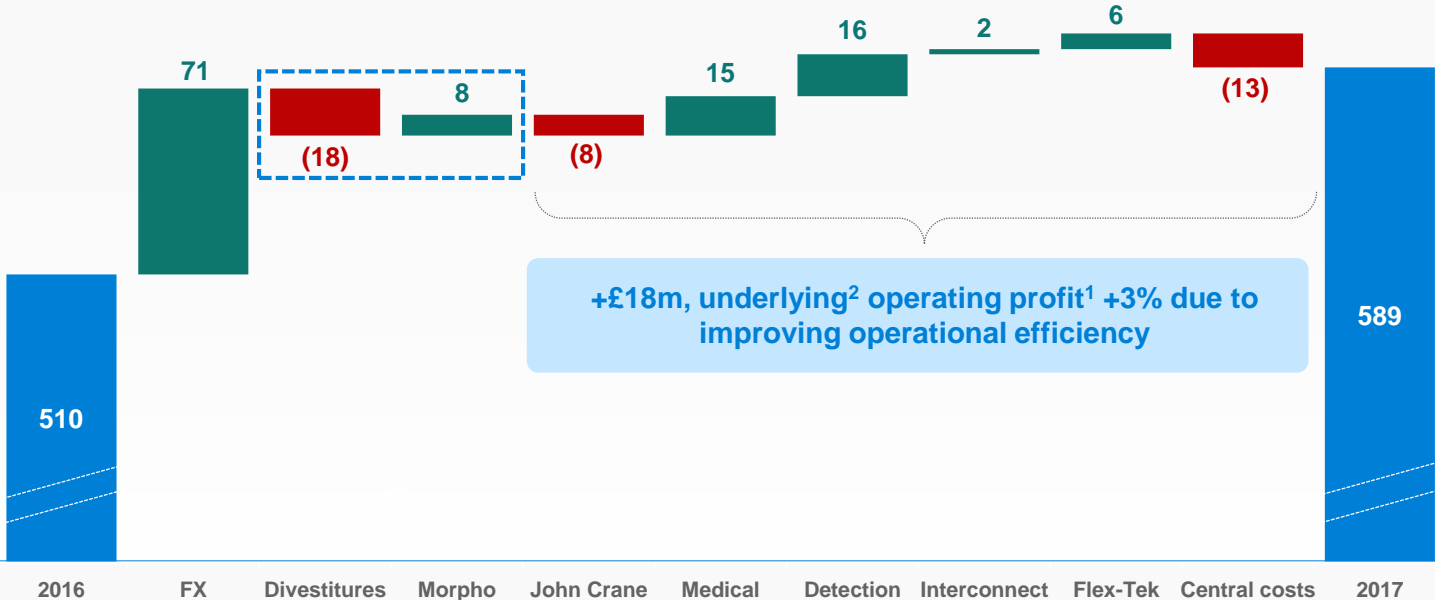
£m



1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

# UNDERLYING OPERATING PROFIT INCREASED 3%

£m



1. Headline excludes non operating items as defined in note 3 of the accounts

2. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability



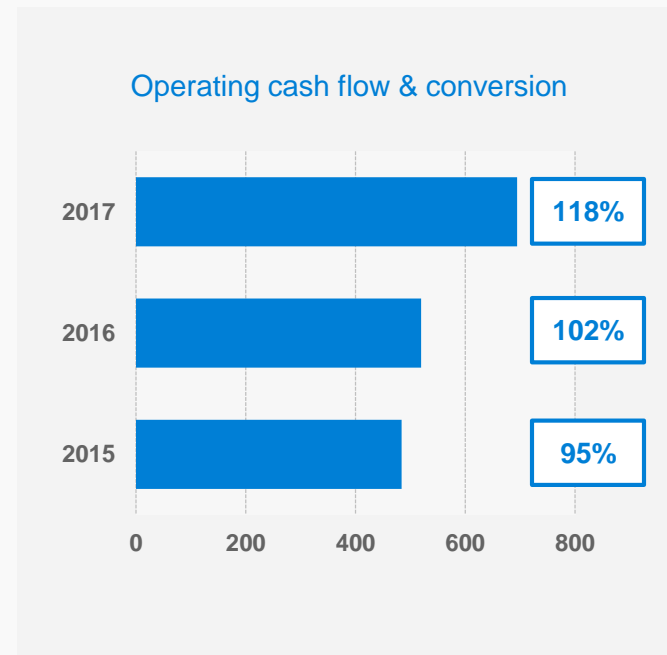
## IMPROVED MARGIN WHILE INCREASING INVESTMENT

| Operating margin <sup>1</sup> % | 2017  | 2016  | Change  |
|---------------------------------|-------|-------|---------|
| John Crane                      | 23.0% | 21.9% | +110bps |
| Medical                         | 22.0% | 21.4% | +60bps  |
| Detection                       | 15.0% | 13.0% | +200bps |
| Interconnect                    | 13.4% | 13.1% | +30bps  |
| Flex-Tek                        | 19.3% | 18.0% | +130bps |
| Group                           | 18.0% | 17.3% | +70bps  |

1. Headline excludes non operating items as defined in note 3 of the accounts

## STRONG CASH FLOW CONVERSION

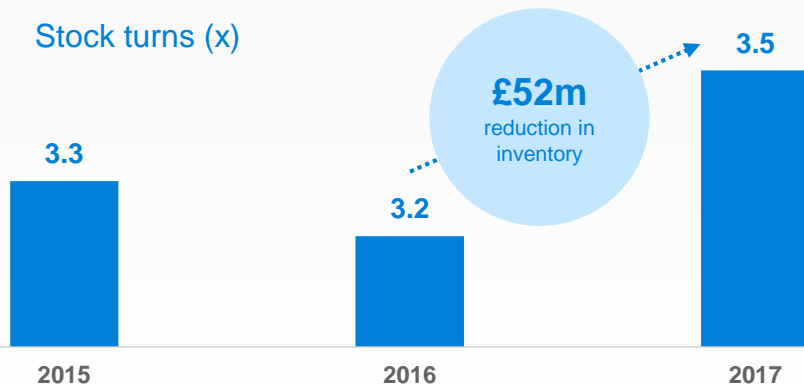
| £m                                     | 2017       | 2016         | Change      |
|--|------------|--------------|-------------|
| Operating profit <sup>1</sup>          | 589        | 510          |             |
| Capex including capitalised R&D        | (98)       | (108)        |             |
| Depreciation and amortisation          | 101        | 96           |             |
| Working capital                        | 85         | 9            |             |
| Other                                  | 18         | 13           |             |
| <b>Operating cash flow<sup>1</sup></b> | <b>695</b> | <b>520</b>   | <b>+34%</b> |
| Interest                               | (60)       | (58)         |             |
| Taxation                               | (82)       | (62)         |             |
| Pension                                | (103)      | (129)        |             |
| Other                                  | (80)       | (28)         |             |
| <b>Free cash flow</b>                  | <b>370</b> | <b>243</b>   | <b>+52%</b> |
| Dividends                              | (167)      | (163)        |             |
| Acquisitions & Divestitures            | (118)      | (8)          |             |
| FX and other                           | (74)       | (232)        |             |
| <b>Movement in net debt</b>            | <b>11</b>  | <b>(160)</b> |             |



1. Headline excludes non operating items as defined in note 3 of the accounts

## OPERATIONAL FOCUS IMPROVES WORKING CAPITAL

Stock turns (x)



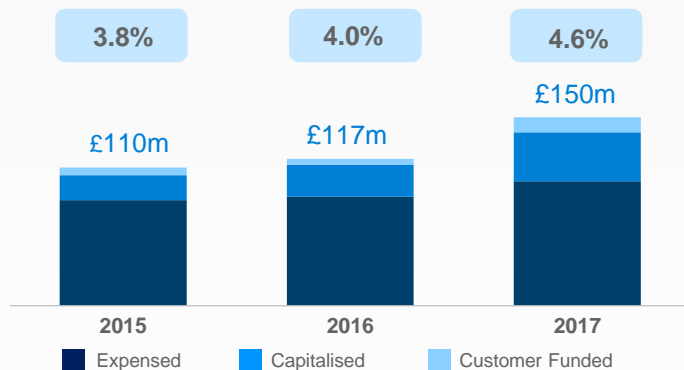
Improvement accelerated  
in H2; exited the year at  
3.9x

Cash flow potential  
c.£100m per stock turn  
c.£30m for 1% pt change in WC %

|                           | 2015 | 2016 | 2017 |
|---------------------------|------|------|------|
| Stock turns (12 mths avg) | 3.3x | 3.2x | 3.5x |
| WC % sales (12 mths avg)  | 29%  | 30%  | 29%  |

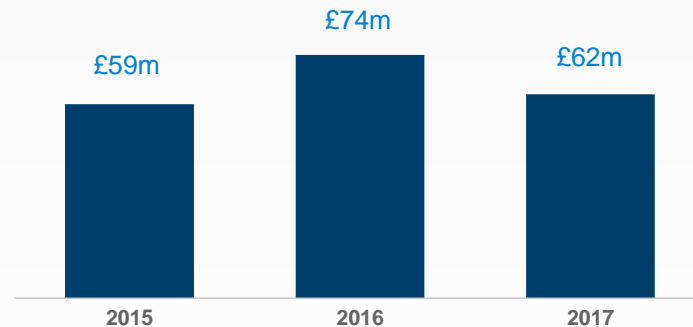
## INVESTING FOR SUSTAINABLE GROWTH

### R&D



- Increase in R&D as a percentage of sales, +60 bps
- Focus on new product development, growth acceleration
- Guidance for 2018: in line with 2017

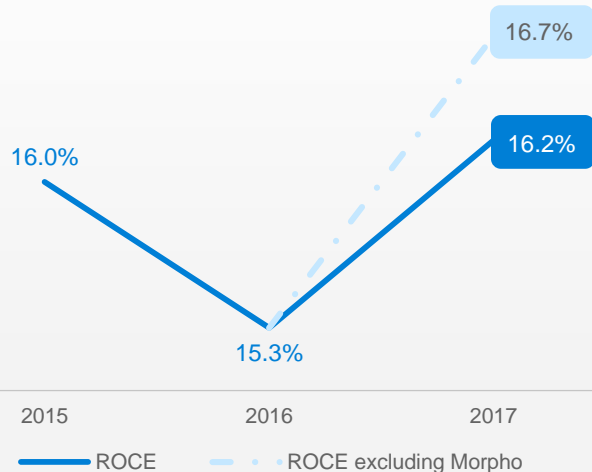
### Capex – fixed assets



- Supports asset light model
- Investment focus on growth opportunities
- Guidance for 2018: in line with 2017

## RETURN ON CAPITAL EMPLOYED ADVANCES

### Impact of the Morpho acquisition



| ROCE % (before tax) | 2017         | 2016         | Change        |
|---------------------|--------------|--------------|---------------|
| John Crane          | 22.9%        | 20.3%        | +260bps       |
| Medical             | 16.7%        | 15.7%        | +100bps       |
| Detection           | 12.6%        | 11.9%        | +70bps        |
| Interconnect        | 11.4%        | 10.3%        | +110bps       |
| Flex-Tek            | 35.8%        | 31.6%        | +420bps       |
| <b>Group</b>        | <b>16.2%</b> | <b>15.3%</b> | <b>+90bps</b> |

- **Morpho acquisition impacted ROCE**
- **All divisions improved year-on-year**
- **Operating margins up/underlying<sup>1</sup> assets down**

1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

## PENSION ACCOUNTING SURPLUS INCREASES

| £m                             | 2017         | 2016         | 2015         |
|--------------------------------|--------------|--------------|--------------|
| UK                             | 388          | 325          | 138          |
| US                             | (26)         | (99)         | (123)        |
| ROW                            | (8)          | (9)          | (8)          |
| <b>Total Funded</b>            | <b>354</b>   | <b>217</b>   | <b>7</b>     |
| <b>Total Unfunded</b>          | <b>(130)</b> | <b>(137)</b> | <b>(115)</b> |
| <b>Total surplus/(deficit)</b> | <b>224</b>   | <b>80</b>    | <b>(108)</b> |

### De-risking actions

- 2 buy-ins £380m
- Matching assets and liabilities:
  - 2017: 95%
  - 2016: 91%
- US scheme 91% funded

### Cash payments for funded schemes

- 2016: £117m
- 2017: £99m
- 2018: c.£50m

## GROUP TAX RATE

| Location | % of revenue <sup>1</sup> | Tax rate |
|----------|---------------------------|----------|
| US       | 52%                       | 38%      |
| Europe   | 18%                       | c.27%    |
| UK       | 6%                        | 20%      |
| Asia     | 13%                       | c.26%    |
| RoW      | 11%                       | c.16%    |

**52% of revenue in the US**

**Guidance for 2018**

- 29.5%-30.0%

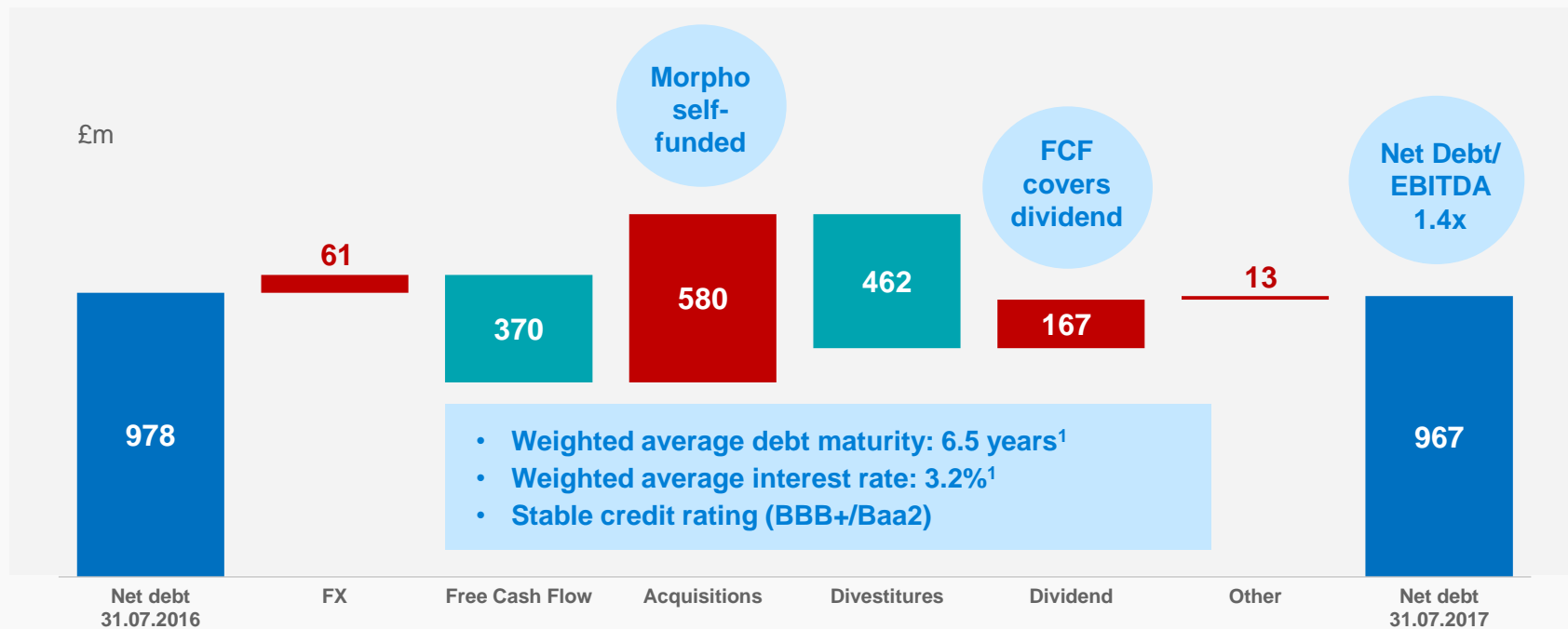
## PROGRESSIVE DIVIDEND POLICY

|                  | 2017          | 2016   |
|------------------|---------------|--------|
| Interim DPS      | 13.55p        | 13.25p |
| Final DPS        | 29.70p        | 28.75p |
| <b>Total DPS</b> | <b>43.25p</b> | 42.00p |

- **DPS up 3.0%**
- **EPS advances**
- **Dividend cover at 2.3x**
- **Free Cash Flow payout 45%**

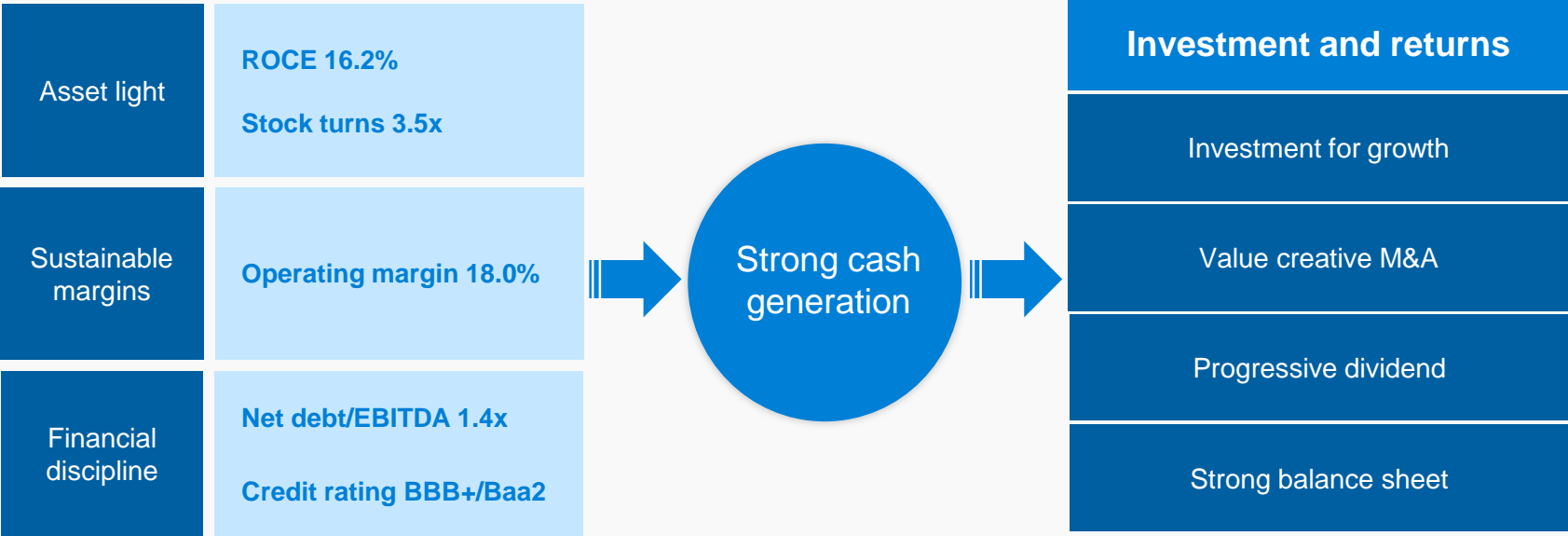


## BALANCE SHEET REMAINS STRONG



1. Reflects the 2018 \$175m notes that were prepaid in August 2017

# STRONG FINANCIAL FRAMEWORK



## 2018 OUTLOOK

### → RETURN TO GROWTH

- John Crane: growth in non-oil & gas and aftermarket more than offset challenges in oil & gas
- Medical: gradual improvement driven by new product launches during the year
- Detection: good growth driven by air transportation – H2 weighted
- Interconnect: further progress in high technology applications
- Flex-Tek: continued steady growth

### → STRONG CASH FLOW GENERATION

STRATEGY UPDATE

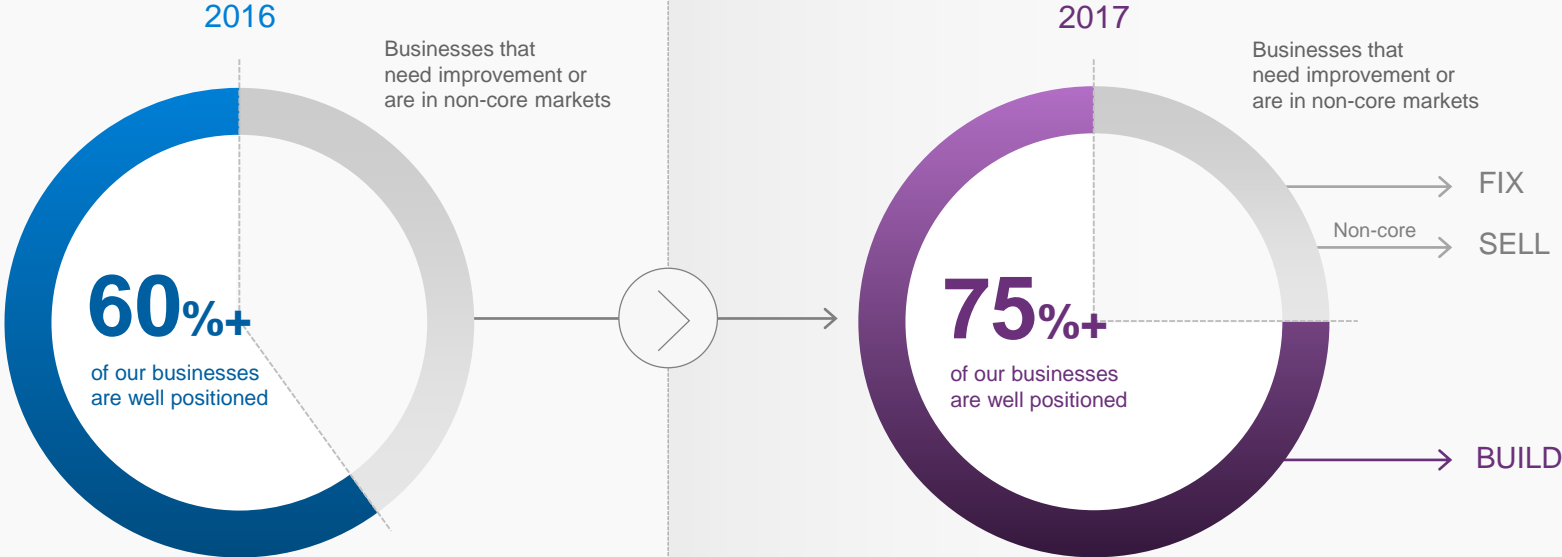
**ANDY REYNOLDS SMITH**  
CHIEF EXECUTIVE



# STRATEGIC PORTFOLIO REPOSITIONING

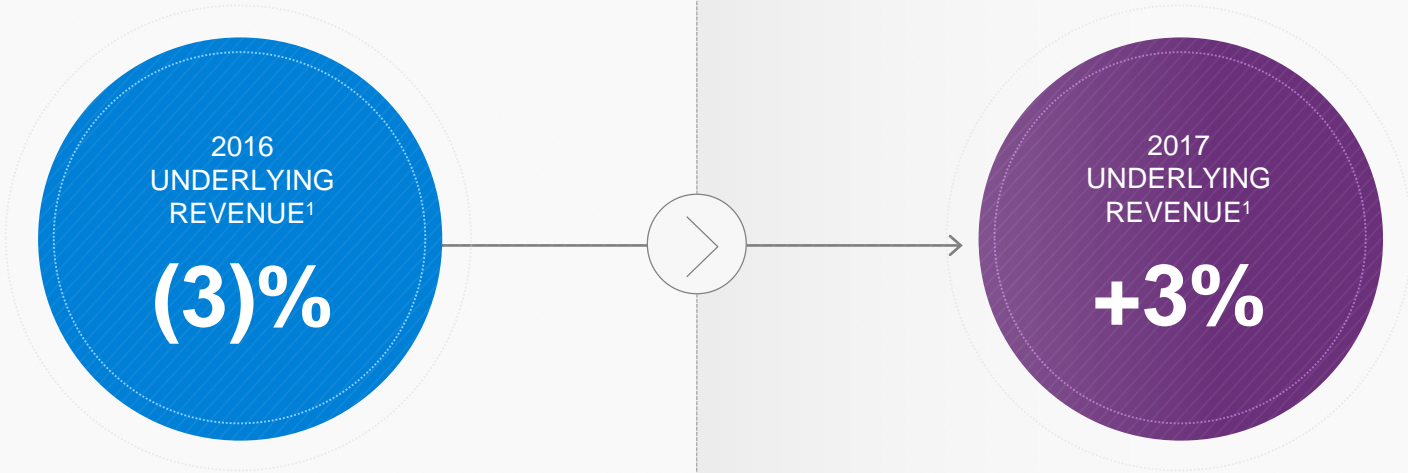


# SIGNIFICANT PROGRESS IN 2017



# TARGETING ATTRACTIVE GROWTH MARKETS - INTERCONNECT

FOCUSING ON 6 HIGH GROWTH END MARKETS



1. Ongoing business

## OPERATIONAL EXCELLENCE



- Smiths Excellence System delivering results
- Increasing competitiveness through Continuous Improvement
- Strategic sourcing driving £40m savings
- £85m total working capital reduction; £52m from inventory
- Confidence in material incremental benefits



## INCREASED ORGANIC INVESTMENT - R&D AND INNOVATION

- Investing more and smarter in R&D
- Group Head of Innovation and Chief Digital Officer appointed
- Group wide innovation framework
- 6 *i*<sup>3</sup> projects in progress
  - **CORSYS**
  - Transformational Connectivity
  - Machine Learning
  - Additive Manufacturing
  - IoT Platform
  - Advanced Ceramics



### Spotlight on CORSYS

- Digital detection - enterprise platform for ports and borders
- Enables entire security operation to be controlled from a single platform
- Enhanced detection analysis
- Formal launch in early 2018



## ENHANCING OUR DIGITAL CAPABILITIES

- Opening two 'Digital Forges' – US and UK
- Centres of excellence to accelerate digital transformation
- Customer facing innovation space
- Merge physical and virtual
- Enable business model innovation

## PEOPLE DEVELOPMENT

- Investing in our people – global strategic plan in place
- Group-wide talent review and incentive structures in place
- Talent and best practice sharing
- Culture change – Smiths Way



## SOLID PROGRESS IN 2017 - BUILDING FOR THE FUTURE

### STRATEGIC PRIORITIES



#### OUTPERFORMING OUR CHOSEN MARKETS

- Structure in place to drive sustainable growth
- Building on 75% well positioned businesses



#### ACHIEVING WORLD-CLASS COMPETITIVENESS

- Strong, sustainable margins supported by operational excellence
- Further investment capacity



#### STRONG FINANCIAL FRAMEWORK

- Maintaining strict financial discipline
- Delivering long-term, attractive returns

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# QUESTIONS & ANSWERS

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# APPENDIX

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## STATUTORY INCOME STATEMENT

| (£m)  | 2017          | 2016         | Change       |
|---|---------------|--------------|--------------|
| <b>Revenue</b>                                  | <b>3,280</b>  | <b>2,949</b> | <b>+11%</b>  |
| <b>Headline<sup>1</sup> operating profit</b>    | <b>589</b>    | <b>510</b>   | <b>+16%</b>  |
| Fuel For Growth (restructuring)                 | (33)          | (37)         |              |
| Morpho integration costs                        | (4)           |              |              |
| Legacy liabilities (Asbestos/CSST)              | (5)           | (18)         |              |
| Pension and scheme closures                     | (9)           | (16)         |              |
| Impairment                                      | -             | (31)         |              |
| Amortisation of acquired intangibles            | (17)          | (15)         |              |
| Unwind of fair value uplift on Morpho inventory | (3)           | -            |              |
| Acquisition costs                               | (19)          | (6)          |              |
| Profit from divestitures                        | 175           | -            |              |
| <b>Total non-headline items</b>                 | <b>85</b>     | <b>(123)</b> |              |
| <b>Statutory operating profit</b>               | <b>674</b>    | <b>387</b>   | <b>+74%</b>  |
| PBT - Headline <sup>1</sup>                     | 528           | 451          | +17%         |
| <b>- Statutory continuing</b>                   | <b>601</b>    | <b>346</b>   | <b>+74%</b>  |
| EPS - Headline <sup>1</sup>                     | 97.6p         | 85.2p        | +15%         |
| <b>- Statutory continuing</b>                   | <b>144.1p</b> | <b>65.6p</b> | <b>+120%</b> |

1. Headline excludes non operating items as defined in note 3 of the accounts

## REVENUE AND OPERATING PROFIT H1/H2 SPLIT

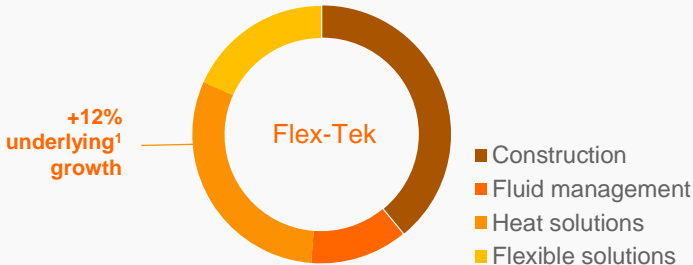
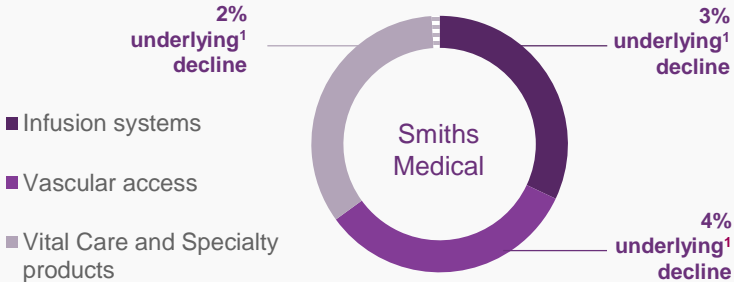
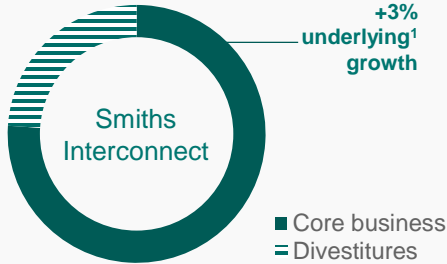
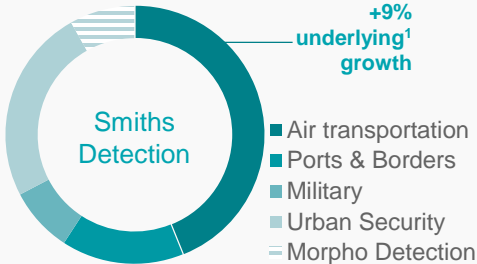
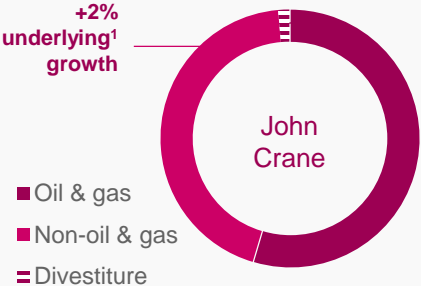
| £m            | H1 Revenue <sup>1,2</sup> | H2 Revenue <sup>1</sup> | 2017 Revenue <sup>1</sup> | H1 Operating profit <sup>1</sup> | H2 Operating profit <sup>1</sup> | 2017 Operating profit <sup>1</sup> |
|---------------|---------------------------|-------------------------|---------------------------|----------------------------------|----------------------------------|------------------------------------|
| John Crane    | 435                       | 450                     | 885                       | 90                               | 114                              | 204                                |
| Medical       | 470                       | 481                     | 951                       | 99                               | 110                              | 209                                |
| Detection     | 318                       | 369                     | 687                       | 54                               | 49                               | 103                                |
| Interconnect  | 230                       | 189                     | 419                       | 26                               | 30                               | 56                                 |
| Flex-tek      | 161                       | 177                     | 338                       | 30                               | 35                               | 65                                 |
| Central costs |                           |                         |                           | (22)                             | (26)                             | (48)                               |
| <b>Group</b>  | <b>1,614</b>              | <b>1,666</b>            | <b>3,280</b>              | <b>277</b>                       | <b>312</b>                       | <b>589</b>                         |
|               |                           |                         | <b>Operating margin</b>   | 17.1%                            | 18.8%                            | 18.0%                              |

1. Headline excludes non operating items as defined in note 3 of the accounts

2. Wallace sales reclassified



# REVENUE ANALYSIS

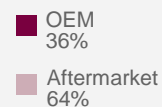


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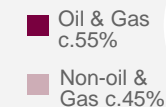
## JOHN CRANE

|                  | 2017  | FY underlying <sup>1</sup> revenue growth |
|------------------|-------|---|
| OEM              | 36%   | (11)%                                     |
| Aftermarket      | 64%   | +1%                                       |
| TOTAL            | 100%  | (4)%                                      |
| Oil & Gas        | c.55% | (7)%                                      |
| Non-oil & Gas    | c.45% | +2%                                       |
| TOTAL            | 100%  | (4)%                                      |
| Operating profit | 204   |   |
| Operating margin | 23.0% |   |

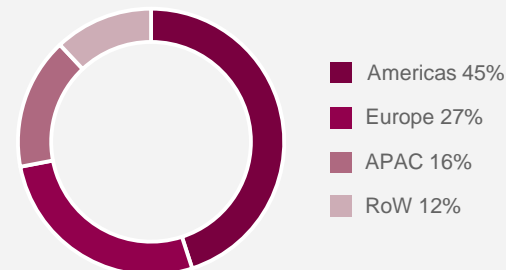
Revenue by type



Revenue by end market



Revenue by destination

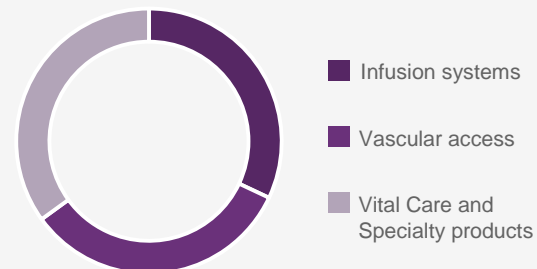


1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

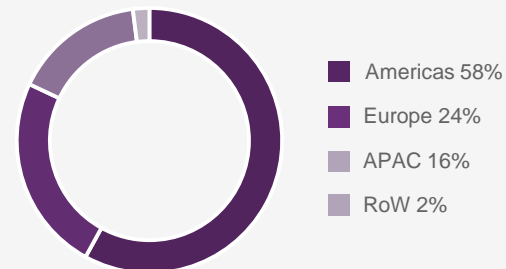
## MEDICAL

|                                 | 2017        | FY underlying <sup>1</sup> revenue growth |
|---------------------------------|-------------|---|
| Infusion systems                | 32%         | (3)%                                      |
| Vascular access                 | 33%         | (4)%                                      |
| Vital Care & Specialty products | 35%         | (2)%                                      |
| <b>TOTAL</b>                    | <b>100%</b> | <b>(3)%</b>                               |
|                                 |             |   |
|                                 |             |   |
|                                 |             |   |
| Operating profit                | 209         |   |
| Operating margin                | 22.0%       |   |

Revenue by segment



Revenue by destination



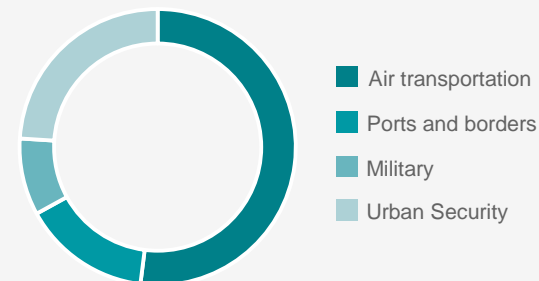
1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

## DETECTION

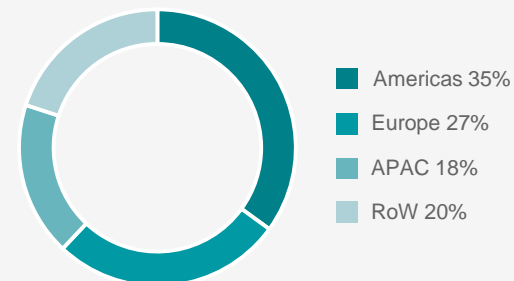
|                  | 2017        | FY underlying <sup>1</sup> revenue growth |
|------------------|-------------|---|
| Transportation   | 52%         | +9%                                       |
| Ports & borders  | 15%         | (2)%                                      |
| Military         | 9%          | (2)%                                      |
| Urban security   | 24%         | -   |
| <b>TOTAL</b>     | <b>100%</b> | <b>+4%</b>                                |
| Operating profit | 103         |   |
| Operating margin | 15.0%       |   |

Includes 4 months of Morpho

Revenue by segment



Revenue by destination

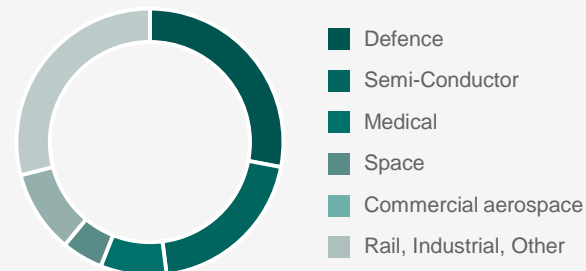


1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

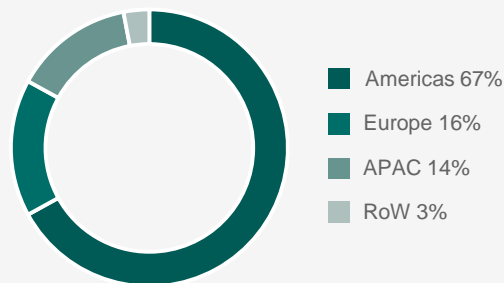
## INTERCONNECT

|                         | 2017        | FY underlying <sup>1</sup> revenue growth |
|-------------------------|-------------|---|
| Defence                 | 28%         | (4)%                                      |
| Semi-conductor          | 20%         | (4)%                                      |
| Medical                 | 8%          | +4%                                       |
| Space                   | 5%          | +20%                                      |
| Commercial aerospace    | 10%         | +44%                                      |
| Rail, Industrial, Other | 29%         | (5)%                                      |
| <b>TOTAL</b>            | <b>100%</b> | <b>+1%</b>                                |
| Operating profit        | 56          |   |
| Operating margin        | 13.4%       |   |

Revenue by segment



Revenue by destination

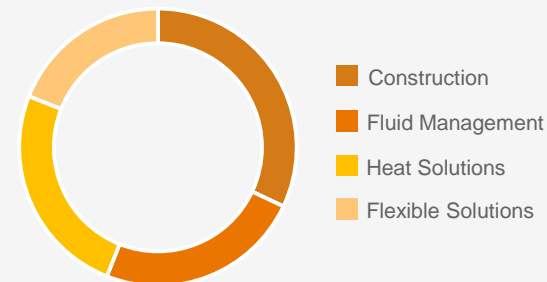


1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

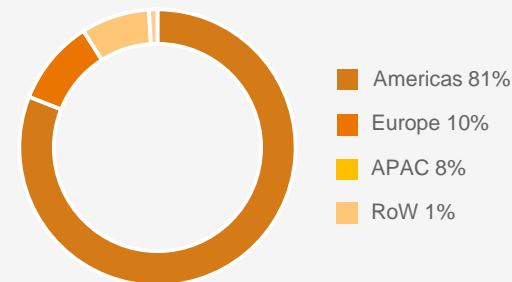
## FLEX-TEK

|                       | 2017  | FY underlying <sup>1</sup> revenue growth |
|-----------------------|-------|---|
| Construction products | 32%   | +2%                                       |
| Fluid Management      | 24%   | (2)%                                      |
| Heat solutions        | 25%   | +12%                                      |
| Flexible solutions    | 19%   | +3%                                       |
| TOTAL                 | 100%  | +3%                                       |
| Operating profit      | 65    |   |
| Operating margin      | 19.3% |   |

Revenue by segment



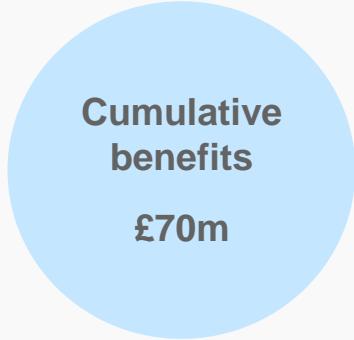
Revenue by destination



1. Underlying excludes the effects of foreign exchange translation and acquisitions but includes divested business for the period they were owned in the reported financial year and adjusts the prior financial year comparator as if the divested business were owned for the same period in that financial year to aid comparability

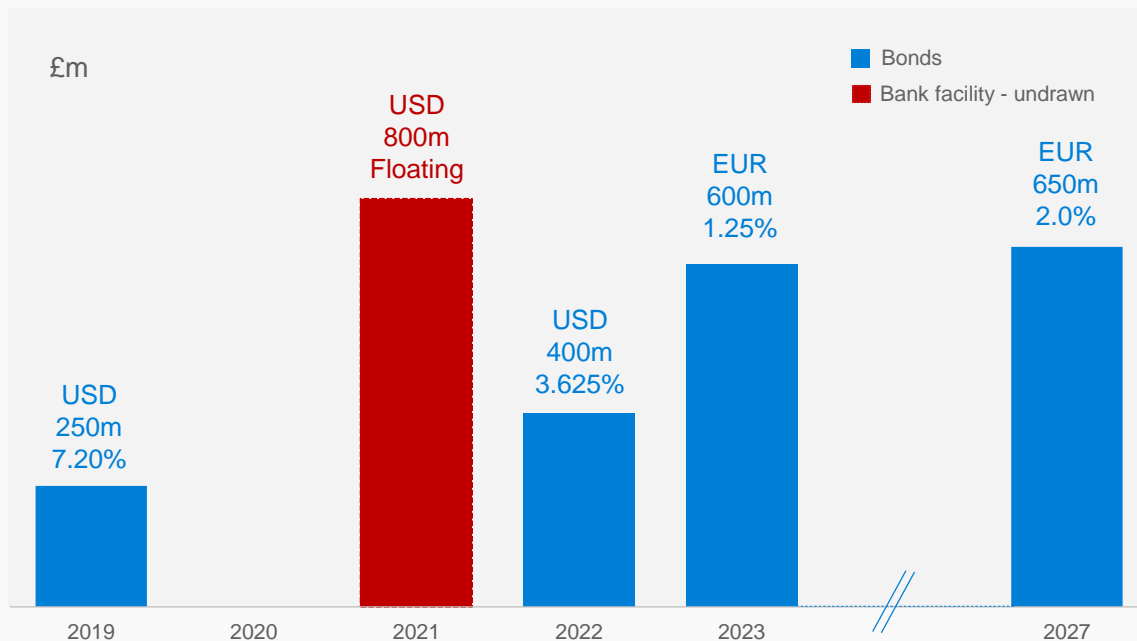
## FUEL FOR GROWTH

| £m                   | 2017 P&L costs | 2017 capex  | 2017 cash    |
|----------------------|----------------|-------------|--------------|
| John Crane           | (7)            | (14)        | (6)          |
| Medical              | (16)           |             | (16)         |
| Detection            | -              | (3)         | (2)          |
| Interconnect         | (2)            |             | (4)          |
| Flex-Tek             | (1)            | (1)         | (1)          |
| Central costs        | (7)            |             | (7)          |
| <b>Group</b>         | <b>(33)</b>    | <b>(18)</b> | <b>(36)</b>  |
| <b>Total program</b> | <b>(135)</b>   | <b>(52)</b> | <b>(121)</b> |



**Cumulative  
benefits  
£70m**

## DEBT PROFILE - KEY METRICS



- **Weighted average debt maturity: 6.5 years<sup>1</sup> (2016: 4.5 years)**
- **Weighted average interest rate: 3.2%<sup>1</sup> (2016: 3.7%)**
- **Interest rate exposure<sup>1</sup>: 54% fixed**
- **Stable credit rating (BBB+/Baa2)**

1. Reflects the 2018 \$175m notes that were prepaid in August 2017



## FX SENSITIVITY

| Currency | 2016 average rate | 2017 average rate | % change |
|----------|-------------------|-------------------|----------|
| USD      | 1.46              | 1.27              | 13%      |
| EUR      | 1.32              | 1.16              | 12%      |

- For each \$0.10 move, the operating profit impact is £27m
- For each €0.10 move, the operating profit impact is £7m