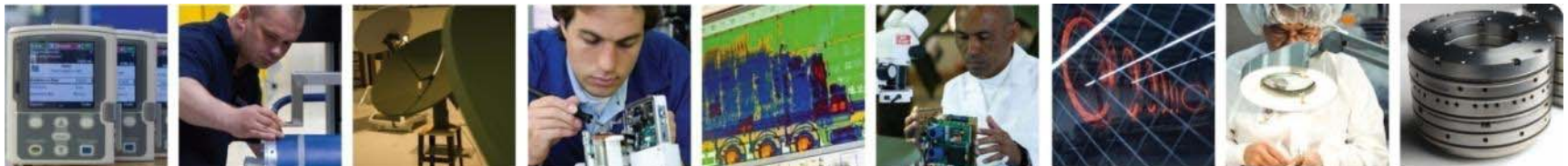


Smiths Group, Preliminary Results

London, 24 September 2008



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.

Philip Bowman, Chief Executive

Agenda

- Highlights
- Financial Review
- Operational Review and Priorities

Financial highlights

- Sales increased by 7%; underlying 6%
- Drivers of sales growth:
 - New Detection contracts in airports and cargo screening
 - John Crane benefits from strong petrochemical demand
 - Interconnect sales to wireless and military customers
- Headline operating profit up by 10%; underlying 6%
- Good growth in pre-tax profit of 10%
- Pro-forma increase in EPS of 15%
- Dividend unchanged at 34.0p – reflects opportunities to invest to generate value

Opportunities to create value - key steps

Restructuring & performance improvement



Creation of five divisions



Divisional reorganisation: reduce cost; improve customer service and delegate accountability



Efficient corporate centre



Improving systems: data-driven decision-making



Enhancing the talent with new appointments

Investment



Increased R&D by 8% to drive future growth



Building businesses through acquisition

Targets and incentives



Divisional range targets for sales growth/margins



New incentive scheme to reinforce delivery

John Langston, Finance Director

Preliminary results 2008

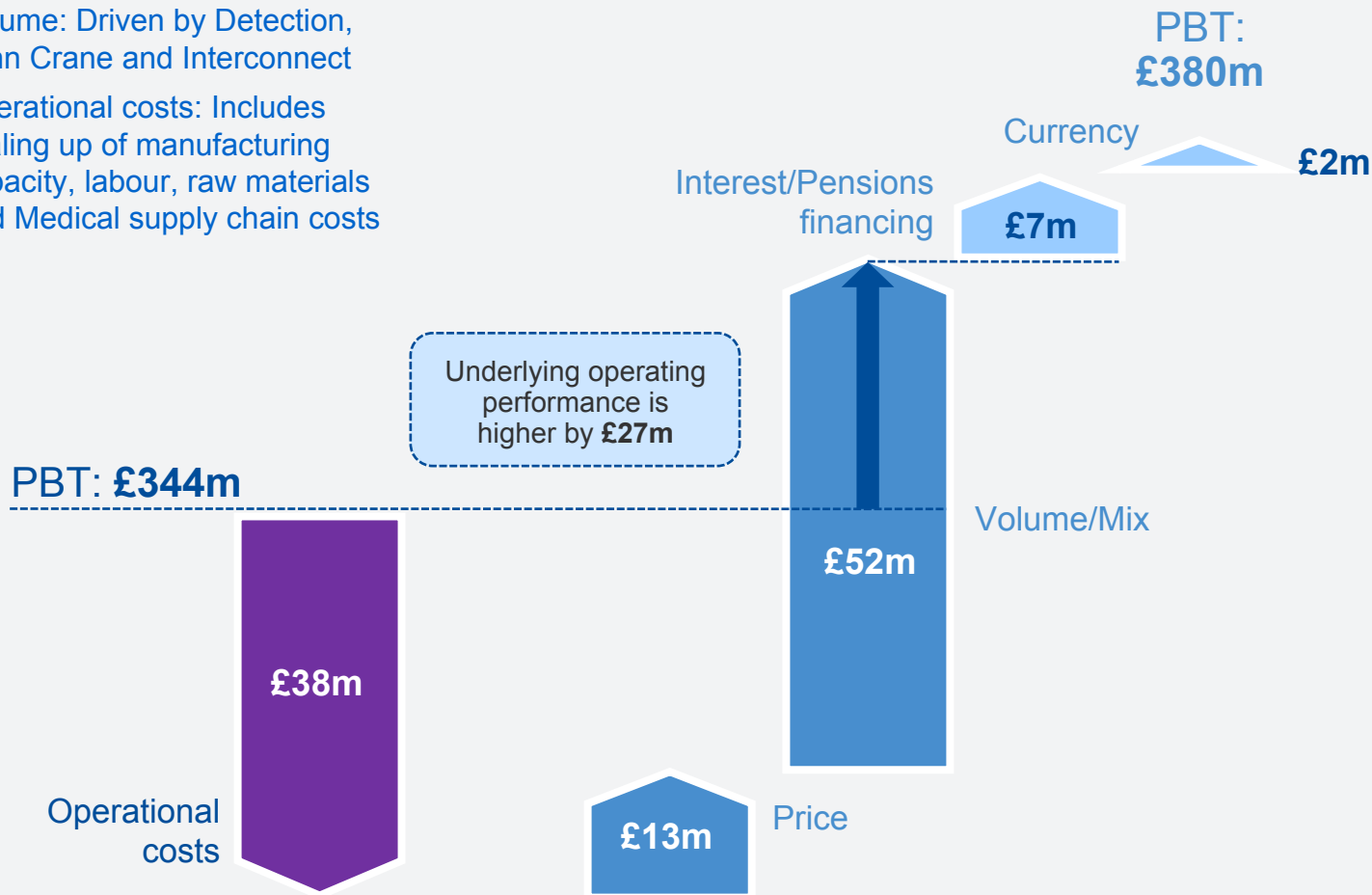
£m	Headline*		Statutory			
	2008	2007	2008		2007	
Continuing activities			Reported	Underlying**		
Sales	2,321	2,161	7%	6%	2,321	2,161
Operating profit	381	348	10%	6%	326	257
<i>Margin</i>	16.4%	16.1%	-	-	14.0%	11.9%
Pre-tax profit	380	344	10%	8%	319	256
Basic EPS (p)	74.5	47.0			63.0	36.9
Dividend (pps)	34.0p	34.0p			34.0p	34.0p

* In addition to statutory reporting, Smiths Group reports its continuing operations on a headline basis. Headline profit is before exceptional items (incl. impairment of assets and income and expenditure relating to John Crane litigation), amortisation of acquired intangible assets, profit/loss on disposal of businesses and financing gains/losses from currency hedging.

** Organic growth at constant currency

Profit progression 2007 to 2008

- Volume: Driven by Detection, John Crane and Interconnect
- Operational costs: Includes scaling up of manufacturing capacity, labour, raw materials and Medical supply chain costs



Smiths Detection: 12% underlying sales growth

£m	2008	2007	reported	underlying
Sales	509	438	+16%	+12%
Operating profit	86	79	+9%	+2%
Margin	16.8%	18.0%		

Operating profit	£m	<ul style="list-style-type: none"> • Volume: Driven by airport checkpoint equipment, cargo screening & military • Investment: Supports growth • FX: Transaction -£9m offset by translation +£5m • Costs: Inflationary increases • Price: Reduction in EMEA
2006/07	79	
Volume	22	
Investment: R&D, ERP	(2)	
Foreign exchange	(4)	
Operational expenses	(6)	
Price	(3)	
2007/08	86	

Smiths Medical: Sales held back by supply chain disruption

£m	2008	2007	reported	underlying
Sales	703	691	2%	0%
Operating profit	128	127	0%	2%
<i>Operating margin</i>	18.2%	18.4%		

Operating profit	£m	<ul style="list-style-type: none"> • Mix: Growth in some higher margin franchises • Supply chain disruption: Increased costs plus product recalls offset in part by move to low-cost countries • Operational expenses: Labour costs held at 2-3% • Currency translation: US dollar
2006/07	127	
Mix	12	
Supply chain disruption	(8)	
Operational expenses	(5)	
Currency translation	(2)	
2007/08	128	

Specialty Engineering - John Crane: Strong petrochemical demand

John Crane (£m)	2008	2007	reported	underlying
Sales	626	532	+18%	+8%
Operating profit	96	75	+27%	+12%
Margin	15.3%	14.1%		

Operating profit	£m	
2006/07	75	
Volume/mix	14	
Pricing	14	
Acquisitions	7	
Operational expenses	(14)	
2007/08	96	

<ul style="list-style-type: none"> • Volume: Strong OEM order book, benefit from emerging markets and high aftermarket demand • Acquisitions: CDI, Sartorius, Indufil, Fiberod and Japan JV shares bought • Pricing: Net benefit • Operational: Expansion – Saudi Arabia and rising input costs

Specialty - Other: Interconnect growing strongly, Flex-Tek facing challenging markets

Specialty - Other (£m)	2008	2007	reported	underlying
Sales	483	500	(4)%	+5%
Operating profit	71	66	+7%	+13%
<i>Margin</i>	14.8%	13.3%		

Operating profit	£m
2006/07	66
Volume/mix	4
Price	3
Acquisitions & Disposals	(4)
Efficiencies	2
2007/08	71

- Volume: Interconnect 4G and military
- Price: Flex-Tek aerospace
- Disposal: Marine sold in November; small benefit from Allrizon and Triasx
- Efficiencies: Benefit of restructuring in Flex-Tek more than offsetting input cost inflation

Reconciliation: Headline operating profit to statutory profit

	£m
Headline operating profit	381
<i>Integration of Medex</i>	(9)
<i>Profit on disposal of businesses</i>	27
<i>John Crane litigation - mark to market</i>	(4)
<i>John Crane litigation - adverse judgements</i>	(45)
<i>Corporate and divisional restructuring</i>	(4)
Exceptional operating items	(35)
Amortisation of acquired intangible assets	(20)
Statutory operating profit	326

Exceptional items: Restructuring costs and benefits

£m	Costs 2008	Future costs	Total costs	Full annualised benefits
HQ	2	7	9	5
IT	-	6	6	8
John Crane	2	22	24	25
Medical	-	4	4	2
Flex-Tek	-	5	5	7
Total	4	44	48	47

£m	2008/09	2009/10	2010/11
Cumulative benefits	10	32	47

Operating cash conversion

£m (for continuing activities)	2008	2007
Headline operating profit	381	348
Changes in working capital	(89)	(65)
Share based payment	13	10
Capital expenditure (Property, plant & equipment)	(61)	(50)
Depreciation	53	44
Development costs & other intangibles (net of amortisation and deferred income)	(24)	(28)
Operating cash-flow	273	259
Conversion rate	72%	75%

Net debt increased by £181m to £771m

£m	2008
Net debt at start of period	(590)
Operating cash (after capex etc)	273
Interest and tax	(122)
Exceptionals	(60)
Free cash flow	91
Dividends	(131)
Acquisitions/disposals	(113)
Exchange	(24)
Movement in fair value of swapped debt	(4)
Change in net debt	(181)
Net debt at end of period	(771)

Foreign exchange, pensions

Exchange rates

Average rates	\$2.00 vs \$1.95	(2.5)%
	€1.35 vs €1.48	8.8%
Operating profit impact	£1.2m per US cent £1.1m per Euro cent	

Pensions

2008	finance income	£42m
	special cash contributions	£34m
2009	finance income	£7m
	special cash contributions	£30m

Financials: Conclusion

Strong results: Detection, John Crane and Interconnect

Investment in growth: Capex, working capital, R&D and new systems

Strong balance sheet: Good available credit facilities to fund growth

A healthy platform for
future growth and driving returns

Philip Bowman, Chief Executive

Key developments in the Group

- Creation of 5 divisions
 - Greater divisional accountability
 - Management moved closer to customers and markets
- Rationalisation of corporate centre
 - Lean centre of 40 heads
 - Annualised benefits of £5m for total costs of £9m
- New incentive plans established for senior management
 - Emphasis on performance
 - Greater focus on divisional performance

Improving the portfolio: Overview of M&A activity

	Date	Sales value £m	Complementary technologies	Extending geography	Leveraging infrastructure
John Crane					
Sartorius	Nov 07	£14m	✓✓	✓	✓✓
John Crane Japan*	Dec 07	£16m		✓✓	
Indufil	Apr 08	£25m	✓✓		✓✓
Fiberod	May 08	£12m	✓✓		✓
Interconnect					
Allrizon	May 08	£5m	✓	✓✓	✓
Triasx	July 08	£13m	✓✓	✓✓	✓✓
Flex-Tek					
Fast Heat	Feb 08	£7m	✓✓		✓
Divestments					
Marine Systems	Nov 07	£58m			
* Acquisition of 21% stake to take a controlling share of 70%					

Data-driven decision-making through better information systems

Smiths Group

- New information platform to be developed at Group level - leverages scale
- Group-wide restructuring of IT service delivery

Smiths Detection

- Replaces 14 legacy systems
- Completion end 2009
- Successful go-live in 9 sites >25% of sales

- Total budget: £22m
- Investment to date: £15m
- P&L benefits: £8m pa once complete

John Crane

- Installing SAP with link to existing systems
- Completion June 2010
- 10 markets >50% of John Crane EAA sales

- Total budget: £23m
- Investment to date: £17m
- P&L benefits: £10m pa once complete

Smiths Medical

- Halted in 2007
- Restarted June 2008
- Benelux live
- Completion March 2010
- >50% complete

- Total budget: £32m
- Investment to date: £18m
- P&L benefits: £15m pa once complete

New divisional split – HQ costs reported separately

£m	Sales	Profit	Margin
Detection	509	93	18%
John Crane	626	104	17%
Medical	703	140	20%
Interconnect	261	54	21%
Flex-Tek	206	24	12%
HQ	-	(35)	-
<i>Total*</i>	<i>2,305</i>	<i>380</i>	<i>16%</i>

** Excludes three months of trading for Marine Systems (sales of £16m and profit of £1m)*

Smiths Detection: Delivering strong sales growth

2008 Sales

£509m

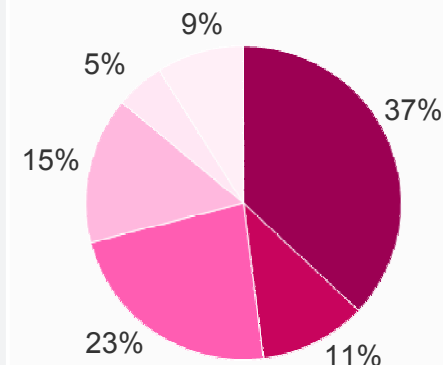
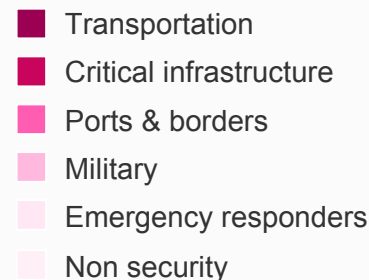
12% growth

2008 Op. profit

£93m

18% margin

Sales by sector £m



Transportation - 17% sales growth

- Key wins: UK, US and Dubai
- Roll-out of new technology
- New production plant at Wiesbaden

Ports & borders - 22% sales growth

- Large contracts in US and Russia

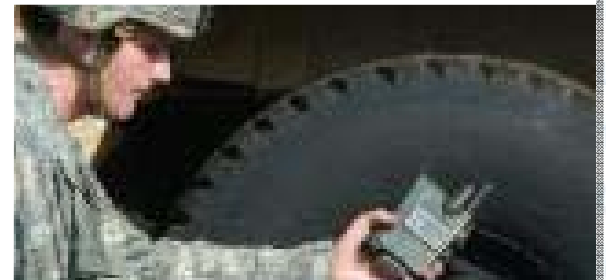
Military & emergency responders - 7% sales growth

- Roll-out of JCAD to US

Critical infrastructure and non-security - flat

Smiths Detection: Investing in future growth through R&D

- Company-funded R&D up 10% to £29m or 5.6% of sales
- Total spend increased 15% to £38m; 7.3% of sales
- X-ray screening
 - Cargo screening
 - Development of airport checkpoint explosive detection
- Chemical and trace – new handheld detectors
- Millimetre wave – initial trials underway
- Biological detection – veterinary and clinical applications



Smiths Detection: Operational priorities

- Further roll out of airport checkpoint & cargo screening systems
- Launch new generation products
- Complete implementation of ERP

Sales growth*

2008: 12%

12%



10%

** Range of annual
underlying growth
over three year period*

Operating profit margin*

2008: 18%

20%



17%

John Crane: Strong growth driven by oil and gas

2008 Sales

£626m

8% growth

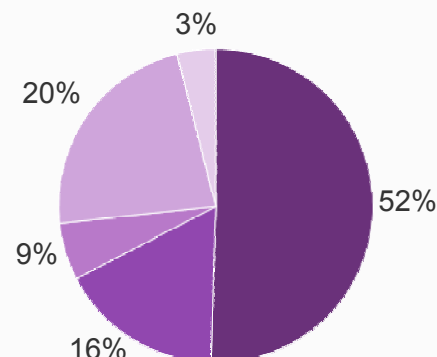
2008 Op. profit

£104m

17% margin

Sales by sector £m

- Petrochemical
- Chemical/Pharmaceutical
- Commercial & refrigeration
- Industrial, pulp & paper, mining
- Other energy



High demand from petrochemical sector

Record level of OEM orders

Expansion of global network of service centres

- Saudi Arabia – Jubail and Dammam
- Mexico – new manufacturing facility
- China – new facility in Tianjin

Dry gas seal facilities in Slough, UK – high pressure test rig

John Crane: Building through acquisitions

- Adding complementary technologies
 - Sartorius – engineered bearings – cost £13m
 - Indufil – filtration systems – cost £71m
- Building an upstream energy services business
 - Fiberod – fibre-glass sucker rods
- Extending our geographic footprint
 - Japan JV – purchase of 21% for control (70% share)



John Crane: Restructuring for better customer service and lower costs

- Merge two John Crane businesses: Americas and Europe
- Provide global account management for customers
- Establish a global operations platform - global product line management
- Improve service delivery and performance for customers

£m	Costs 2008	Future costs	Total costs	Full annualised benefits
John Crane	2	22	24	25

John Crane: Operational priorities

- Implement restructuring programme - global John Crane
- Service centre growth
- Additional manufacturing capacity
- ERP implementation
- Build the business through acquisitions

Sales growth*

2008: 8%

8%

6%

* Range of annual
underlying growth
over three year period

Operating profit margin*

22%

2008: 17%

17%

Smiths Medical: Operational highlights

2008 Sales

£703m

0% growth

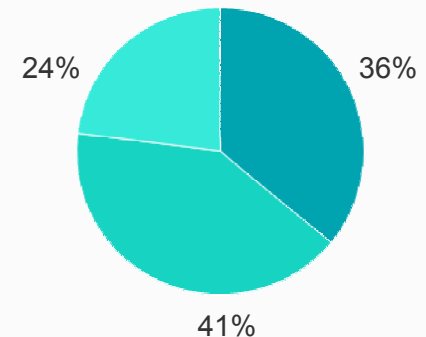
2008 Op. profit

£140m

20% margin

Sales by sector £m

- Medication Delivery
- Vital Care
- Safety Devices



Medication Delivery – sales up 3.4%

- Driven by infusion, access and diabetes

Vital Care – sales down 1.0%

- Disrupted by supply chain problems and a product recall

Safety Devices – sales down 2.9%

- Declines in PIVC caused by supplier problem

Review of supplier quality assurance processes

Smiths Medical: Addressing the supply chain issues

Action Plan

Appointed a Global Operations Director to oversee supply chain

Key focus:

- Reducing back orders
- Cutting inventory

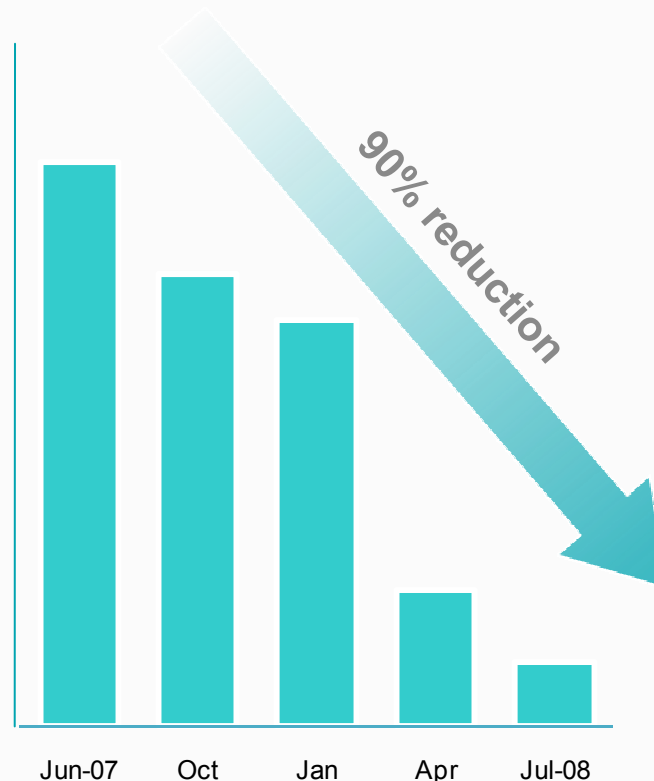
24 month improvement programme underway

Simplify supply chain

Improve customer service

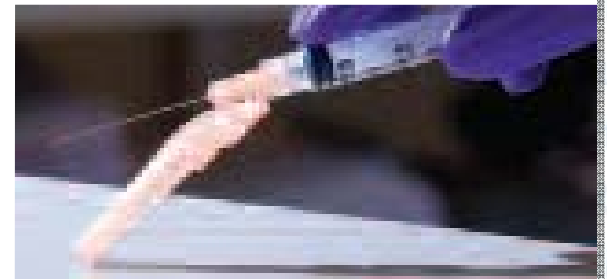
Review of SKU and customer profitability

Customer back orders - £m



Smiths Medical: R&D driving new product launches

- R&D investment up 6%: representing 3.7% of sales
- Increased focus: Medication Delivery 7% of sales; Safety Devices 1.5% - in line with competitors
- Selection of new product launches:
 - CADD Solis – next generation ambulatory pump
 - Power ports – access
 - EDGE safety needles
 - SmartX – wireless blood pressure monitoring
 - UniPerc – tracheostomy tube for large patients



Smiths Medical: Restructuring programme

- Merge two US operational units with Canada to create one North American business
- A single route to market – coherent face to customer
- Leverage our scale more effectively
- Global approach to product management

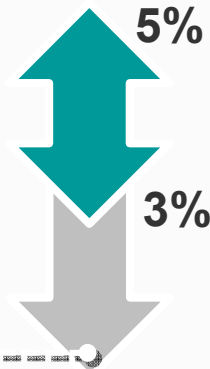
£m	Costs 2008	Future costs	Total costs	Full annualised benefits
Medical	-	4	4	2

Smiths Medical: Operational priorities

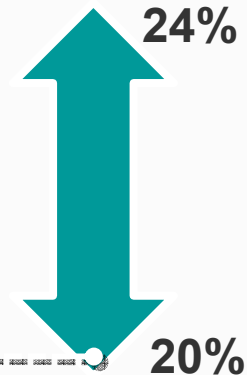
- Improve customer service and address supply chain problems
- Continue ERP implementation
- Optimise R&D spend across the portfolio
- Launch successful products in growing markets

Sales growth*

**Range of annual underlying growth over three year period. A planned review of SKU profitability may lead to portfolio rationalisation which could affect sales growth in the short term.*



Operating profit margin*



Smiths Interconnect: Good growth from wireless and military

2008 Sales

£261m

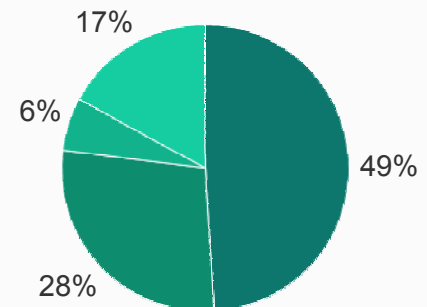
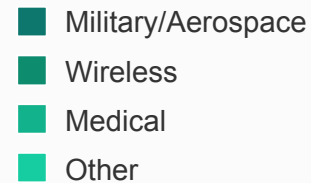
13% growth

2008 Op. profit

£54m

21% *margin*

Sales by sector £m



Strong sales of lightning and surge protection solutions

Microwave Sub-systems - benefiting from US military programmes: MDAS; SOTM; WIN-T

Connectors - new contract wins

Increased manufacturing capacity

- Tunisia and India
- Doubled proportion of products from low cost countries

Smiths Interconnect: Building the business through acquisition

- Expanding RF filter footprint in Asia Pacific - design, manufacture and sales capabilities

Allrizon Tongguang

- Shanghai-based • 2007 sales of £5.3m

Triasx

- Brisbane-based
- Interference testing fits well with Summitek business
- FY June 2008 sales of £12.5m

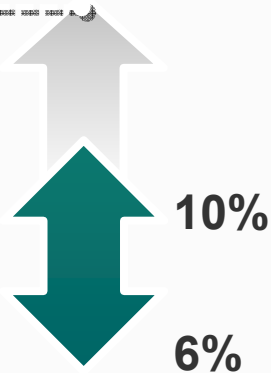


Smiths Interconnect: Operational priorities

- Margin improvement
- Expansion of low cost manufacturing
- Geographic expansion in Asia Pacific
- Deliver major customer requirements to maintain momentum in key contracts

Sales growth*

2008: 13%



* Range of annual underlying growth over three year period

Operating profit margin*

23%



2008: 21%

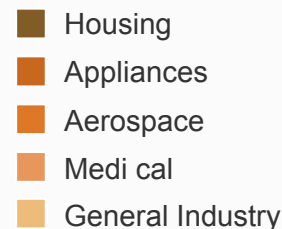
21%

Flex-Tek: Growth in aerospace offsetting challenging markets

2008 Sales
£206m
(4)% growth

2008 Op. profit
£24m
12% margin

Sales by sector £m



- Aerospace - delivered strong growth in sales and profit
- Heat Solutions - affected by US housing and dryer appliance markets
- Flexible Solutions - affected by household appliance and general industrial sector
- Opened manufacturing in India, Philippines and China

Flex-Tek: Restructuring

- Restructuring programme
 - Drive efficiencies
 - Rationalise manufacturing sites
 - Leverage scale

£m	Costs 2008	Future costs	Total costs	Full annualised benefits
Flex-Tek	-	5	5	7

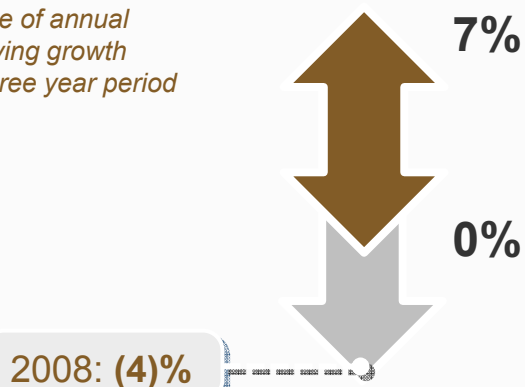


Flex-Tek: Operational priorities

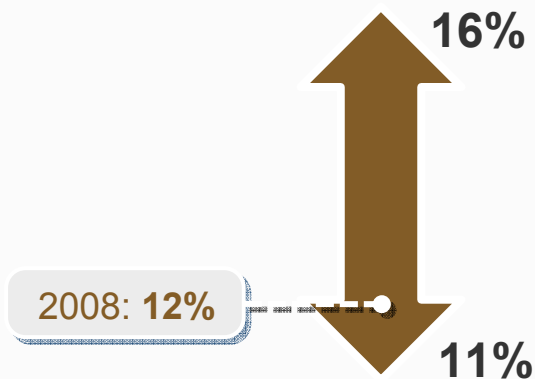
- Expand non-construction markets, e.g. aerospace & medical
- Asian growth potential in industrial and appliance markets
- Deliver the restructuring programme

Sales growth*

** Range of annual underlying growth over three year period*



Operating profit margin*



Smiths Group: Opportunities to create value

	Sales growth*	Margins*
Smiths Detection Driven by changing threats, technology & legislation	10-12%	17-20%
John Crane Petrochemical investment driven by energy consumption	6-8%	17-22%
Smiths Medical Driven by demography, outcomes & economics	3-5%	20-24%
Smiths Interconnect Driven by military and communications investment	6-10%	21-23%
Flex-Tek Lean manufacture and expanding non-housing areas	0-7%	11-16%

* Range of annual underlying growth over three year period assuming a financial and macro-economic environment consistent with that of recent years.

Smiths Group: A growth opportunity

- Portfolio well-placed to resist pressures of a downturn
- Expand margins through a programme of self-help
- Deliver restructuring programmes to deliver margin improvements
- Upgrading our business systems to drive faster data-based decisions
- Investing in targeted R&D
- Revenue growth opportunities – pricing, innovation, developing markets
- Growing our technology and reach through bolt-on acquisitions

Questions & Answers

