

Smiths Group

The UK's leading specialist
engineering company

smiths



Presentation by Alan Thomson

Financial Director, Smiths Group plc

At the SG Cowen Global Aerospace Conference
New York - Tuesday, February 12, 2002

www.smiths-group.com

Smiths Group

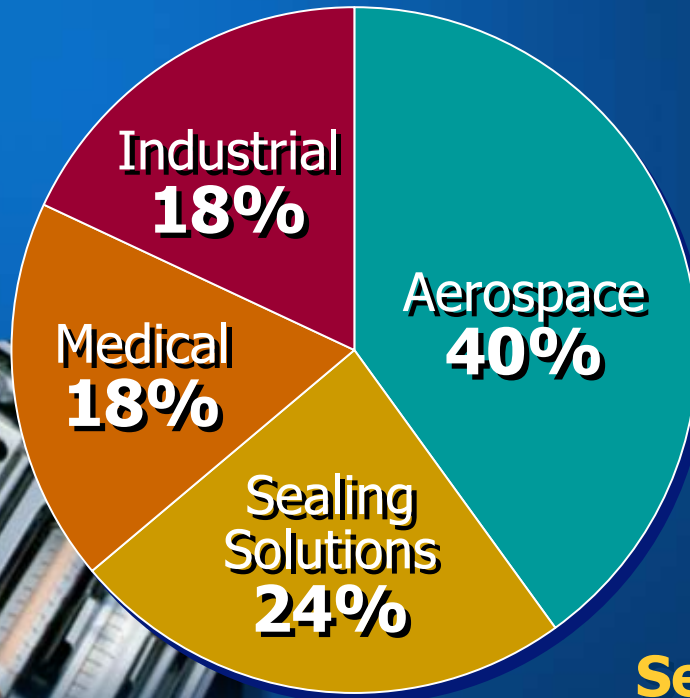
global operations in four focused divisions

Industrial

Electronic interconnect
and air moving systems

Aerospace

Avionic systems
and equipment



Medical

Devices for critical
and intensive care

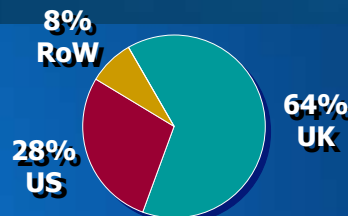
Sealing Solutions

Mechanical and
polymer seals

Contribution to 2001 profit

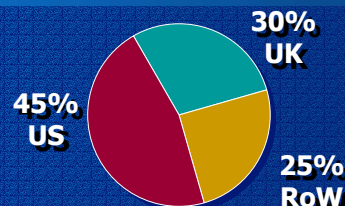
Smiths Group - robust performance focused on cash-flow

Market capitalization
\$5.5 billion



Around #62 in FT-SE 100

Sales
\$5 billion



All four divisions trade globally

Margin
15%



Aero 16%
Seals 11%
Medical 21%
Industrial 18%



Premium products, market leadership in specialized sectors

Operating profit
\$760 million



Profit-to-cash conversion at 80% (after capex)



Free cash-flow \$300m

Pre-tax
\$650 million



Strong balance sheet
Debt: \$1.6 billion
Shareholder funds: \$3.8 billion



Interest cover 10x

Management actions underway to sustain performance in current economic conditions

Restructuring to “right size” the businesses

Moving labor-intensive production to low-cost areas

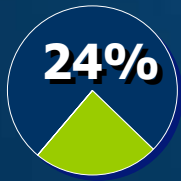
Disposing of non-core activities

Acquiring in growth-oriented sectors

Maintaining R&D, with more emphasis on medical technologies

Driving lean enterprise initiatives through all operations





Profit contrib.

Sealing Solutions

a world leader in the design of high-performance mechanical and polymer seals

2001 sales - \$1,689m

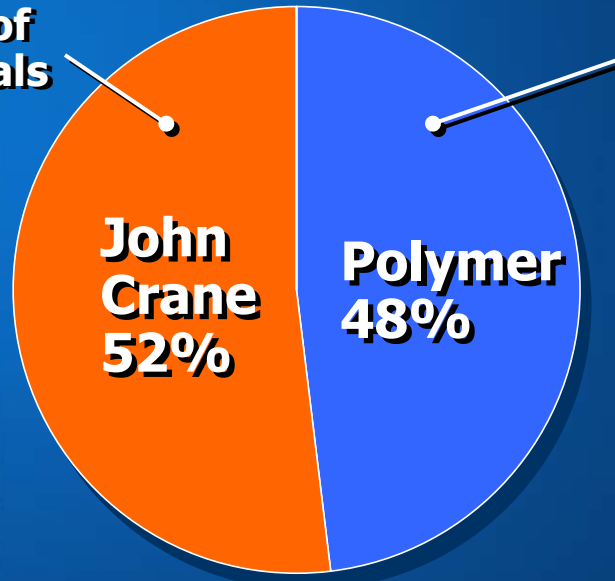
Op profits - \$185 m

Margin – 11%

Clear no.1 global supplier of metal/ceramic rotating seals

for

oil & gas, chemical, pulp & paper and other process plant



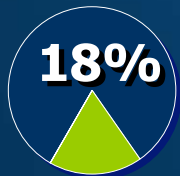
Equal no.2 global supplier of rubber/plastic seals

for

industrial, aerospace, automotive applications

(continuing profit contribution)

Rapid restructuring is raising John Crane margins
Production transferring to Mexico and Czech Republic
Non-core disposals: - Vacuum & Filtration
- Marine



Profit contrib.

Smiths Medical

premium products in specialized niches: single-use medical devices, and high-tech equipment for critical and intensive care

2001 sales - \$657m

Op profits - \$135m

Margin - 21%

Healthcare device market growing at 6% per annum, unaffected by economic climate

Business driven by North American demand for advanced medical technologies

High margins sustained by rapid product innovation: Smiths is first-to-market

Labor-intensive production transferred to Mexico

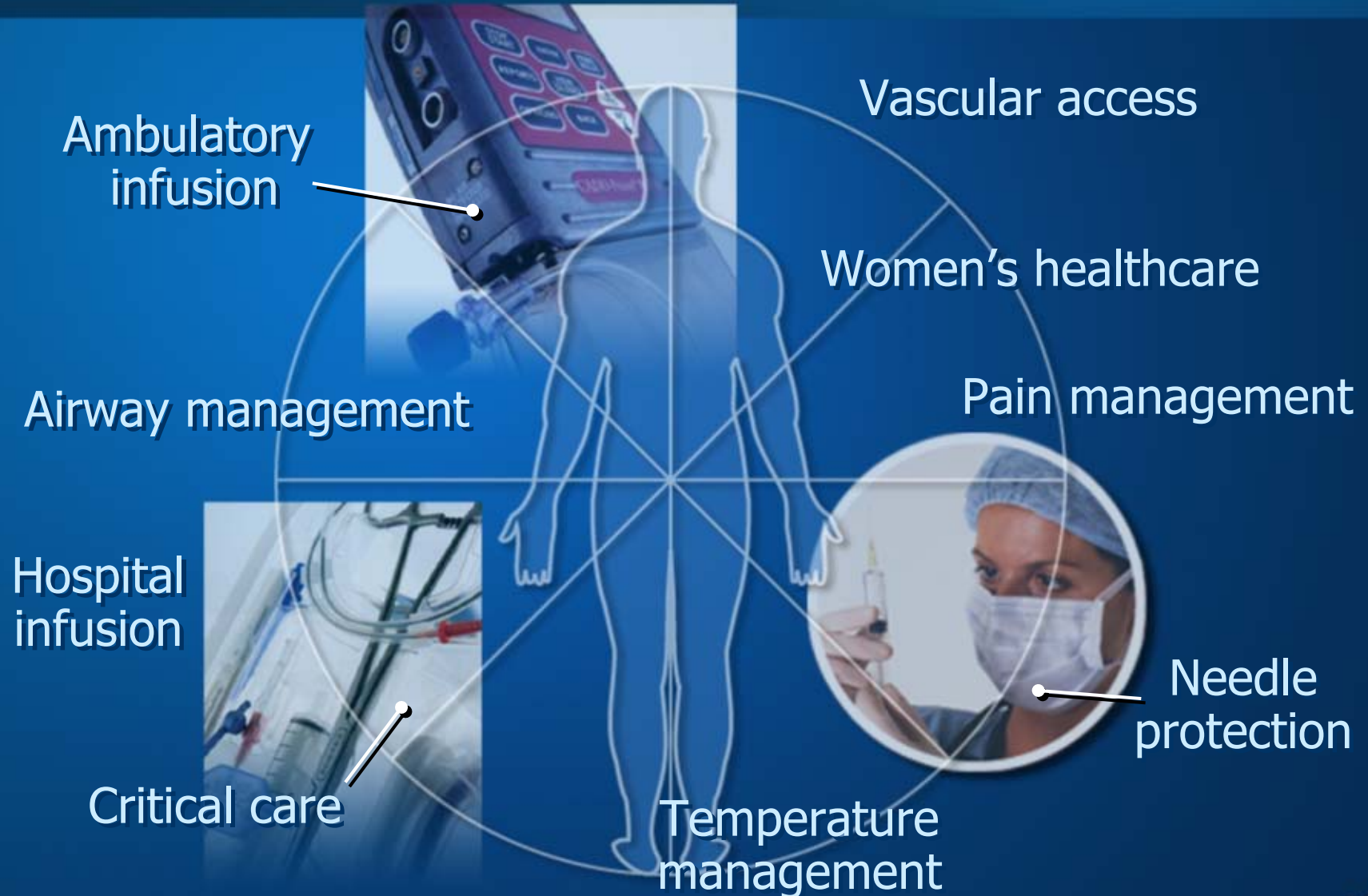
Legislative/insurance requirements for safe procedures bring new opportunities

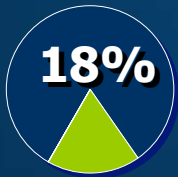
US-developed products are then taken through worldwide distribution network



Smiths Medical

focused on a range of therapies used during emergency, surgery and post-op care





Profit contrib.

Smiths Industrial

2001 sales - \$754m

Op profits - \$136 m

Margin – 18%

Principal activity: Interconnect -

the connection and protection of safety-critical electronic circuits

Multi-pin connectors
Microwave cable assemblies
Surge suppression
Lightning strike protection

for

Aerospace & defense
Medical electronics
Railroad signalling
Cellphone infrastructure

**Highly-engineered,
premium products**

**Specialized niche
applications**

**Good long term
prospects, despite
current telecom
slowdown**

**Seeking
complementary
businesses to extend
product range**





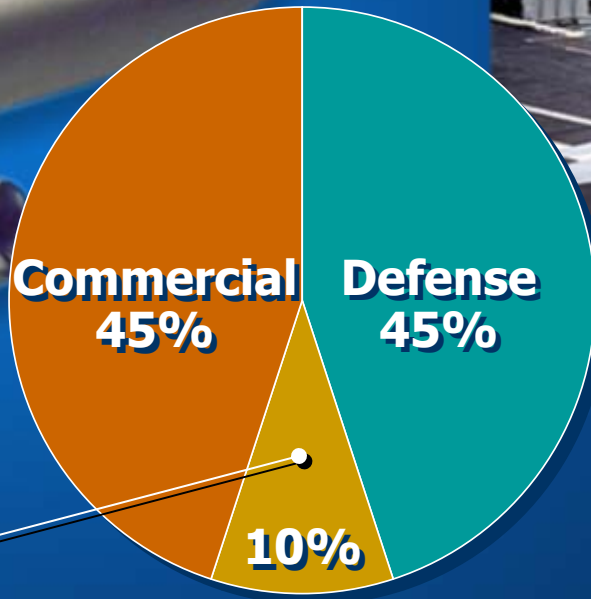
Profit contrib.

Smiths Aerospace: a first tier supplier of integrated systems for military and commercial aircraft

2001 sales - \$1,927m

Op profits - \$304 m

Margin - 16%



Detection & Protection



Original equipment - 70%
 Aftermarket (airlines, airforces) - 30%

Aerospace - extensive systems capabilities

Electronic systems

- Flight management
- Data recording
- Health/usage monitoring
- Stores management
- Cockpit displays
- Electrical power
- Fuel measurement
- Environmental controls



Actuation systems

- Primary flight controls
- Thrust reversers
- Landing gear hydraulics
- Door actuation
- Propellers



Precision components

- Engine rings
- Aerostructures
- Tubes/hoses



Aerospace - commercial aircraft business

Circa \$870m sales in 2001

Principal applications:

B737, B777, A320, Regional jets

Significant aftermarket:

Repairs, spares, avionics upgrades

Market downturn will cause 40% sales drop in full year (2003)

Further restructuring throughout 2002 will 'right size' the business

Ready for resumption of growth from 2004



Aerospace - defense sector growing strongly

World defense budgets increasing again:
long term growth

Smiths equipment on new front-line programs
- high shipsets on:

F-18 E/F

F-22

Apache Longbow
Eurofighter

Significant upgrade opportunities on older kit
eg: C-130 avionics

Smiths Aerospace will become 60/40,
defense/commercial



F-35 Joint Strike Fighter

Smiths is first-tier supplier to Lockheed

\$1m shipset value, 3000+ aircraft

Systems development (funded) 02-06

Low rate production 06-10

Volume production from 2010

Spares, upgrade opportunities

Detection and Protection Systems an area of great opportunity for Smiths

Currently \$165m revenues at good margins

Strong growth forecast, now extended by increased terrorist threat

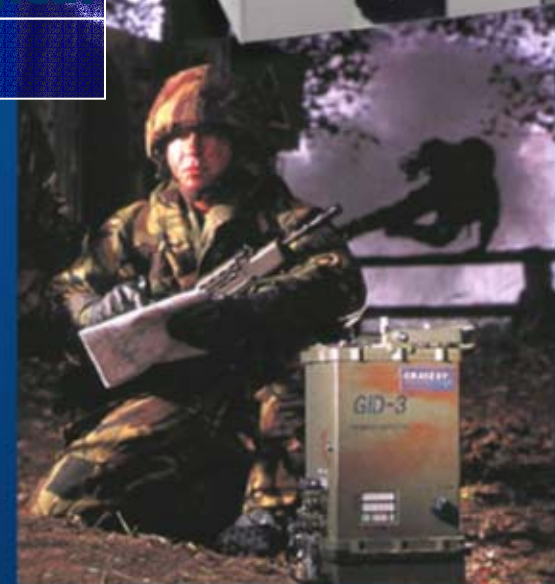
Product range - detection of threats:

nuclear	chemical	biological
explosive	narcotics	

Widespread military applications:
battlefield detection systems

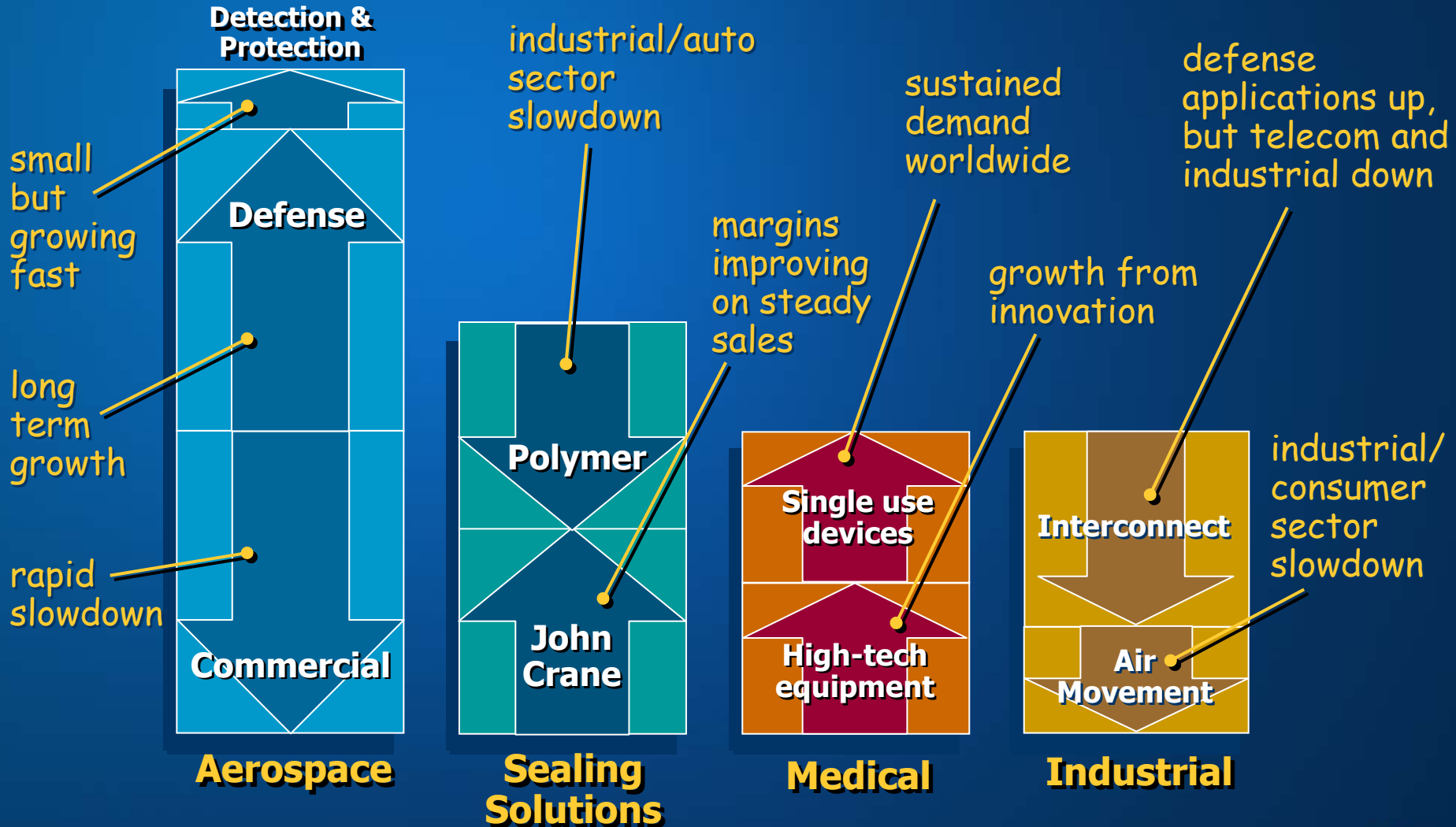
Now many more law enforcement
applications in public areas

Airport security (post - 9/11):
new focus on detection of
explosives/narcotics



Smiths Group

current performance: divisional outlook



Smiths Group - Fundamental Strengths

Strong market positions

premium products
high margins
technology leadership

Well-established process for

Profit-to-cash >80% (after capex)
continuous cost reduction
managing through peaks & troughs

Resilient in tough economic conditions

four distinct divisions
commercial aerospace <20% of sales
medical and defense not related to the Economy

Smiths Group

smiths



www.smiths-group.com