

SECTOR REVIEW

INFRASTRUCTURE

SENSORS

We make products which detect hazards to protect assets and people in public, commercial and industrial buildings.

Performance

| KPIs | Sector performance | Group target | Target met |
|-------------------------------|--------------------|--------------|------------|
| Revenue growth ¹ | 3.6% | >5% | ✘ |
| Profit growth ¹ | 0.2% | >5% | ✘ |
| Return on Sales ² | 19.1% | >18% | ✓ |
| ROCE ³ | 79.6% | >45% | ✓ |
| R&D % of Revenue ⁴ | 4.9% | >4% | ✓ |

Contribution to Group

| £m | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------|------|------|------|------|------|
| Revenue | 204 | 197 | 183 | 186 | 167 |
| Profit | 39 | 39 | 36 | 33 | 29 |

¹ Sector revenue and adjusted⁵ sector profit before finance expense are compared to the equivalent prior year figure.

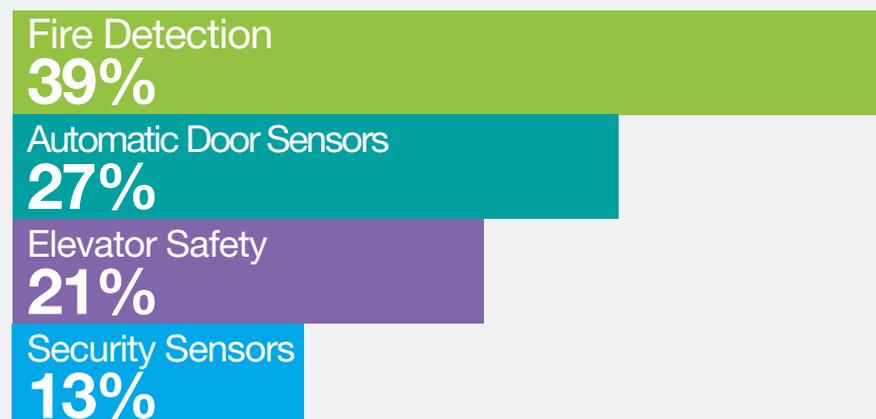
² Return on Sales is defined as adjusted⁵ profit before finance expense and taxation expressed as a percentage of sector revenue.

³ Adjusted⁵ sector profit before finance expense expressed as a percentage of sector operating net assets.

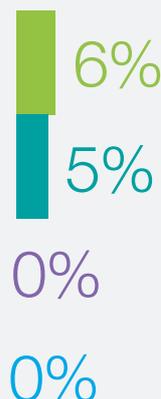
⁴ Sector research and development expenditure expressed as a percentage of sector revenue.

⁵ Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration.

Sub-sector revenue split



Growth rate







Fire Detection

Fire and smoke detectors and audible/visual warning devices used in public, commercial and industrial property.

Market trends and growth drivers

Worldwide fire market growth continues to be driven by legislation. Fire codes and standards governing installation, maintenance and servicing of fire products are extensive, often with differences at national, regional and even city level. In the emerging economies, codes and standards are still being created and slowly adopted. Although fire codes exist in Eastern Europe, South America and Asia there is often poor enforcement.

In the mature US and European markets, modest growth is forecast in 2012 for new installations and maintenance work. Stronger growth is expected in Asia Pacific and Latin American markets due to continuing construction investment, and increased regulation, particularly in China and Brazil.

Strategy

Our primary strategy is world leadership in safety-critical sensor products used in commercial, public and industrial buildings. We are one of the world's largest manufacturers of point smoke detectors. Investment in worldwide product approvals and innovation in new products and technology will drive market share growth, maintain competitive advantage and ensure good margins.

Further investment in extending sales coverage in emerging markets will aid organic growth.

Performance

Fire Detection revenue and profits grew. The Apollo brand was re-organised into a global business with significant operations in Europe, the United States and China. This gives us the ability to implement a global growth strategy with resources allocated according to the opportunity within each region.

Outlook

Despite slowing demand from the new construction sector we anticipate continued growth as regulation drives demand in existing buildings. We expect our Fire Detection businesses to continue to gain market share due to robust IP protection, technology leadership and further penetration of regional markets.



39%

% of sector revenue

Fire detector
Apollo Fire Detectors

Automatic Door Sensors

Sensors used on automatic doors in public, commercial and industrial buildings and transportation.

Market trends and growth drivers

Demand in the niches that we target is driven by increasing legislation which improves the safety and security of people and processes. Asia is expected to be the fastest growth area, with a return to growth in the Americas. Supported by high levels of R&D spending, we continue to diversify outside our primary pedestrian door market. We believe that rail transport presents considerable growth opportunities.

Strategy

Our core growth strategy is to maintain global market leadership in the pedestrian door sensors niche while growing sales by diversifying into industrial, security and transport door control applications.

Our response to the challenge of increased competitive pressure due to further consolidation among automatic door manufacturers is to enhance the value of our product offerings. Our unique award-winning laser scanner detectors demonstrate our commitment to global technology leadership. New, technologically advanced sensors, industry-leading manufacturing techniques and enhanced logistics will meet customers' needs and ensure competitive advantage.

Performance

Revenue and profit improved despite economic uncertainty in a number of regions. A global board reorganisation was successfully completed without impact on performance. Despite short-term delays in the Chinese high-speed train projects, the overall diversification targets were achieved while maintaining growth in the core pedestrian door business.

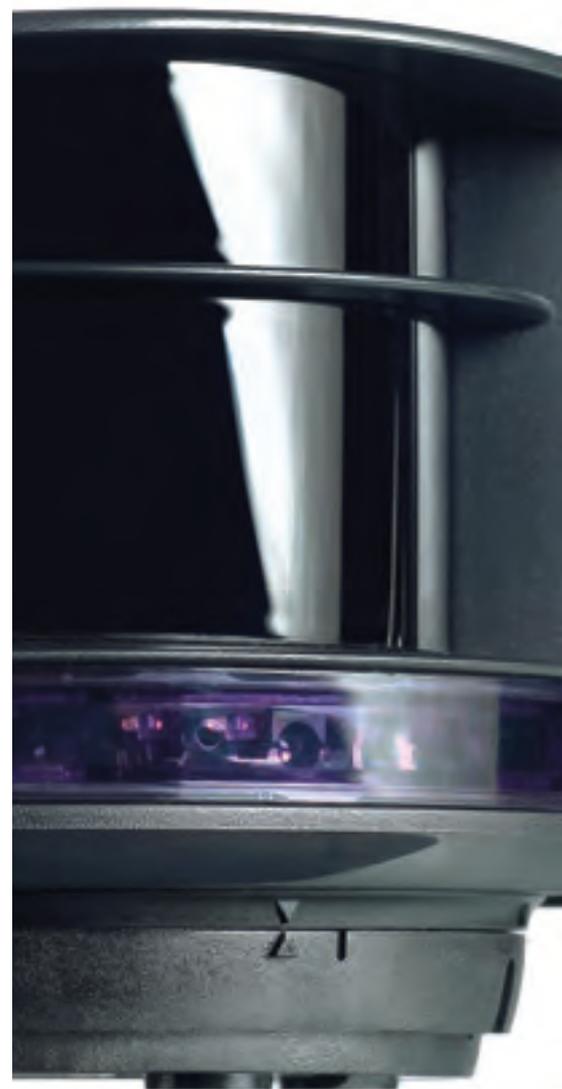
Outlook

Diversification into new applications such as transport, will enable revenue and profit growth above the rate of our traditional pedestrian door market. Spreading R&D resources globally will allow development of new products aligned with local customer needs and the ever-increasing regulations governing all of our door control markets.



27%

% of sector revenue



Automatic door sensor
BEA



Elevator display
E-Motive Display

Elevator Safety

Elevator/lift door safety sensors, emergency communication devices, displays and control panels.

Market trends and growth drivers

Urbanisation, population ageing and increasing safety awareness are global drivers in the elevator market. We see wide regional variations in patterns of demand, with very positive growth in the emerging economies of Asia and Brazil, where growth comes from new-build installations. In our US and European markets, which are dependent on legislation-driven upgrades and building modernisation, demand is more steady. The worldwide market for elevator safety products is expected to grow by around 7% during 2012. The Chinese government's social housing programme, with a target of 36 million affordable homes over the next five years, demonstrates the impact of urbanisation. Chinese infrastructure investment now accounts for over half of global new elevator installations, and is forecast to grow by up to 20% per year.

Strategy

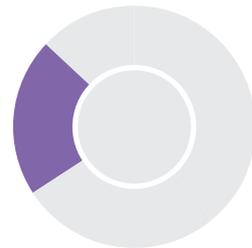
Our strategy is to strengthen our offering by moving from a regional to a global presence. During 2011/12 we began the integration of our European and Asian Elevator Safety businesses, whose core technologies are door detectors, displays and emergency telephones, under a single management team. Sales, R&D and manufacturing resources are being rationalised with facilities in Europe, India, Singapore and China.

Performance

Elevator Safety revenue was flat with profit lower partly due to reorganisation costs. We achieved strong revenue growth in Asia, while sales in Europe and the USA reflected the tougher trading conditions. Several global contracts were won for door safety devices which will provide significant revenue streams for the next three years at least.

Outlook

The global elevator market is showing signs of lower growth in 2012/13. China will continue to be the focus of new-build elevator demand with the social housing programme scheduled to run until at least 2015. Longer term, a substantial Chinese service and modernisation market should emerge. Outside Asia, we expect to grow from market share gains, geographical expansion and new products.



21%
% of sector revenue

Security Sensors

Security sensors and signals used in public, commercial and industrial property.

Market trends and growth drivers

We anticipate positive changes in this market driven by new European standards for intruder alarm systems that take effect during 2012. We have invested in a completely new product line to ensure that our customers meet the new compliance and certification standards. Our security business has formed technology partnerships with leading providers in other security sectors to offer integrated systems and advanced building management and communication platforms. Our new wireless intruder detection technology, Ricochet, is gaining share as the first system of its type robust enough for commercial environments.

Strategy

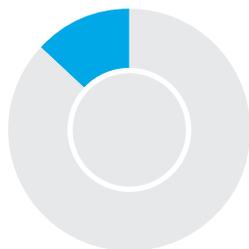
Our Security Sensors growth strategy remains focused on increasing revenue in Europe, the Middle East and Africa together with investment in sales resources in emerging economies like China and India. We have successfully integrated hazard signalling products into our security product portfolio to broaden our product offering. Innovation in new technologies, like Ricochet, will enable us to gain market share.

Performance

Revenue grew slightly with profit lower than the prior year. This was partly accounted for by high investment in a fully renewed product line to meet new regulatory standards and reduce production costs.

Outlook

We anticipate growth from Security Sensors during 2012/13. This should be supported by the impact of our new European-certified product portfolio, increasing adoption of wireless technology, and new revenue streams from our hazard signalling products.



13%

% of sector revenue



Wireless intruder alarm sensor
Texecom

“Packed with market-leading features, our new FIRERAY 5000 fire detector keeps us ahead of the competition with significant customer benefits. This detector is much faster and easier to install and maintain, and provides class-leading fire protection.”

Fire Fighting Enterprises



Innovation in action

Designed so that it can be configured to comply with regulations worldwide, FIRERAY 5000 is a next generation fire detection system for high ceiling height environments. Featuring advanced technology, such as self-aligning sensors, automatic calibration and laser alignment, a single controller can monitor multiple infrared beam detectors.

Sector revenue

£204m +4%

Sector profit

£39m +0%

Global operations



Sector growth drivers

- Increasing urbanisation
- Increasing health and safety regulation

Strategic summary

Achievements

- Record revenue and profit
- Automatic Door Sensors restructured into global business
- Elevator Safety's European and Asian businesses being restructured into global business with single Board of Directors
- Apollo Fire Detectors merged with Air Products and Controls (USA), Apollo Germany and Beijing Luhe (China) into a global business

Directions

- Sustain organic growth
- Increase resources and revenue in Asia
- Complete Elevator Safety restructuring in first half-year
- Continue automatic door safety diversification
- Bolt-on acquisitions
- Improve New Product Development roadmaps