

Smiths Group

The JP Morgan Capital Goods Conference

Tylney Hall, Hampshire, Friday 17 June 2005

Presentation by: Alan Thomson, Financial Director



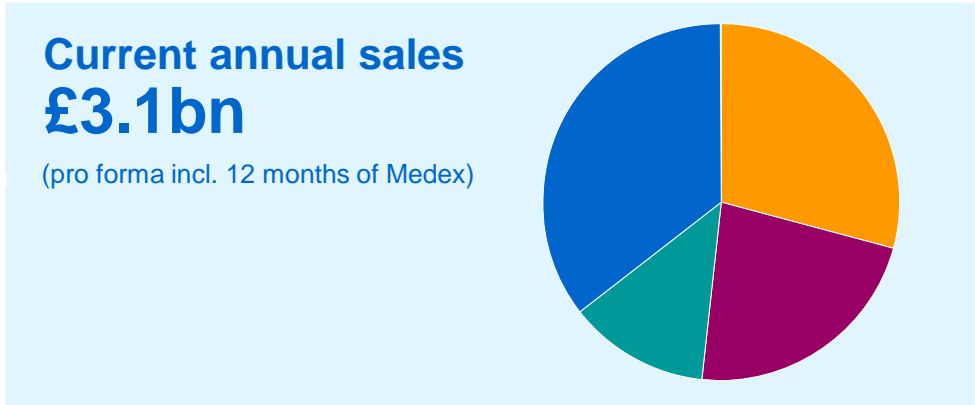
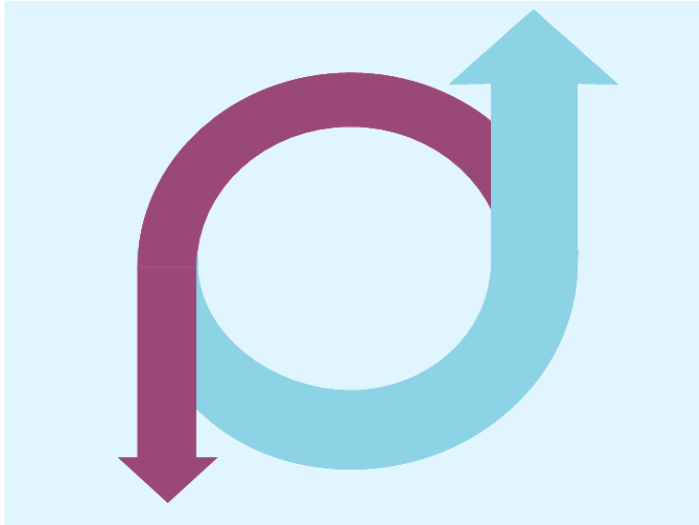
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The refocusing of Smiths 2002-2005

- Has been substantially reshaped over past four years
- Major disposal programme of non-core businesses
- Now focused on four activities with strong growth potential
- Resources redeployed into strengthening the core

Proceeds of disposals approx. **£900m**

Acquisition spend approx. **£1.1bn**



	Aerospace: Systems & equipment for military & commercial aircraft
	Detection: Equipment for protection against threats to security
	Medical: Devices for critical care and medication delivery
	Spec Eng: Application-specific electronic and engineered products

Strong organic growth momentum in all four divisions

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Aerospace

Commercial aero recovery, sustained military growth

annual sales

£1.1 billion



Detection

Market opportunities continue to emerge, driven by new technology

annual sales

£0.4 billion



Medical

Rising healthcare spend drives continuous growth

annual sales

£0.7 billion



Specialty Eng.

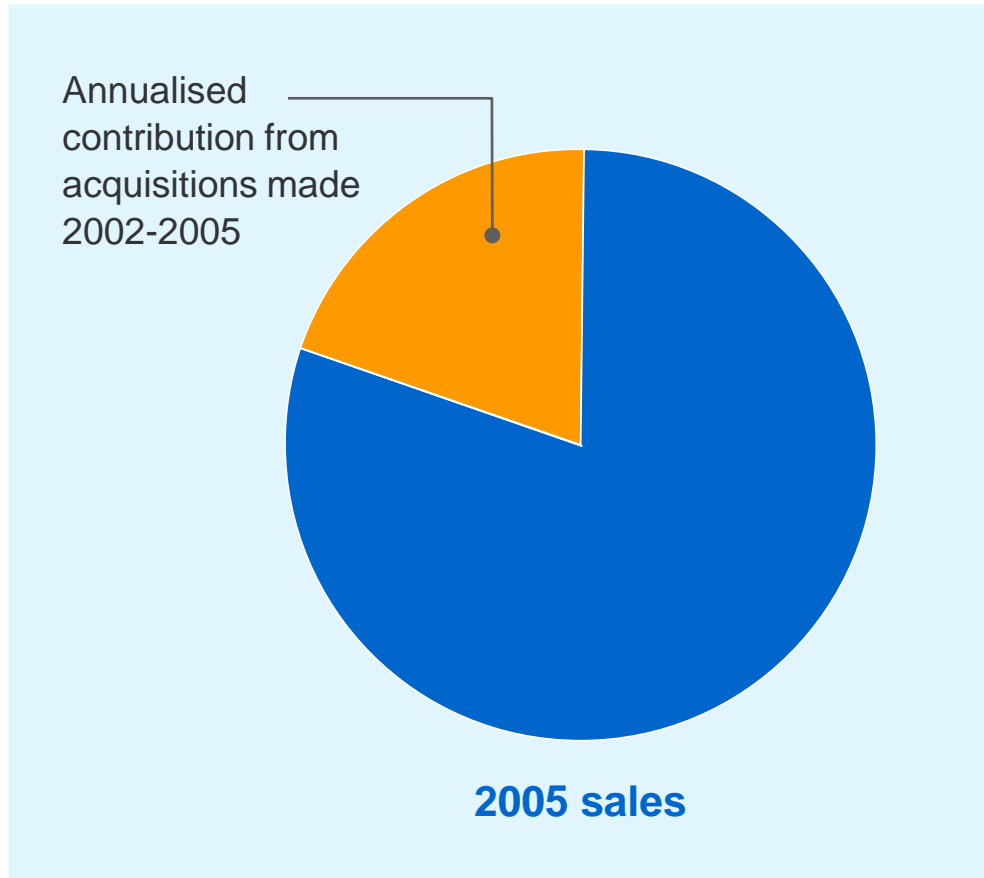
Niche markets, incl. oil & gas / military / electronics telecoms

annual sales

£0.9 billion

Growth driven by positive market conditions and Smiths ability to outperform competitors

Acquisitions making a significant contribution to growth



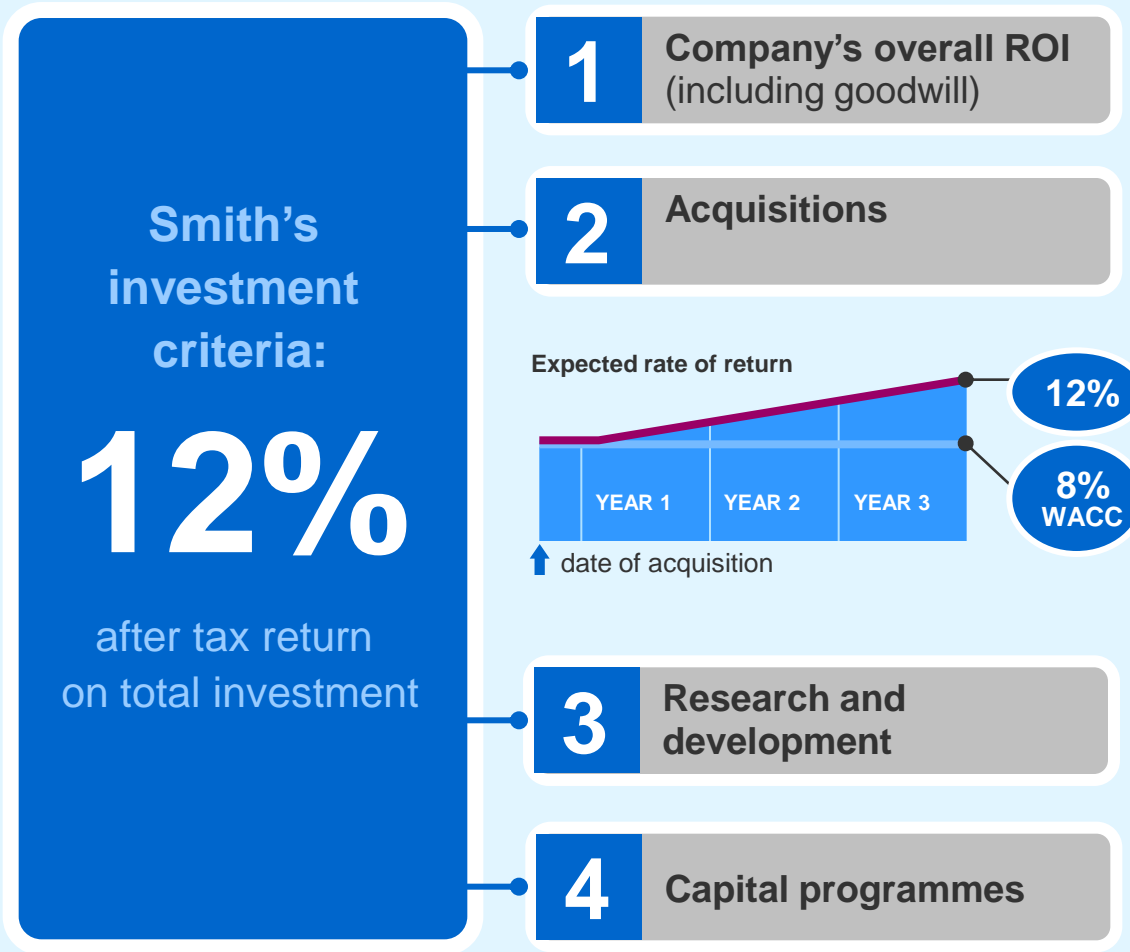
Acquisition spend 2002-2005

Aero:	£133m
Detection:	£306m
Medical:	£595m
Specialty Eng:	£82m

Four acquisition categories

- Establishing a significant presence in an adjacent market e.g. Medex, Heimann
- Extending the product range - TRAK
- Extending geographical reach - US Seal
- Technology acquisition - Farran





Technology leadership:

Increased commitment to R&D is generating incremental sales

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Aerospace:
open architecture
integrated avionics
systems for Boeing 787



Detection:
Sentinel explosive
screening portal



Medical:
Cozmonitor insulin
delivery pump/monitor



Specialty Engineering:
phased array antenna for
aircraft Satcom

	% 2004 of sales Company funded	% 2004 sales Customer funded
Aerospace	8%	12%
Detection	7%	2%
Medical	3%	-
Specialty Engineering	2%	-
total	5% (£136m)	5% (£124m)

Efficiency measures

- Resisting or passing on raw material price increases
- Centralising back-office services
- Rationalising distribution channels
- Payroll costs pegged to productivity gains



- Greater competitiveness
- Rapidly expanding local markets
- Supporting customers

Transferring production to low cost countries:

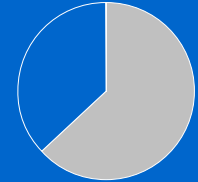
China (Aerospace, Interconnect, John Crane), **Malaysia** (Flex Tek), **India** (John Crane), **Mexico** (Medical, John Crane), **Costa Rica** (Interconnect), **Czech Republic** (John Crane), **Russia** (John Crane) and **Poland** (Aerospace)



Smiths is successfully controlling costs and is focusing on efficiency in every area

- US defence procurement expected to level off
- Commercial aerospace growing strongly
- Airline sector shifting to low-cost carriers

Approx. proportion
of Smiths' total sales



Why is Aerospace attractive?

Defence continues to be a high priority

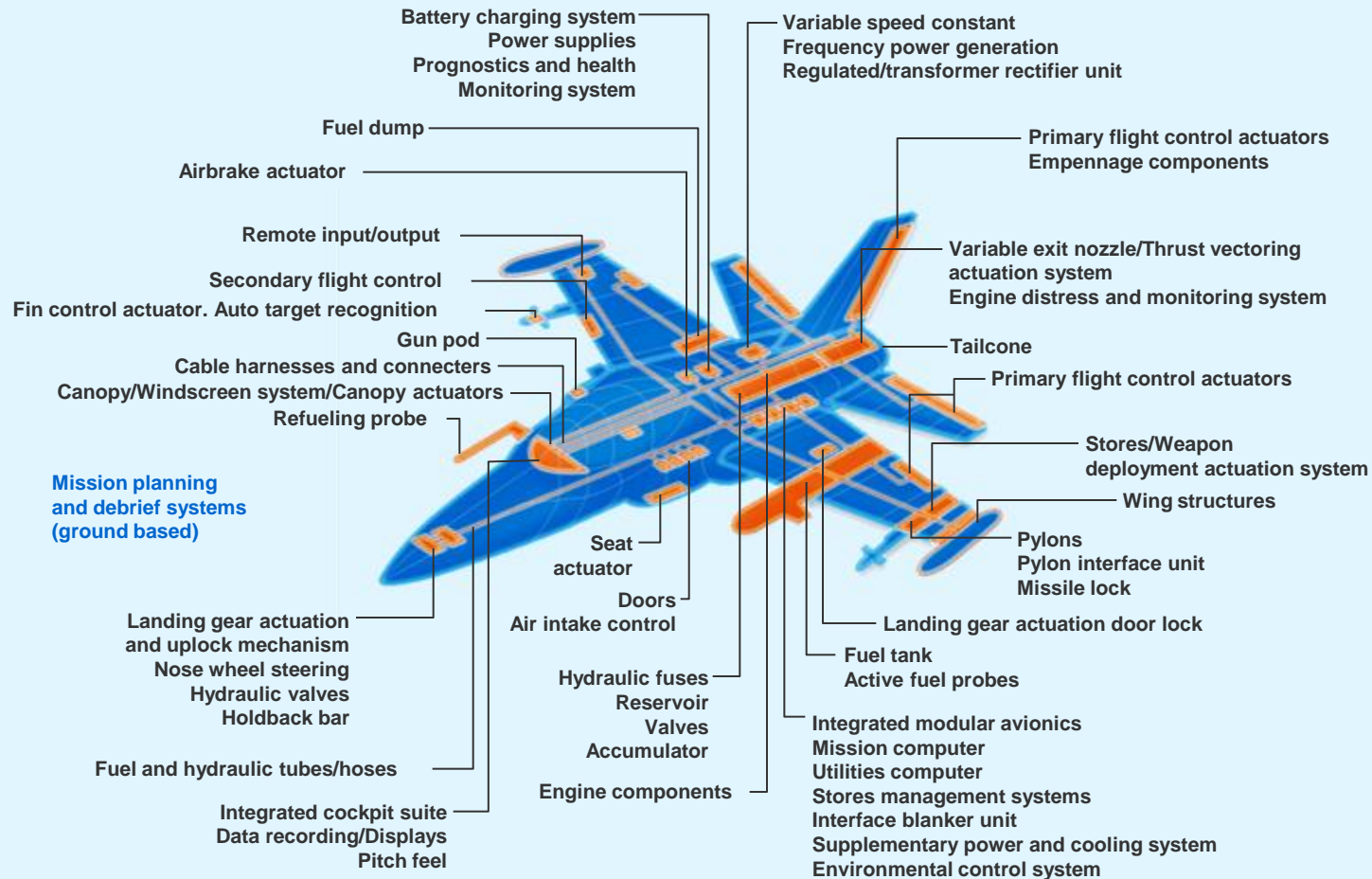
Strong underlying demand for air travel

**Leadership positions in the supply chain
are rewarding**



Smiths Aerospace is a Tier One supplier on military platforms

Capabilities on fighters: (Applications: F-35, F-22, F-18 E/F, F-16, Eurofighter, Hawk)

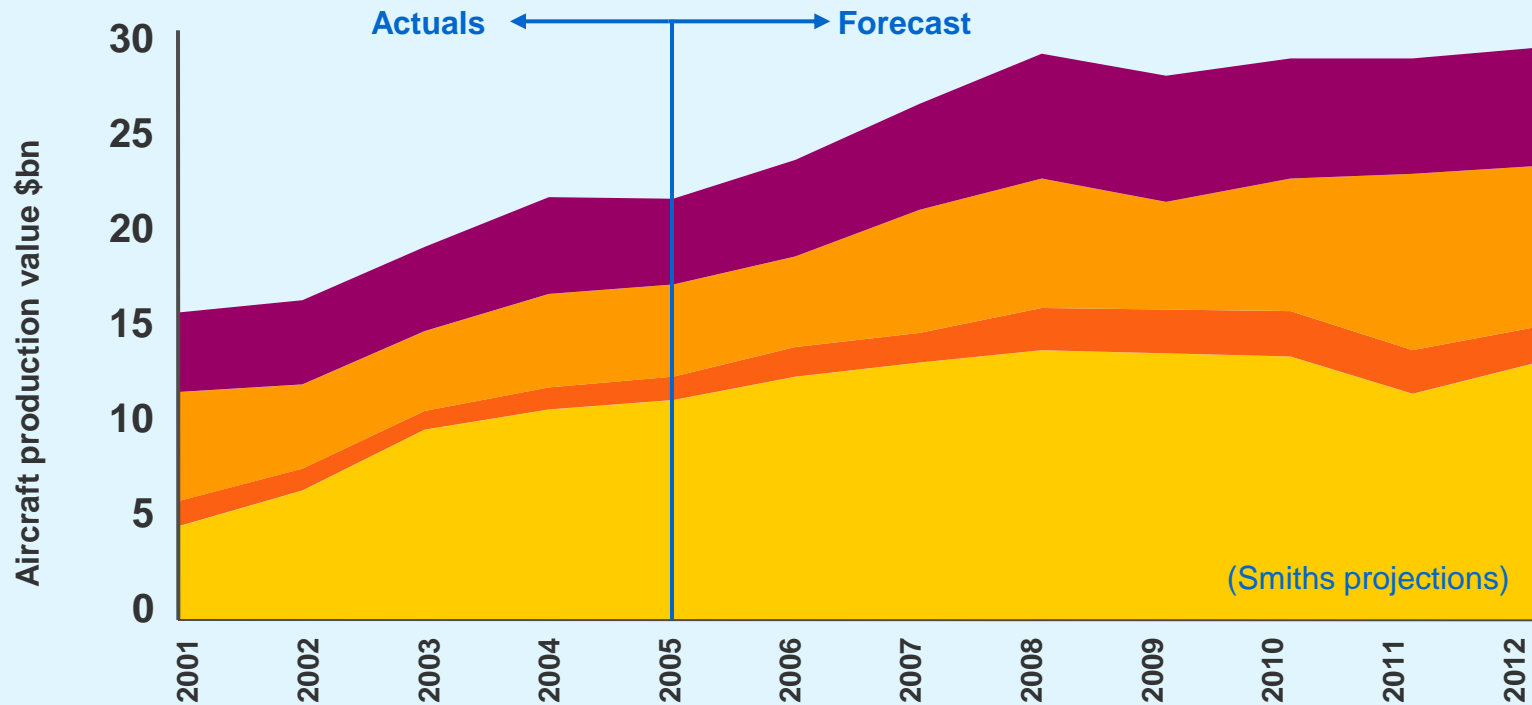


Smiths Aerospace:

Continuing strong performance in the defence sector



Global military market



(Smiths projections)

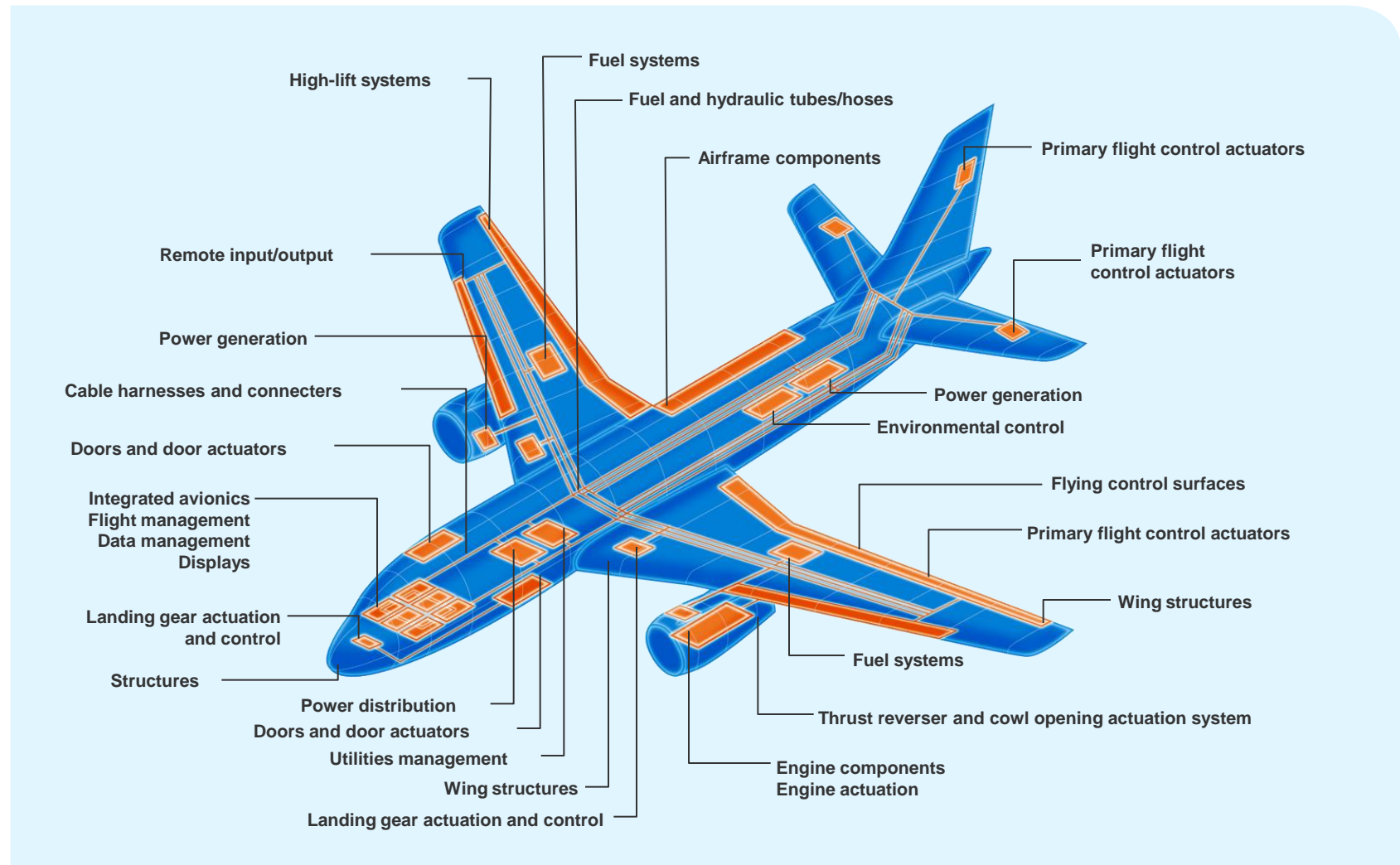
■ Military helicopters ■ Other fixed-Wing ■ Light fighter/attack/trainer ■ Heavy fighter

Smiths will increase its market share when market levels off

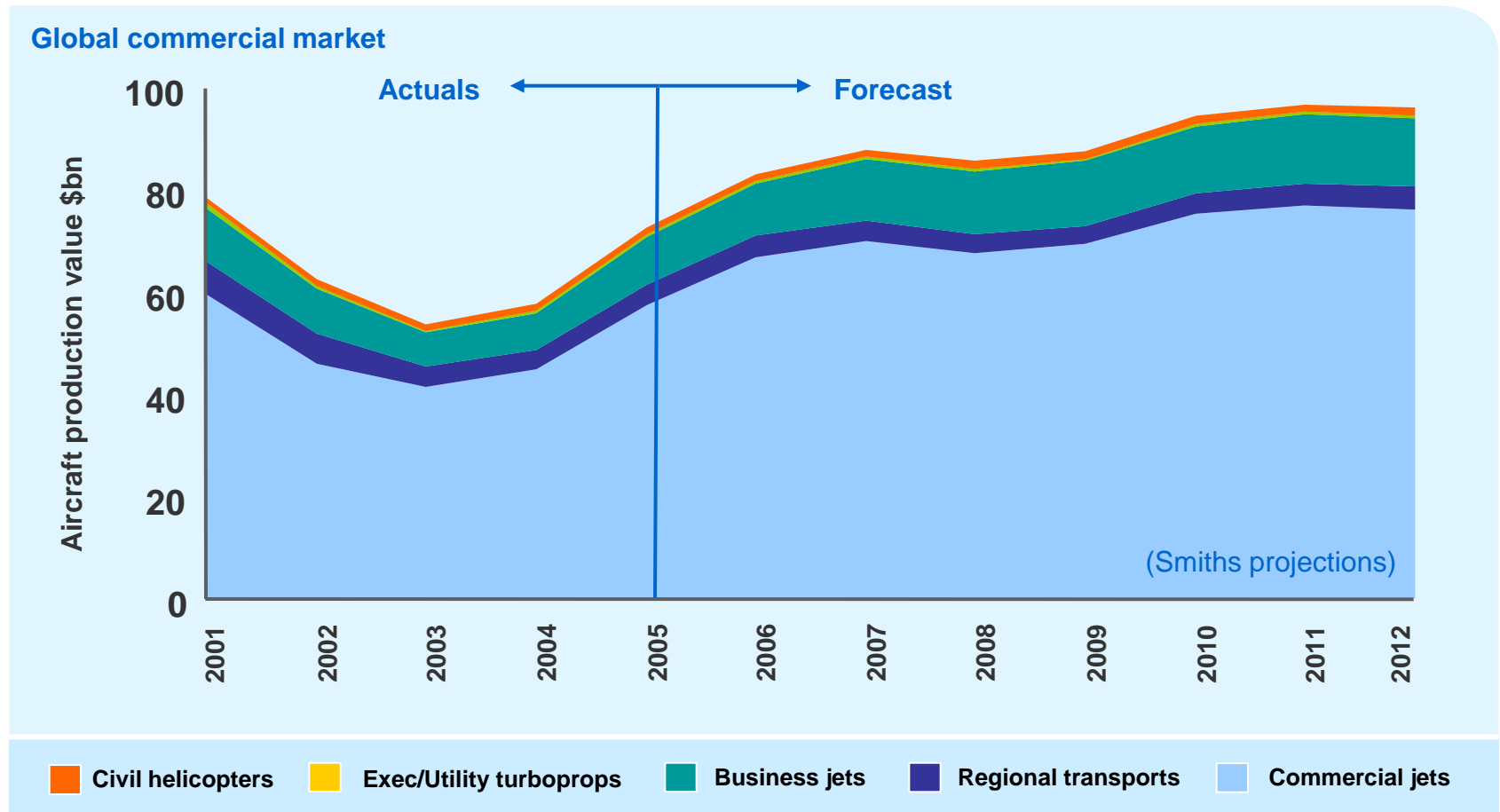
Smiths Aerospace has a strong position with Boeing and Airbus

Capabilities on large commercial aircraft (Applications: Boeing: 737, 777, 787 Airbus: 320, 300/340, 380)

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Smiths Aerospace: Significant growth in the commercial aircraft sector



Smiths is increasing market share, opportunities in later years for new narrow bodies

Smiths Detection:

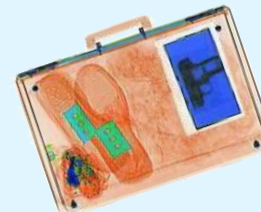
Smiths has the widest range of detection technologies

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Trace detection



Conventional x-ray and EDS



Bio agent detection



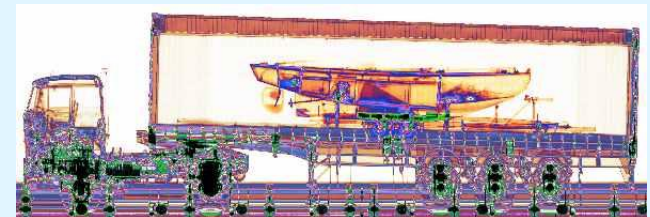
Millimetre wave



Infra-red chemical analysis



Cargo x-ray



Smiths Detection:

Active in multiple industry sectors

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Transportation



Military



Critical infrastructure



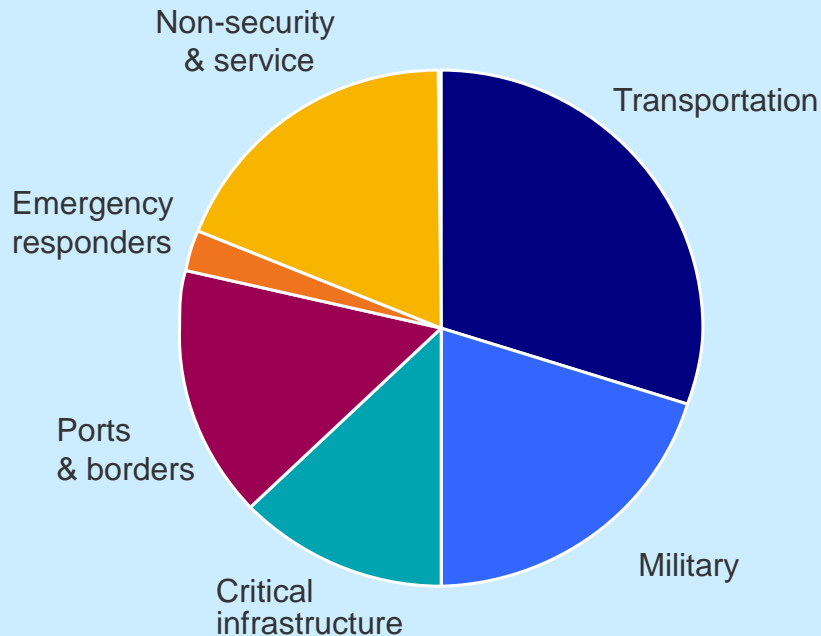
Ports and borders



Emergency responders



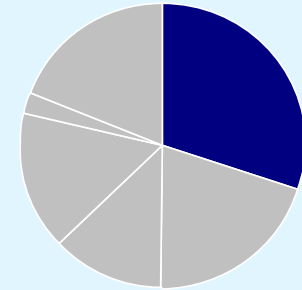
Smiths Detection sales 2004
£317 million



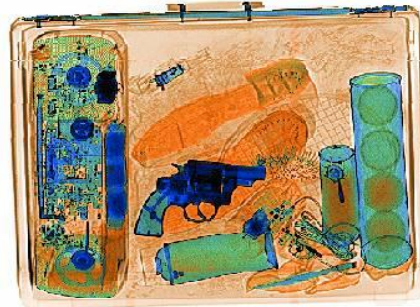
Smiths Detection: Airport security

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- US - increased emphasis on passenger screening
- New x-ray product launched
- Baggage screening sales strong internationally
- New airport investment eg Beijing T3; Heathrow T5
- Growing after-market, particularly in US (\$40m in TSA service revenue)



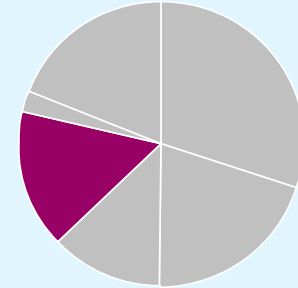
proportion of total Detection sales



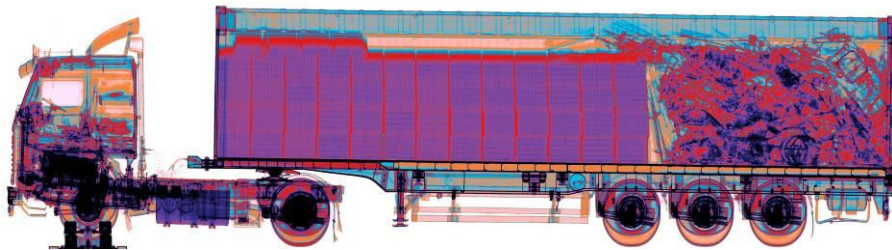
Smiths Detection: Ports and borders

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- Increased emphasis on cargo screening globally
- Smiths providing mobile screening systems for US CSI (Container Security Initiative)
- Growing market for customs screening and manifest verification
- Smiths has wide range of systems - including radiation detection
- Revenue generation



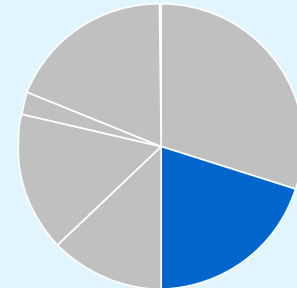
proportion of total Detection sales



Smiths Detection: Defence

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- **Successfully miniaturized chemical detection**
 - LCD weights only 500 g
- **Strong current programmes:**
 - 10,000 LCAD units to MoD
 - 5,500 ACADA units to US DoD
 - Downselected for US JCAD program product tests
 - Int'l programmes: India, Korea, Netherlands.
- **Strengthening position in Bio detection**
 - Programmes in UK and Japan
 - Recently acquired ETI

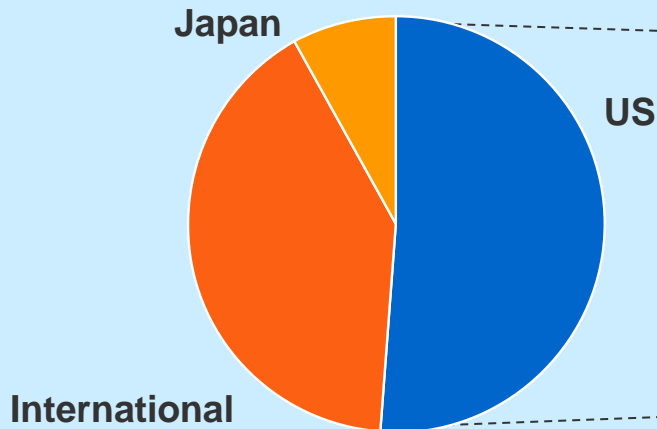


proportion of total Detection sales

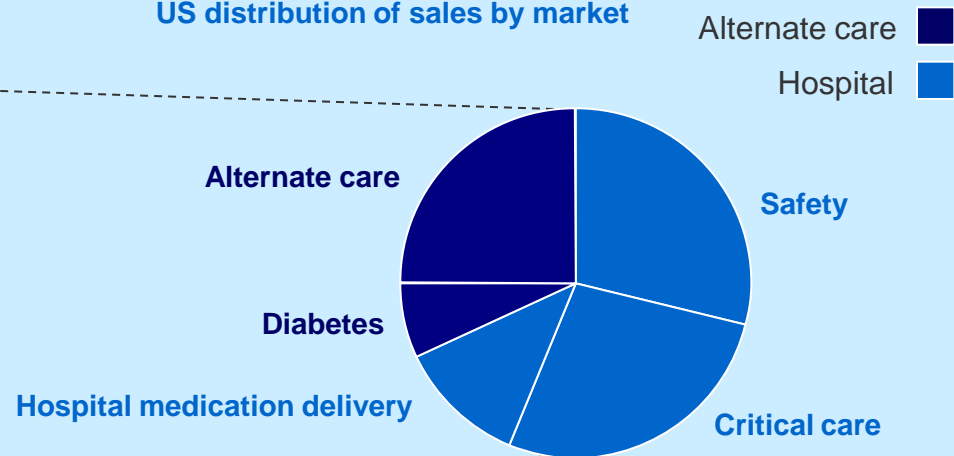


- High-margin specialist medical device company
- Global sales of £487m in 2004 pre-Medex. Net margin of 19%
- Leading positions with anesthesiologists and alternate site specialists
- Strong growth in safety devices and diabetes care
- Building on strong growth platforms
- Medex acquisition completed March 2005

Distribution of sales by geography



US distribution of sales by market



Smiths Medical:

A dynamic market for US healthcare devices



Safety devices market

Market size: **£430 million** Market growth: **7%**



Critical care market

Market size: **£260 million** Market growth: **3%**



Medication delivery market

Market size: **£530 million** Market growth: **3%**

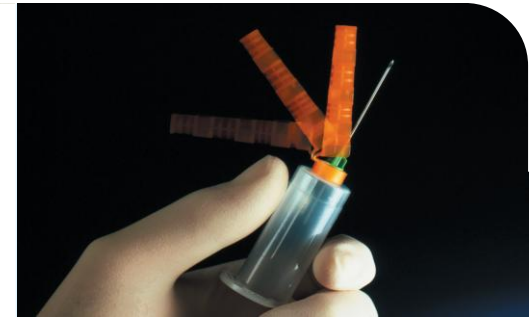
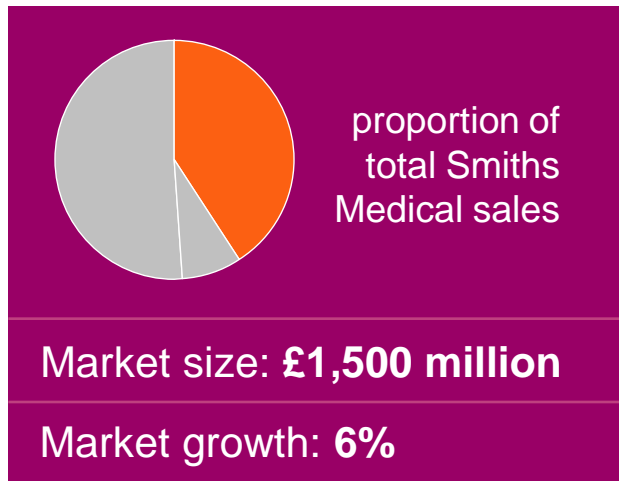


Insulin delivery market for diabetics

Market size: **£380 million** Market growth: **15%**

Smiths Medical International: Leveraging US technology to drive global sales

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Safety

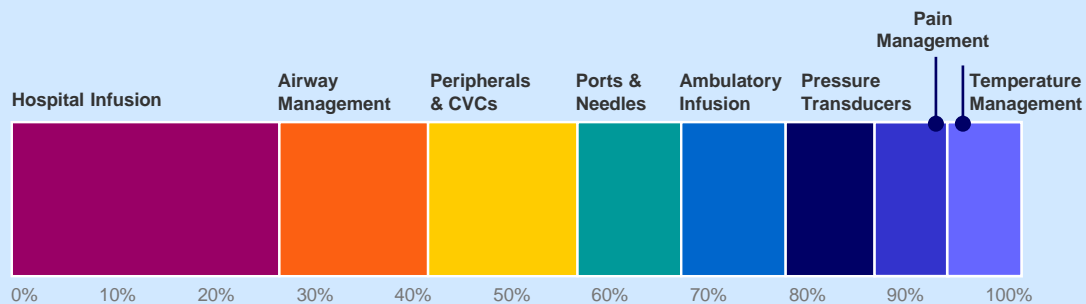


Cozmo



Medfusion

Market segments



Smiths Medical: The integration of Medex

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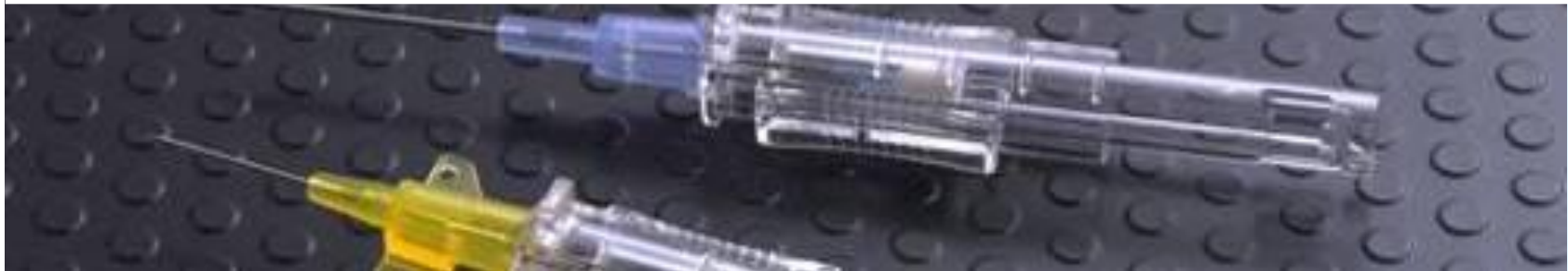
- Completed 21 March 2005
- Medex Senior Team secured
- Overall organisation established

- Medex and Smiths Anaesthesia & Safety Devices combined
- New Critical Care organisation established and operating
- International organisations integrated and operating

- International and US sales forces integrated
- Global marketing and R&D structure in place
- “Capturing top line synergies” programme launched
- R&D co-ordination ongoing

- Procurement synergies programme underway
- Shared services organisation developed
- Manufacturing rationalisation under evaluation

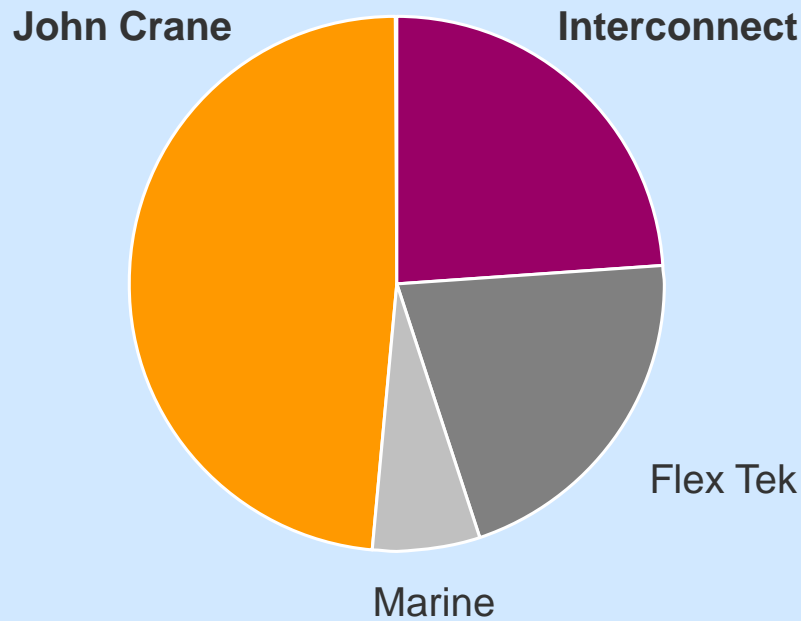
Medex ProtectIV catheters



Specialty Engineering:

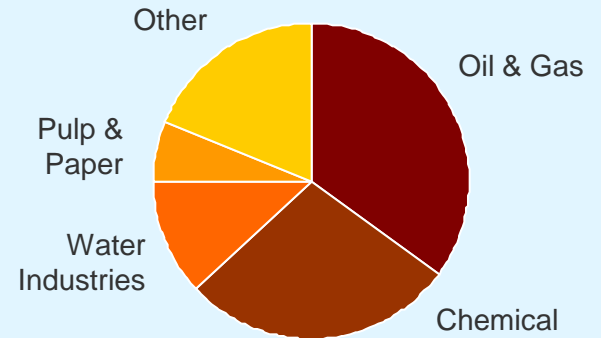
High margins, strong growth, significant contributor to Smiths' performance

Specialty Engineering

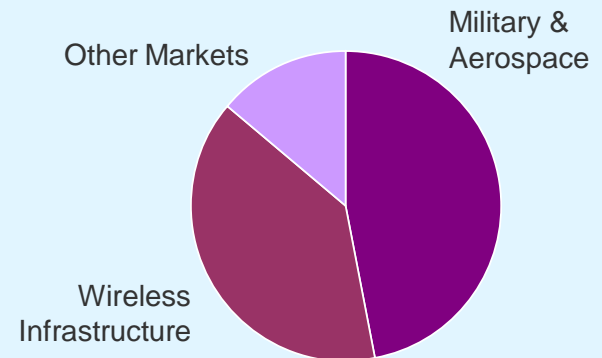


Annual sales circa £0.9bn, margin 14%

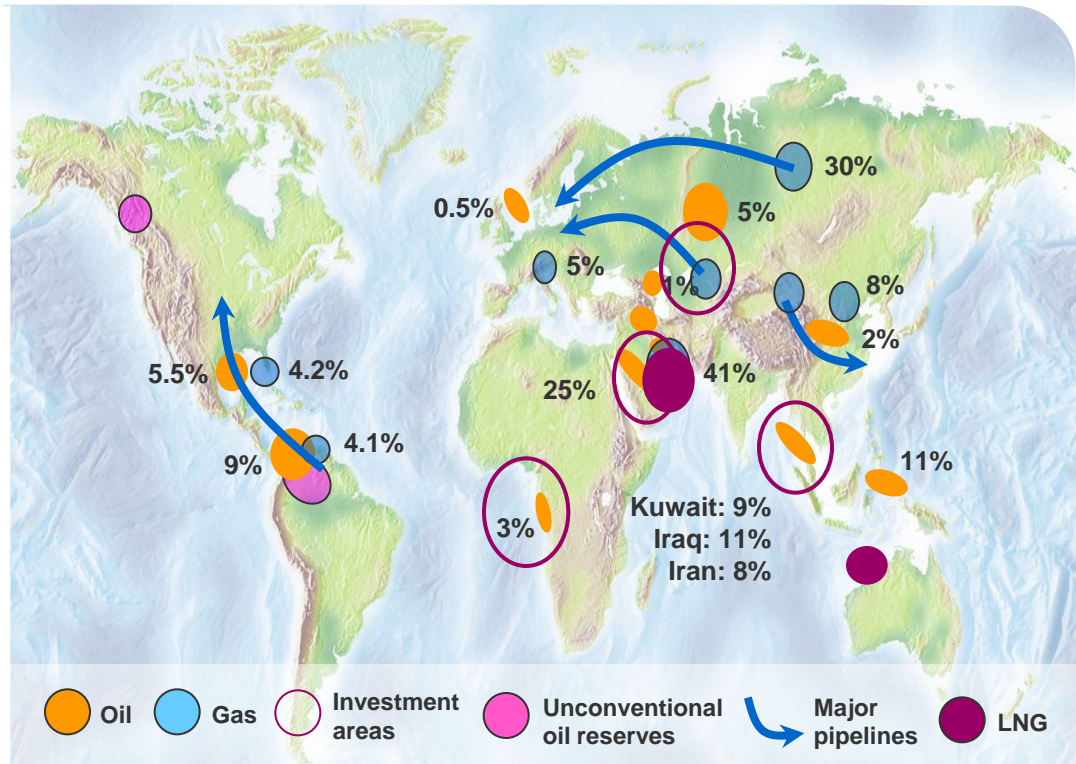
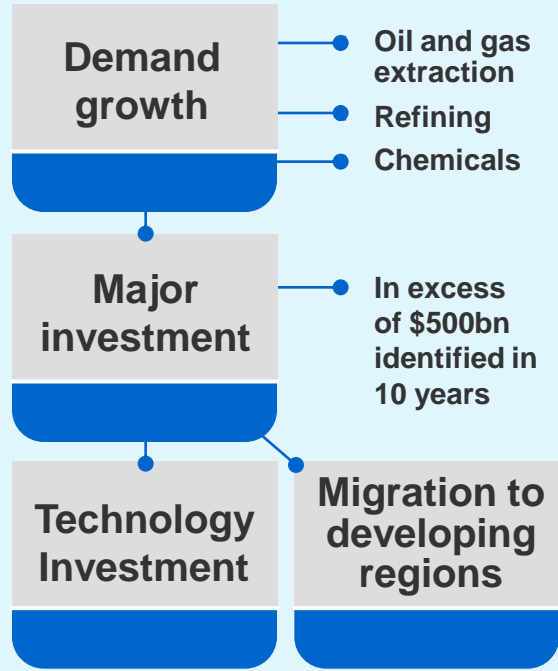
John Crane breakdown



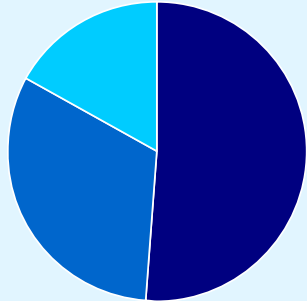
Interconnect break down



Market Drivers



Interconnect: Locally Managed & Globally Directed



Sales by Technology Group

Microwave

Connectors

Protection

Components and assemblies used in the generation, transmission, receipt and processing of high frequency signals

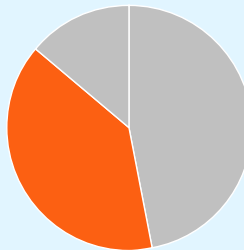
Application specific high reliability electrical interconnect solutions

Components used to protect high value electrical systems from surges caused by power spikes and lightning strike

Applications

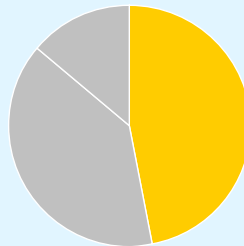
Wireless infrastructure

Proportion of Interconnect sales



Military & Aerospace

Proportion of Interconnect sales



Microwave

Connectors

Protection



Microwave

Connectors

Protection



Aerospace

Cyclical markets for commercial, strong momentum business in defence

Upswing in commercial is driving Smiths' profit recovery

Detection

Exciting market still evolving, new technology is the driver

Smiths expects to achieve double digit growth

Medical

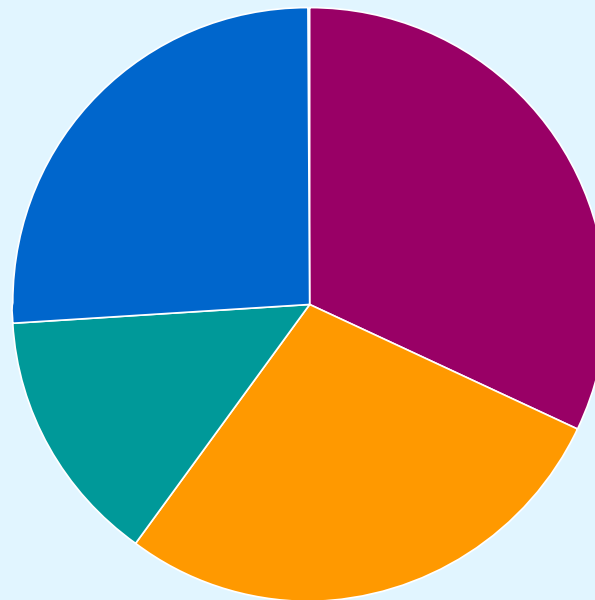
Relentless increase in healthcare spending drives continuous growth in devices market

With Medex, Medical is now a larger part of Smiths

Specialty Engineering

In niche markets with growth rates of 5% and above

Interconnect is outperforming, with defence and telecoms components growing strongly



divisional contribution to annual operating profit (incl. 12 months of Medex)

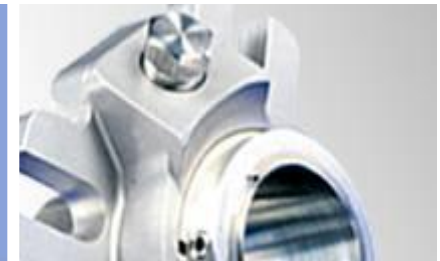
Sales growth momentum

Gaining market share from competition

Driving R&D to develop new products

Recent acquisitions making a strong contribution and pipeline

Cost drive underpins high margins



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