

# Annual General Meeting

22 November 2011

**smiths**  
bringing technology to life

Bringing technology to life



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

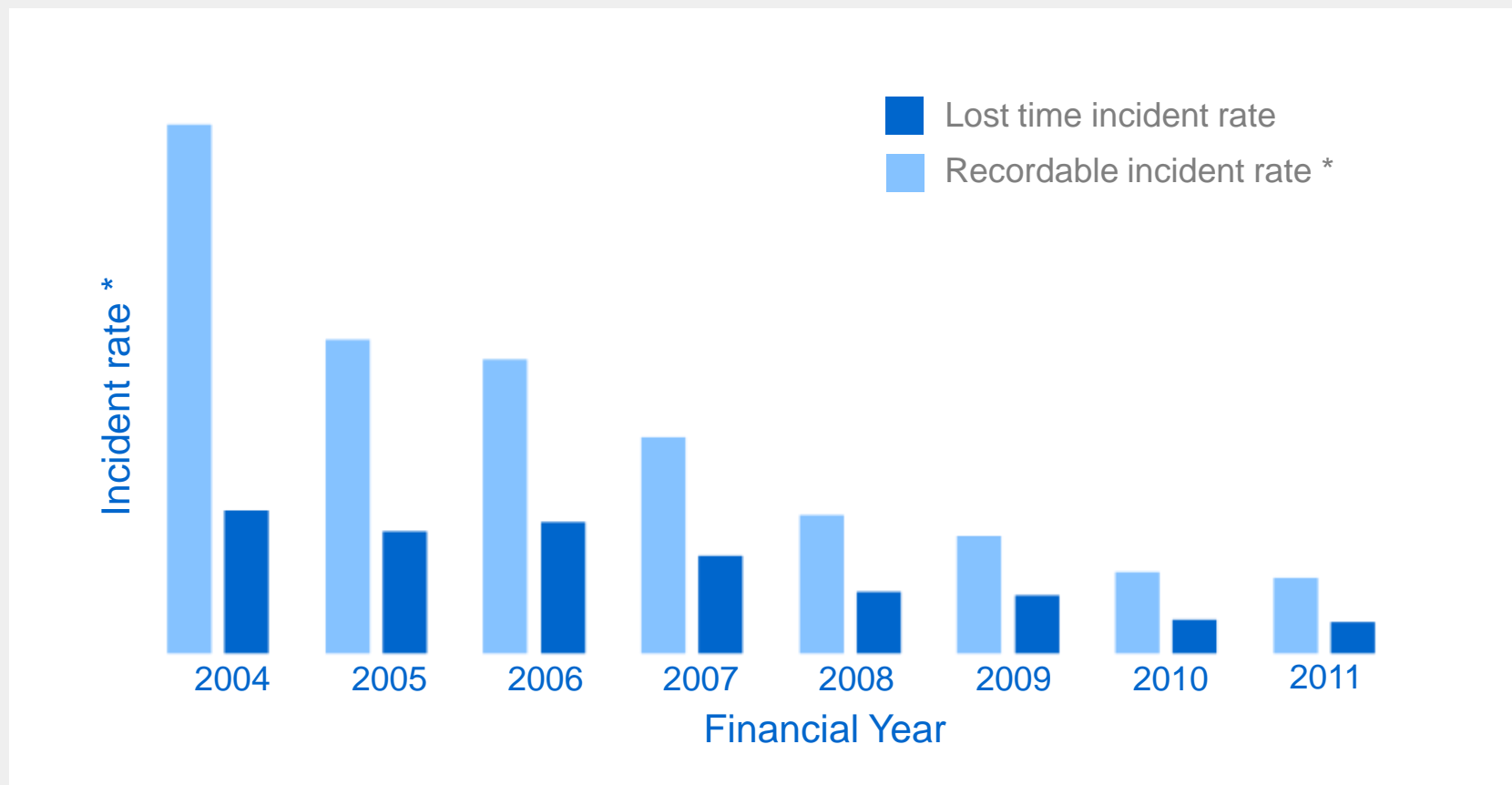
Cash conversion strong at 95% - in line with guidance

Dividend up 7% to 36.25 pence

Return on capital employed up 40 basis points to 17.0%

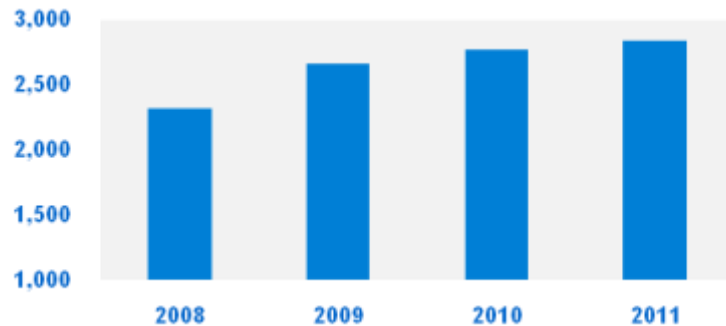
# Safety remains our top priority, resulting in continued improvement

## Recordable & lost time incident rates have improved



# Creating shareholder value through long-term profitable growth

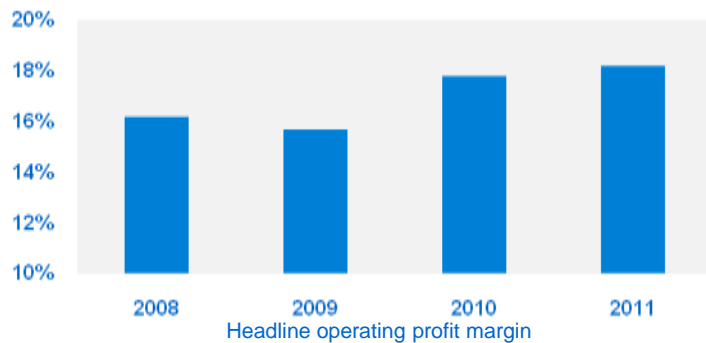
## Sales growth (£m)



## 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 (%)

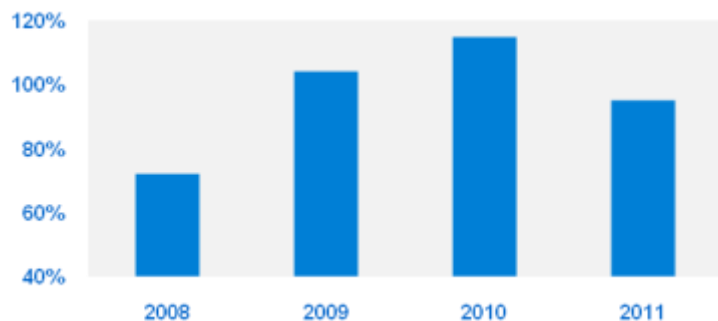


## Enhancing margins

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

# Creating shareholder value through long-term profitable growth

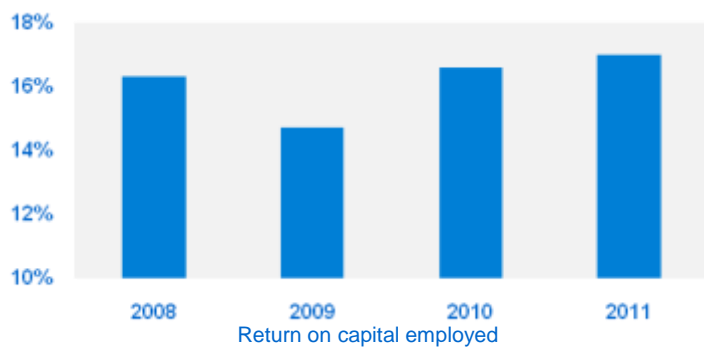
## Strong cash conversion (%)



## 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 (%)



## 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

- Underlying sales down 13%; margins down 290bps to 12.8%
- Transportation affected by budgetary and regulatory delays
- Military slowdown reflects switch to next generation detector
- Performance improvement programme targets £40m savings
- Strong pipeline of new products for launch in next year





## John Crane: Delivering sales growth, improving margins and returns

- Underlying sales up 13%; margins up 40bps to 21.1%
- Aftermarket service revenues grew 13%
- First-fit original equipment sales up 14%
- Expanding our global network: sales and service centres
- Acquisition of TCE: aftermarket service for bearings



## Smiths Medical: Delivering margin growth in a challenging environment

- Underlying sales down 3%; margins up 190bps to 23.4%
- Portfolio profitability review constrained growth
- Tough operating environment for medical devices
- Good progress on new product launches
- Investing in emerging market expansion



## Smiths Interconnect: Delivering growth despite defence pressures

- Underlying sales up 3%; margins down 40bps to 17.8%
- Reported sales up 12% benefiting from IDI acquisition
- Slowdown in military demand during the second half
- Strong sales of connectors and wireless telecom products
- Acquired PDI: expanding power distribution and condition



## Flex-Tek: Margins benefit from operational leverage

- Underlying sales up 6%; margins up 140bps to 12.5%
- Margins benefit from higher volumes and cost savings
- Strong growth in aerospace – gained share in servicing
- US residential construction/appliance markets difficult
- Making progress through pricing and market share gains



## 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

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