

Smiths Group

Meeting with UK Shareholders' Association

Smiths Group HQ, London, Tuesday 5th April 2005

Presentation by: Alan Thomson, Financial Director
Russell Plumley, Director, Investor Relations



Welcome to the HQ of Smiths Group

- **In this building since 1981 (Smiths was local to this area)**
- **140 people in corporate and divisional roles**
- **The Board meets here regularly:**

Chairman

Donald Brydon

Chief Executive

Keith Butler-Wheelhouse

Executive Directors

Alan Thomson (FD)

John Ferrie (Aero)

Lawrence Kinet (Med)

John Langston (Spec.Eng.)

David Lillycrop (Legal)

Non-executives

Peter Jackson

David Challen

Lord Robertson

Sir Nigel Broomfield

Sir Julian Horn-Smith

Rob O'Leary

- **The corporate staff are here (100 people):**
Legal & Secretarial, M&A, Communications, Financial, HR and Services
- **The divisional HQs are also here(40 people)**
Aerospace, Detection, Medical and Specialty Engineering

Highlights

- Headline profit before tax up 16% at £155m*
- Headline earnings per share up 17% at 20.4p*
- At constant currency, all four divisions contributed to sales growth of 11%, headline operating profit growth of 16%
- Medex acquisition scheduled to complete on 21 March
- Interim dividend increased by 6%, to 9.25p
- Momentum expected to be sustained in second half of 2005

* before goodwill amortisation and exceptional items

Operating performance: for H1 2005

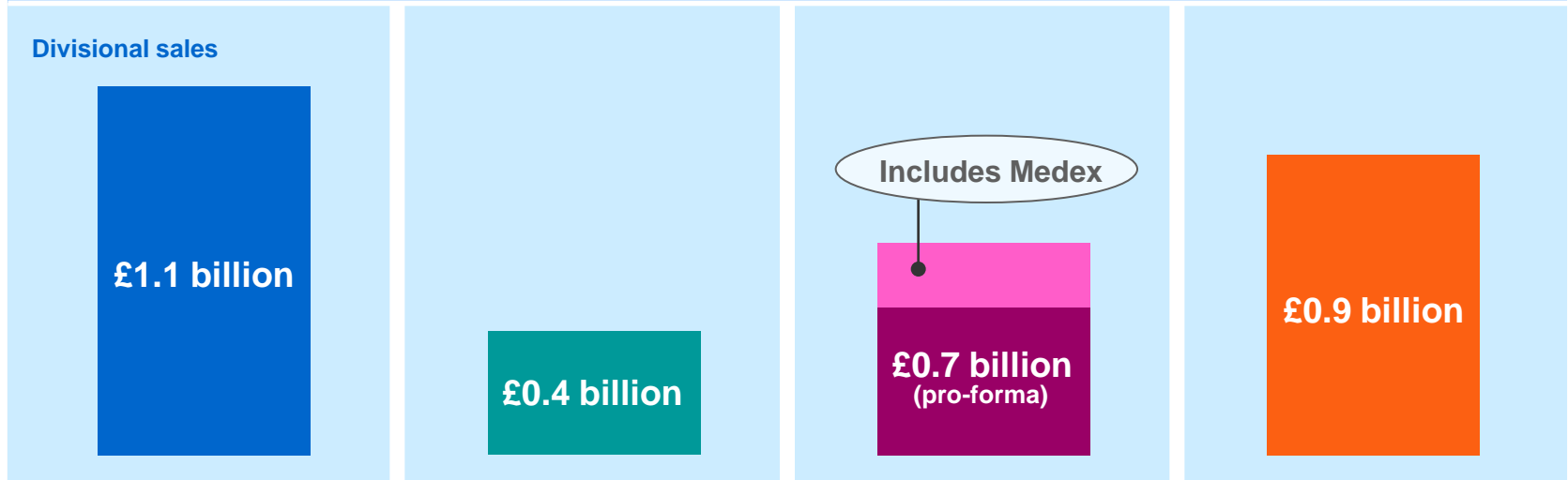
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£m	H1 2005	H1 2004
Sales	1,344	1,264
Headline operating profit	153	141
<i>Margin</i>	11%	11%
Net interest	(6)	(9)
Pensions financing	8	1
Headline profit before tax	155	133
EPS	20.4p	17.5p
Dividend	9.25p	8.75p

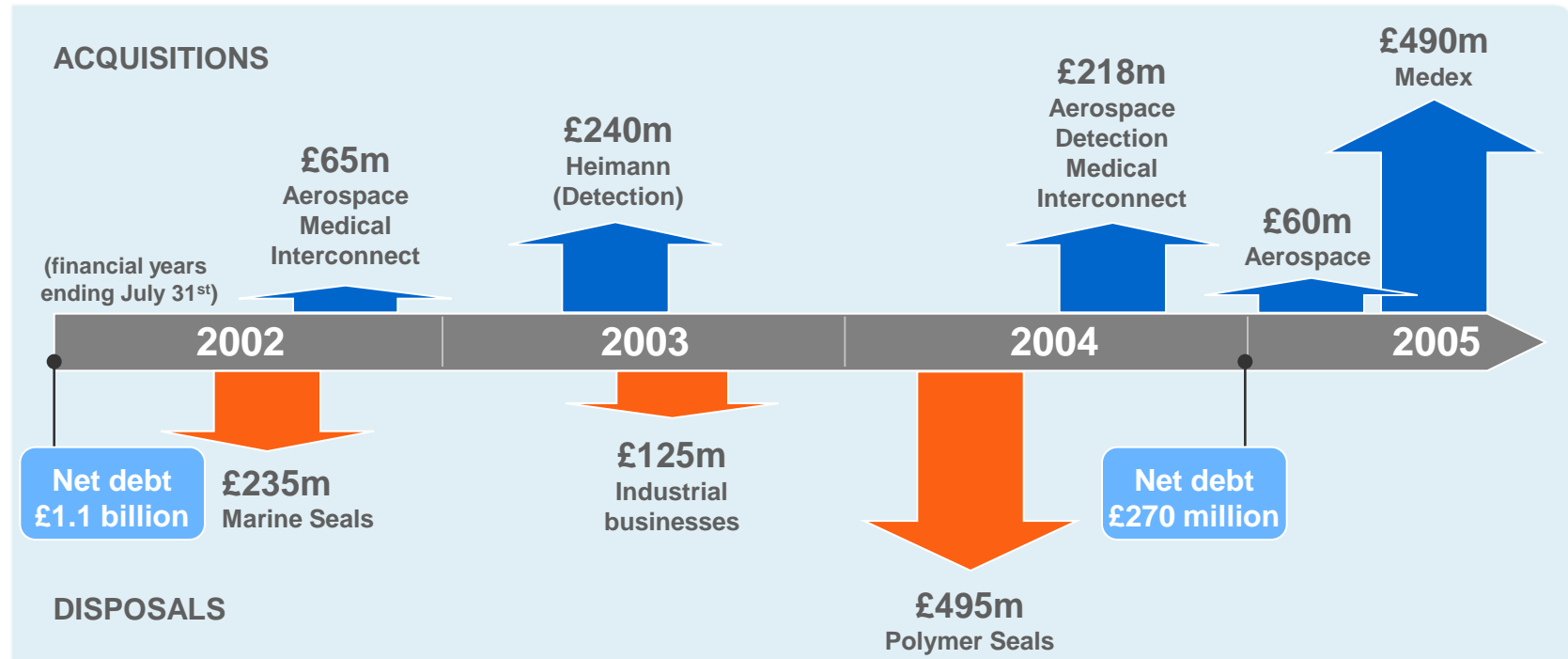
Smiths Group: Four strongly-performing divisions

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

Smiths current annual sales (incl. Medex) approx £3 billion



Significant progress on reshaping Smiths Group



Management action:

- Disposal of non-core business
- Focusing on activities with best growth prospects
- Adding relevant acquisitions to existing operations

Acquisition currency:

- 1 Strong free cash-flow
- 2 Disposal proceeds

The profit profile of Smiths has changed: now focused on sectors with strong growth

Aerospace

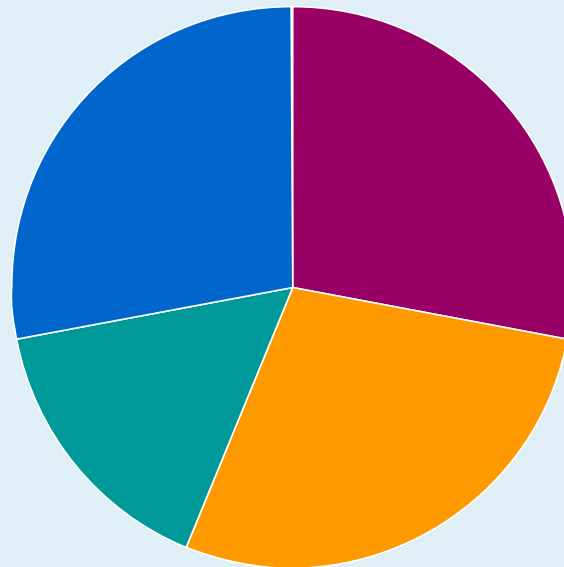
Cyclical markets for commercial, strong momentum business in defence

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



divisional contribution to annual operating profit (incl. Medex)

Medical

Relentless increase in healthcare spending drives continuous growth in devices market

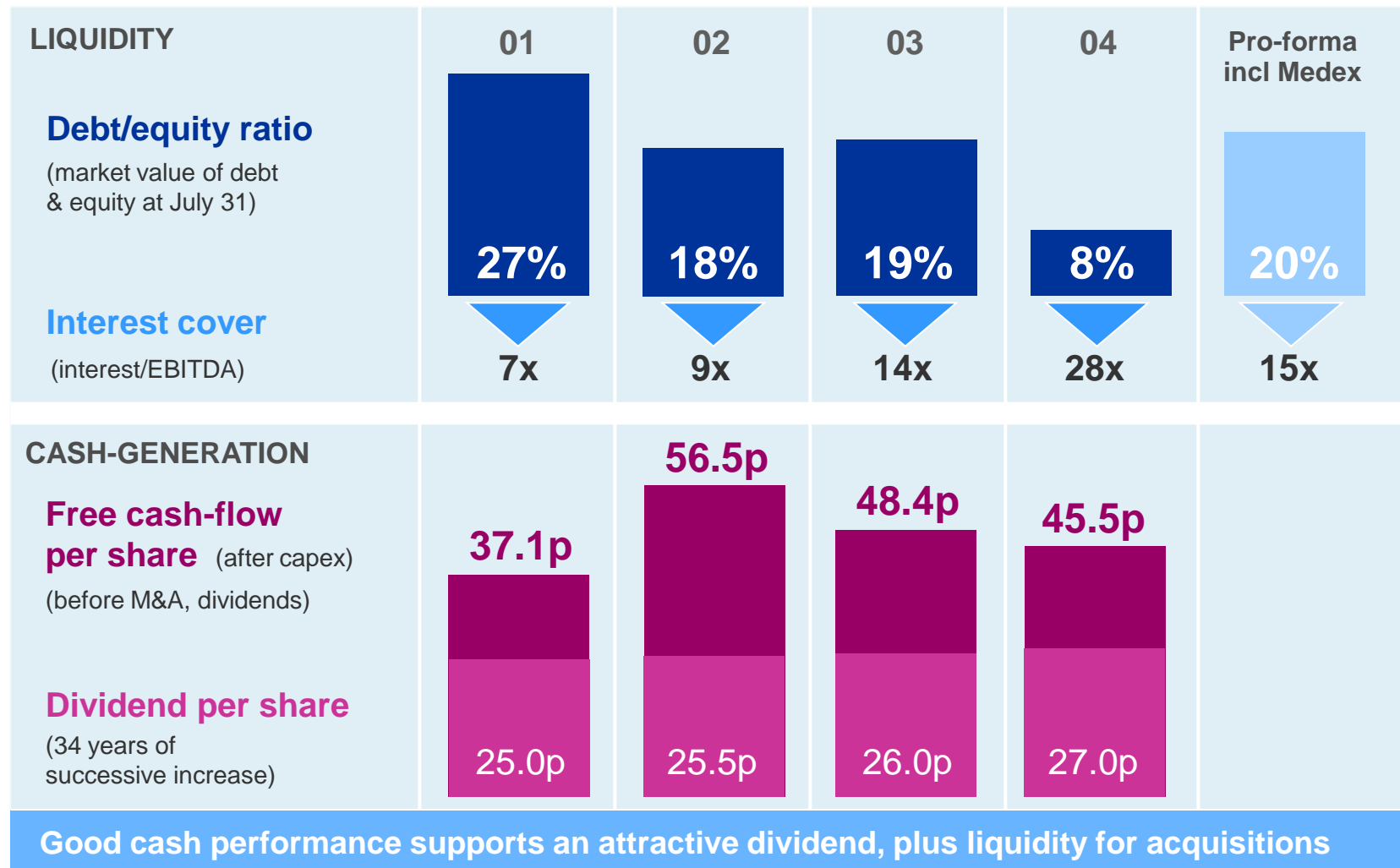
With Medex, Medical is now a larger part of Smiths

Specialty Engineering





In niche markets with growth rates of 5% and above

Interconnect is outperforming, with defence and telecoms components growing strongly

The financial resources are available for the continued development of Smiths

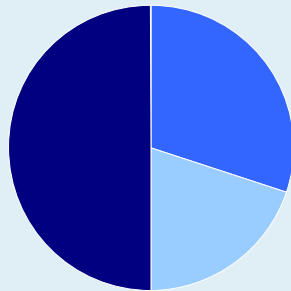


Continuing progress on acquisitions

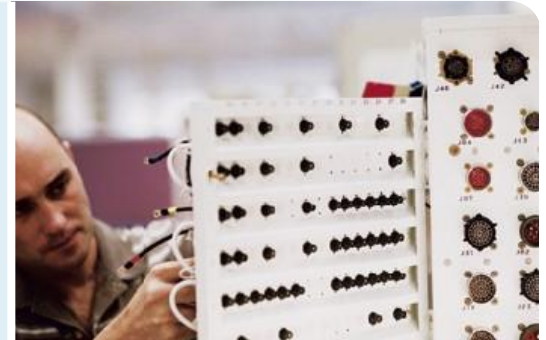
Aerospace	DGT • engine components	cost	£57m						
	Integrated Aerospace • landing gear systems		£57m						
Detection	Cyrano • miniaturised detector		£8m						
	SensIR • hazmat detection		£41m						
	Farran • millimetre wave technology		£16m						
Medical	DHD • US respiratory care devices		£30m						
Spec. Eng.	TRAK • microwave components		£63m						
	Tianjin Timing • mechanical seals		£3m						
	US Seal • mechanical seals		£6m						
Cyrano	DGT	SensIR TRAK	DHD		Integrated Aerospace	Tianjin Timing		Farran	US Seal Medex
March 2004	FY2004			Aug 2004	FY2005				March 2005

Smiths Aerospace: overview

First tier supplier of integrated systems



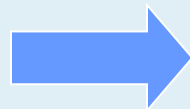
- Electronic systems
- Mechanical systems
- Engine components



With technology leadership in vital areas of the aircraft

R&D/Sales

Company-funded
(expensed to profit)

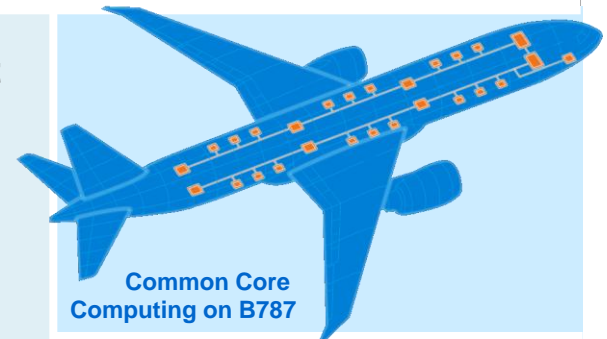


8%

Customer-funded
(largely govt./military)

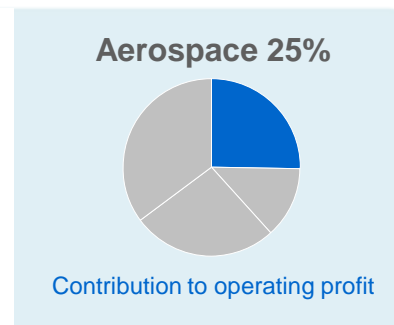


12%



Smiths Aerospace: performance in H1 2005

£m	H1 2005	at constant currency
Sales	514	+17%
Operating profit	39	+24%
<i>Margin</i>	8%	



- Delivered first systems for: Airbus A380, F-35 JSF, C-130 AMP
- Development work on Boeing 787 Dreamliner on schedule
- Selected for complete landing gear on X-47B unmanned aircraft
- Teamed with Lockheed on US 101 Presidential helo fleet
- Capacity in China will be doubled by 2006
- Engine component plant in Poland being expanded

Boeing 787



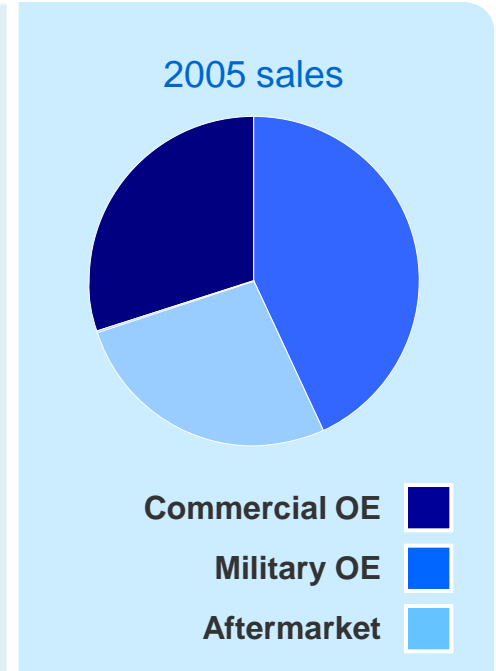
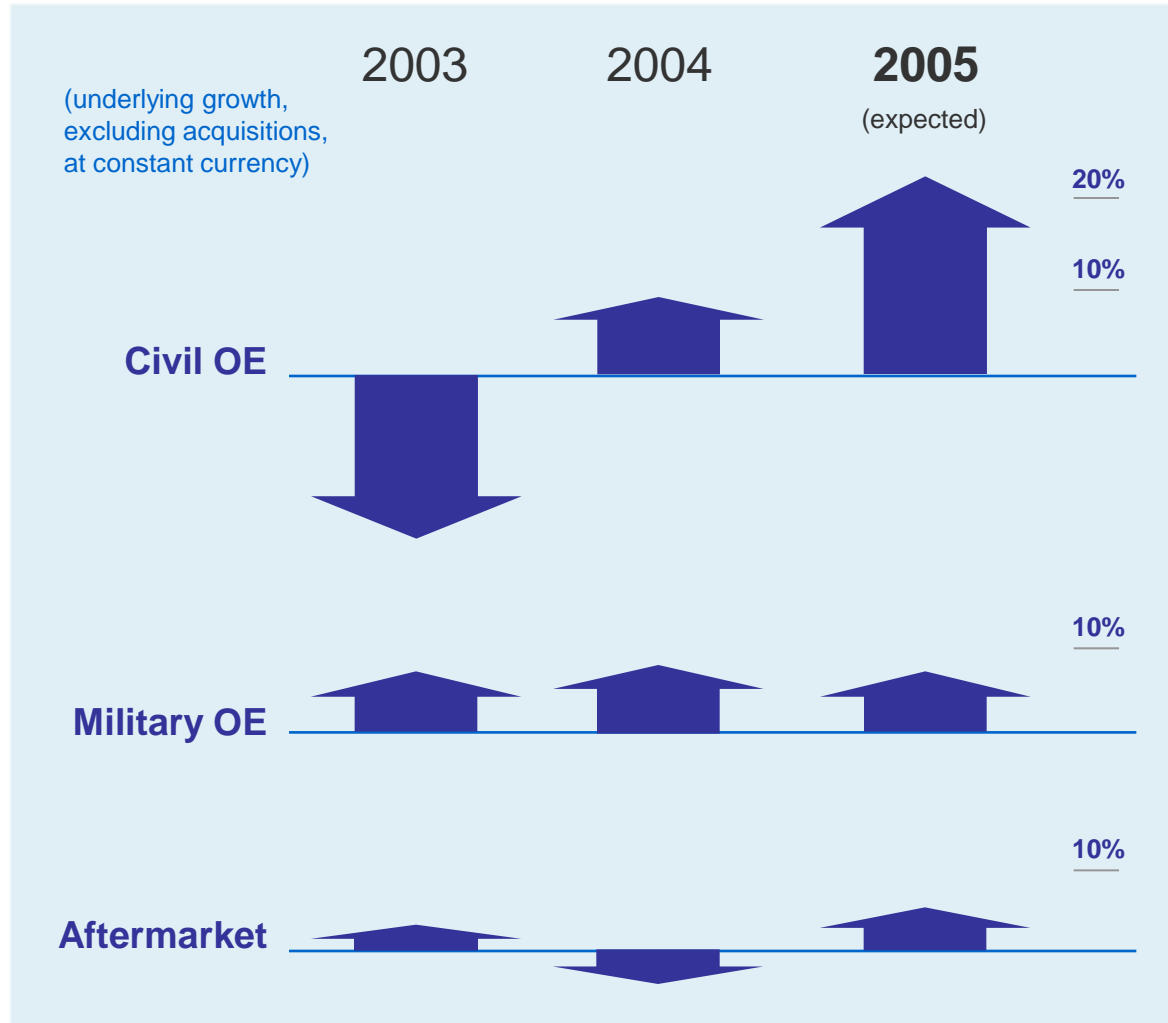
Eurofighter



US 101



Smiths Aerospace: sales trends



Smiths Detection: Fundamental strengths

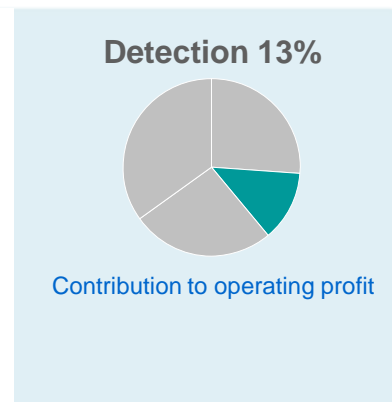
- Market leadership in both Trace and X-ray detection
- Broadest range of applications
- Not dependent on airport security
- Significant investment in product innovation
- Worldwide sales base, incl. military customers




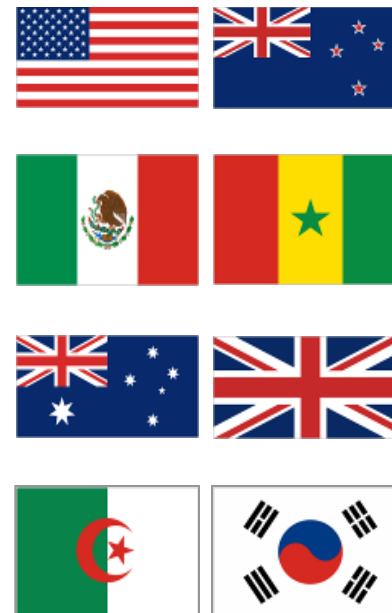
Smiths Detection: built from strong organic growth and key acquisitions since 1997

Smiths Detection: performance in H1 2005

£m	H1 2005	at constant currency
Sales	153	+10%
Operating profit	21	+22%
<i>Margin</i>	13%	



- Timing of deliveries variable, government order patterns skewed to second half
- Significant military awards, including:
 - US ACADA programme
 - UK LCAD programme
 - Royal Netherlands Army
- R&D now at 8%, yielding good stream of new products
- Acquired technologies (eg: millimetre wave) will broaden Smiths' capabilities
- Orders in this period from: 



Smiths Detection: a broad spread of applications

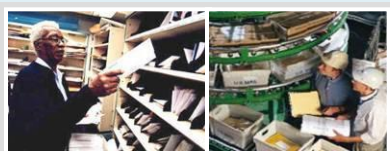
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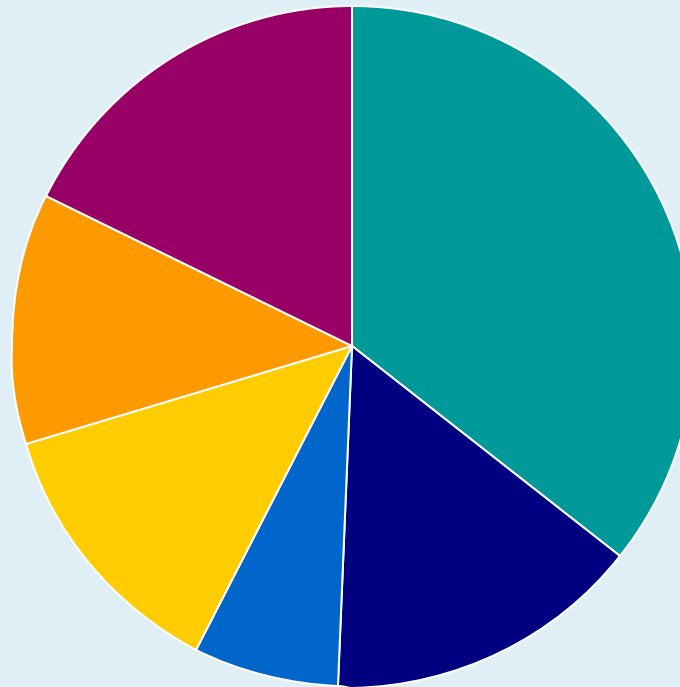
Military



Non-security applications



Critical infrastructure



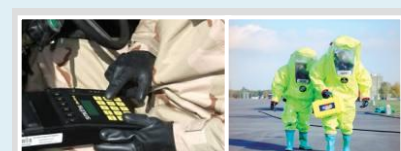
Current sales



Airports



Ports & borders



First responders

Smiths Medical: Fundamental strengths

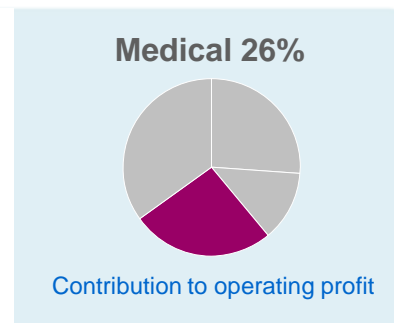
- Strong market niches in specialised devices
- Smiths is well-placed in the hospital **and** in the ex-hospital recovery sector
- Market grows steadily at 5-6% p.a
- Recent product intros are adding to current growth
- Nearly three-quarters of profits are generated in dynamic US market



A leader in medical devices and equipment, in a dynamic world market

Smiths Medical: performance in H1 2005

£m	H1 2005	at constant currency
Sales	237	+6%
Operating profit	39	+7%
<i>Margin</i>	<i>17%</i>	



- Two-thirds of profit generated in North America, significant translation impact
- Strong growth in safety devices, US market not yet fully compliant
- Cozmonitor (in partnership with Abbott) well-received in US
- Cozmo launched in 8 countries
- Sales in Japan held back by withdrawal from third-party products

Epidural kit



Cozmonitor



Digit

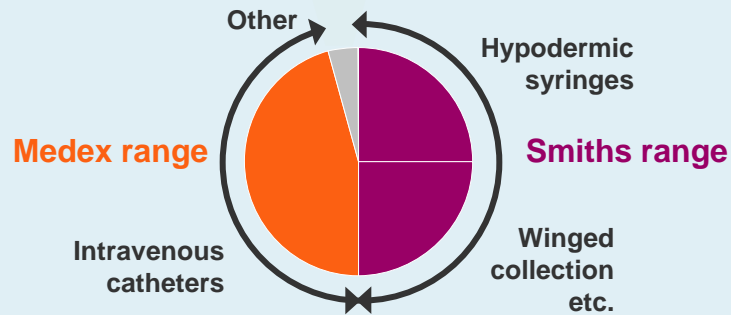


The acquisition of Medex:

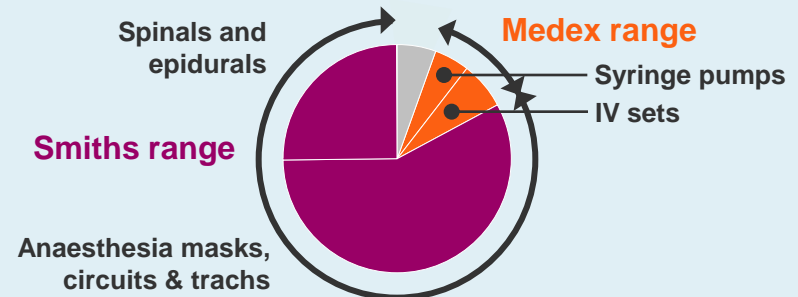
Gives Smiths a significant presence in the critical care sector

smiths

The combined range meets 95% of the requirement for safety devices...

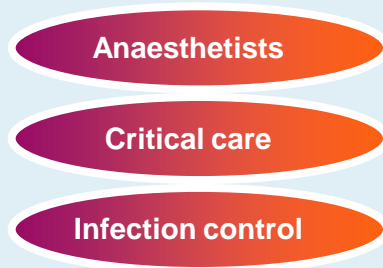


...and 90% of the requirement for anaesthesia disposables



The customer callpoints for Smiths and Medex are the same

With a full range to offer, the combined sales team has the opportunity to increase market share



Medex Acuvance catheters

Smiths now has a significant presence in the safety device sector

The acquisition of Medex:

A comprehensive integration plan is in place

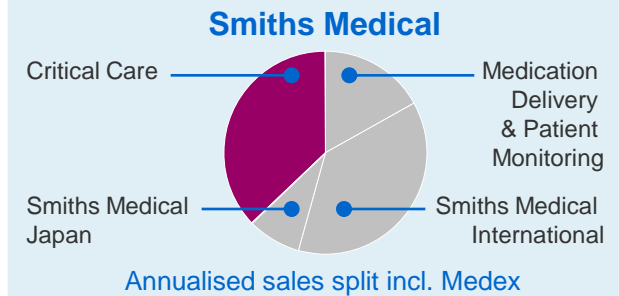
- Medex joined Smiths Medical in March
- Medex senior team secured
- Overall organisation established

- Medex and Smiths Anaesthesia & Safety Devices combined
- New **Critical Care** division established
- **International** organisation streamlined

- Unified US Critical Care sales-force in first month
- Critical Care marketing team in place
- “Capturing top line synergies” programme launched

- Manufacturing integration
- Procurement rationalisation
- R&D co-ordination
- Shared services organisation

Medex ProtectIV catheters



Specialty Engineering: A significant contributor to Smiths' profits. **smiths**

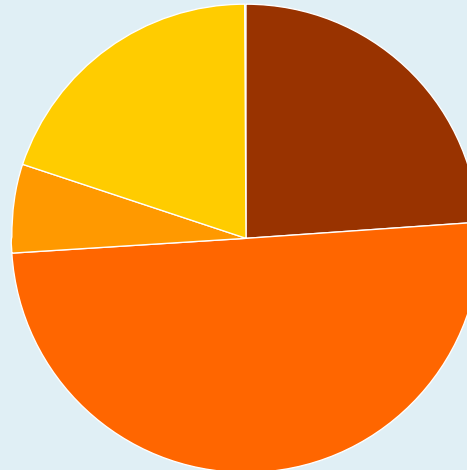
Businesses with good margins and respectable growth rates

FlexTek

Hoses, ducting for domestic appliances, aircon

Marine

Marine radar & navigation charts



Annual sales circa
£0.9 billion
margin 14%

Interconnect

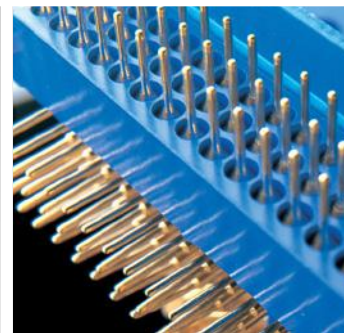
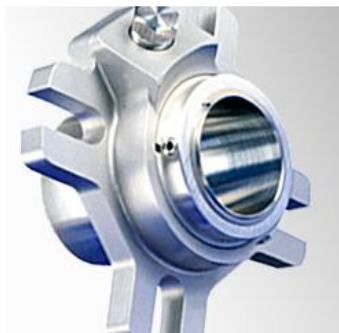
Connection & protection of electronic circuits, currently achieving double digit growth from aero and telecom upswing

John Crane

World's No1 supplier of rotating seals, used in oil/gas/chemical plant and pipelines

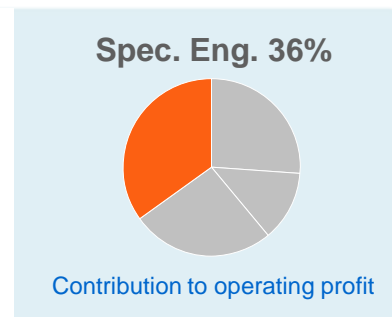
Specialty Engineering

delivers 100% of its profits in cash



Specialty Engineering: performance in H1 2005

£m	H1 2005	at constant currency
Sales	440	+9%
Operating profit	54	+14%
<i>Margin</i>	12%	



- Higher sales and profits in all four activities
- John Crane - grew strongly in America
 - but was held back in Middle East
 - Russian JV now delivering to Gazprom
 - higher raw material costs passed on
- Interconnect - microwave components business performing well
 - strong demand in military, aerospace, telecoms
- Flex-Tek - Malaysian plant now supplying Dyson
- Marine - strong naval business

TRAK



John Crane



Microwave cable



Smiths Group: Looking ahead

Pick-up in commercial aerospace will continue

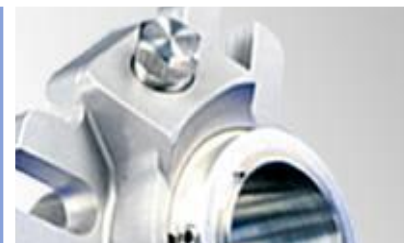
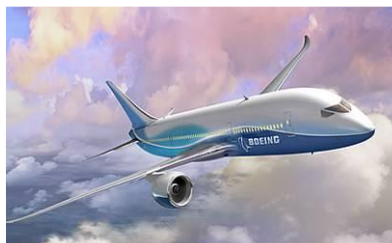
R&D, new products generating incremental sales

Recent acquisitions are contributing strongly

The benefit of Medex starts in H2

Further productivity gains from current restructuring

Smiths' "second half" pattern will be repeated



“Capitalising on opportunities to generate sustained growth”

Smiths Group

