

Smiths Group plc Enhancing Shareholder Value

London, Monday 15 January 2007

Presentation by:

Keith Butler-Wheelhouse, Chief Executive, Smiths Group

Jeff Immelt, Chairman & CEO, General Electric Company

**Making the world
safer, healthier and
more productive**



Disclaimer

This presentation has been prepared solely for the use at the presentation to analysts to be made on 15 January 2007. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations.

THIS PRESENTATION IS BEING SUPPLIED TO YOU SOLELY FOR YOUR INFORMATION AND FOR USE AT THE ANALYST PRESENTATION TO BE HELD IN CONNECTION WITH THE AGREED DISPOSAL AND JOINT VENTURE BY SMITHS GROUP PLC. THIS PRESENTATION AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FURTHER DISTRIBUTED OR PASSED ON TO ANY OTHER PERSON OR PUBLISHED OR REPRODUCED, IN WHOLE OR IN PART, BY ANY MEDIUM OR IN ANY FORM FOR ANY PURPOSE.

This presentation is being communicated in the United Kingdom only to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**) (all such persons being referred to as **relevant persons**). This presentation is only directed at relevant persons and any investment or investment activity to which this presentation relates is only available to relevant persons or will be engaged in only with relevant persons. Solicitations resulting from this presentation will only be responded to if the person concerned is a relevant person. Other persons should not rely on or act upon this presentation or any of its contents.

The information in this presentation is given in confidence and the recipients of this presentation should not base any behaviour in relation to qualifying investments or relevant products (as defined in the Financial Services and Markets Act 2000 (**FSMA**) and the Code of Market Conduct made pursuant to FSMA) which would amount to market abuse for the purposes of FSMA on the information in this presentation until after the information has been made generally available. Nor should the recipient use the information in this presentation in any way which would constitute "market abuse".

This presentation has been prepared by, and is the sole responsibility of, Smiths Group plc. The information set out herein has not been verified by Smiths Group plc, its advisers or any other person and may be subject to updating, completion, revision and amendment and such information may change materially. No representation or warranty, express or implied, is or will be made by Smiths Group plc, its advisers or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation and any reliance you place on them will be at your sole risk. Without prejudice to the foregoing, neither Smiths Group plc, its associates, its advisers nor its representatives accept any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this presentation or its contents or otherwise arising in connection therewith.

This presentation is an advertisement and does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of Smiths Group plc nor should it or any part of it form the basis of or be relied on in connection with, any contract or commitment whatsoever. This presentation does not constitute a recommendation regarding the securities of Smiths Group plc.

This presentation contains a number of forward-looking statements relating to the Smiths Group plc with respect to, amongst others, the following: financial condition; results of operations; economic conditions in which the Smiths Group plc operates; the business of the Smiths Group plc; and future benefits of its sale and management plans and objectives. Smiths Group plc considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Smiths Group plc to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words "estimate", "project", "intend", "aim", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Smiths Group plc or the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. The Directors disclaim any obligation to update their view of such risks and uncertainties or to publicly announce the result of any revision to the forward-looking statements made herein, except where it would be required to do so under applicable law.

Welcome and overview

Keith Butler-Wheelhouse speaking

- 1** Agreement to sell Aerospace activities to GE for US\$4.8 billion in cash
Return of £2.1 billion to shareholders
- 2** Smiths GE Detection JV, Letter of Intent signed
- 3** Smiths Group: looking forward
- 4** Q&As



“Smiths is committed to creating long-term value for shareholders by building and sustaining strong businesses in growth sectors. The Company's objective is to create value from organic growth and from reinvestment of self-generated cash-flow. Adjustments are made to the business mix through both acquisitions and disposals to enhance value for shareholders.”

Annual report and accounts 2006

1. Sale of aerospace businesses for US\$4.8 billion Equivalent to £2.45 billion*

Agreement to sell aerospace activities

- Smiths Aerospace division plus aerospace microwave unit (currently reported as part of Specialty)
- Net assets of the business sold (before long-term funding) £808m
- Total turnover £1.3 billion, headline EBIT £167m

Subject to conditions

- Shareholder approval – Class 1 Circular should be issued within four weeks and subsequent EGM
- Regulatory approvals

Completion targeted for Q2

Return of £2.1 billion to shareholders

£2.1 billion returned to Smiths shareholders

- By way of B share scheme

B share scheme to return capital to shareholders

- Enables shareholders to opt for capital or income
- Enables shareholders to realise return over time
- Accompanying share consolidation will be based on share price immediately prior to posting of second circular

Expected timetable

- Posting of separate circular for capital return Q2
- EGM during Q2
- Date of consolidation/trading in new form mid to end Q2

Accelerating shareholder value

Crystallises investment in Aerospace

Enhances financial characteristics of Smiths

- Earnings accretive
- Greater capital efficiency
- Improved margins and cash conversion

Going forward, Smiths Group will have strong financial metrics and be well positioned to generate enhanced returns

Strongly value-enhancing transaction for shareholders

GE Aviation

GE
Aviation

+

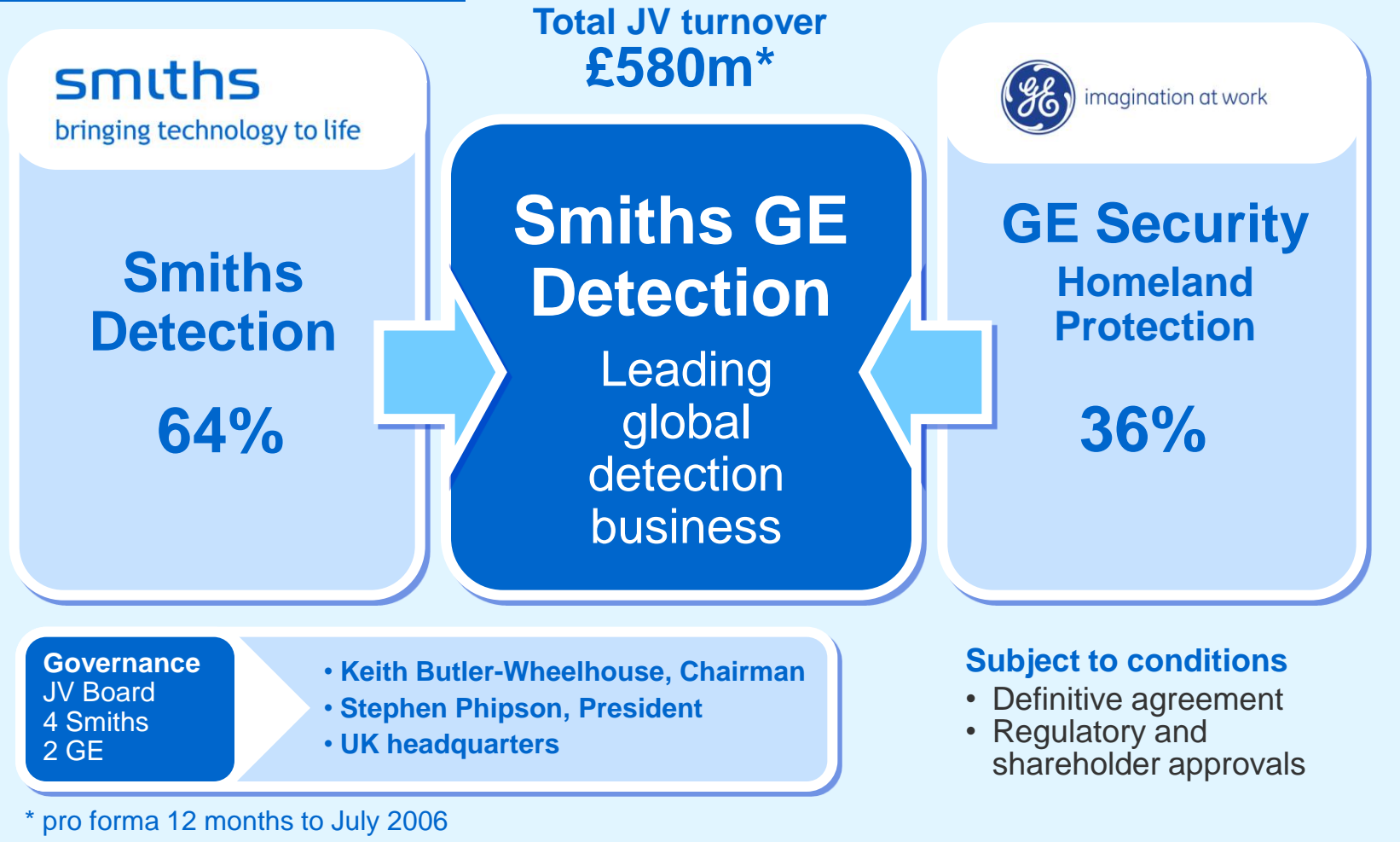
smiths aerospace
bringing technology to life

- ✓ Smiths Aerospace is a world class aviation business
- ✓ Executes GE Aviation strategy to go “beyond the engine”
- ✓ Customers and industry we know well ... deep domain knowledge
- ✓ Smiths has innovative technology and is well positioned on new growth platforms
- ✓ Significant long-term growth potential ... new capabilities in a larger market
- ✓ GE Aviation has strong track record for acquiring and integrating businesses... revenue & margin synergies
- ✓ Great people ... combines strong GE and Smiths teams
- ✓ Great deal for GE investors

\$16B world class aviation business

2. Smiths GE Detection joint venture Letter of Intent signed

Keith Butler-Wheelhouse speaking



Smiths GE Detection

Creates a leading global detection business

- Combines two complementary businesses in the fast-growing detection and homeland security markets, particularly in the US
- Offers a broad range of technologies to meet rapidly evolving customer needs with integrated solutions
- Access to GE's pool of technology and R&D expertise will enable the combined business to develop better products, faster; benefiting customers
- Brings together two outstanding teams of people

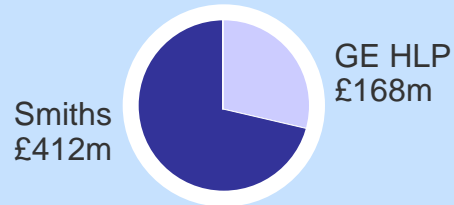


Smiths GE Detection Shape of the JV

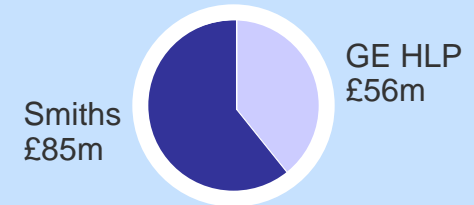
pro forma 12 months to July 2006

Total for JV

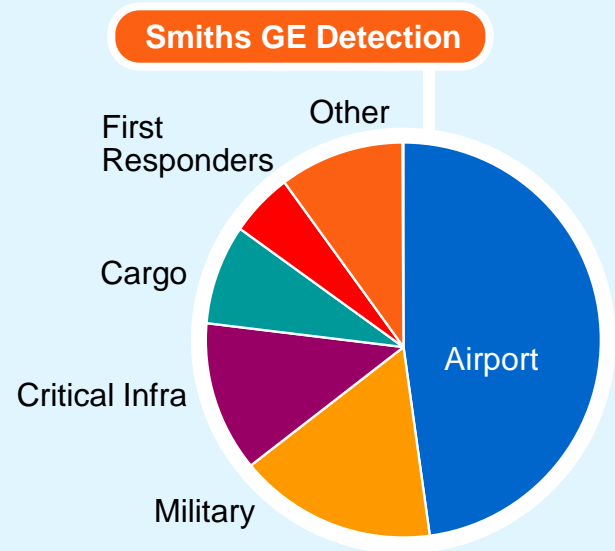
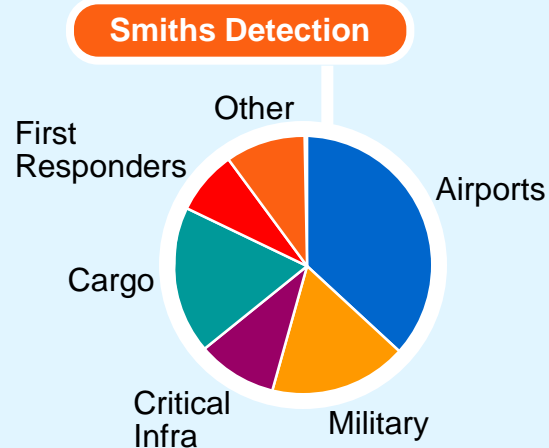
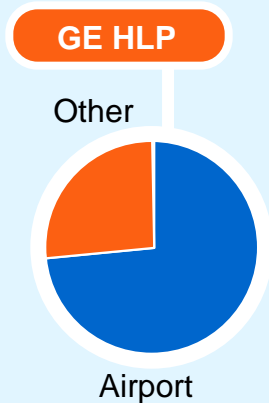
Sales: £580m



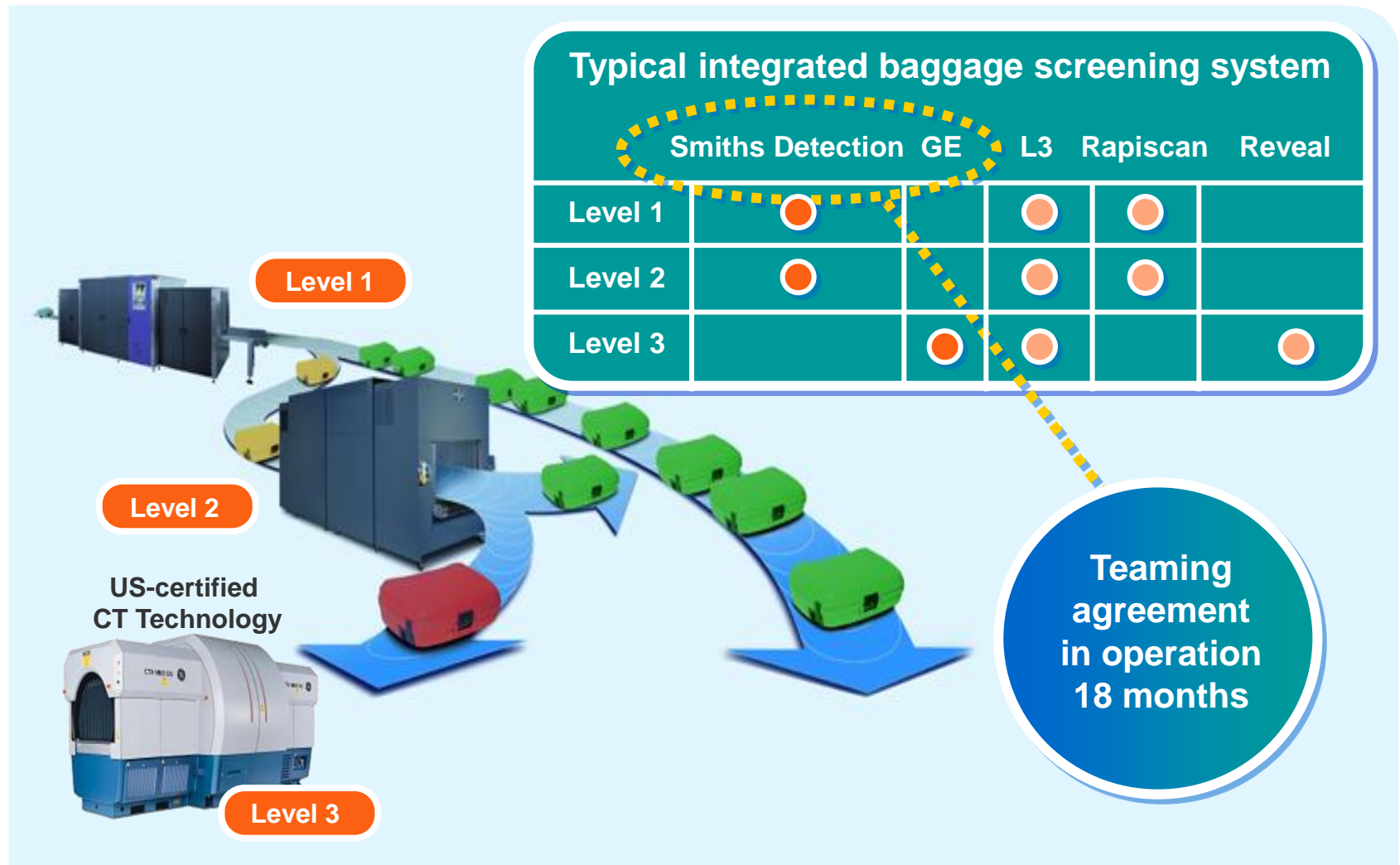
EBITDA: £141m



Sales by sector



Smiths GE Detection Complementary technology - airport checked baggage



Smiths GE Detection

Combining complementary strengths

People

- Unites two outstanding teams
- 3,000 people

Detection technologies

- X-ray, including Computed Tomography
- Explosive
- Chemical
- Biological
- Radiological
- Imaging

Main Locations

- Wiesbaden, Germany; Watford, UK; Paris, France; Toronto, Canada; Newark, CA; Wilmington, MA; Danbury, CT



Full access to GE Technology

Global Research Center

- 2600 researchers
- 5 research centres world wide
- \$500m annual research spend



Smiths GE Detection JV

smiths detection
bringing technology to life



GE
Security
Homeland Protection

- ✓ Creates US\$1.1 billion detection solution business
- ✓ Complementary technology and detection solutions
 - Full service detection offering
- ✓ Expanded global reach with deep customer relationships
- ✓ GE is committed to long-term partnership & growth
 - Board representation and technology sharing
- ✓ Strong team ... combines great GE and Smiths teams

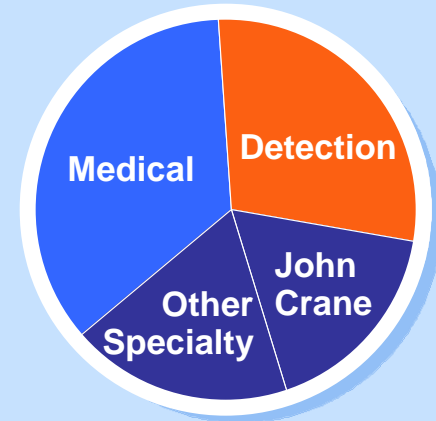
Creates a leading global detection JV

3. Smiths Group: looking forward

Keith Butler-Wheelhouse speaking

Smiths business mix

pro forma 12 months to July 2006



£ million	Smiths 2006 (as published)	Smiths <i>pro forma</i> 2006 (excludes Aerospace/ includes JV)
Sales	3,523	2,351
Headline - Operating profit	520	388
- <i>Margin</i>	14.8%	16.5%
- Pre-tax profit	492	362
- Earnings	366	244
<i>Shares</i> *	565	352
Headline earnings per share	64.8p	69.3p

Capital structure

- ▶ **Dividend** - Progressive dividend policy targeting cover of 1.8 times
- ▶ **Gearing** - Net debt 1.7 times EBITDA
- ▶ **Interest cover** - Interest cover 7.5 times EBIT
- ▶ **Net Debt** - Debt reduced to c.£800m from £927m
- ▶ **Credit rating**
 - Expected ratings of Baa2 and BBB+
 - Intention to maintain solid investment grade rating
 - Appropriate capital structure for Smiths Group going forward
 - Capacity to effect further acquisitions retained

Improved metrics

Key ratios

	Smiths 2006 (as published)	Smiths Pro forma 2006 (excludes Aerospace/ includes JV)	
Return on capital employed¹	13.6%	14.7%	➔ Up 1.1% points
Operating cash generation	81%	90%	➔ Up 9% points
Cash-flow per share²	41.8p	49.1p	➔ Up substantially
Asset turns	1.3	1.4	➔ Up 8%
EPS³	64.8p	69.3p	➔ Up 7%

1 Capital employed is shareholders' funds including all goodwill
 2 Pre-acquisitions, dividends and pension special payments
 3 Assumes return of capital of £2.1 billion at share price of 985p (at close 12 January 2007)

4. Summary

- Sale of aerospace activities and return of capital delivers value to shareholders
- Letter of intent will lead to the formation of Smiths GE Detection
- Smiths continuing businesses serve markets with attractive growth prospects, enabling delivery of enhanced returns and strong cash conversion

“*Today’s two announcements deliver shareholder value, create another world-class business and enhance returns achievable*”

Q&As

**Making the world
safer, healthier and
more productive**

