smiths

bringing technology to life

Smiths Group
Annual Results
London, 30 September 2009








This presentation 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 these annual results and the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Introduction

Philip Bowman,
Chief Executive

Business highlights

Sales increased by 15% - currency and recent acquisitions

Underlying sales down 7% - challenging economic environment

Headline operating profit up 10%, underlying down 13%

Significant improvement in cash generation
- Free cash flow up £165m to £256m

Pension deficit reduced from 31 January to £339m

Dividend unchanged at 34.0p

Opportunities to create value - key achievements

Delivering operational efficiencies

- Restructuring initiatives delivered savings of £17m
- Implementation of better business systems
- Leveraging scale procurement project saves £9m
- Portfolio profitability review in Medical is on track

Investing in future growth

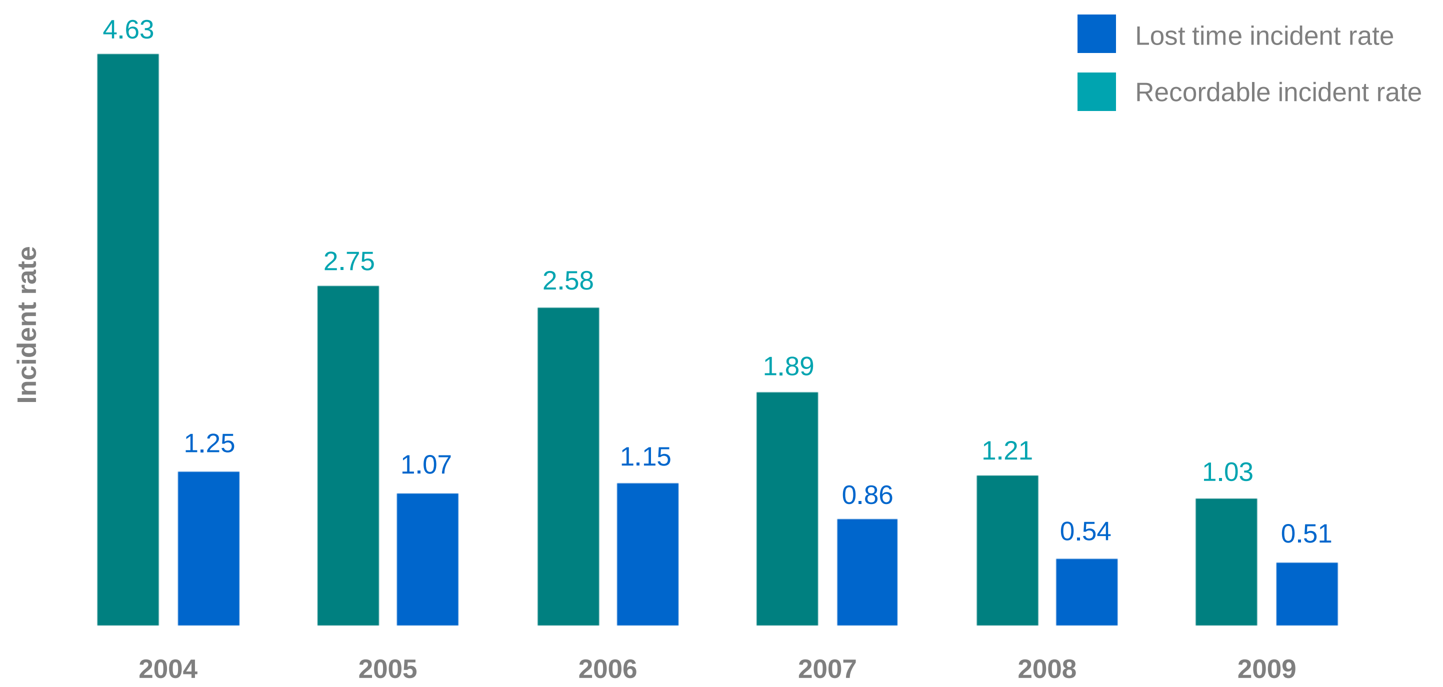
- Extended portfolio and presence through three acquisitions
- Increased R&D to drive future growth

Improving cash and financing

- Taken action to reduce exposure to post-retirement liabilities
- Improved free cash flow and extended debt maturities

A primary focus on safety is delivering continued improvements

Recordable & lost time incident rates have been improving



*Measured per 100 employees per year

Financial review

John Langston,
Finance Director

Preliminary results 2009

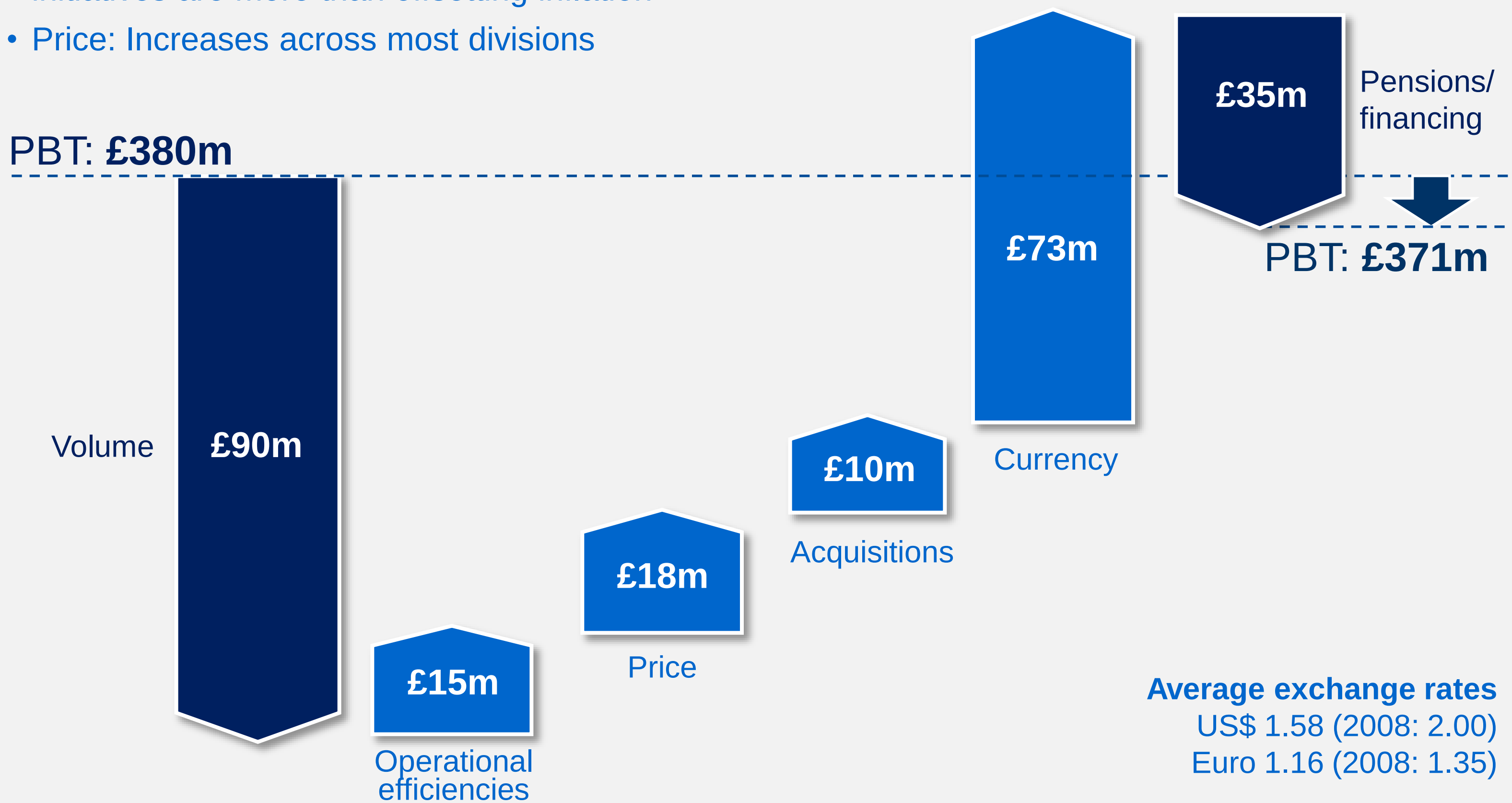
£m	Headline*				Statutory	
	2009	**2008**			**2009**	2008
Continuing activities			Reported	Underlying**		
Sales	**2,665**	2,321	15%	(7)%	**2,665**	2,321
Operating profit	**418**	381	10%	(13)%	**429**	326
Margin	***15.7%***	*16.4%*	-	-	***16.1%***	*14.0%*
Pre-tax profit	**371**	380	(3)%	(21)%	**371**	319
Basic EPS (p)	**72.4**	74.5	(3)%		**70.8**	63.0
Free cash flow	**256**	91				
Dividend (pps)	**34.0**	34.0			**34.0**	34.0

* 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 and financing gains/losses. Free cash flow is defined in the Financial review in the press release.

** Organic growth at constant currency.

Profit progression 2008 to 2009

- Volume: Lower across all divisions - particularly Smiths Detection
- Operational efficiencies: Benefits of the restructuring and efficiency initiatives are more than offsetting inflation
- Price: Increases across most divisions



Average exchange rates
US$ 1.58 (2008: 2.00)
Euro 1.16 (2008: 1.35)

Smiths Detection: Affected by variable order flow

£m	**2009**	2008	reported	underlying
Sales	**501**	509	(2)%	(17)%
Operating profit	**63**	93	(32)%	(43)%
Margin	***12.6%***	*18.3%*		

Operating profit	**£m**
2007/08	**93**
Volume	(47)
Mix	2
Operational costs	(2)
Net foreign exchange	17
2008/09	**63**

- Volume: Lower volumes and adverse cost recovery. Decline driven primarily by ports and borders
- Mix: Improved contract mix
- Costs: Inflationary increases
- FX: Translation benefit

John Crane: Delivering improved margins

£m	**2009**	2008	reported	underlying
Sales	**790**	626	+26%	(1)%
Operating profit	**143**	104	+38%	+7%
Margin	***18.1%***	*16.6%*		

Operating profit	**£m**
2007/08	**104**
Volume	(10)
Price	15
Operational efficiencies	6
Acquisitions	14
Foreign exchange	16
2008/09	**143**

- Volume: Lower volumes in H2
- Pricing: Net benefit
- Efficiencies: Cost savings initiatives have more than offset inflationary increases
- Acquisitions: Orion, JC Bearings, Indufil, Fiberod and Japan JV
- FX: Translation benefit

Smiths Medical: Sales momentum improving; offset by diabetes exit

£m	**2009**	2008	reported	underlying
Sales	**834**	703	+19%	(2)%
Operating profit	**164**	140	+17%	(4)%
Operating margin	***19.7%***	*19.8%*		

Operating profit	**£m**
2007/08	**140**
Volume	(14)
Price	3
Operational efficiencies	4
Acquisitions	4
Net foreign exchange	27
2008/09	**164**

- Volume: Lower hardware sales and adverse cost recovery
- Price: Modest increases
- Efficiencies: Cost savings initiatives more than offset inflationary increases
- Acquisitions: SMZ syringe pumps
- FX: Translation benefit

Smiths Interconnect: Good growth from military; wireless slower

£m	**2009**	2008	reported	underlying
Sales	**318**	261	+22%	(5)%
Operating profit	**56**	54	+3%	(20)%
Margin	***17.4%***	*20.7%*		

Operating profit	**£m**
2007/08	**54**
Volume	(6)
Mix	(3)
Operational costs	(3)
Acquisitions	3
Net Foreign exchange	11
2008/09	**56**

- Volume: Wireless and industrial sectors
- Mix: Lower wireless sales
- Operational costs: Inflation and restructuring
- Acquisitions: Benefit from Allrizon, Triasx and Dowin
- FX: Translation +£12m offset by transaction -£1m

Flex-Tek: Facing challenging markets; driving cost efficiencies

£m	2009	2008	reported	underlying
Sales	**222**	206	+8%	(15)%
Operating profit	**22**	24	(10)%	(27)%
Margin	***9.9%***	*11.8%*		

Operating profit	£m
2007/08	**24**
Volume	(14)
Price	2
Operational costs	5
Foreign exchange	5
2008/09	**22**

- Volume: Declines in US housing and appliances
- Price: Across all business units
- Efficiencies: Cost savings more than offset inflationary increases
- FX: Net impact

Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**417.5**
Gains on changes to post-retirement benefits	*70.3*	
Profit on disposal of property and businesses	*14.2*	
Corporate and divisional restructuring	*(23.7)*	
John Crane litigation - mark to market	*(2.5)*	
John Crane litigation - provision	*(12.7)*	
Exceptional operating items		45.6
Amortisation of acquired intangible assets		(34.6)
Statutory operating profit		**428.5**

Exceptional items: Restructuring programme is slightly ahead of plans

Programme ahead of plans

Costs to date:
£28m

Total planned costs:
£45m vs £48m

Total planned savings:
£50m vs £47m

£m	Savings to date	Full annualised benefits
HQ	**5**	5
IT	**2**	8
John Crane	**6**	25
Medical	**-**	3
Flex-Tek	**4**	9
Total	**17**	**50**

£17m of savings anticipated in FY10

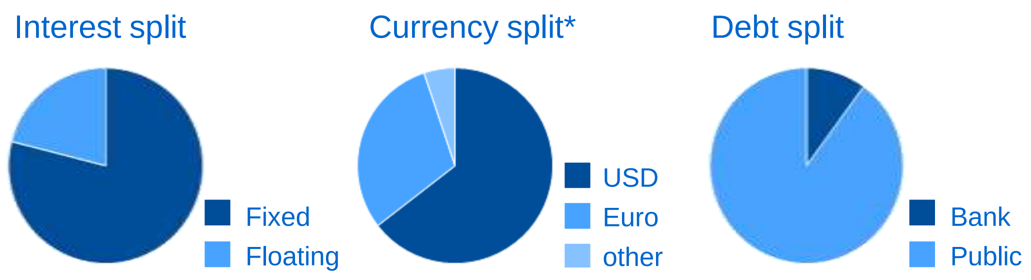
Improved operating cash

£m (for continuing activities)	**2009**	2008
Headline operating profit	**418**	381
Changes in working capital	**16**	(89)
Share based payment	**9**	13
Capital expenditure (Property, plant & equipment)	**(54)**	(61)
Depreciation	**65**	53
Development costs & other intangibles (net of amortisation and deferred income)	**(19)**	(24)
Operating cash-flow	435	273
Conversion rate	**104%**	72%

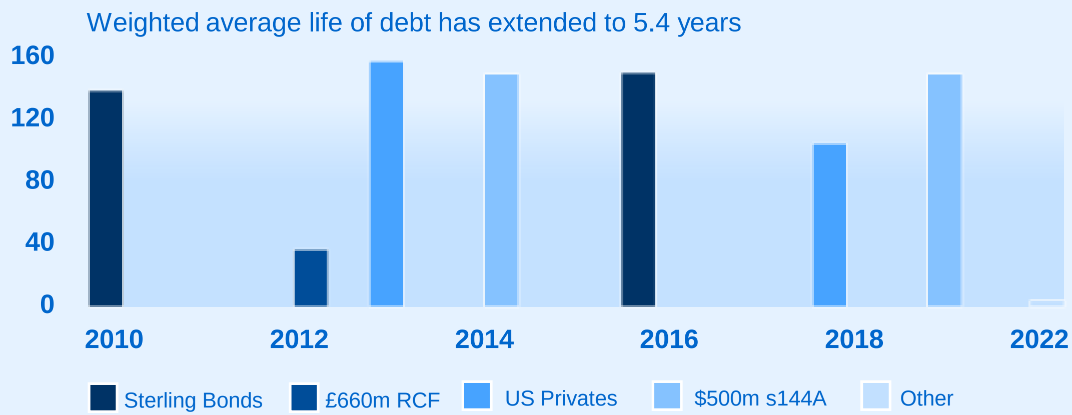
Net debt increased by £114m to £885m driven by FX and acquisitions

£m	2009
Net debt at start of period	(771)
Operating cash (after capex etc)	435
Interest and tax	(113)
Exceptionals	(66)
Free cash flow	256
Dividends	(132)
Acquisitions/disposals	(105)
Financing including net investment hedges	(93)
Foreign exchange	(28)
Movement in fair value of swapped debt and interest accrual	(12)
Change in net debt	(114)
Net debt at end of period	**(885)**

Strong balance sheet underpins our plans



Net debt	£m
Borrowings	933
Less net cash	(48)
Net debt	885



Credit Rating:
BBB+ / Baa2

Headline op profit /interest cover:
8.0x

Net debt/EBITDA:
1.8 times

Undrawn committed bank facilities of £623m at 31 July 2009

Pensions: Actions have reduced pensions liability

Deficit reduced since 31 January

	£m
Deficit at 31 January	**(464)**
Foreign exchange	36
Return on assets	226
Contributions	40
Change in liabilities	(247)
Gains from scheme closures	70
Deficit at 31 July	**(339)**

P&L and cash

FY 2009	
Finance income	**£5m**
Cash contributions*	**£53m**
FY 2010	
Finance income	**£1m**
Cash contributions*	**£51m**

* Agreed cash contributions for funded schemes. Future contributions are subject to the outcome of the triennial review

Financials: Conclusion

- Significantly improved free cash flow
- Investment in growth: Restructuring and acquisitions
- Strong balance sheet: Good available credit facilities to fund growth

A healthy platform for future growth and driving returns

Operational review and priorities

Philip Bowman,
Chief Executive

Smiths Group: Opportunities to create value

Sales and margin targets

- Economic environment make them harder to achieve
- Remain committed to the ranges but will take longer
- Focused on managing what we can control

Delivering operational efficiencies

- Restructuring
- Procurement savings
- Driving efficiencies

Investing in future growth

- R&D
- Developing markets
- Acquisitions

Investment in better information systems and leveraging scale

Improvement of business systems

- Good progress on ERP systems in all divisions
- 36 implementations across the Group
- All on track for completion in FY2010

Better information enables us to leverage the Group scale

- 15k suppliers serve more than one division
- 60 suppliers serve every division
- Savings of £9m delivered in year - freight, utilities, packaging
- A further £11m targeted in FY2010

Smiths Detection: Variable order flow has affected sales and margins

2009 Sales: £501m
(2)% reported
(17)% underlying

2009 Operating profit
£63m
13% margin

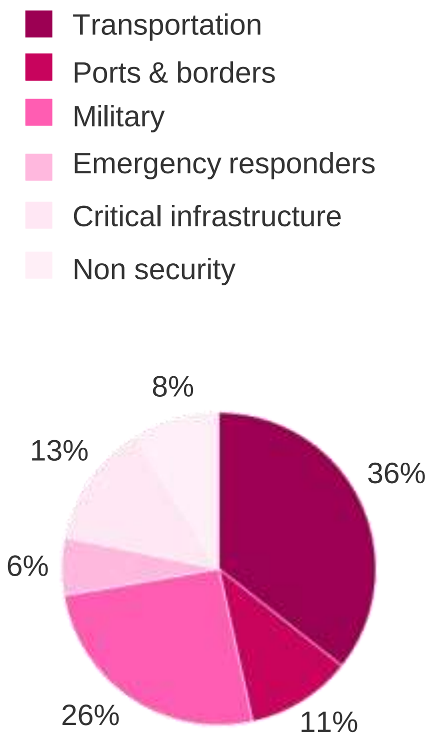
Ports & borders - sharp decline of 59%
- Slowdown in orders - constrained government finances

Military underlying sales up 42%
- JCAD and Meteorological Measuring Set-Profiler programmes

Transportation down 19%
- US in line with last year - with roll-out of new technology
- Elsewhere slower with project deferrals on lower traffic levels

Order book is ahead of last year

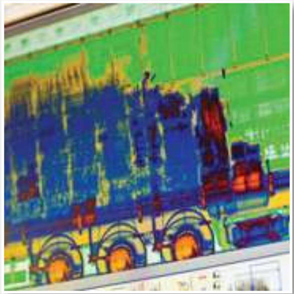
2009 sales %



Smiths Detection: Delivering operational efficiencies

- Site rationalisation already underway
  - Closure of a satellite site in Wiesbaden
  - Consolidation of two New Jersey sites
  - Closure of two small UK sites
- Assessing further site rationalisation opportunities
- Cutting fixed costs to increase flexibility and respond to volatile order flow




Smiths Detection: Continuing to invest for the future through R&D

- Company-funded R&D increased to £35m or 6.9% of sales
- Total spend increased to £45m; 8.9% of sales
- New chemical and trace detection product launches:
  - High-Performance Radioisotope Identifier (HPRID)
  - Multi-mode threat detector (MMTD)
  - Lightweight chemical detector (LCD 3.3)
- Biological detection: veterinary and clinical applications
- Passenger screening: eqo - mm wave advanced people-screener





Smiths Detection: Operational priorities

- Implement cost reduction initiatives
- Roll out airport checkpoint & cargo screening systems
- Launch new generation products
- ERP implementation

Outlook

- Positive start to the year with a healthy order book
- Government finances constrained: may delay call-offs and contract tenders
- Will benefit from leadership position, technologies, cost reductions

John Crane: Improving margins while OEM orders have slowed

2009 Sales: £790m
26% growth
(1)% underlying

2009 Operating profit
£143m
18% margin

First-fit OEM sales declined by 3%
- Slowing levels of infrastructure investment

Aftermarket sales declined by 1%
- Oil, gas & petroleum up 5%
- Offset by general industrial and other sectors

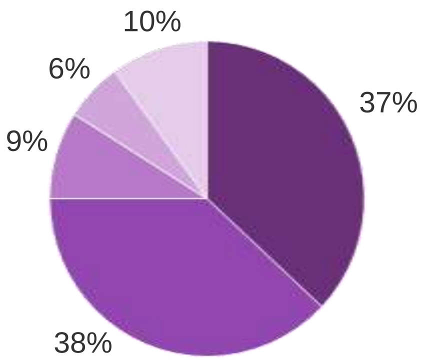
Service centre network expanded in growing markets:
- Middle East - 4 facilities
- Asia Pacific - 4 facilities

2009 sales %

First-fit OEM 37%

Aftermarket 62%

Oil, gas & petrochemical
Chemical and pharma
Distributors
General industry



John Crane: Addressable market expanded through acquisitions

Acquisition strategy delivered 5 deals in past 2 years

- Adding complementary technologies to leverage through the global network
- Building an upstream energy services business
- Extending our geographic footprint

Acquisition of Orion in May 2009 expands engineered bearings offering

- Adds a North American base to existing European footprint
- Integration is on track
- Sales force training for the new products is underway




John Crane: Improving customer service and reducing costs

- Restructuring programme
  - Delivered savings to date of £6m
  - Total annualised savings planned of £25m
- Creation of a global John Crane: Integration of two regional organisations
- Consistent global approach to central functions
- Sales and servicing close to customers in the regions
- Move to low-cost countries: Eastern Europe, Asia and Mexico





John Crane: Operational priorities

- Implement restructuring programme - global John Crane
- Service centre growth
- Complete ERP implementation by June 2010
- Build the business through acquisitions

Outlook

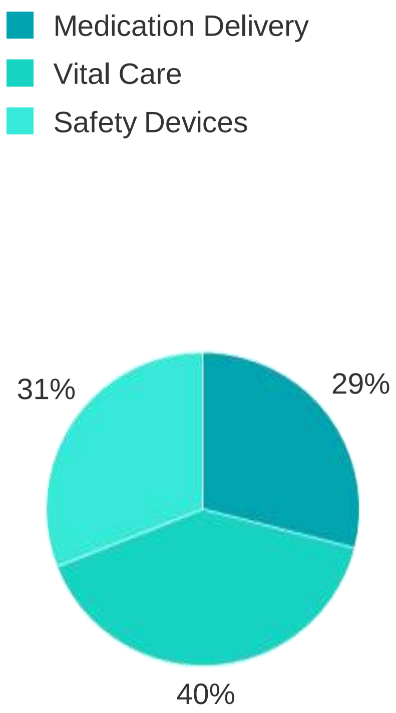
- Late cycle business: order book is below last year
- Lower OEM orders will result in slower start to year
- Cost reduction initiatives will support continued margin expansion

Smiths Medical: Delivering operational improvements and better sales momentum

2009 Sales: £834m
19% reported
(2)% underlying

2009 Operating profit £164m
20% margin

2009 sales %



1% sales decline excluding diabetes

Pressure on hospital capital budgets affected hardware sales although some recovery in H2

Medication Delivery - sales down 4%; slightly down ex. diabetes
- Pressure on hardware sales and diabetes exit
- Momentum behind CADD-Solis in H2

Vital Care - sales down 3%
- Patient monitoring and temperature mgmt affected
- Better H2 performance

Safety Devices - sales up 2%
- Growth in needle safety and new OEM agreements

Smiths Medical: Well-positioned for future success

24 month improvement programme delivering results

- Customer backorders reduced by 50% to a 5 year low
- Improved customer retention and winning new customers
- Cost saving initiatives lowered headcount by 1,000 or 11%

SKU rationalisation and diabetes exit on track

- First 3,000 SKUs will be eliminated by 31 October
- Diabetes exit accounted for £8m of sales; £13m expected in FY10





Smiths Medical: Investing in growth opportunities

Sales from products launched in last three years up 12% year-on-year

- More focused approach to R&D spend
- Good progress in new launches

Selection of new product launches from second half:

- Pneupac - disposal circuits for ventilators
- SACETT - endotracheal tube
- Stimulating Plexus Needle - peripheral nerve block offering

Investing in growth markets - China

- Smiths Medical Zheijang delivering strong results in sales and margins
- Building R&D capability to support emerging market expansion

Smiths Medical: Operational priorities

- Expand SKU and customer profitability reviews
- Complete ERP implementation and optimise supply chain
- Continue to reduce business complexity and reduce costs
- Optimise R&D spend across the portfolio and launch new products in growth markets

Outlook

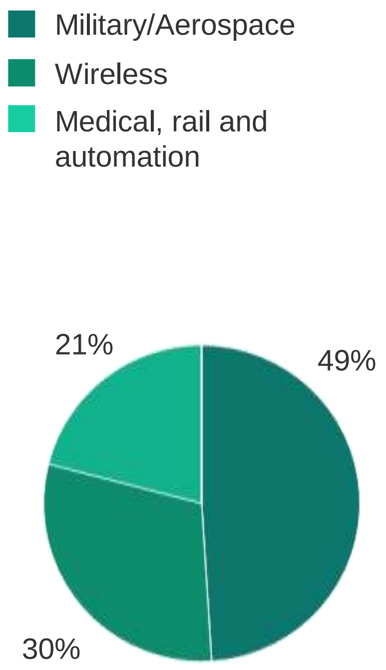
- Build on the improved momentum in H2 hardware sales
- Portfolio review and diabetes exit will affect revenue growth
- Seek growth in developing markets and new products
- Continue focus on margin improvement and cash generation

Smiths Interconnect: Good growth from military; wireless slower

2009 Sales: £318m
22% reported
(5)% underlying

2009 Operating profit £56m
17% margin

2009 sales %



Military/aerospace - underlying sales increase of 9%
- New wins on Intelligence, Surveillance and Reconnaissance projects
- Major satellite communications projects - new UAV platform
- Good sales of filter components to combat IEDs

Wireless - underlying sales fell by 21%
- Affected by a slowdown in new infrastructure deployments

Rail, medical and automation - underlying sales down by 12%
- Challenging market in Europe
- Partly offset by product launches and medical programme wins

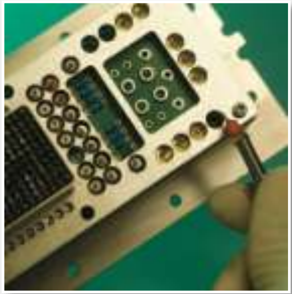
Smiths Interconnect: Strengthening the business

Restructuring to reduce costs

- Rationalised two US businesses and transferred manufacturing to Mexico
- Headcount reductions in Europe and US

Extending our presence in Asia through acquisitions

- Completed purchase of Dowin in April
- Builds our wireless telecoms presence in Asia - third acquisition in 2 years
- Adds capabilities in power and signal protection devices



Smiths Interconnect: Operational priorities

- Continued focus on cost control
- Integrate recent acquisitions and look for further opportunities
- Deliver major customer requirements to maintain momentum in key contracts

Outlook

- Continued investment in military communications
- Wireless and other sectors are likely to remain challenging
- Next generation networks expected to drive investment in next 2-3 years

Flex-Tek: Facing challenging markets; growth in aerospace

2009 Sales: £222m
8% reported
(15)% underlying

2009 Operating profit £22m
10% margin

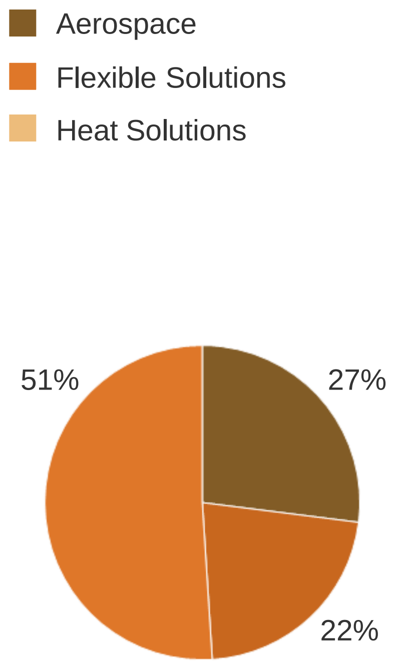
Aerospace - underlying sales fell 1%
- Softer bizjet sales were offset by demand from commercial and military

Heat Solutions - underlying sales fell 16%
- Lower sales of gas piping and HVAC ducting
- 44% decline in US housing starts

Flexible Solutions - underlying sales fell 23%
- Softer demand from US floorcare and the general industrial sector

Restructuring programme delivering savings
- Annualised savings £4m delivered to date

2009 sales %

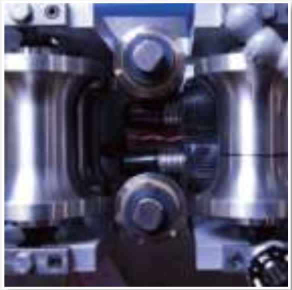


Flex-Tek: Operational priorities

- Expand non-construction markets, e.g. aerospace & medical
- Asian growth potential in industrial and appliance markets
- Deliver the restructuring programme

Outlook

- Uncertainty in US housing and appliances, strongly leveraged to a recovery
- Seek growth opportunities in other markets while reducing costs





Smiths Group: Opportunities to create value

Delivering operational efficiencies

- Improve margins through restructuring and ‘self-help’ programmes
- Upgrade our business systems to drive faster data-based decisions and leverage scale

Cash generation

- Continue to reduce working capital as percentage of sales
- Focus on cash generation

Investing in future growth

- Investing in targeted R&D to launch new products
- Growing our technology and reach through bolt-on acquisitions
- Expansion in developing markets

Questions and Answers