

17 November 2009

Smiths Group plc Interim Management Statement

The Chairman of Smiths, Donald Brydon, today issued the following Interim Management Statement at the Group's Annual General Meeting.

Smiths has continued to make good progress in delivering its cost-saving programme and other operational improvement initiatives such as ERP implementation and SKU rationalisation. After the first three months, Group trading confirms the guidance given at the annual results and is in line with expectations with headline profit ahead of last year on an underlying basis despite lower revenues.

Smiths Detection has made a positive start to the year with improving sales and profit at constant exchange rates. This improvement reflects a strong performance in ports and borders and continued growth in the military sector, while transportation is in line with last year. Notwithstanding the continued impact of the economic downturn on government finances the order book remains ahead of the same period last year, underpinning the outlook for the first half.

In line with previous guidance, John Crane's sales have declined on an underlying basis driven primarily by slower sales to original equipment manufacturers and lower aftermarket sales in the general industrial and production solutions areas. We expect first half sales to decline, reflecting both the late cycle nature of the business and the particularly strong comparator period. However, the book-to-bill ratio after the first three months is positive which should support an improved performance in the second half. The division has continued to make good progress in delivering its cost-saving programme which provides scope to deliver enhanced margins despite declining volumes.

Smiths Medical's performance has benefited from the operational improvement programme initiated some 18 months ago. The positive momentum established in the second half of last year has continued with sales and profit ahead on an underlying basis excluding the impact of the diabetes exit. Looking ahead, margins should benefit from the cost reduction and site rationalisation initiatives. We are also increasing our investment in R&D and sales and marketing.

At Smiths Interconnect, continued sales growth in the military/aerospace sector has been offset by weakness in the wireless, automation, rail and medical sectors such that overall underlying trading is behind last year. Through increased R&D spend, the business is well positioned to return to growth as the markets begin to stabilise and there is scope to improve margins as a result of the cost reduction initiatives introduced last year. In mid-October, Smiths Interconnect completed the acquisition of Channel Microwave, a California-based microwave components business with \$6m of sales.

The housing, appliance and industrial markets served by Flex-Tek remain challenging although there are some signs that the declines may be flattening. The

aerospace market has also softened slightly. However, the cost reduction and site rationalisation programme will help preserve margins ensuring Flex-Tek is strongly leveraged for a recovery in the US housing market.

Operating cash conversion has been strong in the first three months. Net debt was slightly higher at the end of the first three months due to the timing of interest and financing payments.

ENDS

This press release contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. 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 the press release and the Company undertakes no obligation to update these forward-looking statements. Nothing in this press release should be construed as a profit forecast.

Smiths Group

Smiths is a global technology company listed on the London Stock Exchange. A world leader in the practical application of advanced technologies, Smiths Group delivers products and services for the threat & contraband detection, medical devices, energy and communications markets worldwide. Our products and services make the world safer, healthier and more productive. Smiths Group employs more than 20,000 people in over 50 countries. For more information visit www.smiths.com

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