

Smiths Group

Interim Results 2005

London, Wednesday 16 March 2005

Presentation by: **Keith Butler-Wheelhouse**, Chief Executive
Alan Thomson, Financial Director



Chief Executive speaking

Continuing and discontinued activities, after goodwill amortisation and exceptional items

£m	H1 2005	H1 2004
Sales	1,344	1,319
Operating profit	123	112
Profit before tax	125	105
EPS	15.9p	12.5p

Highlights

- Headline profit before tax up 16% at £155m*
- Headline earnings per share up 17% at 20.4p*
- At constant currency, all four divisions contributed to sales growth of 11%, headline operating profit growth of 16%
- Medex acquisition scheduled to complete on 21 March
- Interim dividend increased by 6%, to 9.25p
- Momentum expected to be sustained in second half of 2005

* before goodwill amortisation and exceptional items

Operating performance: For six months ended 31 Jan 2005

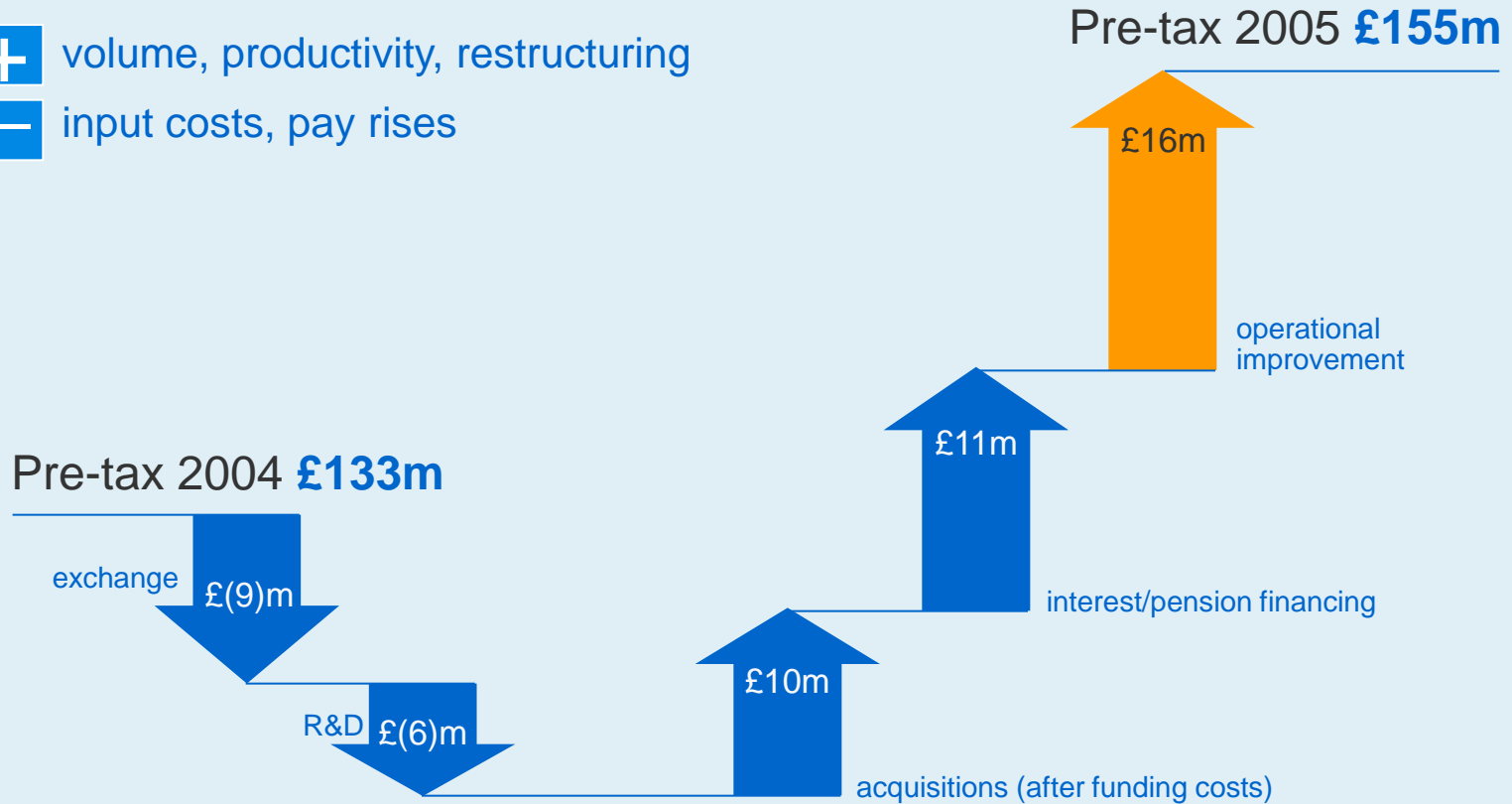
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£m	H1 2005	H1 2004
Sales	1,344	1,264
Headline operating profit	153	141
<i>Margin</i>	11%	11%
Net interest	(6)	(9)
Pensions financing	8	1
Headline profit before tax	155	133
EPS	20.4p	17.5p
Dividend	9.25p	8.75p





Profit progression from H1 2004 to H1 2005

operational improvement is the balance of:

- +** volume, productivity, restructuring
- input costs, pay rises



Continuing progress on acquisitions

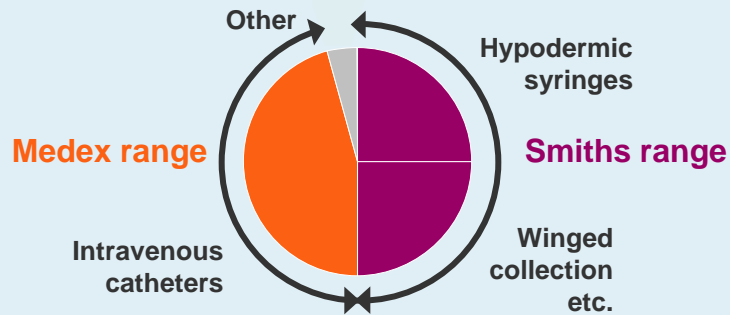
Aerospace	DGT • engine components	cost							
		£57m							
	Integrated Aerospace • landing gear systems	£57m							
Detection	Cyrano • miniaturised detector	£8m							
	SensIR • hazmat detection	£41m							
	Farran • millimetre wave technology	£16m							
Medical	DHD • US respiratory care devices	£30m							
Spec. Eng.	TRAK • microwave components	£63m							
	Tianjin Timing • mechanical seals	£3m							
	US Seal • mechanical seals	£6m							
Cyrano	DGT	SensIR TRAK	DHD		Integrated Aerospace	Tianjin Timing		Farran	US Seal Medex
March 2004	FY2004			Aug 2004	FY2005				March 2005

The acquisition of Medex:

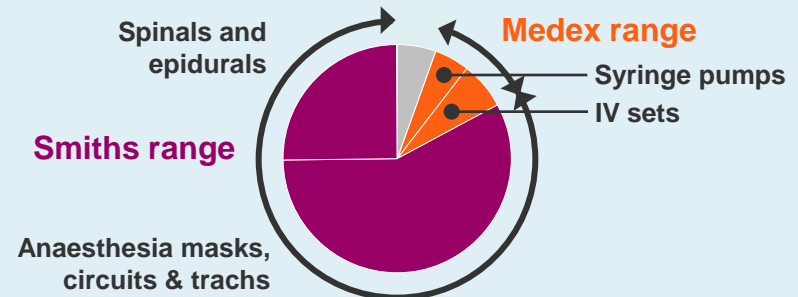
Gives Smiths a significant presence in the critical care sector

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The combined range meets 95% of the requirement for safety devices...



...and 90% of the requirement for anaesthesia disposables



The customer callpoints for Smiths and Medex are the same

With a full range to offer, the combined sales team has the opportunity to increase market share

- Anaesthetists
- Critical care
- Infection control



Medex Acuvance catheters

Smiths now has a significant presence in the safety device sector

The acquisition of Medex:

A comprehensive integration plan is in place

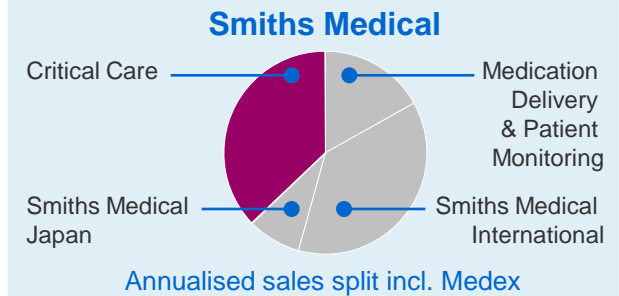
- Scheduled to complete on 21 March
- Medex senior team secured
- Overall organisation established

- Medex and Smiths Anaesthesia & Safety Devices combined
- New **Critical Care** division established
- **International** organisation streamlined

- Unified US Critical Care sales-force in first month
- Critical Care marketing team in place
- “Capturing top line synergies” programme launched

- Manufacturing integration
- Procurement rationalisation
- R&D co-ordination
- Shared services organisation

Medex ProtectIV catheters



Financial Director speaking

Currency		Exchange impact: £65m - sales, £9m - profit
Acquisitions		First-time contribution from 7 recent acquisitions: £10m in profit
Margins		Gross margin: 39%
Restructuring		Expenditure in period: £8m
R&D		Up 9% to £72m
Interest		Charge reduced by £3m
Pensions		First half P&L benefit: £6m
Tax		Rate reduced to 26%

Operating profit into operating cash

£m	2005	
Headline operating profit	153	
Depreciation	35	
Capital expenditure	(47)	(up 17, mainly aerospace)
Retirement benefits	(4)	(top-up payments)
Working capital	(54)	(increased stocks, for strong H2)
Operating cash-flow	83	
Operating profit into operating cash	54%	

Movement in net debt

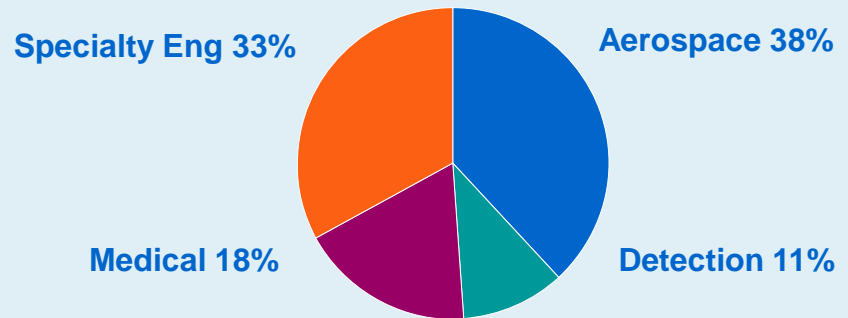
£m	2005	
Operating cash (after cap-ex)	83	
Interest and tax	(37)	
Restructuring	(10)	(cash spend in period)
Free cash-flow	36	
Dividends	(103)	(2004 final dividend)
Acquisitions (net)	(58)	
Financing & exchange	6	
Change in net debt	(119)	
Net debt at 31 July 2004	(273)	
Net debt at 31 January 2005	(392)	

Divisional performance - sales

Chief Executive speaking

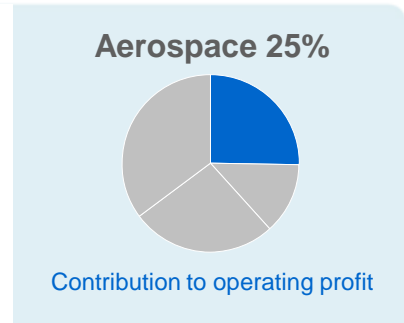
£m	H1 2005	growth at constant currency
Aerospace	514	+17%
Detection	153	+10%
Medical	237	+6%
Specialty Engineering	440	+9%
	1,344	+11%

H1 2005



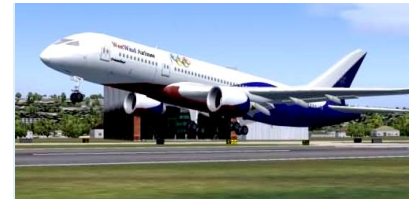
Smiths Aerospace

£m	H1 2005	at constant currency
Sales	514	+17%
Operating profit	39	+24%
<i>Margin</i>	8%	



- Delivered first systems for: Airbus A380, F-35 JSF, C-130 AMP
- Development work on Boeing 787 Dreamliner on schedule
- Selected for complete landing gear on X-47B unmanned aircraft
- Teamed with Lockheed on US 101 Presidential helo fleet
- Capacity in China will be doubled by 2006
- Engine component plant in Poland being expanded

Boeing 787



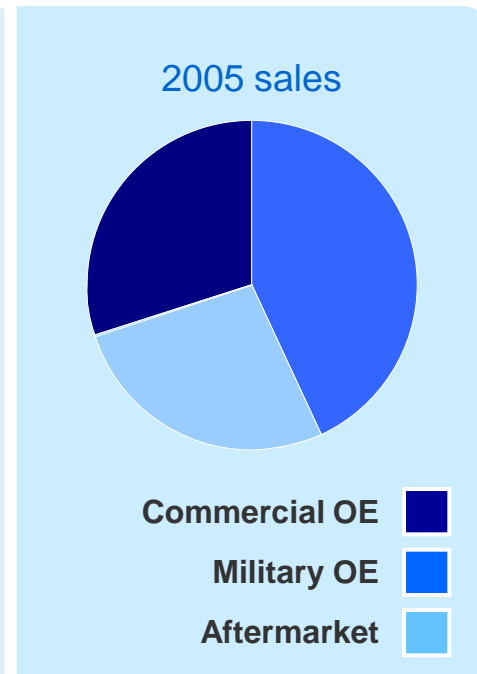
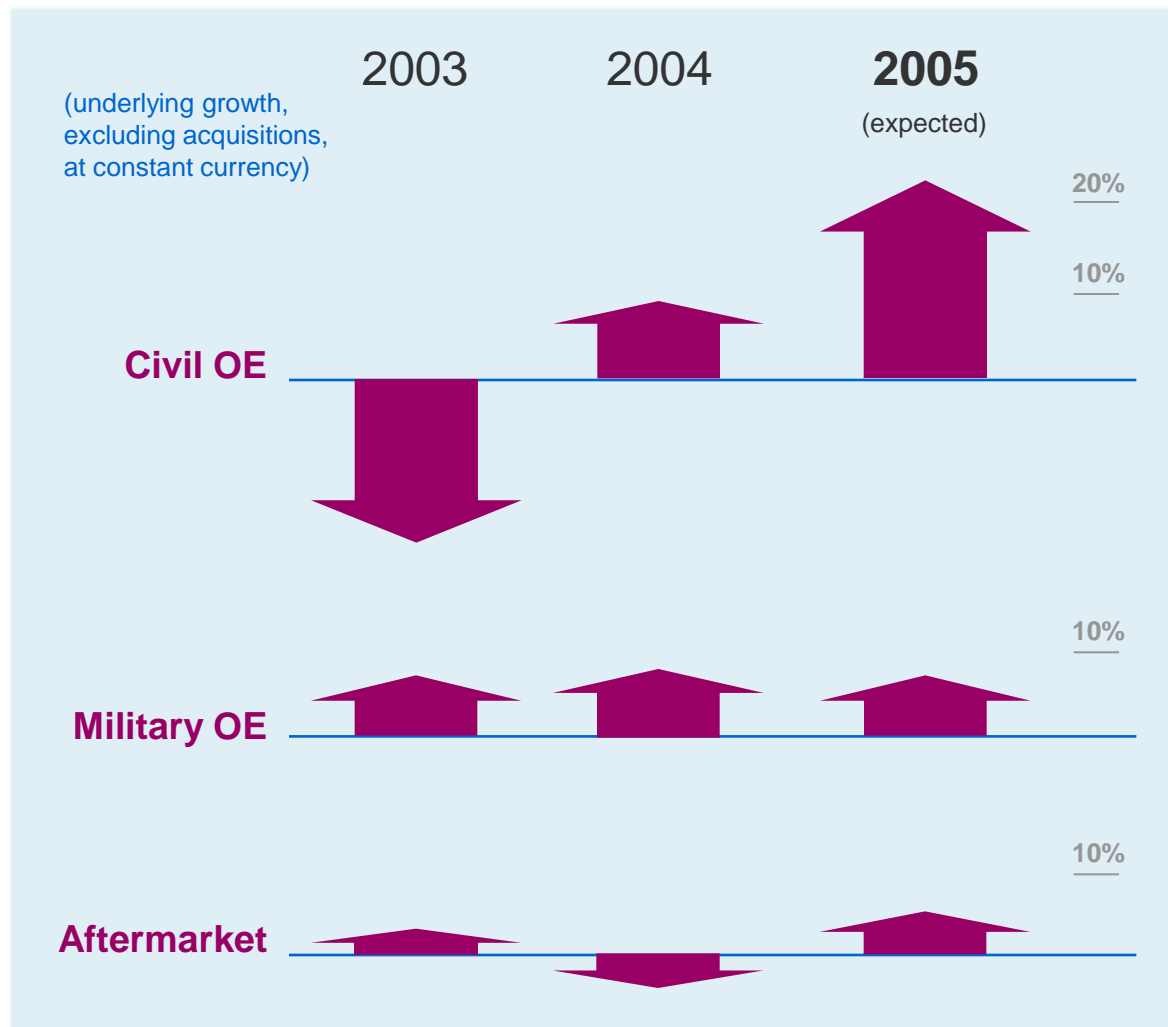
Eurofighter



US 101

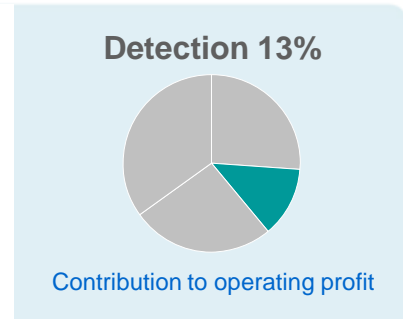


Smiths Aerospace: sales trends



Smiths Detection

£m	H1 2005	at constant currency
Sales	153	+10%
Operating profit	21	+22%
<i>Margin</i>	13%	



- Timing of deliveries variable, government order patterns skewed to second half
- Significant military awards, including:
 - US ACADA programme
 - UK LCAD programme
 - Royal Netherlands Army
- R&D now at 8%, yielding good stream of new products
- Acquired technologies (eg: millimetre wave) will broaden Smiths' capabilities
- Wide geographical footprint, orders in this period from:



Sentinel II



Ionscan 500 DT



Hazmat kit



Smiths Detection: a broad spread of applications

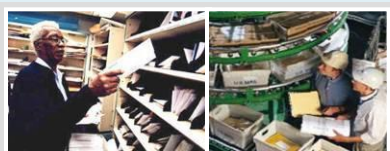
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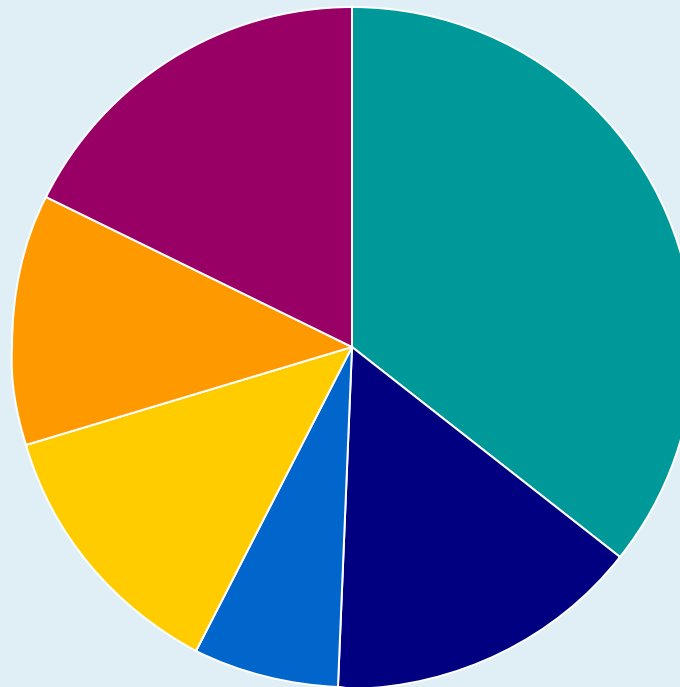
Military



Non-security applications



Critical infrastructure



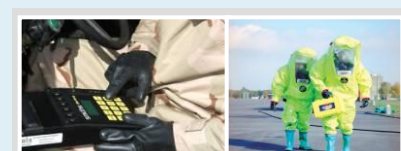
Current sales



Airports

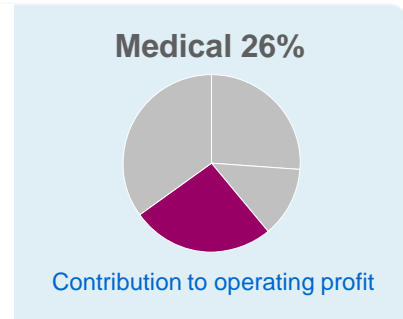


Ports & borders



First responders

£m	H1 2005	at constant currency
Sales	237	+6%
Operating profit	39	+7%
<i>Margin</i>	17%	



- Two-thirds of profit generated in North America, significant translation impact
- Strong growth in safety devices, US market not yet fully compliant
- Cozmonitor (in partnership with Abbott) well-received in US
- Cozmo launched in 8 countries
- Sales in Japan held back by withdrawal from third-party products

Epidural kit



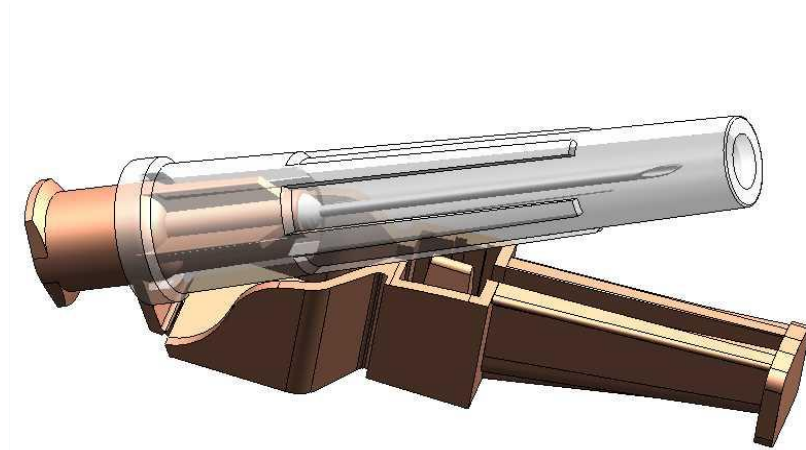
Cozmonitor



Digit



Smiths Medical: new products driving underlying growth



Low Dead Space - hypodermic



CLEO - insulin catheter introducer



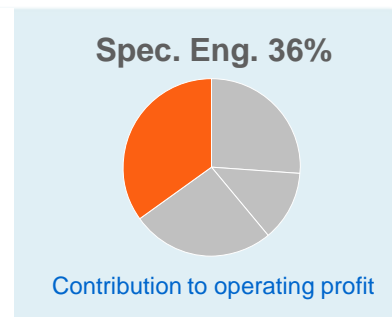
AquinOx - heated airway humidification device



Pneupac VR1 - emergency resuscitator

Specialty Engineering

£m	H1 2005	at constant currency
Sales	440	+9%
Operating profit	54	+14%
Margin	12%	



- Higher sales and profits in all four activities
- John Crane - grew strongly in America
 - but was held back in Middle East
 - Russian JV now delivering to Gazprom
 - higher raw material costs passed on
- Interconnect - microwave components business performing well
 - strong demand in military, aerospace, telecoms
- Flex-Tek - Malaysian plant now supplying Dyson
- Marine - strong naval business



Divisional performance - operating profit

£m	H1 2005	growth at constant currency
Aerospace	39	+24%
Detection	21	+22%
Medical	39	+7%
Specialty Engineering	54	+14%
	153	+16%

- **Aerospace:** benefited from rapid recovery in the commercial sector
- **Detection:** made good progress beyond the airport market
- **Medical:** kept pace with rising demand
- **Specialty Engineering:** strong growth in Interconnect and John Crane

Smiths Group: Interim Results 2005

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£m	H1 2005	H1 2004
Headline pre-tax profit	155	133
Headline earnings per share	20.4p	17.5p
Interim dividend	9.25p	8.75p

A strong first half performance

Smiths Group: Looking ahead

Pick-up in commercial aerospace will continue

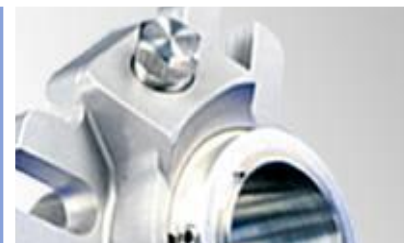
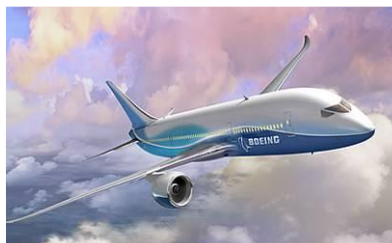
R&D, new products generating incremental sales

Recent acquisitions are contributing strongly

The benefit of Medex starts in H2

Further productivity gains from current restructuring

Smiths' "second half" pattern will be repeated



“Capitalising on opportunities to generate sustained growth”

Smiths Group

Interim Results 2005

Questions and Answers

