

Smiths Group

JP Morgan Capital Goods & Aerospace Conference
Pennyhill Park Hotel

Wed 7 June 2006

Presentation by: Alan Thomson, Financial Director



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Smiths Group: operating in four sectors, each with a strong growth profile

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Smiths Detection



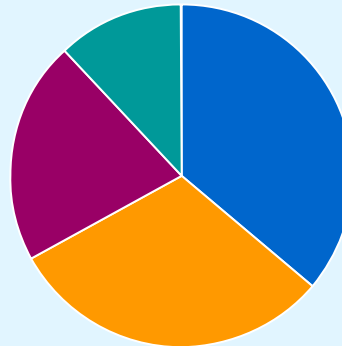
Equipment for homeland defence, business security and protection of the military

Smiths Aerospace



Integrated avionics and mechanical systems for military and commercial aircraft

circa
£3.5 billion



Market expectation
of 2006 sales

Smiths Medical



Specialist devices and equipment for critical healthcare

Specialty Engineering



Application-specific components for oil&gas, defence electronics and telecom industries

Smiths Group: achieving a pattern of sustained growth

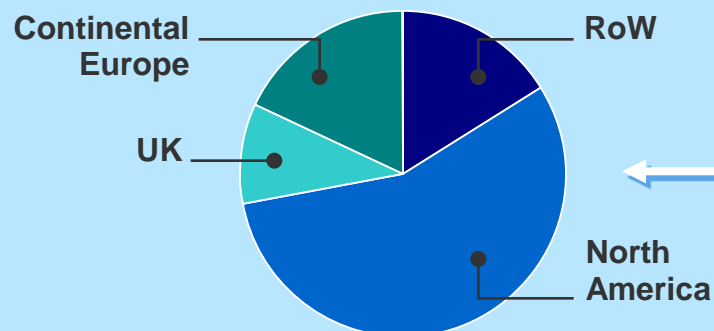
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Headline performance	analysts' consensus*			
£m	2004	2005	2006	
Sales	2,678	3,005	circa 3,500	+12% +16%
Operating profit	360	412	circa 505	+14% +21%
Pre-tax profit	350	404	circa 490	+15% +21%
Earnings per share	45.9p	53.2p	circa 64p	+16% +20%

Headline performance is on an underlying basis, excluding exceptional and other non-recurring items. 2005 and 2006 are shown on an IFRS basis. *Market expectations for the current year do not represent a company forecast.

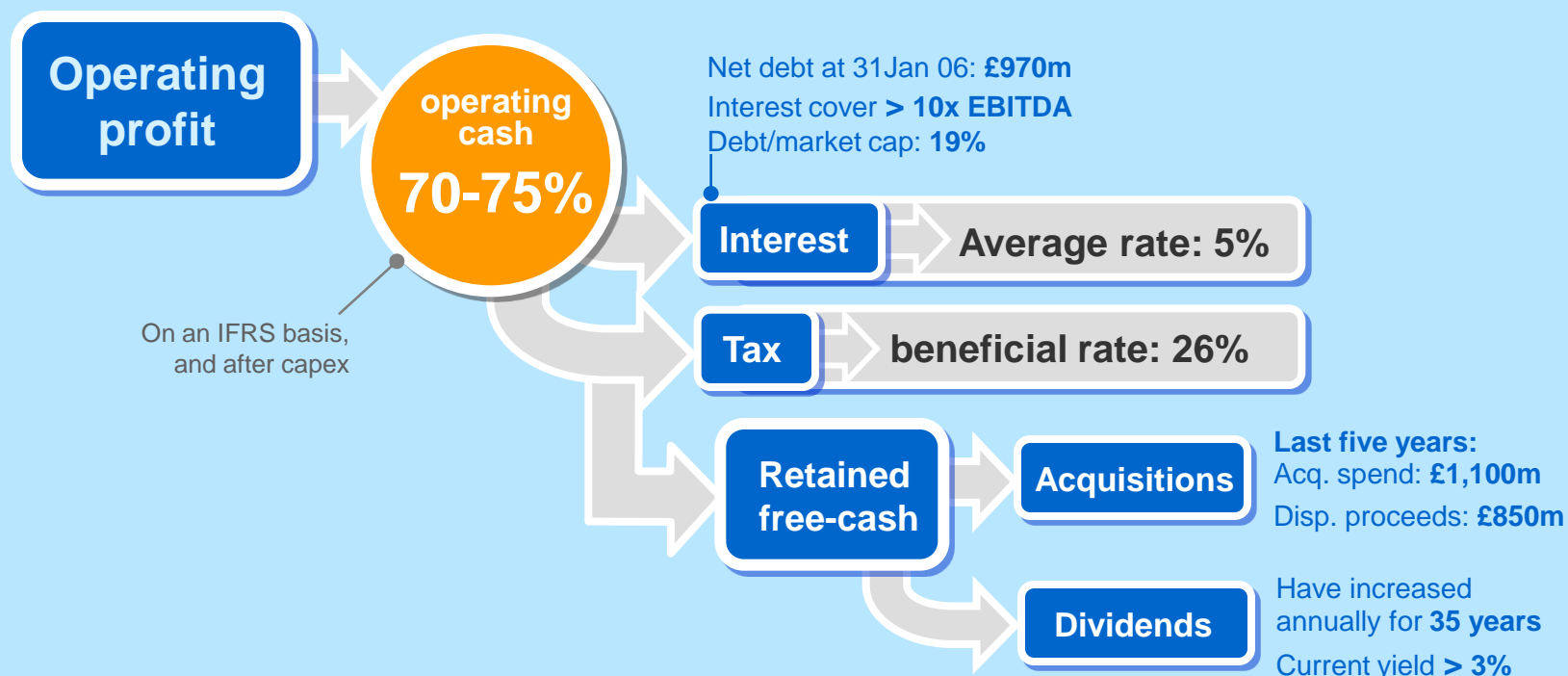
Sales by destination

2005: £3,005m



More than half of Smiths' sales and profits are generated in North America

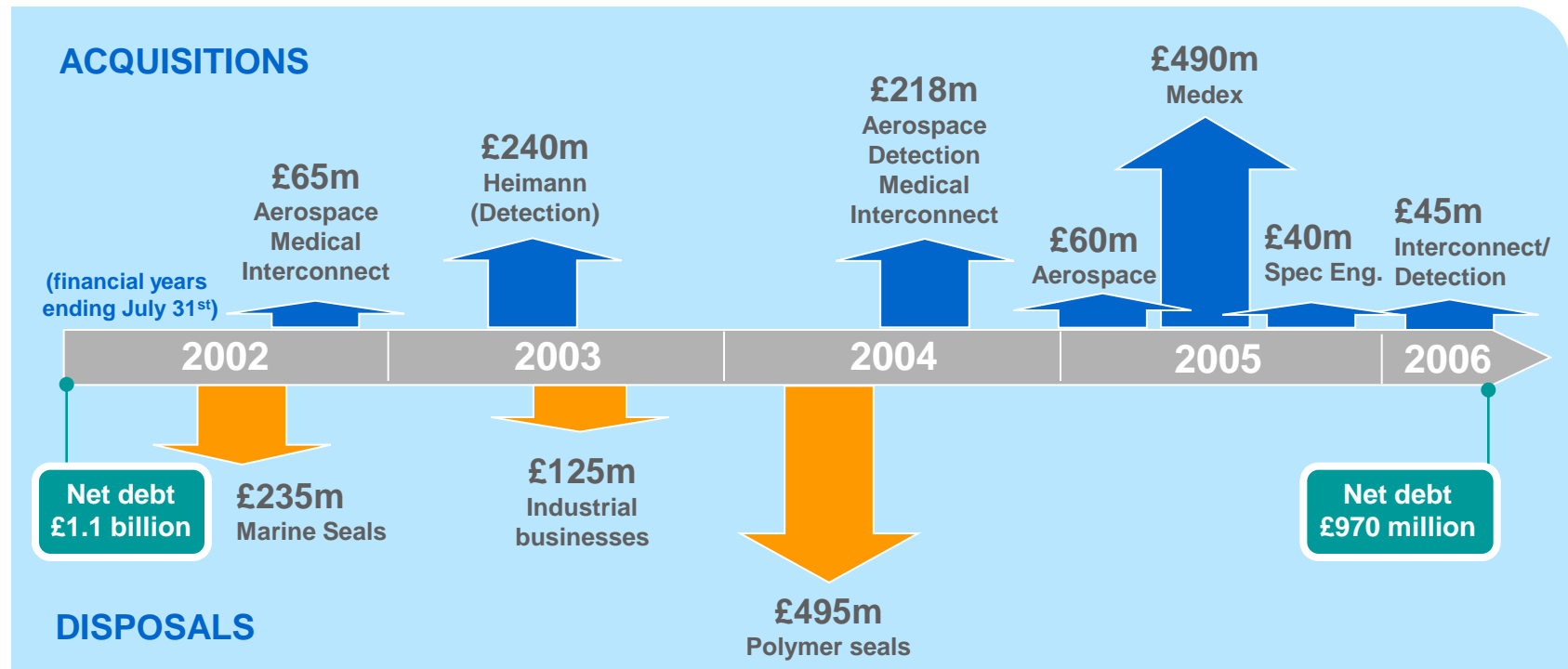
Generating a strong cash-flow from operations to drive the business ahead and provide good returns for shareholders



Smiths will turn 70-75% of operating profit into operating cash on a regular basis

Smiths Group: improving the quality of the assets by making acquisitions and disposals

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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

Smiths Group: achieving greater operational efficiency,
transferring production to low-cost countries, reaching into global markets

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Mexico: Medical, John Crane
Costa Rica: Interconnect

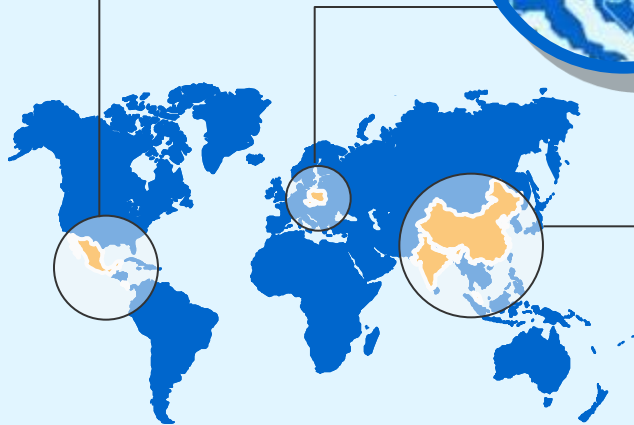


Poland: Aerospace
Czech Rep: John Crane



John Crane - Bangalore

China: Aerospace,
Interconnect,
John Crane
India: John Crane
Malaysia: Flex Tek



Smiths Group: investing in advanced technology to gain competitive advantage and win new business

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Research & Development as a % of sales

Aerospace	company-funded	9%	▶ Half is capitalised
	customer-funded	9%	
Detection	company-funded	6%	▶ Mostly expensed
	customer-funded	4%	
Medical	company-funded	3%	▶ Mostly expensed
Specialty Engineering	company-funded	2%	▶ All expensed



In total, company-funded R&D represents 6% of sales and customer-funding is a further 4%, an annual commitment to new technology of well over £300m

Smiths Group: applying rigorous financial metrics to the decision-making process

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Smiths' investment criteria:

12%

after-tax return on total investment

1

Company's overall ROI (including goodwill)

2

Acquisitions



3

Research & Development

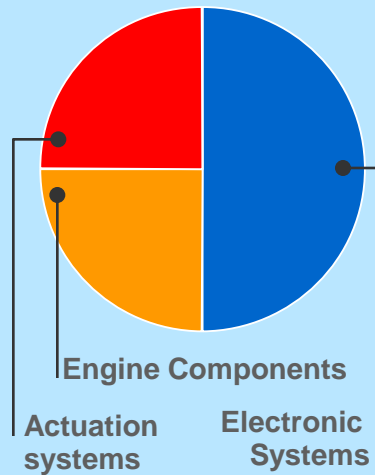
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Capital programmes

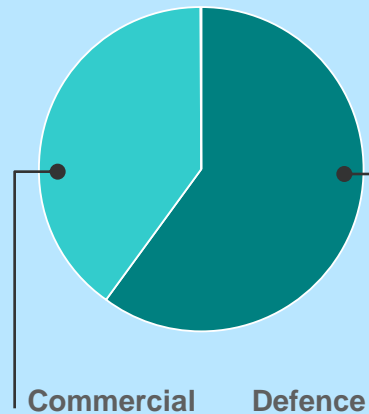
Smiths Aerospace: a first-tier supplier of integrated systems **smiths**



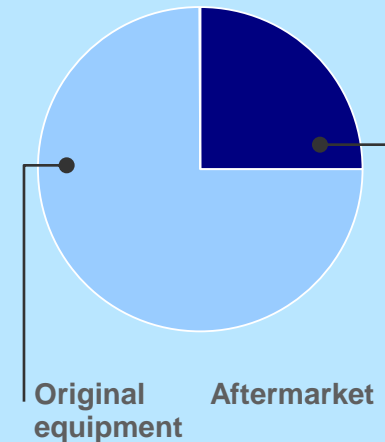
Products



Customers



Markets



Principal applications: Commercial - B737, B777, B787, A320, A330/400, A380

Military - F-22, F-18 E/F, F-35 (JSF), C-17, C-130J, C-130 AMP, Apache Longbow, Eurofighter Typhoon

- Strong sales growth in commercial sector
- Steady growth in military sector
- Aftermarket performing well
- Recent programme wins improve Smiths' competitive position
- But have pushed R&D to a peak in 2006
- With some impact on margin progression
- Positive market outlook drives long-term growth prospects

Analysts' consensus for 2006*:

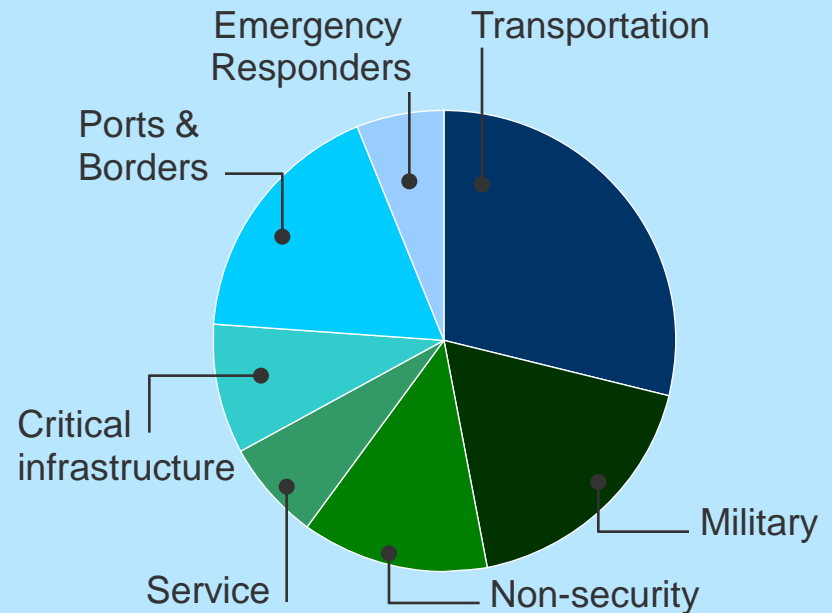
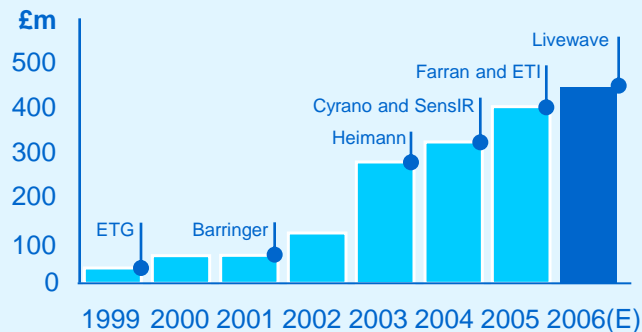
Sales: circa £1.3 billion, Margins: circa 12%

* Not a company forecast



A leading supplier of detection systems for Homeland Security and Defence. A global business with development and manufacturing in six countries and a worldwide market presence.

sales: organic growth & acquisitions



annualised sales split



- All market sectors are experiencing strong growth
- US Dept of Homeland Security budget is \$43 billion in 2007 (up 6% on 2006)
- Smiths is committed to technology leadership
- Airports are being re-equipped with more efficient equipment
- Large Smiths installed base is now starting to generate an aftermarket
- Inspection of containers at ports & borders counters both terrorism and smuggling
- Detection equipment will be networked into command centres

Analysts' consensus for 2006*:

Sales: circa £420 million

Margins: circa 17-18%

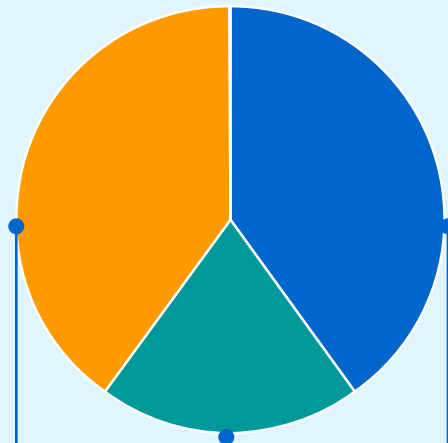
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Smiths Medical: devices and equipment for critical healthcare

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Annualised
sales split



Medication
Delivery

Safety
Devices

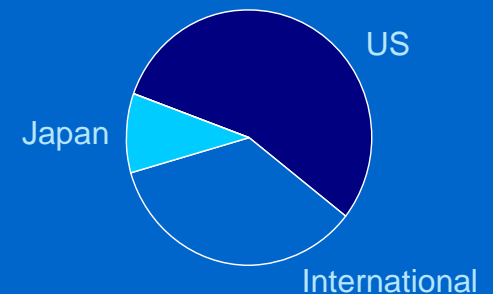
Critical
Care



Rising healthcare
expenditure
worldwide drives
market growth at:

5-6% pa

Operating globally



Smiths Medical: current dynamics of the business

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- Underlying sales growth now at 6%
- Integration of Medex on track to achieve full synergies by 2008
- Srini Seshadri recently appointed to lead the division
- Transfer to low-cost manufacturing continues
- Significant position in safety devices now established
- Pipeline of new products will help sustain high margins

Analysts' consensus for 2006*:

Sales: circa £730 million

Margins: circa 18-19%

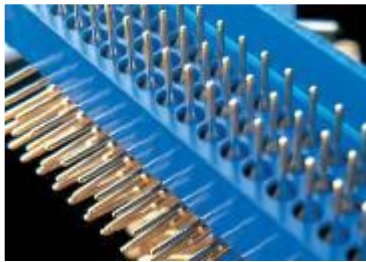
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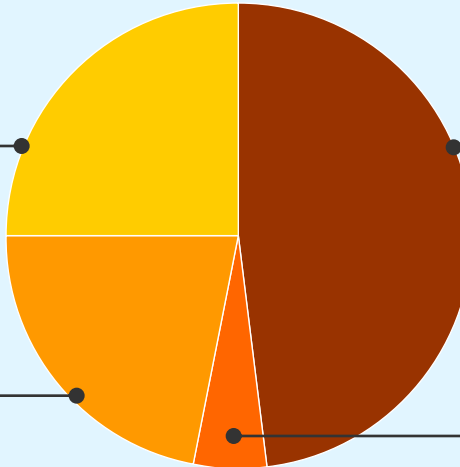
Specialty Engineering: application-specific products for oil&gas, defence electronics and telecom sectors

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Interconnect



FlexTek



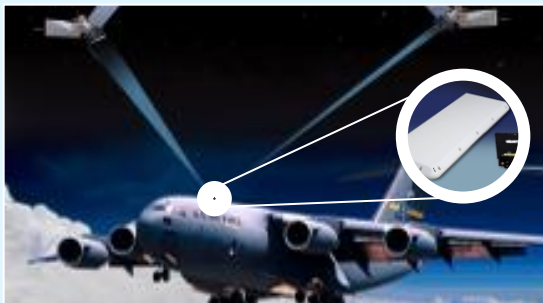
annualised
sales split

John Crane



Marine

Benefiting from strong market growth in network-centric military communications and in mobile telecom infrastructure for 3G



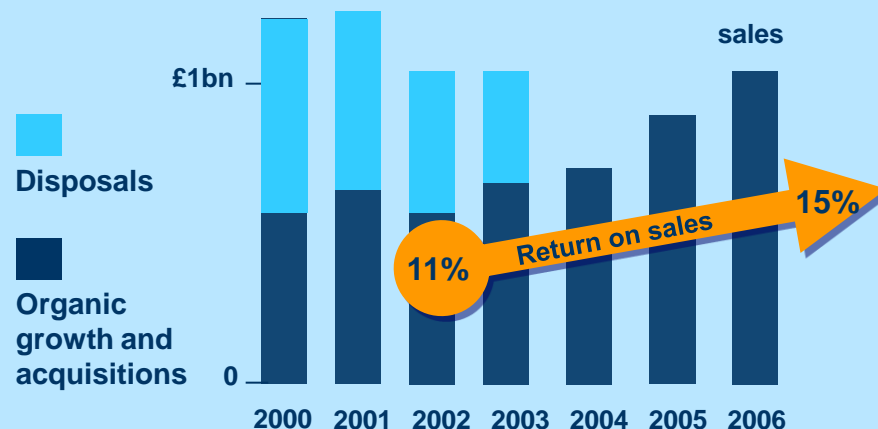
Benefiting from significant capital investment programmes by the oil majors to increase oil&gas production and supply



- Top line growth and improving margins at John Crane will continue
- Smiths has invested in John Crane to gain efficiency and extend its global presence
- Interconnect also growing strongly in favourable market conditions
- Good pipeline of bolt-on acquisitions will progressively enhance the quality of assets in Specialty Engineering
- All businesses are generating a healthy cash-flow

Analysts' consensus for 2006*:
Sales: over £1 billion
Margins: circa 14%

* Not a company forecast



Full Potential scorecard: analysing the fundamental strengths

smiths

1

Operating in sectors of high growth

2

Delivering constant improvement

3

Reaching deep into global markets

4

Developing technology to help customers succeed

5

Improving our business mix

6

Doing business the right way

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