SMITHS GROUP INVESTOR DAY – 28 June 2011

Smiths Interconnect Presentation by Ralph Phillips, Shaun Caraccio & Garry MacDonald

SLIDE – TITLE

SLIDE – RALPH PHILLIPS PRESIDENT, SMITHS INTERCONNECT

Thank you. Good morning

Joining me today from Smiths Interconnect are Shaun Caraccio, Interconnect’s Vice President of Business Development and Strategy, and Garry MacDonald Director of Business Development.

Before joining Smiths, I spent 23 years in engineering companies, principally in aerospace and defense. I became the President of Interconnect three years ago when Interconnect became a stand-alone division.

Our challenge then and now is to optimize our organization, keeping innovation at the local level, yet driving efficient resource and asset utilization, taking advantage of our scale, while maintaining our entrepreneurial spirit. Today we are going to highlight the status of our journey.
SLIDE - INTRODUCTION

SLIDE - SMITHS INTERCONNECT OVERVIEW

For those of you who may not know us well, Smiths Interconnect is a recognized leader in technically differentiated electronic components and subsystems, providing power, signal, and microwave solutions.

The brand of Interconnect is evolving, not well known three years ago, but today it is recognized in several of our end markets. Our products connect, protect, and control critical systems for the global wireless, telecommunications, defense, aerospace, medical, rail, test and industrial markets.

SLIDE – SMITHS INTERCONNECT: AN ATTRACTIVE INVESTMENT CASE

Smiths Interconnect is a market leader in specialty electronics and RF products, with numerous strong brands recognized worldwide. We will show you today how we differentiate our products, and explain how those products have high barriers to entry, both from their design and manufacture, and qualification, as well as the regulatory framework of our marketplace.

Interconnect operates in very diverse end markets, many with strong growth characteristics. However there are many commonalities which allow us to develop technologies to efficiently address multiple end markets with similar or even the same products. As a result, Interconnect has demonstrated a strong growth track record over time.

These market positions are due to the strengths of our technologies and our close relationships with our customers based on excellent products and
exceptional service. Our strong market positions have been established through consistent investment in research and development to remain at the leading edge of our customers’ demands. This has built us a reputation for quality engineering and innovation.

In addition to our strong track record for organic growth, Interconnect has also capitalized on the opportunity to expand our market position through acquisitions. We operate in a fragmented market with many opportunities for consolidation.

As Philip outlined earlier, our acquisition strategy has pursued three objectives.

Firstly, to add complementary technologies or products. Secondly, access new programs, customers and markets, particularly the emerging markets. And lastly, to leverage our existing infrastructure.

Over the past three years, Smiths Interconnect has made five acquisitions addressing all three of these objectives. The recent acquisition of IDI is the largest made by the Group in recent years and has materially increased the size of Smiths Interconnect. You will see today that through a combination of organic growth and acquisitions, Smiths Interconnect has more than doubled in size over the last 6 years.

Within Interconnect, there are also opportunities to improve margins through operational efficiencies. We have undertaken various restructuring initiatives over the past three years and the margins have improved and will continue to improve further as volume increases.
In 2010, we delivered sales of 340 million pounds and an operating margin of 18.2%. Since 2005, our sales have grown over 97%, with a CAGR of over 14%, driven by 5 acquisitions, the last being IDI a little over a year ago. Organically, we’ve grown at a rate of over 10% in that period.

As you can see, this growth rate for 2005 through 2010 compares pretty well with our targeted growth rates. In that same period we achieved a profit growth of more than 83%, a CAGR of 12.8%. Of that, 8.5% was organic.

Two years ago, sales and margins were impacted by the global downturn, yet as you can see, the business has stayed very profitable.

Interconnect has been built through a phased acquisition program. Interconnect started with Hypertac UK, a connector company. The initial phase of acquisition began in the late '80s with our expansion into the microwave cable adjacency, and adding scale to our connector group.

The second phase began in 1997 with a strategy to build on our cable presence in the fast-growing telecommunications market. We quickly added eight companies in both protection and microwave products, predominantly geared towards servicing telecommunications customers.

The third phase started in 2004 by expanding our microwave products capability, as we moved into the military and defense adjacency with a series of five
acquisitions, allowing us to capitalize on the emphasis on global security and increased defense spending.

The fourth phase, building in all of our technologies, began the process to globalize Interconnect's market presence and take advantage of the fastest growing and emerging economies.

Between 2008 and 2010, we acquired three companies with strong market, engineering, and operational footprints in the Asia-Pacific region.

The fifth phase of acquisitions is building on the scale and breadth of Interconnect to drive value creation. That strategy will include companies from all three of our technology groups.

Our most recent acquisition, IDI, was acquired in April of last year and Shaun will give you more detail later.

**SLIDE – EVOLUTION OF SMITHS INTERCONNECT**

Over the last five years, Interconnect has changed from an organization that was solely managed at the company level to one also managed within cohesive business units, aggregated by technology, what we will refer to today as technology groups. While we intend to continue our strong organic growth, we also intend to compound our value creation by leveraging our growing scale.

We are organized today as four technology groups and I will spend a few moments reviewing their products and capabilities. Many of them are on display at the back of the room.
The Connector Technology Group offers a wide range of electromechanical and fiber optic solutions. These serve a very broad range of niche applications that require ruggedness, reliability, and high quality. We sell on value rather than price and this defines the specialist sector of the connector market in which we operate.

Our end markets range from defense, rail traction, space, medical, industrial, commercial aerospace, to semiconductor test. Our products are focused on three main high reliability connector areas:

- the hyperboloid contact system which is the world most reliable and flexible electrical connector system

- the spring probe, a similarly flexible and reliable single piece compression connector

- And finally, specialty high speed and filter connectors which we combine with our other contact technology into application specific requirements

Interconnect microwave components and systems are utilized in a wide variety of applications including ground based systems, ships and both commercial and military aircraft.

The majority of products in the Defense Group are used for highly regulated markets, such as the DOD, government, FAA and NASA applications.
Our products, once qualified into the customer’s application, generally have long lifetimes up to as long as 20 years. This provides excellent barriers to entry and long term stability. In this market, we specialize in the areas of communications, sensors, and force protection. Our antenna business is our largest single business area.

The group has a long legacy in both the military and commercial antenna market with a variety of products covering many applications.

For example, KuSream, our newest commercial broadband antenna system. Our subsystem and components products provide critical functionality to microwave and millimeter wave systems. In many cases, we utilize these parts to open the door to higher levels of integration, with increased value to the customer and more content for Smiths Interconnect.

SLIDE – PRODUCTS AND CAPABILITIES: MICROWAVE TELECOMS

Within the broader Telecommunications market, Interconnect provides the microwave technologies used on cellular wireless networks. The market for network infrastructure is maturing and evolving rapidly.

15 years ago, the driver was population coverage. Five years ago the driver was coverage in rural areas and emerging geographies. Now, the key drivers are network capacity, network efficiency, and network speed.

We supply some very sophisticated products focused on maximizing or optimizing the network performance.
We provide equipment for cell towers such as the antennas that allow the tower-to-tower communications. These industry leading products are key to increased bandwidth as carriers roll out next generations of networks, especially in remote and underdeveloped locations.

The next product area is test instrumentation, which helps network operators improve cell tower performance. Our product is actually a world's first.

Launched some four years ago, it is revolutionizing the industry and we remain the industry recognized standard.

Further down the tower, we have a range of products which either improve the signal from the base stations or allow a number of radio frequencies to be combined. Such products are vital in today's environment of cluttered and congested networks.

**SLIDE – PRODUCTS AND CAPABILITIES: PROTECTION**

The Power Protection Technology Group provides protection against power surges or lightning strikes for communication and critical electronic systems.

Our key markets and the applications we focus on are found in the communication, transportation, oil and gas, medical, and military sectors.

Our surge protection products provide a protective barrier between electronic equipment and these various destructive threats.

Protection products also address electromagnetic pulses generated by modern high energy weapons or electromagnetic events such as solar flares.
We combine our power and signal protection expertise with filtering technology to harden electronics against these EMP effects.

Our power quality solutions go a step further by combining protection with power distribution and conditioning elements into an integrated power quality cabinet.

**SLIDE – MARKETS: PROVIDING SPECIALIST ELECTRONICS PRODUCTS**

I want to explain some more general points about the markets we serve.

The overall electronics product market is well over 100 billion pounds and comprises many end use applications such as defense, telecom, medical, computer, and automotive. Basically, electronics is used everywhere.

Within each of these end markets, there are varying degrees of commoditization and specialization. Some end markets tend to one end of the spectrum or the other.

For example, space, where virtually all components are specialized, and consumer products, where everything is a commodity. But most end markets have a mixture of both commodity and specialized applications.

We have deliberately targeted the specialist end of the electronics product market. This allows us to differentiate ourselves technically. The barriers to entry are generally higher, and the markets are often highly regulated by government or commercial standards bodies, such as NASA, DOD, FAA, and the FCC.

Our markets tend to be less capital intensive and are based on long-term customer relationships. Financially, these characteristics lead to strong margins and higher return on capital.
We have a good balance by end market. Our largest end market is Defence which is a third of our total sales and represents three quarters of the Military & Aerospace sales, with the remainder from Space and Civil Aerospace.

The rest is split between the wireless telecom market and a segment that covers the medical, semiconductor, test, rail, and various other markets, with Medical and Test being the largest sub-sectors.

As you would expect from our history, North America is our largest geographic segment with 61% of our sales in the US. The key story is that the emerging markets at 14% has doubled in the last 2 years and Shaun will outline later our initiatives for further geographic expansion.

I'd like to make a couple of observations about the competitive landscape. The first is that the overall market is very fragmented. There have been varying degrees of consolidation in some of the technologies, but there remain many opportunities for Smiths Interconnect to grow both organically and acquisitively.

You also see from this chart that there are no competitors that address the same broad range of technology as Smiths Interconnect. We consider this to be a significant advantage that gives us the opportunity to leverage information and customer relationships, to maximize our content or share of the customer's wallet.
I will now introduce our strategy for creating value and we will spend the remainder of the presentation developing these themes and providing some specific examples.

The first is about how we drive sales growth, by identifying and investing in higher growth sectors to develop new products; ensuring the effectiveness of our sales resources; investing to expand our footprint, particularly in faster growing geographies; and adding complementary technologies and/or market access through acquisition.

Of course, we are also focused on delivering bottom line improvements through rationalizing the organization; reducing our production costs; and increasing efficiencies by developing and sharing best practices.

Through top line growth and margin improvements, coupled with the low capital intensity of our business and good working capital management, we will continue to deliver strong cash conversion and increasing returns on capital employed.

I will now hand you over to Shaun to take you through the first of these… investing for growth.

**SLIDE – INVESTING IN GROWTH - SHAUN CARACCIO VP, BUSINESS DEVELOPMENT & STRATEGY**

**SLIDE – MARKET GROWTH DRIVERS**

Good morning - I will start by discussing our focus on higher growth sectors.
There is no doubt that the demand for specialist electronics products is growing. The proliferation of electronic systems and the ever increasing need for connectivity is pervasive. There are also more specific growth drivers for the larger markets we address.

In defense, situational awareness, force protection and smart weapons are all key areas that have a high content of technologies that we offer. In short, our products help create and transmit information and in the military world, information and the awareness it provides is power.

In wireless, the main driver is the demand for more and higher data rate applications for our smart phones, tablets and our wireless laptops.

So, whether it's video conferencing while in an airport lounge, or updating social network pages from a bar, we as consumers really are expecting everything everywhere at any time.

Taking a blended or weighted average approach, in our estimation, these market dynamics and drivers will grow our addressable market in the range of 3% to 5% over the next three years.

**SLIDE – FOCUSING ON HIGHER GROWTH SECTORS: MILITARY**

Let's now look at the defense market, which counts for about a third of our business. The defense market has been exceedingly strong over the past decade. However, our view is that top line spending will be reined in as economic realities and budget pressures mount.

The contentious US military budget discussions this past year resulted in the Continuing Resolution which adversely impacted the US defence market.
are three factors which will keep our organic growth stronger than defense spending as a whole and compared to our competition.

First, we already have won key positions on US military programs that are now entering production. Second, our technologies are critical in network centricity, battle space awareness, and force protection, which are recognized as the priority areas for US defense spending. As we saw in the last defence downturn in the 1980s, the critical areas slowed less and much later than the defense budget as a whole.

Thirdly, we see strong pressures for increases in international defense spending, particularly in areas such as India and the Middle East, where we can leverage Smiths' scale and global presence to capture share.

**SLIDE – FOCUSING ON HIGHER GROWTH SECTORS: WIRELESS TELECOMS**

Turning to the wireless telecom market, I’ve already discussed the overriding demand for data-hungry applications that are accessible at all times. The wireless telecom infrastructure continues to play catch-up with the demand for speed and capacity.

We currently have multiple generations of networks, from 2.5G to 3G to 3.5G, and as we are seeing in the current AT&T and Verizon TV commercials, we now have the advent of fourth generation networks.

Globally, this latest network evolution is only just starting. Addressing network performance issues such as dropped calls, patchy coverage, and capacity constraints is becoming increasingly critical to operators. The causes are becoming more prevalent, particularly interference with other systems such as
digital TV and rail communications, or the coexistence of the various generations of mobile networks.

Another area that will drive specific demand for us is microwave and millimeter wave radio link backhaul. Again, the ultimate driver is the increase in mobile data consumption and experts agree that this will increase exponentially over the next few years. Finally, the continuing industrialization of the developing geographies will provide further growth opportunities for Interconnect.

**SLIDE – FOCUSING ON HIGHER GROWTH SECTORS: AEROSPACE/SEMICONDUCTOR TEST**

The civil aerospace market is in the midst of an evolutionary era. Airlines are finding increasingly unique ways to compete for customers, with in-flight entertainment and connectivity playing a large role. New technologies are being brought into the fold facilitating new applications for Interconnect companies.

Along with launches of the A380 and 787, Airbus and Boeing have both announced increases to the production rates of mature platforms. In semiconductors, over 50% of production is driven by consumer products.

Recently, high demand for tablets and smart phone devices has more than compensated for the sagging requirements for more traditional PCs and provided another year of growth. The semiconductor industry, and in turn, the test segment, is unique in the rate of technology change needed to keep up with consumer demand. With each change in the device, production test equipment must be modified requiring new test connectors or sockets from Interconnect.
As mentioned previously, Interconnect focuses on those specialist applications where we can differentiate ourselves technically. To do that successfully, innovation must be core to our business model.

Interconnect’s approach to New Product Development starts with ensuring we have a sufficient pipeline of projects. This is often achieved by maintaining a close relationship to our customer base and aligning our technology strategy with theirs.

A sufficient project pipeline alone doesn’t guarantee targeted growth, and therefore, we maximize the value creation by prioritizing the projects with the highest risk adjusted economic returns. Investing in technologies that can address multiple end markets is Interconnect’s ultimate value creator while minimizing the risk associated with a single customer, application or end market.

Our industry leading investment in R&D results in more than a third of sales coming from products or technologies developed during the prior three years and the strongest margins amongst our peers. The following are examples of how a focused, well structured approach to innovation results in long term value creation for Interconnect.

Two recent examples of Interconnect’s innovate products are shown on this slide - The KuStream and our Package on Package Test System.

Market demand for connectivity has skyrocketed over the past decade. For commercial airborne high data rate communications, enabling products had to be developed to fit the cost and performance criteria demanded by the market.
Much lower capability products already existed in this market but did not meet the ultimate demand for performance just like at the office or home.

Recognizing this, we surveyed the market, targeted opportunities, and invested the R&D. We then targeted and captured the largest in-flight entertainment antenna contract ever awarded.

Although somewhat slowed by supply chain issues, installations have begun with the entire Southwest fleet rollout planned over the next year and a half. Derivatives of the product are already being purchased and we foresee that the demand from the military market will increase with the launch of two entirely new constellations of satellites.

And, as bandwidth needs continue to increase, we are already working on the next generation mobile antenna system. The POP or Package on Package product is a similarly clever innovation within the semiconductor test marketplace.

Smart phones are becoming ubiquitous and industry analysts are forecasting strong growth over the next five years. Many of these devices rely on specific chipsets, where chips are stacked one on another. This presents a significant challenge in testing due to the need to line up multiple contacts on different planes.

Our strong customer relationships coupled with our ability to deliver cutting-edge technology, allowed us to satisfy their requirements where others have struggled. Our design allowed our customers to become more efficient, differentiating them in the market because we could compensate for the accuracy issues they were experiencing elsewhere in the process.
This has led three of the top five producers of these chipsets to utilize our technology in their test systems. We anticipate at least a 25% share of this multimillion pound market.

**SLIDE – LEVERAGING SALES RESOURCES**

This chart highlights the broad range of our technologies relative to the various end markets. It also demonstrates the market synergy we have across technologies which we attempt to leverage whenever possible. The lighter blue bars show opportunities for us to pursue adjacencies.

Some markets are purposely not targeted for certain technologies due to the high level of commoditization. For example, we have avoided connectors within the wireless telecom sector because of their highly commoditized nature.

There is also a further and more subtle message in this chart that our products, and more importantly our resources, can move from market to market as customer demands vary.

For example, one of our companies, TECOM Industries, recently had nearly 80% of its sales to military or defense customers, yet in 2001 it was nearly 80% commercial. And next year TECOM is projected to be a 50-50 military commercial mix.

**SLIDE – SALES AND MARKETING EFFECTIVENESS**

As mentioned earlier, we have been through an evolutionary period with the establishment of technology groups and supporting infrastructure. We now
leverage this infrastructure by sharing market, customer and program information to optimize our opportunities and maximize program content.

We continue to drive customer service, responsiveness and agility as cornerstones of our culture and, in certain strategic cases where we considered it beneficial, we have leveraged our overall scale and capabilities to pursue larger opportunities at an Interconnect level.

I will now look at two examples of how the effectiveness of our sales and marketing resources has led to faster overall growth.

**SLIDE- EXAMPLES OF LEVERAGING SALES RESOURCES**

I will start with a test instrument which we refer to as portable PIM, and which Ralph mentioned earlier. It is genuinely a groundbreaking tool, which is giving operators a completely new and cost effective way of ensuring their networks are of the highest quality.

This is a benefit for voice calls, but an absolute prerequisite for networks carrying high speed data. Before this product was taken to market, operators did not know the full RF performance of the chain of products in the cellular tower.

They relied on product level specs and system drive tests that is where technicians drive about in a van assessing the strength of signals in the area. Following a rapid courtship and acquisition of a high tech Australian company, we launched the product on the US market and have now generated sales of over 30 million pounds.
The product is also opening doors with network operators in Europe, India and China, with customer feedback that it is simply a “miracle box” and dropped calls have reduced from as high as 7% to 0.5%.

To date, we believe the system is being used to ensure the network performance of only 5% of the globally deployed cellular network sites.

The second example relates to multiple future soldier programs that are currently underway in many countries around the world. Our sales and marketing departments identified a worldwide drive to effectively integrate the soldier into the battle space information grid by connecting a range of equipment from day and night vision to radio communications to health monitoring and optical and thermal sighting systems.

This means there’s a requirement for a huge quantity of lightweight and rugged connectors that can reliably operate in extremely harsh environments, but also with easy, safe, and reliable disconnection in emergencies.

We consolidated the disparate specifications from the individual country programs and designed rugged connectors that technically outperform the competition. This resulted in two product ranges which meet the challenging demands of multiple customers.

The combined volume of the multiple programs has benefited us and the customers and we’ve already been selected for multiple US, UK, French, Italian and Indian applications.
SLIDE – GEOGRAPHIC EXPANSION

Geographically, we continue to invest in global expansion initiatives in the fastest growing economies. Interconnect is selective in its approach to geographic expansion as it can be challenging to sell technically differentiated products to emerging economies where cost and localized solutions are often priorities.

However, as Ralph mentioned earlier, Interconnect has doubled its sales into emerging markets over the last two years, and now boasts over 35% of its employees based in emerging economies.

With facilities on five continents, we are evolving into a truly global business. We have good coverage in the emerging Chinese and Indian economies and Ralph will talk more in a moment about our initiatives in low cost manufacturing.

SLIDE – M&A TRACK RECORD AND OPPORTUNITIES

Acquisitions have been a key part of the development of our business as highlighted earlier. Just over a year ago, we completed the acquisition of IDI, the largest transaction in our history.

IDI provides very complementary connector technology, global manufacturing and significant synergy potential. Our acquisition and integration processes are both complete and the business is running smoothly. Furthermore, we are delighted to add that the business is performing strongly and ahead of expectations.

Turning to the future, we believe the fragmented markets provide significant opportunity to undertake further acquisitions for all our technology segments.
We have identified adjacent products, markets, and geographies that could roughly double our addressable markets to around 14 billion pounds.

We have disciplined processes in place for both selection criteria and integration and believe we can add significant shareholder value in the years ahead based on acquisition.

I will now hand back to Ralph…

**SLIDE – DRIVING EFFICIENCIES – RALPH PHILLIPS PRESIDENT, SMITHS INTERCONNECT**

**SLIDE - ORGANIZATIONAL DEVELOPMENT**

Thank you, Shaun.

I mentioned earlier the journey that Interconnect started three years ago, which is continuing today as we move toward cohesive business units. With that goes the process of streamlining and rationalizing some of our businesses.

By combining and sharing functions based on common technologies, markets, sales channels, and sometimes, even customers, Interconnect can more effectively utilize our global resources while enabling flexibility and agility. Each of the technology groups are at different points in the journey.

Connectors has begun the process in Europe where a number of businesses, each producing Hyperboloid contacts, have been combined. In Microwave Telecoms we have recently consolidated four of our businesses into a single unit and re-launched to the market as a new brand – Kaelus.
The Protection technology group consolidated two of our US businesses more than two years ago and is delivering significant savings. Finally, the Microwave Defense group is at the early stages of this process and offers future opportunities.

**SLIDE – INCREASING LOW COST MANUFACTURING CAPACITY**

I previously touched on Interconnects growth in emerging markets. Our low cost manufacturing base has enabled much of that growth along with providing us lower cost alternatives for all markets. Interconnects’ Low Cost Manufacturing approach is to have globally competitive manufacturing centers, but located regionally convenient to larger, more mature markets around the world.

Over the past eight years, we've established jointly operated low cost manufacturing centers in China, Costa Rica, Mexico, and Tunisia. Approximately one third of all sales are produced in low cost facilities encompassing nearly 25,000 sq meters of space.

**SLIDE – OPERATIONAL PERFORMANCE**

To counter rising raw material costs and maintain gross margins, we have embarked on a number of operational initiatives focused around leveraging our scale through the supply chain, and sharing our best operational practices across the sites.

The most valuable effort has been maximizing the Interconnect content on major projects.
It sounds easy, but in our markets, where system level qualification provides program protection from second sources, component and subsystem substitution takes time. However, our efforts are beginning to pay off, particularly on the Ku-Stream program mentioned earlier.

Best practice sharing, specifically in the areas of Lean Manufacturing and Quality Control is also providing Interconnect with improved performance. The focus is on consistency and culture across all of the sites, while providing flexibility to meet specific market and geographic needs.

SLIDE - CONCLUSION

I will now summarize the key themes from today…

SLIDE – VALUE CREATION OPPORTUNITIES

Interconnect has a strong track record in organic growth and is well positioned for the medium term. Within Interconnect, the key pillars and strength of our businesses includes an entrepreneurial culture.

We have shown you today that starts with the management team we hire, how we organize our companies, how we co-locate both the creative and commercial minds close to customers, and then empower them to make decisions and support those customers. This is how we compete effectively with both the large and the small competitors.

The second pillar is innovation. We spend 5% of our sales on R&D, utilizing a structured process to select projects and then manage them to yield the highest value, both from our own R&D funding and from our customer funding.
Our third pillar is scale and optimizing resources. This includes everything from sharing best practices and talent management, to leveraging our buying power and our low cost manufacturing centers.

With these pillars in place, we intend to drive our growth, both organically and through acquisition, and we think this is a winning formula that is proven over time to create significant shareholder value.

SLIDE – SMITHS INTERCONNECT: AN ATTRACTION INVESTMENT CASE

We believe Smiths Interconnect is an attractive investment opportunity – We have leading-edge technology and strong positions in attractive niche markets. There are strong underlying growth characteristics in diverse end markets. Interconnect has a track record of creating value.

We will grow organically through consistent investment in research and development. We expect margin expansion through self help and volume growth and finally, we see opportunities for value enhancing acquisitions in a fragmented market.

Thank you for listening,
I will now hand back to Philip to chair the question and answer session.

QUESTIONS AND ANSWERS

PHILIP BOWMAN – CEO – SMITHS GROUP

Ralph, thank you very much, indeed, and, Shaun, to you for the presentation.
Ladies and gentlemen, questions on Interconnect.

Third row back on the left hand side, please.
UNIDENTIFIED AUDIENCE MEMBER

It's a complex business. So, maybe you can give us sort of an example. And let me give you one specific area that you mentioned in passing. You mentioned the movement from third and second generation to fourth generation communications wireless.

And, specifically, what's going on -- my understanding is we're moving from time division multiplex-type circuits to full IP implementation end-to-end. Could you explain how your technology specifically will play a role in creating that type of network?

PHILIP BOWMAN – CEO – SMITHS GROUP

Ralph, I think that's probably one for you.

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

I think specifically relative to the generations of communications technology where we're playing roles as they overlay these networks on top of each other. Frequencies end up looking more and more like digital frequencies in terms of how they operate.

So, as a typical analog signal kind of wants to look like this, where we play is in very, very complex filters to turn those analog signals almost into the digital signals.

So, while there is a lot happening in the radios and how they operate, how they do telecommunications, our role is mostly in the filtering side of that in terms of making those networks overlay and/or expanding the frequencies that they're
operating. So, like some 4G operate down on the 700 megahertz, they opt to combine those. So, the products that we provide are facilitators for that.

Another area that we provide is in the passive intermodulation testing. As they've increased the bandwidth, they increase the data utilization in the cell sites whether it is 3G or 4G, passive intermodulation is a -- I guess, it's a -- it draws or pulls back on the utilization or the efficiencies of those cell sites. Our test equipment helps maximize the utilization whether its 2G, 3G or 4G and the data is kind of the critical element there.

PHILIP BOWMAN – CEO – SMITHS GROUP

Next question, please? Yes, on the third row right of the wall end.

NIGEL RIDGE - BLACKROCK

Yes. Nigel Ridge from BlackRock. I had a question about margin progression, in the sense of clearly, the revenue achievements since 2005 are very impressive, where we're getting a revenue growth of 10.1%. But given there's also been a focus on margin, I note that the -- effectively the margin has actually fallen over that period. So, it's that the achieved 18.2 is somewhat below the target, originally, at 21.3 -- it's like 21 to 23.

And I'm just interested to know was what hindered you in terms of achieving those margin targets over that period, given I would suspect there would be a little bit of operational gearing and benefit from efficiencies in the chain?
PHILIP BOWMAN – CEO – SMITHS GROUP

Ralph, should be a good answer to that question because it's been one that's been asked of him a number of times by somebody else.

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

In fact, you could probably answer it. You've asked me so many times. I think there are definitely opportunities for margin improvements within Interconnect. I'll say that. And I think the volume has certainly played a part in that over the last several years.

On the other hand, Philip has mentioned, previously, that we're going to revisit those in the following fiscal year. But I would say today, there is definitely opportunities within the medium term for significant -- or for improvements in our margins.

PHILIP BOWMAN – CEO – SMITHS GROUP

But, Ralph, in terms of the last three or four years, what's been the major factor that has actually moved the margins down?

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

I think volume has been the major contributor. I would say, the process of divisionalization had some minor impact in that as well. But the volume has really been the major element within that.

And the mix changes. As different products come and go within our product portfolio, that margin changes substantially from, say, more mature products to something that's maybe newer in its life cycle. So, mix has been a big impact
and volume has been big impact and, maybe to a much lesser degree, the divisionalization of Interconnect has [been].

**NIGEL RIDGE - BLACKROCK**

I guess, my question was sort of -- anything actually structural in this in the sense of clearly with an increased focus on new products, and I assume that new products have higher margin. And I also appreciate that you'd been spending money on R&D in order to achieve that.

But I almost get the impression that there is something structural going on. When I normally look at the technology space, there is actually sort of a price down going on. So, should I assume that this is also true within your business?

**RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT**

I think it's a mixed bag. It's actually counterintuitive how it works in our group. In the defense business, generally, your margins -- your best margins are on your older products, whereas, in the commercial business, your better margins are on your newer products and varies over time. So, it's kind of counter how that works.

We have benefited from restructuring. It's part of margin improvements for the last couple of years. There are several things happening still in process that will continue to improve that.

**PHILIP BOWMAN – CEO – SMITHS GROUP**

I think, Nigel, it's also worth just mentioning that in the case of Interconnect, most of the restructuring costs has also been taken against the operating profit. So,
there has been the cost of quite a lot of what Ralph described has been charged to (inaudible) over the period as well. So, that's had some effect.

Next question? Yes. Fourth row back right on the end, please.

RAMI MYERSON - UBS

Rami Myerson, UBS. Two questions. Number one, how is the defense market in your business at the moment? Are you seeing impact from the delays of the approval of the budget during the continuing resolution? Have you seen an improvement since then? And how do you expect things going forward? Do you expect orders to be pushed to the right?

And on the M&A environment at the moment, we’ve seen I think Souriau which you mention here as one of competitors, has been acquired for (inaudible) EB sales, and EMS as well you’ve highlighted as a competitor. Do you think -- you mentioned it was a fragmented market, do you see a move to consolidation at the moment? Thanks.

PHILIP BOWMAN – CEO – SMITHS GROUP

I think I will pass the M&A question to Shaun. I did comment in my opening remarks that the weight of money and both the combination of private equity and some industrial balance sheets have kept prices pretty high, and that we’ve withdrawn from one or two acquisition opportunities. And, certainly, we have been active with Interconnect and we have withdrawn from some opportunities there.

It is a fragmented market. As I said and, as Ralph has reiterated -- and we do see the opportunity provided we can buy things for value to participate in that consolidation. But, perhaps, Shaun, you like to add a bit more.
Certainly, Philip. I think there are considerable opportunities still in the marketplace. We still see quite a lot of deal flow crossing my desk opportunities. But I think we're pretty selective on making sure control we buy the right sort of assets to bring in to Interconnect that can complement what we’ve got, that can take us into new areas.

And I'd refer back to both Philip and Ralph's comments about where there's new geographies, new technologies, emerging markets are the things that will truly create value for us.

But we do have a very disciplined approach of looking at the opportunities that cross our desks. And it's only the very good ones that we think are quality businesses that will add to what we have in Interconnect that we pursue, but only up to the point where we consider we can create good shareholder value.

Just your -- sorry, just to add to that, if you could, what do you think Esterline -- has Esterline justified paying that price for that business? Are the underlying growth trends so positive -- coming through?

I'm not sure it's appropriate for me to comment on the future performance of another connector company. I guess, we certainly didn't see the level of growth that Esterline that have perceived in that acquisition. They're looking to leverage
it into that particular market space where they are strong, commercial aerospace and the military, whether they can achieve those synergies, I guess time will tell.

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

And Esterline’s focus is, for the most part, competitive advantage is focused, and a lot on commercial aerospace or civil aerospace, so maybe they think they can drive value in that direction.

PHILIP BOWMAN – CEO – SMITHS GROUP

Ralph, do you want to talk a little bit about both the short and the medium term outlook for the military market?

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

I think we -- as we said in the IMS, certainly, the continuing resolution has had an impact to most of us who do business in the defense business, there’s no question about that. In terms of has it abated, since they finally signed that budget, to a certain extent, it has in some areas, and we’ve seen programs that were held hostage for six, seven, eight months, finally get awarded in the last several, last couple of months.

Nevertheless, there was a period of time there that I don't think we're going to get back, in terms of them spending money. So, I think our shorter-term programs, our shorter-term businesses were impacted by that consistent with what we said in the IMS.

Longer term, we think defense market is still a strong market. As Shaun said in the presentation, there are really three reasons. We've got new programs we've
already won. As those enter in production, we’re going to see strong growth from those.

Second is, defense spending, for the most part, is in a state focused on what drives the military competitive advantage; that tends to be intelligence, surveillance, reconnaissance, things that we have strong positions in.

And the third is international. We've just seen, recently, India bought 10 C17s. We have at least three antennas and a whole bunch of connectors on every C17 that helps drive our business there.

So, we see military long term or defense long term as being a good area for us to be in. Nevertheless, we do like having our footprint in multiple end markets. We think that there’s value there. But defense is still going to be strong, and we’re in the strongest part of defense.

PHILIP BOWMAN – CEO – SMITHS GROUP

That said, next year, 2012 is the presidential election year. And I suspect the political maneuver in that went on for the federal budget in the current year will prove to be repeated in 2012. So, I think, certainly, the short-term, my view is probably a little bit more pessimistic than Ralph's. But I would love to be proved wrong.

Next question? Yes, second row on the right, please.

MARTIN WILKIE – DEUTSCHE BANK

Thanks. This is Martin Wilkie again, from Deutsche Bank. A couple of questions. Firstly, when we think of your predictability of growth, could you, almost, categorize your revenues as how much is program-linked, that way you
have some sort of visibility? And how much of it is very short-cycle where it's -- you're sort of hostage to the economic cycle? Just to give a sort of sense as to how visible your revenues are.

And the second question is, I appreciate your competitors are very fragmented depending on the product. But one of your competitors, Emerson did warn of some slower growth in its Chinese telecoms market and its network power business? Is that even an area that you're exposed to? The Emerson Chinese telecom business – just if you clarify if that is an area that you're exposed to?

Thanks

PHILIP BOWMAN – CEO – SMITHS GROUP

Ralph?

RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

The short cycle versus the long cycle, you can always break that down -- have to break that down by market to address it. But for the most part, I'd say about 70% of our business is build to order, so that tends to be longer-cycled business. And about 30% is shorter cycle. Our lead times range from 10, 12 -- 10, 11, 12 months to two weeks. So, it's pretty different business by business and technology by technology.

Relative to Emerson and the Chinese telecommunications market, I would say that three years ago, there was a really, really strong roll-out of next generation. And what was the --? 2.5G, 3G and China that did abate about three years ago and it has slowed.

We do see it now starting to pick up, and we're actually seeing more improvements and more opportunities in China. So I can't speak to what
Emerson may be seeing, but we actually are seeing some improvements in China, not only for domestic consumption but export outside of China.

PHILIP BOWMAN – CEO – SMITHS GROUP

Next question? Right. Man in the corner, in the fourth row.

SANDY MORRIS – RBS

Well, I was trying to keep quiet. Just to try to square off a couple of the slides, if you don't mind, which is just the one on page 26, where we're going to sort of—

PHILIP BOWMAN – CEO – SMITHS GROUP

Can we go to slide 26, please?

SANDY MORRIS – RBS

…gap-fill. And then your addressable market, going from $8 billion to $14 billion, I know this is just me being dim. Ralph's remaining focused on high-tech and high-margin, how do the hell do I square off the $8 billion to $14 billion with the gap filling on that, or am I just missing a whole different market that we're about to go off and attack? Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

Shaun?
SHAUN CARACCIO – VP BUSINESS DEVELOPMENT AND STRATEGY, SMITHS INTERCONNECT

Thank you. It's a number of things. It's filling some adjacencies that aren't in the $8 billion at the moment where, with the other extra piece of technology, we can leverage that through our sales channels. Or, it's taking existing technology where we don't have a strong presence geographically.

So for example, of that are, in our connectors business, there are two relatively strong end markets for connectors geographically, that we don't have a strong physical presence in right now. So we don't actually include that particularly in our investment markets.

If we invest a little bit in our organic growth (inaudible) creating a stronger presence in those markets then that will help move from that $8 billion to $14 billion. Does that help?

SANDY MORRIS – RBS

Is that sort of code speak for we need to get into emerging markets?

SHAUN CARACCIO – VP BUSINESS DEVELOPMENT AND STRATEGY, SMITHS INTERCONNECT

It's not just emerging markets. I mean, there are some emerging market elements, but certainly in connectors, I'll be specific, we don't have a very good presence in Japan. Japan is one of the three largest connector markets in the whole world. So, there's an opportunity for us if we can get the physical presence and the sales presence there, we have an opportunity to increase our addressable market.
RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

And this chart was geared towards leveraging sales resource for our existing products, not necessarily trying to identify all of the adjacencies that are out there. So especially in the microwave area, there's significant adjacencies that we -- today, we do not address. And that's in that other number.

SANDY MORRIS – RBS

Right. And so, just to double check, IDI of course, is your entry card into Japan, then.

SHAUN CARACCIO – VP BUSINESS DEVELOPMENT AND STRATEGY, SMITHS INTERCONNECT

The IDI products are sold into certain manufactures in Japan at the moment. IDI doesn't have a physical presence in Japan. It has a physical presence in Suzhou in China, and they're very strong in Southeast Asia. So, it helps, but is not a necessary, sort of, footprint we need to really address Japan.

SANDY MORRIS – RBS

And another pig-ignorant question, when we talk about regulatory framework, are we just referring to the allocation of radio frequency spectrum and so on and the various stuff like that? Or, are we referring to something else that is lost on me? Thank you. I give you up now.
RALPH PHILLIPS – PRESIDENT – SMITHS INTERCONNECT

We -- I think that affects several areas of our market. It affects the qualification, which is sometimes as determined by FAA or DOD in terms of how that product is qualified, what are the conditions to be replaced or for that customer to make a change.

So, for example, if you're certified on an aircraft for a certain product, the FAA will say, gee, to the prime, these are the conditions that you must make to change that product out. So that gives us the stickiness in some of our markets and some of our products.

So that's where we talk about the regulatory framework, in terms of the qualification of our products addresses really all the markets -- medical, telecommunications, test, as well as military and space.

PHILIP BOWMAN – CEO – SMITHS GROUP

Thank you, Sandy. Any other questions? I'm missing anybody? I think not. In which case, Ralph, Shaun, thank you both very much, indeed.