Annual Results

28 September 2011

smiths
bringing technology to life

Bringing technology to life

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www.smiths.com

This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

Introduction

Philip Bowman
Chief Executive

Results highlights

- Reported sales up 3%; underlying up 1%
- Headline operating profit up 5%, underlying up 4%
- Margins improve 40 basis points to 18.2%
- Headline EPS up 10% to 92.7p
- Cash conversion strong at 95% - in line with guidance
- Dividend up 7% to 36.25 pence
- Return on capital employed up 40 basis points to 17.0%

Operational highlights

Investing in future growth

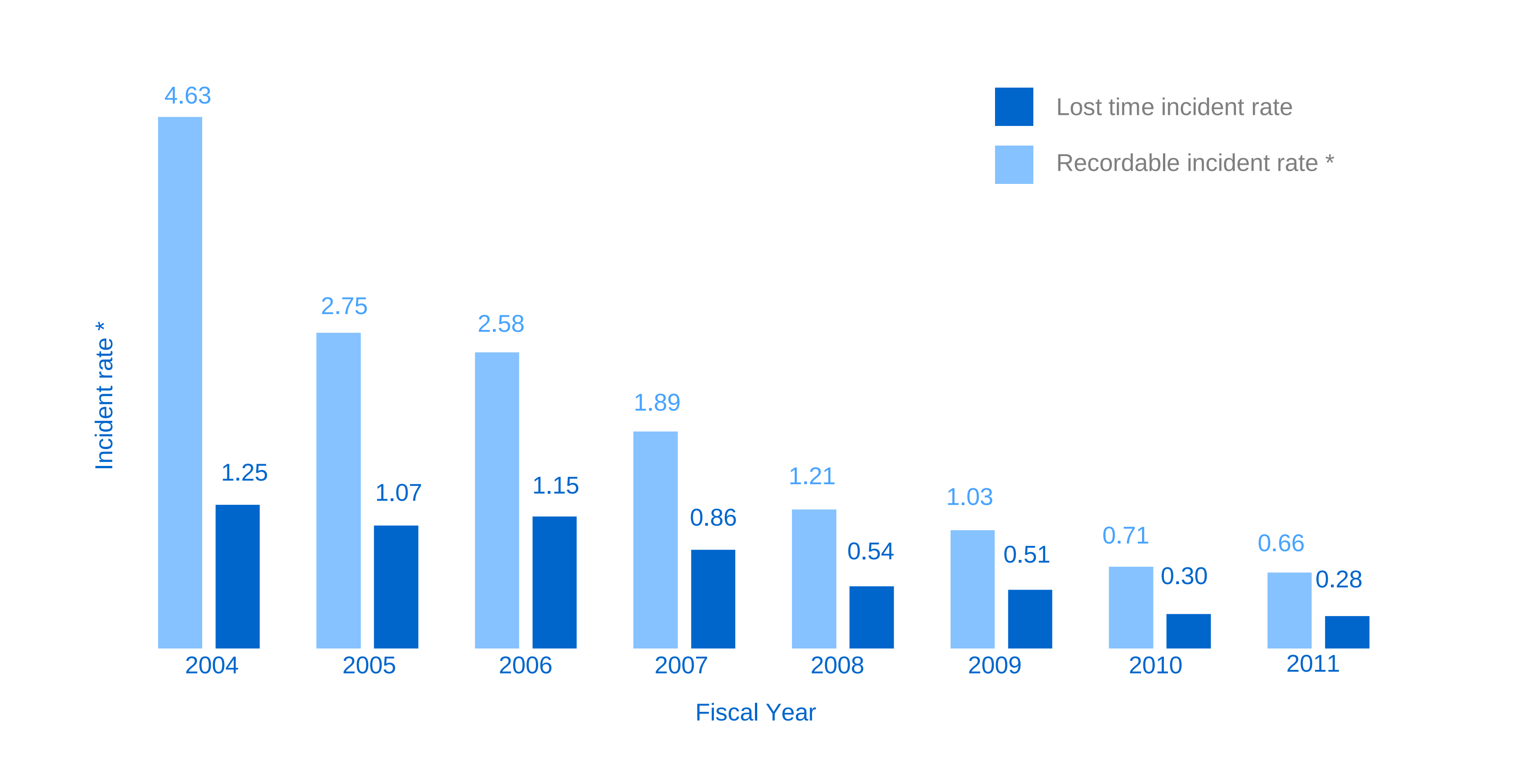
- Investing in future growth through new product development
  – Company funded R&D investment up 5% to £99m
- Increased investment in sales and marketing
  – Sales and marketing investment up 3% to support future growth
- Investing in targeted acquisitions
  – Investment in emerging markets with Detection in Brazil and India
  – Power management business for Smiths Interconnect
  – Aftermarket bearings business in John Crane

Delivering operational efficiencies

- Performance improvement programme underway in Smiths Detection
  – Targeted to deliver £40m of savings by end FY2014; £15m in FY2012
- Delivering cost savings and operational benefits in line with our plans
  – £15m of savings in the period; £56m to date against the £70m target

Safety remains our top priority, resulting in continued improvement

Recordable & lost time incident rates have been improving



*Measured per 100 employees per year using US OSHA definition

Financial review

Peter Turner

Finance Director

Annual results 2011

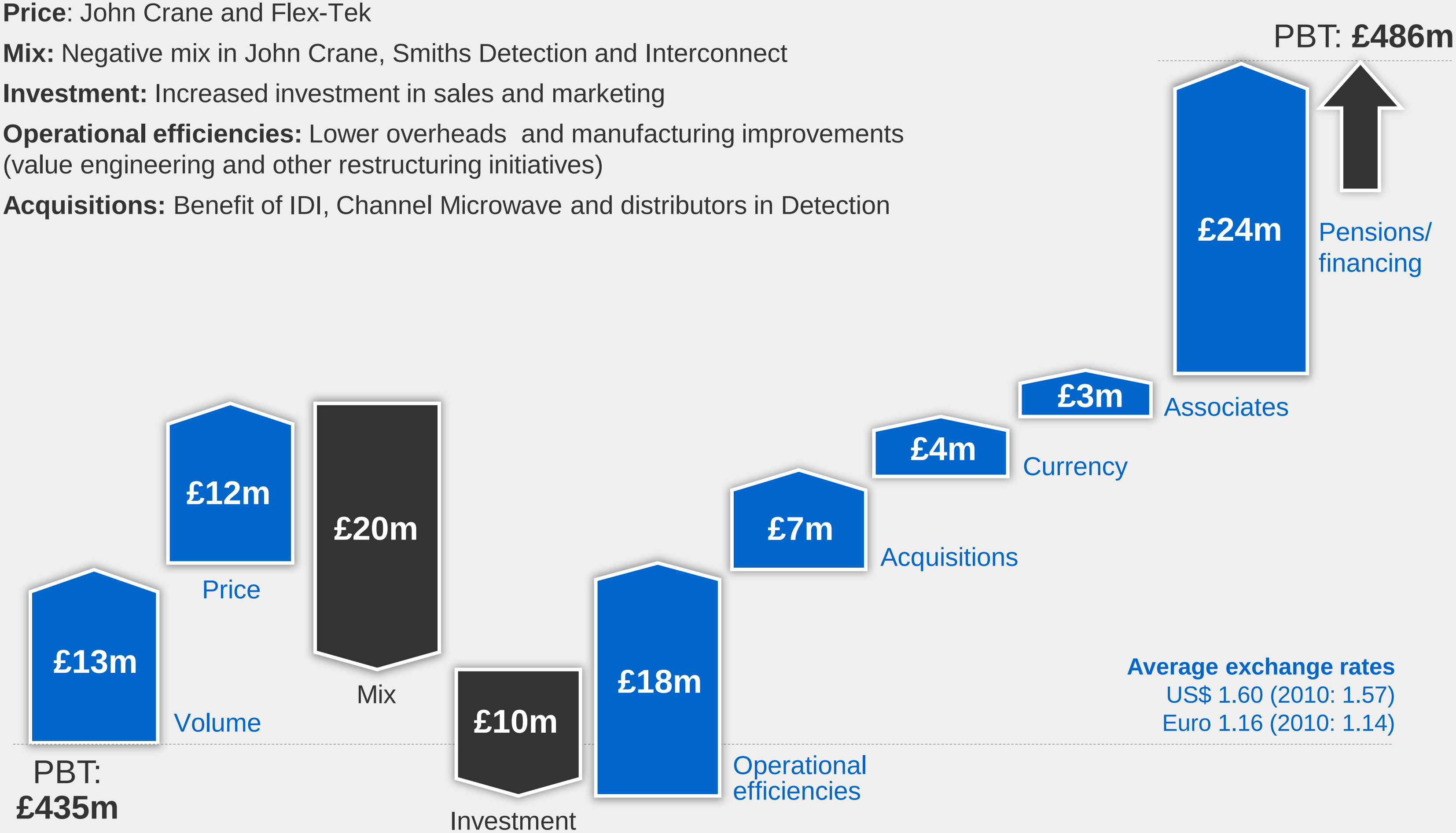
£m	Headline*				Statutory	
	2011	**2010**			**2011**	2010
Continuing activities			reported	underlying**		
Sales	**2,842**	2,770	3%	1%	**2,842**	2,770
Operating profit	**517**	492	5%	4%	**438**	436
Margin	***18.2%***	*17.8%*	*40 bps*	-	***15.4%***	*15.7%*
Pre-tax profit	**486**	435	12%	11%	**398**	373
Basic EPS (p)	**92.7**	84.6	10%		**77.8**	75.3
Free cash flow	**236**	331				
Dividend (pps)	**36.25**	34.0	7%		**36.25**	34.0
Return on capital employed	**17.0%**	16.6%	40 bps			

* In addition to statutory reporting, Smiths Group reports its continuing operations on a headline basis. Headline profit is before exceptional items, amortisation of acquired intangible assets, profit/loss on disposal of businesses, costs of acquisitions and financing gains/losses from currency hedging. Free cash flow and return on capital employed are defined in the Financial review in the press release.

** Organic growth at constant currency.

Profit progression 2010 to 2011

- **Volume**: Benefits from John Crane, Smiths Interconnect and Flex-Tek
- **Price**: John Crane and Flex-Tek
- **Mix:** Negative mix in John Crane, Smiths Detection and Interconnect
- **Investment:** Increased investment in sales and marketing
- **Operational efficiencies:** Lower overheads and manufacturing improvements (value engineering and other restructuring initiatives)
- **Acquisitions:** Benefit of IDI, Channel Microwave and distributors in Detection



Average exchange rates
US$ 1.60 (2010: 1.57)
Euro 1.16 (2010: 1.14)

Smiths Detection: Variable order flow affecting sales and margins

£m	**2011**	2010	reported	underlying
Sales	**510**	574	(11)%	(13)%
Operating profit	**66**	90	(27)%	(27)%
Margin	***12.8%***	*15.7%*	*(290) bps*	

Operating profit	**£m**
2009/10	**90**
Volume/mix	(35)
Overheads	8
Acquisition	1
Net foreign exchange	2
2010/11	**66**

- Volume/mix: Decline driven primarily by military and ports & borders and mix from lower military contracts
- Overheads: Mainly lower performance-related incentives
- Benefit of acquisition in India
- FX: Net impact of translation/transaction

John Crane: Volumes and price drive margin; investing in sales

£m	**2011**	2010	reported	underlying
Sales	**894**	786	+14%	+13%
Operating profit	**189**	163	+16%	+15%
Margin	***21.1%***	*20.7%*	*+40 bps*	

Operating profit	**£m**
2009/10	**163**
Volume	35
Price	16
Mix	(10)
Investment	(9)
Overheads	(6)
2010/11	**189**

- Volume: Driven by aftermarket and OEM, particularly for oil and gas
- Price: Aftermarket price increases
- Mix: Higher sales for JC Production Solutions and OEM
- Investment: Increased sales and marketing
- Overheads: Performance-related incentives

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Smiths Medical: Efficiencies deliver further margin improvements

£m	**2011**	2010	reported	underlying
Sales	**838**	858	(2)%	(3)%
Operating profit	**196**	184	+7%	+7%
Operating margin	***23.4%***	*21.5%*	*+190 bps*	

Operating profit	**£m**
2009/10	**184**
Volume	(14)
Price/mix	6
Operational efficiencies	22
Investment/R&D	(4)
Foreign exchange	2
2010/11	**196**

- Volume: Portfolio rationalisation, pressure on safety devices and vital care products
- Price/mix: Mix benefit from sales of high margin infusion and temperature management products partly offset by lower price
- Efficiencies: Lower overheads, manufacturing savings and value engineering
- Investment: Sales & marketing and R&D
- FX: Net impact of translation/transaction

Smiths Interconnect: Higher volumes offset by adverse price and mix

£m	**2011**	2010	reported	underlying
Sales	**379**	340	+12%	+3%
Operating profit	**68**	62	+9%	(2)%
Margin	***17.8%***	*18.2%*	*(40) bps*	

Operating profit	**£m**
2009/10	**62**
Volume	8
Price	(4)
Mix	(5)
Investment/R&D	(2)
Operational efficiencies	2
Acquisition	7
2010/11	**68**

- Volume: Growth in telecoms, rail, medical, automation and test offset military declines
- Price: Pressure in telecoms sector
- Mix: Various contract mix effects
- Investment: Sales & marketing and R&D
- Efficiencies: Material cost savings
- Acquisition: Channel (Oct 09) and IDI (Apr 10)

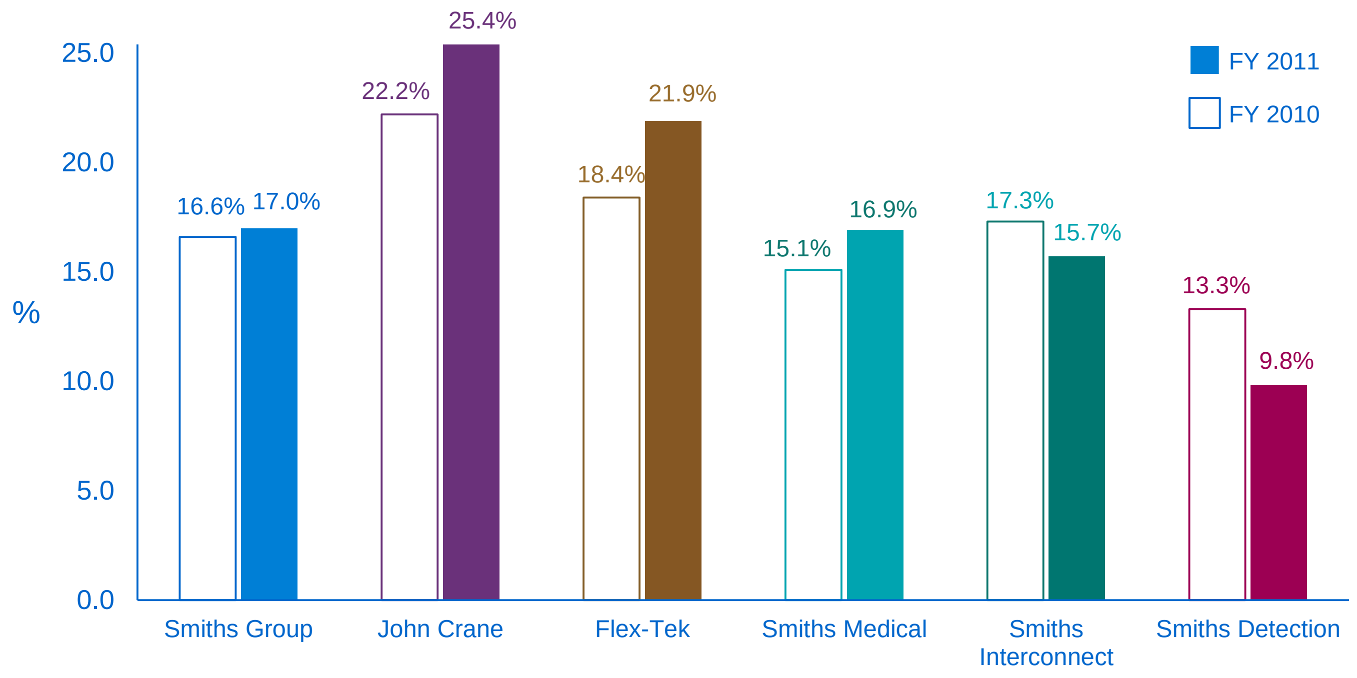
Flex-Tek: Volumes and pricing offset inflation pressures to grow margins

£m	**2011**	2010	reported	underlying
Sales	**221**	212	+4%	+6%
Operating profit	**28**	24	+18%	+19%
Margin	***12.5%***	*11.1%*	*+140 bps*	

Operating profit	**£m**
2009/10	**24**
Volume	4
Price	4
Input cost inflation	(6)
Operational efficiencies	2
2010/11	**28**

- Volume: Gains in aerospace and construction sectors
- Price: Improved price helped offset inflation
- Input cost inflation: Nickel, fibreglass and stainless steel
- Efficiencies: Benefits of cost initiatives offset by higher sales and marketing costs

Delivering improved returns on capital



Return on capital employed is calculated over a rolling 12-month basis and is the percentage that headline operating profit comprises of monthly average capital employed. Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, net post-retirement benefit assets and liabilities and net debt.

Reconciliation: Headline operating profit to statutory profit

			£m
Headline operating profit			**516.9**
Corporate and divisional restructuring		*(15.7)*	
John Crane, Inc. litigation - provision		*(28.3)*	
Changes in discounting	*(11.9)*		
Legal defence costs	*(9.3)*		
Adverse judgments	*(6.1)*		
Litigation with insurers	*(1.0)*		
Cost of acquisitions		*(1.5)*	
Pensions		*10.2*	
Disposals		*5.9*	
Exceptional operating items			(29.4)
Amortisation and impairment of acquired intangible assets			(49.5)
Statutory operating profit			**438.0**

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Exceptional items: Restructuring programme delivering benefits

Programme overview	Costs to date	Total planned costs	Total planned savings
	£52m	**£62m**	**£70m**

£m	2011 savings	Savings to date	Forecast benefits
Phase I	8	**49**	50
Phase II	7	**7**	20
Total	**15**	**56**	**70**

2012: Estimated savings of £10m and exceptional costs of £7m

Group cash conversion – in line with guidance

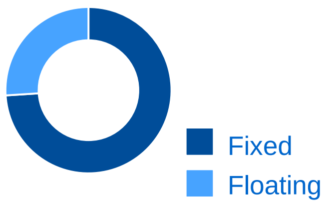
£m (for continuing activities)	**2011**	2010
Headline operating profit	**517**	492
Changes in working capital	**(47)**	43
Share based payment	**14**	10
Capital expenditure (Property, plant & equipment)	**(46)**	(40)
Depreciation	**64**	66
Development costs & other intangibles (net of amortisation and deferred income)	**(13)**	(6)
Operating cash-flow	**489**	565
Conversion rate	**95%**	115%

Net debt decreased by £108m driven by strong operating cash-flow

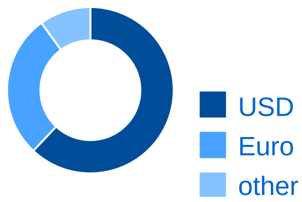
£m	2011
Net debt at start of period	(837)
Operating cash (after capex etc.)	489
Interest and tax	(158)
Exceptionals/Pensions	(95)
Free cash flow	236
Dividends	(136)
Acquisitions/disposals	(21)
Financing including net investment hedges	7
Foreign exchange	16
Movement in fair value of swapped debt and interest accrual	6
Change in net debt	108
Net debt at end of period	**(729)**

Strong balance sheet supports investment in acquisitions and growth

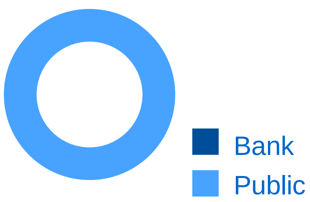
Interest split



Currency split

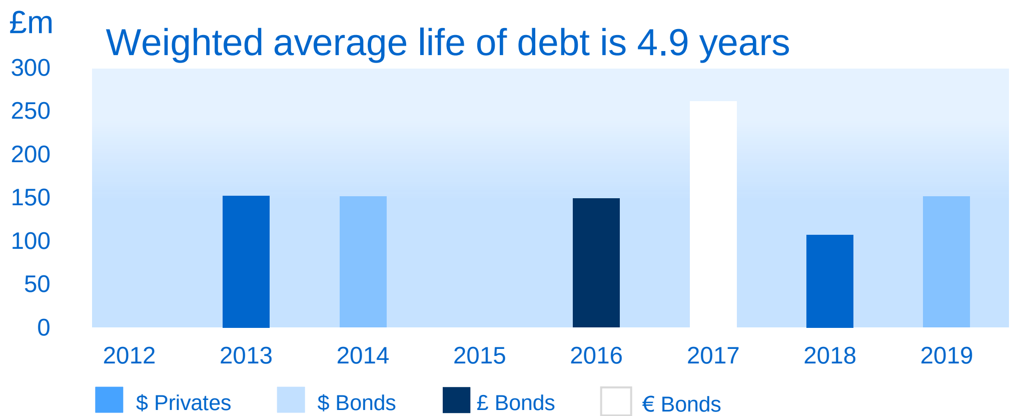


Debt split



Net debt	**£m**
Borrowings	**990**
Liquid resources	**(261)**
Net debt	**729**

Weighted average life of debt is 4.9 years



Credit Rating:
BBB+ (stable)/Baa2 (stable)

Target net debt to EBITDA: 1.5 – 2.0x

FY2011: 1.2x

Pro-forma including PDI acquisition: 1.5x

Undrawn committed bank facilities of US$800m at 31 July 2011

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Pensions: Deficit reduced to £199m, helped by improved asset returns

Deficit movement since 31 July 2010

	£m
Deficit at 31 July 2010	**(305)**
Foreign exchange	6
Return on assets	338
Contributions (net of service costs)	66
Change in liabilities	(304)
Deficit at 31 July 2011	**(199)**

P&L and cash outlook

FY 2011	
Finance income	£23m
Scheme contributions	£64m
FY 2012	
Finance income	c. £24m
Scheme contributions	c. £110m:
- Smiths Industries PS	*£36m*
- TI Group PS	*£50m*
- US and other	*£24m*
Escrow contributions	£24m

Financials: Conclusion

- Sales growth achieved through volumes, pricing and acquisitions
- Self-help initiatives deliver good progress on margins
- Strong cash performance in line with plans
- Attractive opportunities to invest and deliver superior returns

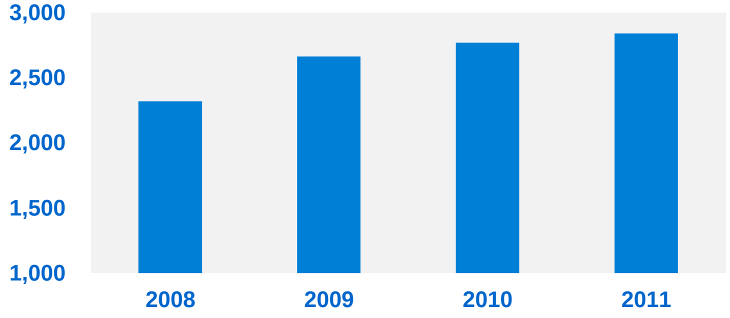
Delivering cash to drive future growth and returns

Operational review and priorities

Philip Bowman
Chief Executive

Creating shareholder value through long-term profitable growth

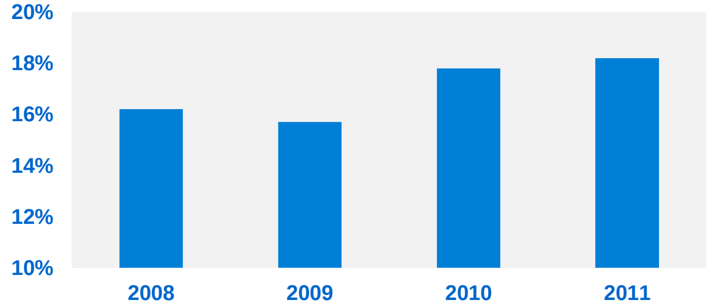
Sales growth (£m)



Delivering growth

- Exposure to markets with long-term growth characteristics
- Strong blend of technology businesses and markets
- Investment in growth opportunities – R&D, network expansion in emerging markets and bolt-on acquisitions

Enhancing margins (%)



Headline operating profit margin

Enhancing margins

- Leading-edge technologies and high service levels support high margins and create competitive advantage
- Operational improvement program to enhance margins

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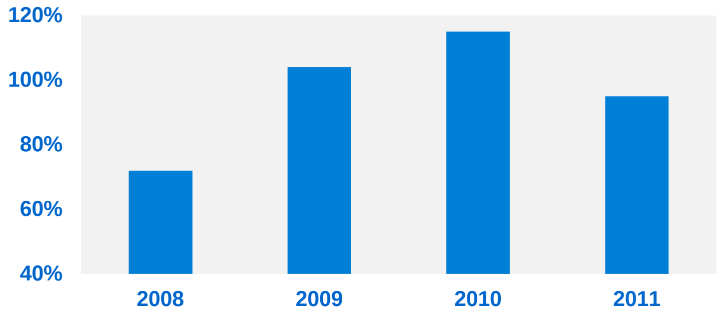
Creating shareholder value through long-term profitable growth

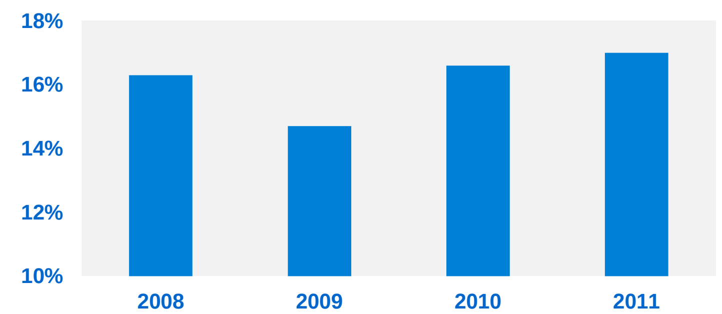
Strong cash conversion (%)



Focus on cash and balance sheet

- Strong cash characteristics and low capital investment requirements
- Robust balance sheet management to fund our investment plans

Enhancing returns (%)



Return on capital employed

High returns on capital

- Consistent ROCE above WACC – opportunities to improve further
- Opportunities to generate value through investment and rigorous capital allocation
- Manage portfolio more actively through acquisitions and disposals while managing legacy liabilities

Smiths Detection: Variable order flow has affected sales

	2011	2010	Reported	U'lying
Sales	£510m	£574m	(11)%	(13)%
Op profit	£66m	£90m	(27)%	(27)%
Margin	12.8%	15.7%	(290) bps	

Transportation underlying sales down 4%
- Affected by budgetary and regulatory delays
- Delays in lifting of liquids ban in EU and air cargo screening
- Contract wins in US, Canada and other markets

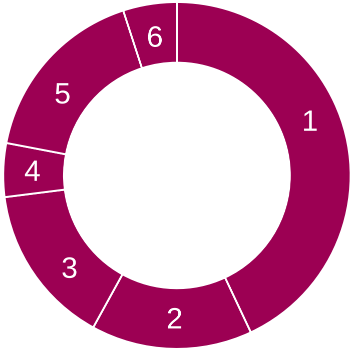
Ports & borders underlying sales down 17%
- Order delays caused by pressure on government budgets

Military underlying sales down 42%
- Return to normal funding levels following 'supplemental' benefit
- JCAD: switch to next generation of Lightweight Chemical Detector

Critical infrastructure underlying sales up 37%
- Commonwealth games in India
- Federal Protective Services in US

2011 Sales %

1 Transportation 43%
2 Ports & borders 15%
3 Military 15%
4 Emergency responders 5%
5 Critical infrastructure 17%
6 Non security 5%



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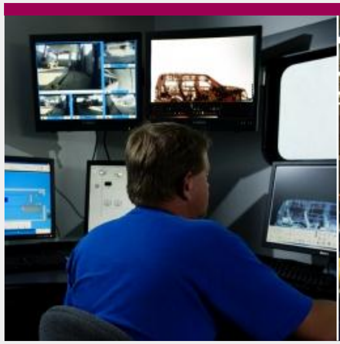
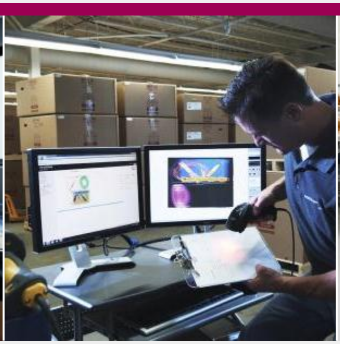
Smiths Detection: Performance improvement programme underway

£m	Forecast costs by end FY 2014	FY2012 benefits	Annualised benefits by end FY 2014
	40	**15**	**40**

- Focus on reducing fixed costs and overheads
- Site rationalisation will align manufacturing footprint to business needs
- Opportunities in materials and component sourcing
- Value engineering initiatives to reduce scrap, rework and warranty liabilities
- Leverage ERP systems more effectively – improve decision-making and lower costs


Smiths Detection: Investing in future growth through new products

- Company funded R&D increased as % of sales to 6.9% - up from 6.2%
- Total spend of £43m; 8.5% of sales (including customer-funded R&D of £8m)
- RadSeeker launched: detection and identification of radiological and nuclear threats
- Developing next generation checked baggage with Analogic:
  - Integrating the CT gantry with Smiths advanced X-ray detection systems
  - Prototype machines in airports collecting preliminary data
- Pipeline of several new product launches planned for FY2012




Smiths Detection: Outlook

Outlook

- Sales affected by security regulations, government budgets and incidents
- Sales environment likely to remain challenging
- Margins will benefit from cost savings and operational efficiencies
- Longer term, well positioned to benefit from leadership position

John Crane: Delivering sales growth, improving margins and returns

	2011	2010	Reported	U'lying
Sales	£894m	£786m	14%	13%
Op profit	£189m	£163m	16%	15%
Margin	21.1%	20.7%	40 bps	

Strong sales growth across all sectors, particularly oil and gas

Aftermarket sales grew 13%
- Driven primarily by upstream oil and gas, up 68% - benefit of Romanian pump repair contract
- Rotating equipment (seals, couplings, bearings and filters) grew 5% - also driven by oil and gas and distribution sector

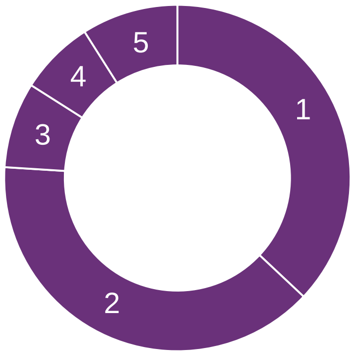
First-fit OEM sales up 14% reflecting investment in capital projects
- New projects in Middle East, Latin America and Asia
- Surplus industry capacity has caused some pricing pressure on OEM

2011 Sales %

1 First-fit OEM 37%

Aftermarket

2 Oil, gas & petrochem 39%
3 Chemical and pharma 8%
4 Distributors 7%
5 General Industry 9%



John Crane: Investing in future growth

Expanding the service centre network and manufacturing in emerging markets

- New manufacturing and service centre in Saudi Arabia
- Expansion of service and manufacturing in Dubai
- New product lines launched in China

Acquisition to expand the aftermarket offering for bearings

- Turbo Components and Engineering Inc. (TCE) will complement bearings, subject to regulatory approvals
- Accelerates plans to build aftermarket services





John Crane: Outlook

Outlook

- Strong book-to-bill ratio supports first half growth
- Full year sales will be subject to customer investment in capital projects
- Margins will benefit from higher volumes and cost savings
- Reinvest savings in network expansion and growth opportunities

Smiths Medical: Delivering margin growth in a challenging market

	2011	2010	Reported	U'lying
Sales	£838m	£858m	(2)%	(3)%
Op profit	£196m	£184m	7%	7%
Margin	23.4%	21.5%	190 bps	

Portfolio profitability review affecting sales but positive for margin

Tough operating environment for medical device companies

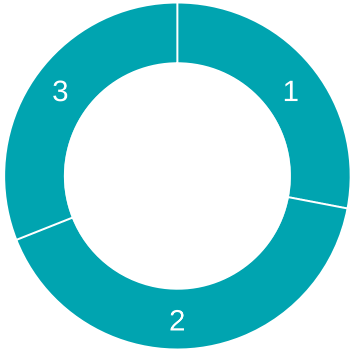
Medication delivery - sales up 1%*
- CADD-Solis® delivered strong sales growth and gained share
- Robust sales of Medfusion™ and Pharmguard® software

Vital care - sales down 3%
- Affected by SKU rationalisation – reduced kitting products
- Good performance in tracheostomy and general anaesthesia

Safety devices - sales down 4%
- Challenging competitive environment
- Prior period benefited from H1N1 demand

2011 Sales %

1 Medication delivery 28%
2 Vital care 41%
3 Safety devices 31%



* Excluding diabetes sales of £10m in FY 2011 and £14m in FY 2010.

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Smiths Medical: Investing in growth opportunities

R&D investment supporting new products: increased 3% to £31m or 3.7% of sales (2010: 3.5%)

- Medfusion™ 4000 and CADD®-Solis VIP launches in Canada
- FDA approval for Medfusion™ 4000 – allowing US launch
- Other launches include: CT Marker; Gripper®Micro extension, Pneupac® paraPAC plus

Global approach to sales and marketing effectiveness

- Identifying opportunities to market our products more systematically across the sales network
- Investing in emerging market distribution: India and China
- Launch of Graseby 2000 – an infusion pump designed for emerging markets

Rationalised our supply chain – merger of distribution centre operations

Smiths Medical: Outlook

Outlook

- Developed markets are likely to remain challenging
- Focus will remain on investment in new product development
- Investing in sales and marketing; increasing emerging market exposure
- Margins will benefit from cost savings and new product launches

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Smiths Interconnect: Delivering growth despite defence pressures

	2011	2010	Reported	U'lying
Sales	£379m	£340m	12%	3%
Op profit	£68m	£62m	9%	(2)%
Margin	17.8%	18.2%	(40) bps	

Sales benefit from IDI acquisition and organic growth

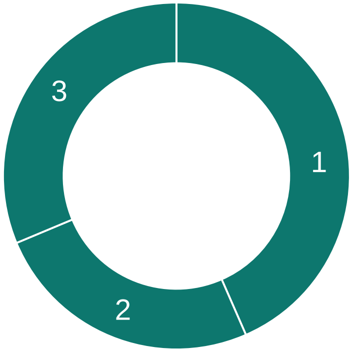
Military/aerospace – sales down 5% – slowed in H2
- US Continuing Resolution caused declines in military
- Defence funding slowdown held back sales, e.g. counter IED
- Several contract wins: EMP protection; Navy Multiband Terminal

Wireless – sales up 3%
- New deployments: LTE 4G in US and 3G in India
- Test equipment grew with new contracts in US, China and India
- Growth constrained by network capex and consolidation

Rail, medical, automation and test – sales up 20%
- Significant growth for medical connectors
- Test and industrial markets delivered strong growth

2011 Sales %

1 Military/Aerospace 43%
2 Wireless 25%
3 Medical, rail, automation and test 32%



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Smiths Interconnect: Investing in growth drivers

Agreed acquisition of Power Holdings Inc. for $235m - subject to regulatory approvals

- Transforms the existing power protection technology group
- Brings complementary products focused on power distribution, conditioning and monitoring
- Expands into fast-growing end markets: data centres and alternative energy applications

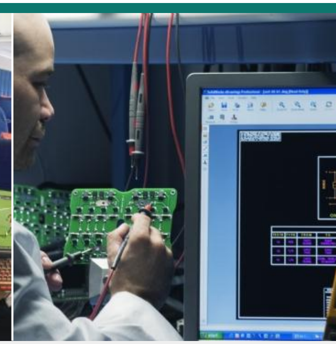
IDI acquired April 2010: integration complete delivering growth in sales and margins

- Delivering strong growth in sales and margins
- Two new product ranges developed to support growth initiatives

Commitment to investment in new product development

- Total R&D spend rose 19% to £25m or 6.6% of sales (2010: 6.3%)
- Company-funded R&D up 25% to £21m or 5.5% of sales (2010: 4.9%)
- More than third of sales come from products developed in last 3 years






Smiths Interconnect: Outlook

Outlook

- Defence market is likely to remain challenging – although well-positioned on long-term programmes
- Wireless network investment will increase demand
- Rail, test and automation will be mixed
- Margins will benefit from restructuring benefits
- Integration of Power Holdings Inc.

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Flex-Tek: Margins benefit from operational leverage

	2011	2010	Reported	U'lying
Sales	£221m	£212m	4%	6%
Op profit	£28m	£24m	18%	19%
Margin	12.5%	11.1%	140 bps	

Margins up 140 bps from higher volumes and cost savings

Fluid Management - sales grew 16%
- Improved volumes and pricing
- Gained share in overhaul and repair service segment

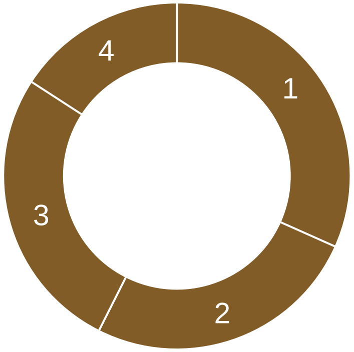
Construction - sales up 10%
- Sales driven by pricing and market share gains
- Volumes are slowing as demand remains week

Heat Solutions - sales flat
- H1 benefited from rebate programme but demand is uncertain

Flexible Solutions - sales down 7%
- Weak demand from US floorcare; improved demand for medical

2011 Sales %

1 Fluid Management 32%
2 Construction 25%
3 Heat Solutions 27%
4 Flexible Solutions 16%



Flex-Tek: Outlook

Outlook

- Order book for aerospace customers has positive outlook
- Residential construction and appliance markets remain uncertain
- Any upturn in these markets will support earnings expansion

Investment case for Smiths Group

- Strong market positions in sectors well-placed for long-term profitable growth
- Leading-edge technologies and high service levels command high margins
- Further scope for operational improvement and margin enhancement
- Strong cash generation to reinvest in top-line growth and grow dividends
- High returns on investment above the cost of capital
- Opportunity to realise value through more active portfolio management

Operational priorities for 2012

- Deliver the performance improvement programme benefits in Smiths Detection
- Launch new products from the divisional pipelines to drive top-line growth
- Drive benefits from remaining restructuring initiatives
- Sustain strong cash conversion
- Seek and evaluate opportunities for value-enhancing transactions

Questions & Answers

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