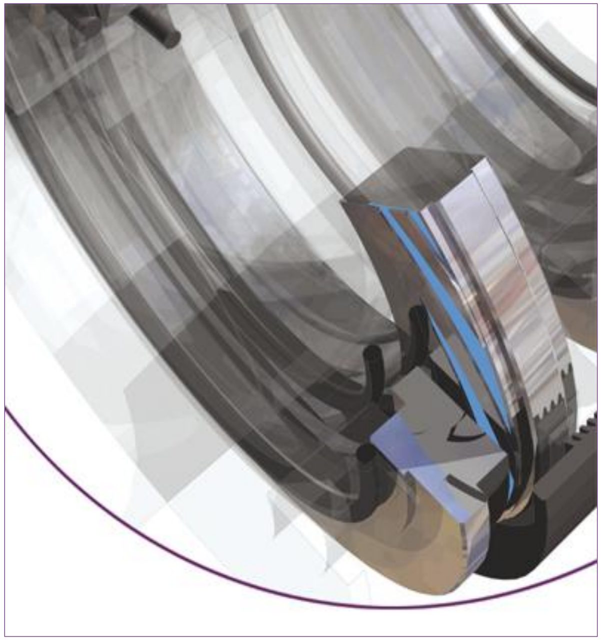
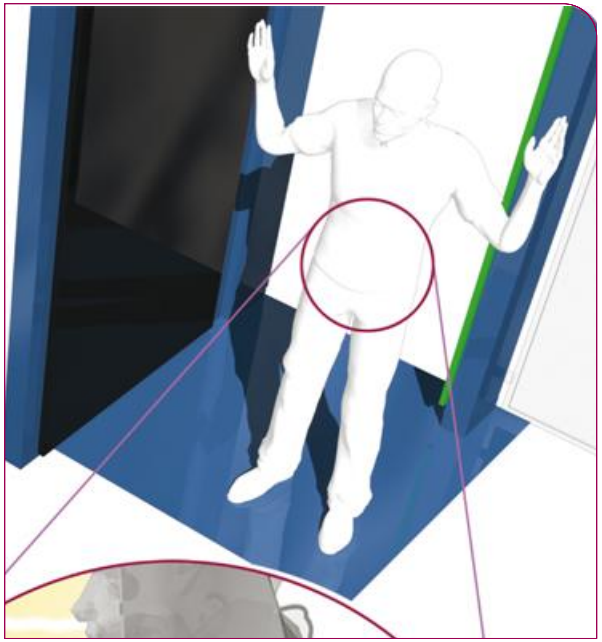
Annual Results

29 September 2010





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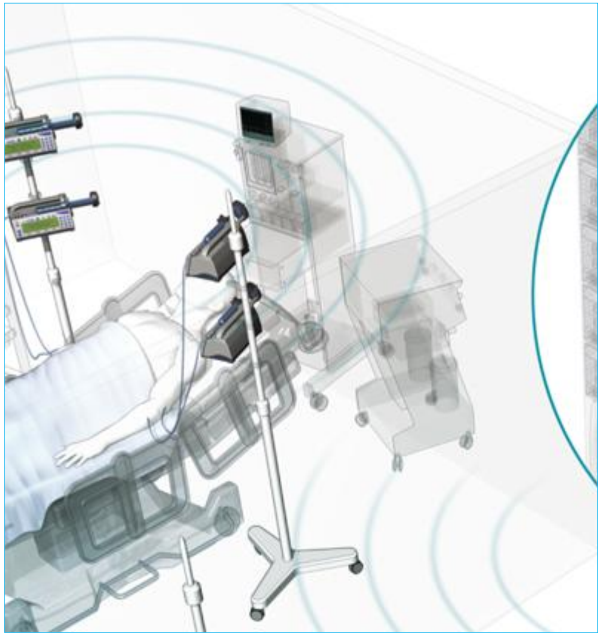

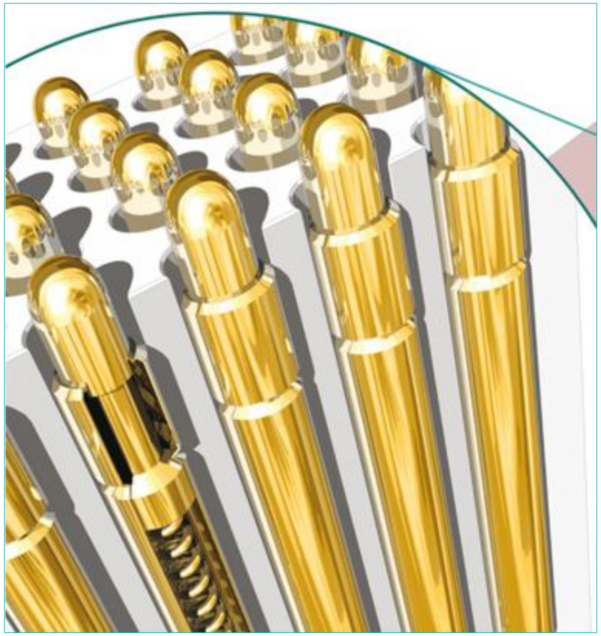

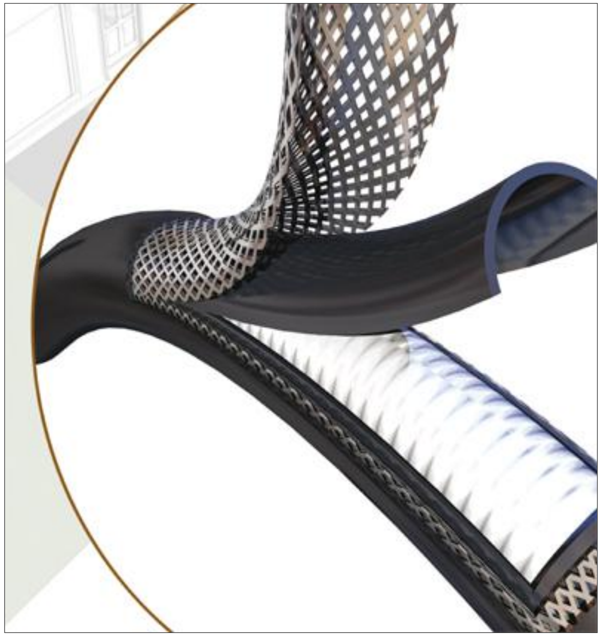

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This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

Introduction

Philip Bowman
Chief Executive

Business highlights

- Reported sales up 4%; underlying flat - driven by 5% growth in H2
- Margins improve 210 basis points to 17.8% - a ten year high
- Positive margin development across all divisions
- Headline operating profit up 18%, underlying up 14%
- Significant improvement in cash generation - free cash-flow of £331m
- Total dividend unchanged at 34.0 pence
- Return on capital employed up 190 basis points to 16.6%

Results benefited from key operational achievements

Delivering operational efficiencies

- Restructuring initiatives delivered savings of £24m; £41m to date
- Restructuring programme extended - £20m of additional savings
- Portfolio profitability reviews improving pricing and margins
- Leveraging scale procurement project saves £11m; £20m to date

Strong cash generation

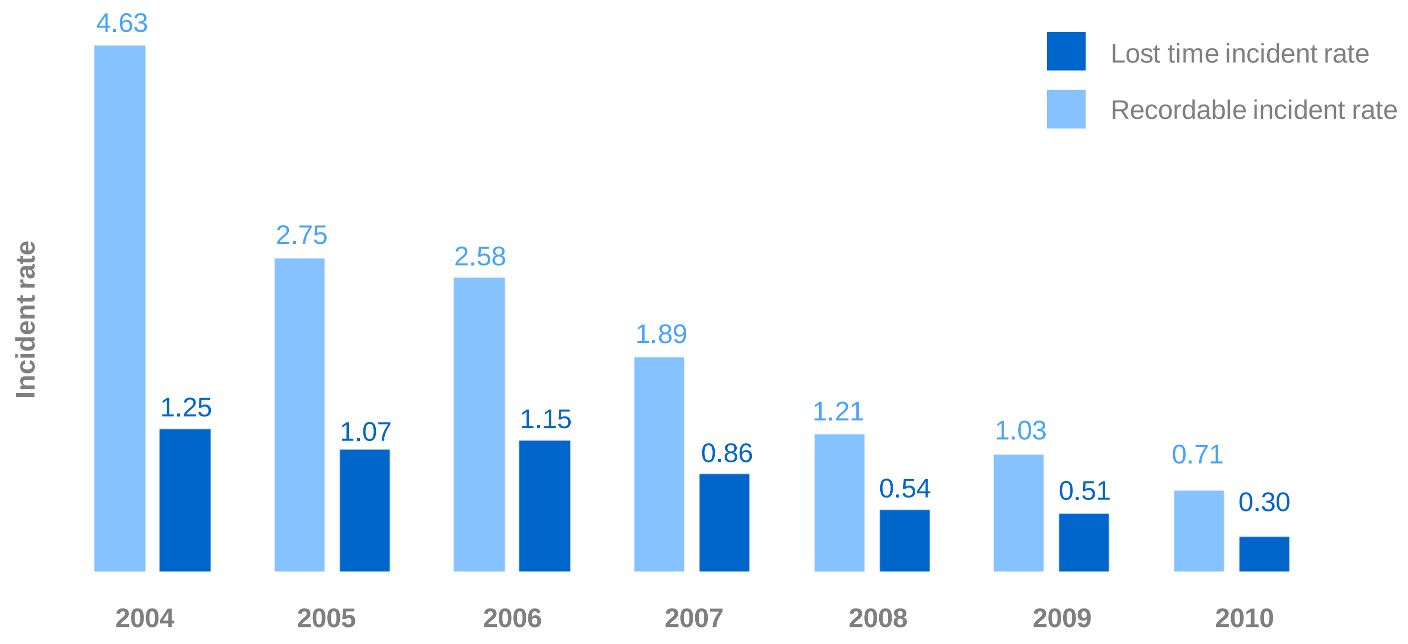
- Better management of working capital
- Focus on cash is delivering improved cash performance

Investing in future growth

- Extended portfolio and presence through acquisitions
- Increased company-funded R&D to drive future growth

A primary focus on safety is delivering continued improvements

Recordable & lost time incident rates have been improving



*Measured per 100 employees per year

Financial review

Peter Turner

Finance Director

Annual results 2010

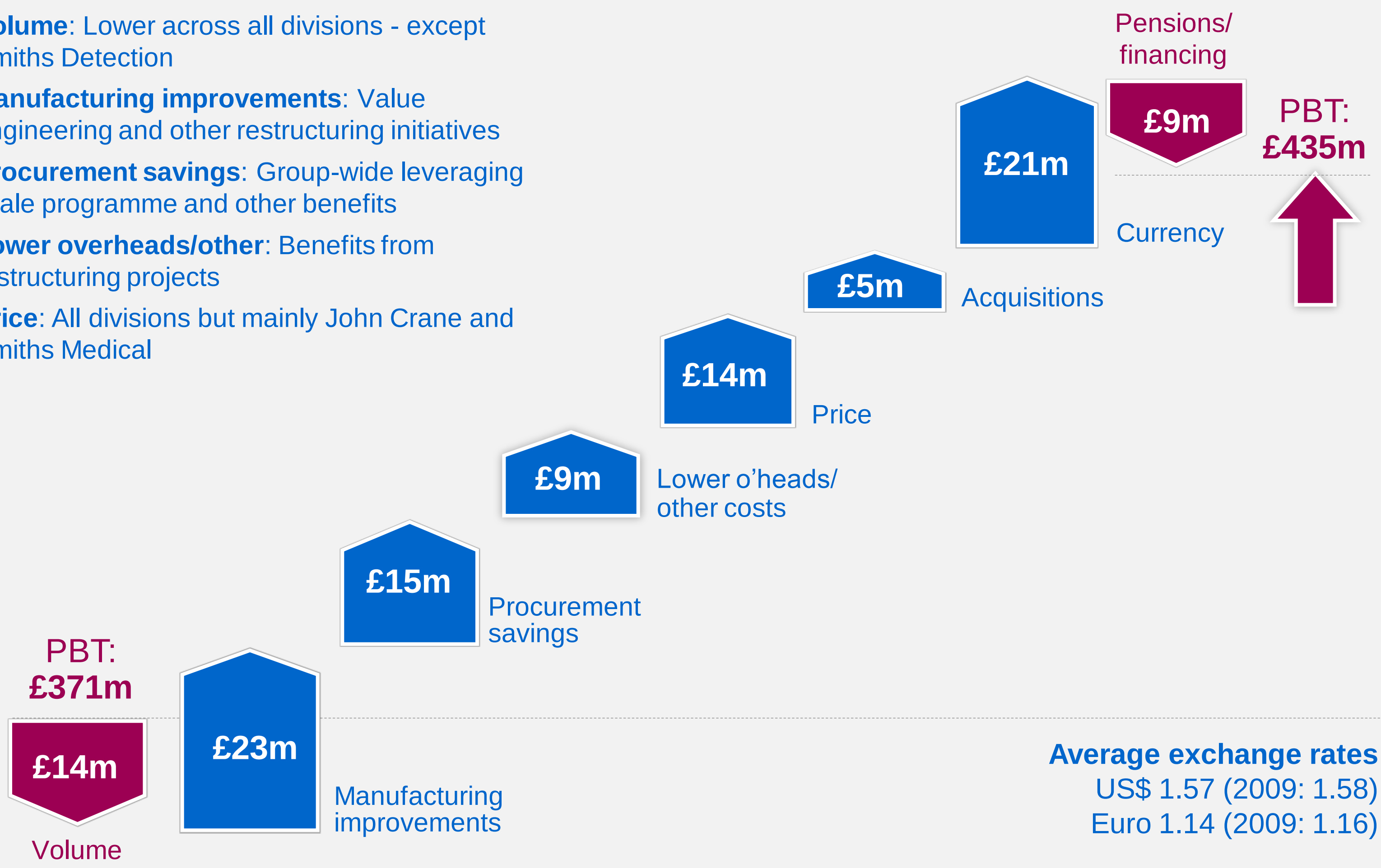
£m	Headline*				Statutory	
	2010	**2009**			**2010**	2009
Continuing activities			Reported	Underlying**		
Sales	**2,770**	2,665	4%	0%	**2,770**	2,665
Operating profit	**492**	418	18%	14%	**436**	429
Margin	***17.8%***	*15.7%*	-	-	***15.7%***	*16.1%*
Pre-tax profit	**435**	371	17%	14%	**373**	371
Basic EPS (p)	**84.6**	72.4	17%		**75.3**	70.8
Free cash flow	**331**	256	29%			
Dividend (pps)	**34.0**	34.0			**34.0**	34.0
Return on capital employed	**16.6%**	14.7%				

* In addition to statutory reporting, Smiths Group reports its continuing operations on a headline basis. Headline profit is before exceptional items, amortisation of acquired intangible assets, profit/loss on disposal of businesses, costs of acquisitions and financing gains/losses from currency hedging. Free cash flow and return on capital employed are defined in the Financial review in the press release.

** Organic growth at constant currency.

Profit progression 2009 to 2010

- **Volume**: Lower across all divisions - except Smiths Detection
- **Manufacturing improvements**: Value engineering and other restructuring initiatives
- **Procurement savings**: Group-wide leveraging scale programme and other benefits
- **Lower overheads/other**: Benefits from restructuring projects
- **Price**: All divisions but mainly John Crane and Smiths Medical



Average exchange rates
US$ 1.57 (2009: 1.58)
Euro 1.14 (2009: 1.16)

Smiths Detection: Strong growth, improving margins

£m	**2010**	2009	reported	underlying
Sales	**574**	501	+15%	+13%
Operating profit	**90**	63	+43%	+40%
Margin	***15.7%***	*12.6%*		

Operating profit	**£m**
2008/09	**63**
Volume	23
R&D	(2)
Operational efficiencies	3
Net foreign exchange	3
2009/10	**90**

- Volume: Higher volumes driven primarily by transportation and ports & borders
- R&D: Increased investment
- Efficiencies: Restructuring and input cost savings
- FX: Translation and transaction benefit

John Crane: Restructuring programme delivered margin improvement

£m	**2010**	2009	reported	underlying
Sales	**786**	790	(1)%	(5)%
Operating profit	**163**	143	+14%	+9%
Margin	***20.7%***	*18.1%*		

Operating profit	**£m**
2008/09	**143**
Volume	(26)
Price	8
Operational efficiencies	25
Acquisition	3
Foreign exchange	10
2009/10	**163**

- Volume: Mainly due to declining OEM sales
- Pricing: Net benefit mainly in aftermarket
- Efficiencies: Cost saving initiatives have more than offset inflationary increases
- Acquisition: Orion
- FX: Translation and transaction benefit

Smiths Medical: Showing strong margin improvement

£m	**2010**	2009	reported	underlying
Sales	**858**	834	+3%	0%
Operating profit	**184**	164	+12%	+10%
Operating margin	***21.5%***	*19.7%*		

Operating profit	**£m**
2008/09	**164**
Volume	(4)
Price	3
Operational efficiencies	12
Acquisition	1
Foreign exchange	8
2009/10	**184**

- Volume: Exit from diabetes offset by volume improvements in other products
- Price: Increases from portfolio profitability review
- Efficiencies: Lower overheads, raw material costs and manufacturing savings
- Acquisition: SMZ syringe pumps
- FX: Translation and transaction benefit

Smiths Interconnect: Restructuring delivering margin improvements

£m	**2010**	2009	reported	underlying
Sales	**340**	318	+7%	(3)%
Operating profit	**62**	56	+12%	+3%
Margin	***18.2%***	*17.4%*		

Operating profit	**£m**
2008/09	**56**
Volume	(2)
Operational efficiencies	5
R&D	(1)
Acquisitions	4
2009/10	**62**

- Volume: Primarily wireless and industrial sectors
- Operational efficiencies: Overheads, procurement savings and restructuring benefits
- R&D: Increased spend
- Acquisitions: IDI, Dowin and Channel

Flex-Tek: Driving cost efficiencies to enhance margins

£m	**2010**	2009	reported	underlying
Sales	**212**	222	(5)%	(6)%
Operating profit	**24**	22	+7%	+6%
Margin	***11.1%***	*9.9%*		

Operating profit	**£m**
2008/09	**22**
Volume	(4)
Procurement savings	2
Operational efficiencies	4
2009/10	**24**

- Volume: Declines primarily in Aerospace and Heat Solutions
- Procurement savings: Benefits from leveraging scale programme
- Efficiencies: Benefits of restructuring and lower overheads

Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**492**
Corporate and divisional restructuring	*(8)*	
Gains on changes to post-retirement benefits	*4*	
Profit on disposal of businesses and property	*9*	
Cost of acquisitions	*(1)*	
John Crane litigation - provision	*(18)*	
Exceptional operating items		(14)
Amortisation of acquired intangible assets		(42)
Statutory operating profit		**436**

Exceptional items: Restructuring programme ahead of plan and extended

Programme
Costs to date: **£36m**
Total planned costs: **£45m**
Total planned savings: **£50m**

£m	**2010 savings**	**Savings to date**	**Forecast benefits**
John Crane	12	**19**	25
Medical	2	**3**	3
Flex-Tek	4	**8**	9
IT	6	**6**	8
HQ	Completed	**5**	5
Total	**24**	**41**	**50**

Extended programme – shared service/back-office savings

- Savings of £20m to be delivered by FY 2013; £5m targeted in FY 2011
- Exceptional costs of £19m by end FY 2012; £13m in 2011

Improved operating cash

£m (for continuing activities)	**2010**	2009
Headline operating profit	**492**	418
Changes in working capital	**43**	16
Share based payment	**10**	9
Capital expenditure (Property, plant & equipment)	**(40)**	(54)
Depreciation	**66**	65
Development costs & other intangibles (net of amortisation and deferred income)	**(6)**	(19)
Operating cash-flow	565	435
Conversion rate	**115%**	104%

Strong free cash flow reduced net debt

£m	2010
Net debt at start of period	**(885)**
Operating cash (after capex etc.)	**565**
Interest and tax	**(139)**
Exceptionals	**(95)**
Free cash flow	**331**
Dividends	**(133)**
Acquisitions/disposals	**(112)**
Financing including net investment hedges	**9**
Foreign exchange	**(42)**
Movement in fair value of swapped debt and interest accrual	**(5)**
Change in net debt	**48**
Net debt at end of period	**(837)**

Pensions: Funding agreement reached with UK Trustees

Deficit movement since 31 July 2009

	£m
Deficit at 31 July 2009	**(339)**
Foreign exchange	(10)
Return on assets	354
Contributions (net of service costs)	52
Change in liabilities	(366)
Gains from scheme closures	4
Deficit at 31 July 2010	**(305)**

P&L and cash

FY 2010	
Finance income	£2m
Scheme contributions	£51m
Escrow contributions	£25m
FY 2011	
Finance income	£22m
Scheme contributions	£65m
Escrow contributions	£2m

Financials: Conclusion

Results demonstrate progress on operational improvement – opportunities for reinvestment

Continued strong cash performance

Strong balance sheet to fund investment in growth

A healthy platform for driving future growth and returns

Operational review and priorities

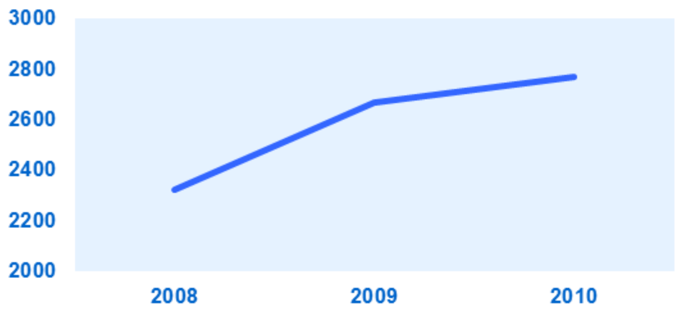
Philip Bowman
Chief Executive

Smiths Group: Operational priorities

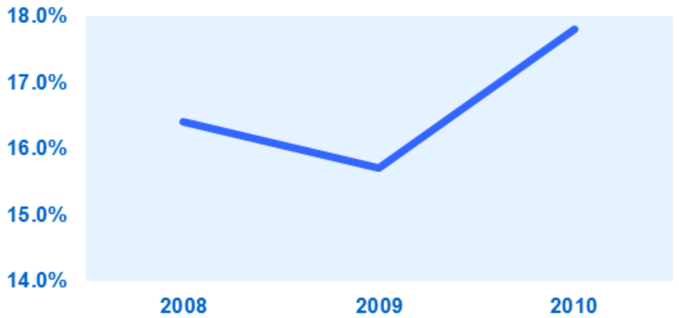
Delivering operational efficiencies	• Improve margins through restructuring and 'self-help' programmes • Upgrade our business systems to drive faster data-based decisions and leverage scale
Cash generation	• Continue to reduce working capital as percentage of sales • Focus on cash generation to fund growth
Investing in future growth	• Investing in targeted R&D to launch new products • Growing our technology and reach through bolt-on acquisitions • Expansion in developing markets

Smiths Group: Operational improvement is delivering results

Sales growth (£m)

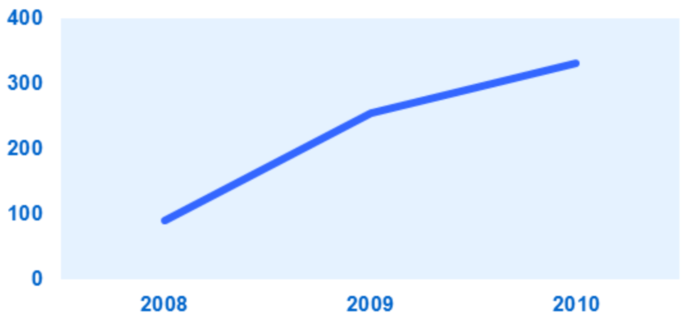


Improving margins (%)

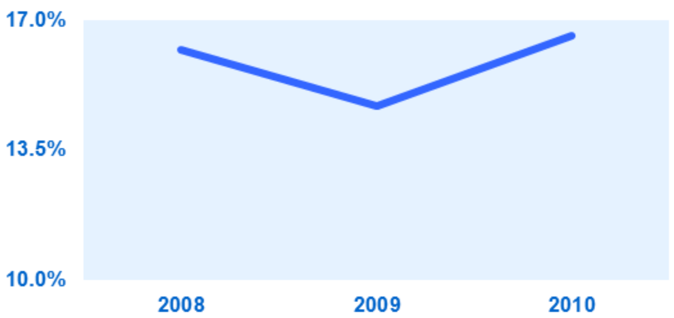


Headline operating profit margin

Strong free cash flow (£)



Enhancing returns (%)

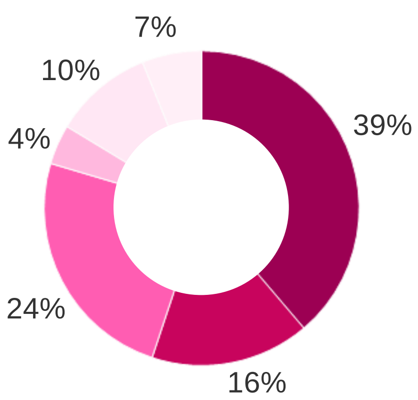


Return on capital employed

Smiths Detection: Sales growth and margin improvement

2010 Sales %

- Transportation
- Ports & borders
- Military
- Emergency responders
- Critical infrastructure
- Non security



2010 Sales: £574m
15% reported
13% underlying

2010 Operating profit: £90m
15.7% margin

Margins improved 310 basis points to 15.7%

Transportation underlying sales up 19%
- Driven by strong second half
- New contract wins: US, Canada, Middle East, Germany, India
- Increased orders for explosive trace detection
- US orders for air cargo screening

Ports & borders underlying sales up 66%
- New contract wins are supporting sales growth
- Saudi Arabia, Russia and Japan

Military underlying sales up 4%
- Driven mainly by the Lightweight Chemical Detector
- US, Canadian and German programmes

Smiths Detection: Continuing to invest for the future through R&D

- Company funded R&D increased 3% to £36m or 6.2% of sales
- Total spend of £44m; 7.6% of sales (including customer-funded R&D of £8m)
- Agreement with Analogic to develop next generation checked baggage scanner:
  - Progressing well - met all interim milestones
- Partnership with Novartis for molecular diagnostics - development work on track
- Body image scanner: eqo - using millimetre wave
  - Deployed as part of airport trials; under evaluation with the TSA
  - Winner of Equipment and Technology Award
- New product launches: SmartBIO™ Sensor; LCD-Nexus, HGIV LINX™





Smiths Detection: Operational priorities

- Continue investment in new product development
- Accelerate development of body image screener - eqo
- Roll out airport checkpoint & cargo screening systems
- Implement cost reduction initiatives

Outlook

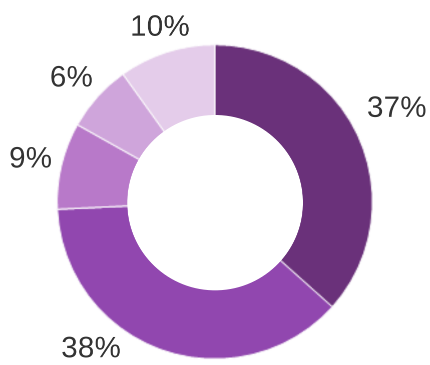
- Well-positioned for growth in transportation and ports & borders markets
- Customer finances may affect timing and profile of orders
- Continue to invest to maintain technology leadership

John Crane: Margins benefiting from cost saving initiatives

2010 Sales %

- First-fit OEM 37%

Aftermarket 63%
- Oil, gas & petrochemical
- Chemical and pharma
- Distributors
- General industry



2010 Sales: £786m
(1)% growth
(5)% underlying

2010 Operating profit: £163m
20.7% margin

Margins improved 260 basis points to 20.7%
- Restructuring programme delivering margin benefits

Sales driven by improving order book in second half
- First half sales down 15%; second half up 4%

Aftermarket sales grew 1%
- Rotating equipment (seals, bearings and filters) grew 2%
- Driven by oil, gas, petrochemical and general industry sectors
- Production solutions down 10%: delays to Romania contract and lower US onshore activity

First-fit OEM sales declined 15% reflecting capex cuts

John Crane: Driving efficiencies and investing in future growth

Restructuring programme is on track

- Delivered FY savings of £12m; cumulative savings of £19m
- Total annualised savings planned of £25m

Investing in future growth

- Expanding service centre network - US, Poland, Singapore, and New Zealand
- Investment in new test facilities to support product development
- New products: to support carbon capture, reduce customers' energy usage, and cope with extreme conditions

John Crane: Operational priorities

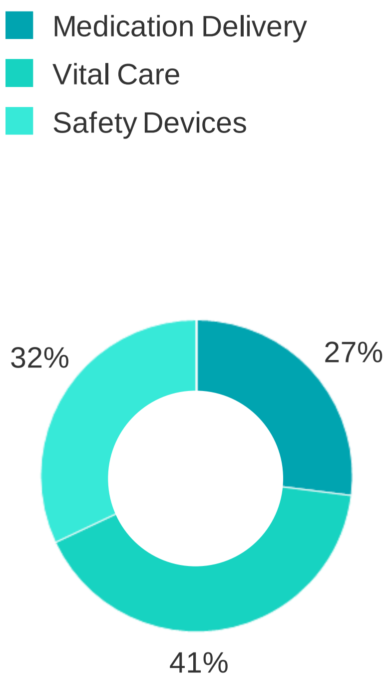
- Expand service centre footprint – exploit growth opportunities in emerging markets
- Complete restructuring programme - global John Crane
- Consolidate benefits from ERP programme

Outlook

- John Crane's order book has continued to build – subject to continued customer investment
- Margins will benefit from cost savings
- Reinvest some savings in network expansion and growth opportunities

Smiths Medical: Delivering positive sales momentum and margin growth

2010 Sales %



2010 Sales: £858m
2% underlying growth excluding diabetes*

2010 Operating profit: £184m
21.5% margin

Positive sales momentum has continued - excluding diabetes

Margins boosted by cost savings and portfolio profitability review

Medication Delivery - sales up 5%*
- CADD-Solis® has delivered strong sales growth
- Roll-out to new markets
- Commercial partnership with Hospira announced

Vital Care - sales up 2%
- Turnaround in temperature management
- Respiratory products are growing well

Safety Devices - sales up 1%
- Growth in safety needles - benefit from OEM partnership and H1N1 preparation

Created global teams in sales & marketing and product management

* Excluding diabetes sales following decision to exit.
Including diabetes: reported sales up 3%, underlying sales flat.

Smiths Medical: Investing in growth opportunities

Sales from products launched in last three years up 16% year-on-year

- New product launches ahead of schedule
- Focus on fewer R&D projects for greater impact - faster execution

Selection of new product launches:

- Roll-out to new markets: UniPerc™; LockIt Plus™, SuctionPro™
- European language versions of CADD Solis™
- Global launch of full range of convective warming blankets



Smiths Medical: Operational priorities

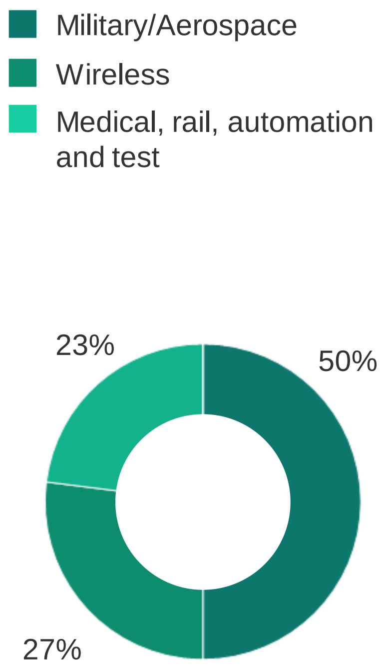
- Build on new global organisation in sales & marketing and product management
- Increase R&D spend to launch new products; emerging market opportunities
- Continue to drive operational excellence

Outlook

- Sales momentum can continue although face risks from healthcare cuts
- Diabetes exit will continue to constrain sales growth
- Margins will benefit from cost savings and new product launches
- Offset partly by increased investment in new product development

Smiths Interconnect: Delivering margin growth; launching new products

2010 Sales %



2010 Sales: £340m
7% reported
(3)% underlying

2010 Operating profit: £62m
18.2% margin

Military/aerospace – underlying sales up 6% helped by strong H2
- Second half growth driven by new KuStream broadband antenna for commercial aircraft
- Key projects: EMP protection; secure communications; UAVs and specialist connectors

Wireless - underlying sales fell by 13%
- Limited capital deployments and price pressure
- Growth in test equipment to improve network performance

Rail, medical, automation and test - underlying sales down by 7%
- Markets have stabilised in recent months
- Rail market is challenging - signs of recovery
- Strong new product development in medical connectors

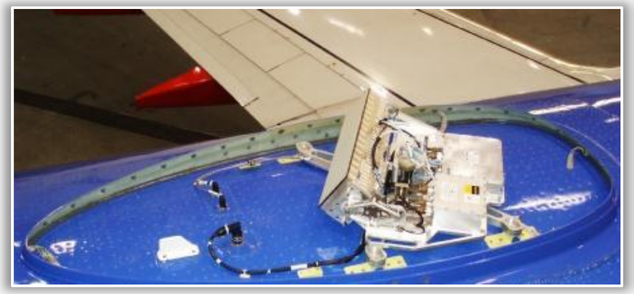
Smiths Interconnect: Investing in growth drivers

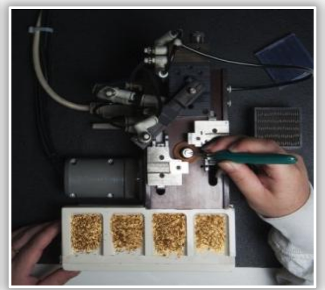
Acquisition integration complete - performing ahead of expectations

- Interconnect Devices Inc. (IDI) adds new range of spring probe connectors
- Channel Microwave complements the microwave components portfolio
- Meets our criteria of adding complementary technologies; extending our geographic presence and leveraging existing scale

Commitment to investment in new product development

- Total R&D spend rose 17% to £21m or 6.3% of sales
- Underlying company-funded R&D up 15% to £15m or 4.8% of sales
- Key investments: KuStream antenna; PIM testing; new 4G filters, subsystems for counter-IED systems





Smiths Interconnect: Operational priorities

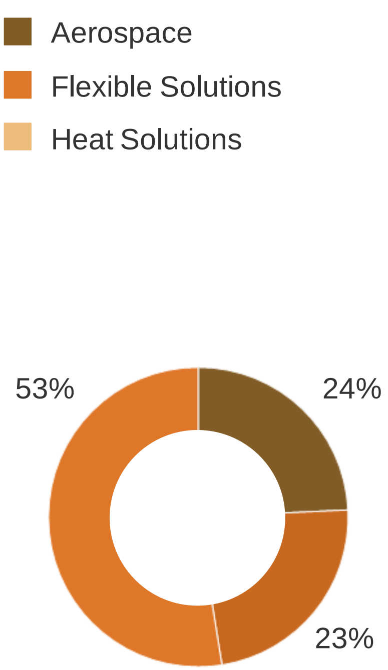
- Deliver benefits from the recent acquisitions
- Continue to develop new products to meet customer needs
- Deliver major customer requirements to maintain momentum in key contracts
- Implement restructuring to drive operational efficiencies

Outlook

- Military and aerospace continues to benefit from focus on high priority areas (C4ISR) and KuStream - subject to defence budget pressure
- Wireless infrastructure investment is expected to improve
- Test markets driven by demand for devices: smart phones, tablet computers
- Margins will benefit from higher volumes and cost saving initiatives

Flex-Tek: Restructuring enhancing margins in tough sales environment

2010 Sales %



2010 Sales: £212m
(5)% reported
(6)% underlying

2010 Operating profit: £23m
11.1% margin

Restructuring programme delivering savings and margins
- Savings to date of £8m, £4m in the year

Aerospace - underlying sales fell 16%
- Declines in regional aircraft and business jets

Heat Solutions - underlying sales fell 3%
- Weak US construction: Lower sales of gas piping and HVAC

Flexible Solutions - underlying sales fell 1%
- Weak demand from US floorcare and the general industrial sector

Flex-Tek: Investment in new product development

Several new product launches

- New product: FlashShield - gas piping with lightning protection
- Corrugated stainless steel tube: conduit for harsh environments
- New LNG fuel hose products for natural gas vehicles

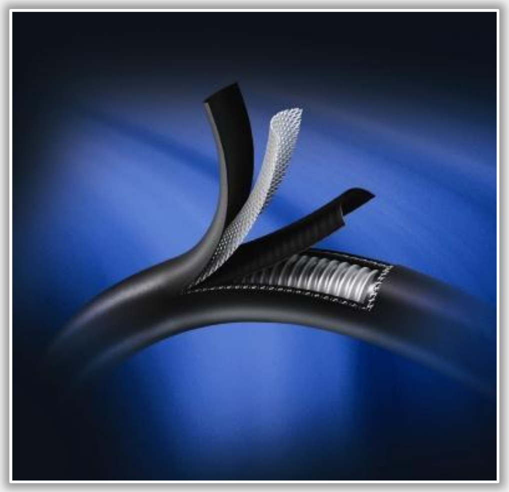


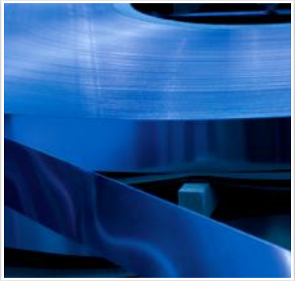
Image: courtesy Chesapeake Energy

Flex-Tek: Operational priorities

- Roll-out new product launches
- Asian growth potential in industrial and appliance markets
- Deliver the benefits from cost saving initiatives

Outlook

- US housing market has shown some signs of improvement; aerospace is likely to remain challenging
- Deliver cost savings to preserve margins; strongly leveraged to a recovery






Smiths Group: Operational priorities

Delivering operational efficiencies

- Improve margins through restructuring and ‘self-help’ programmes
- Upgrade our business systems to drive faster data-based decisions and leverage scale

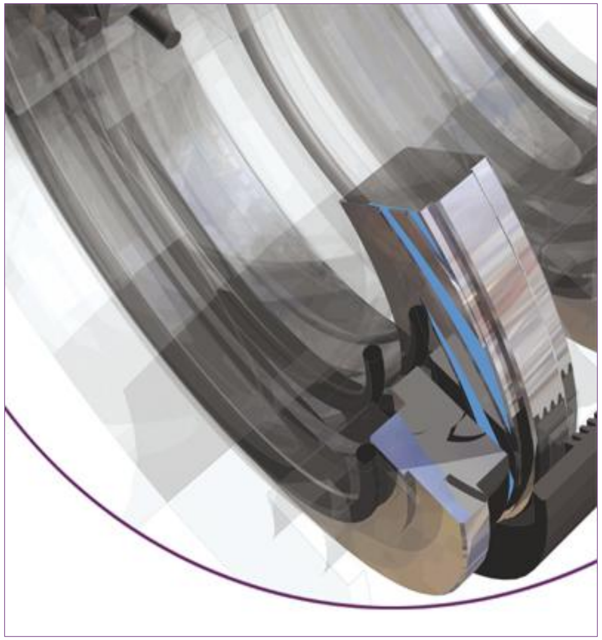
Cash generation

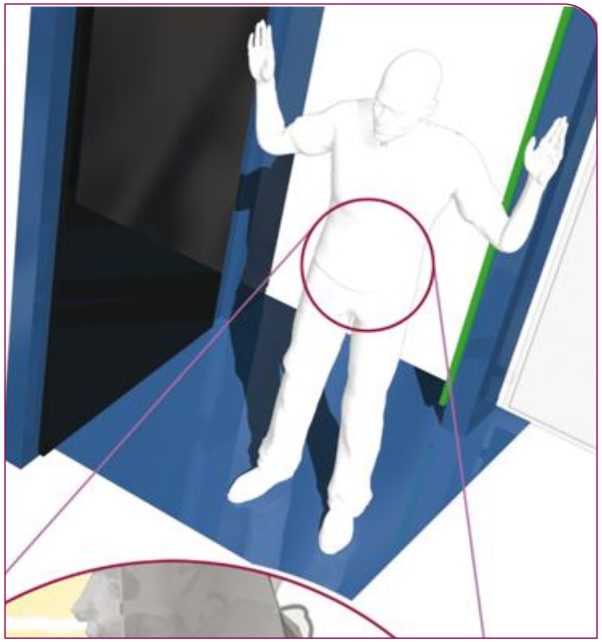
- Continue to reduce working capital as percentage of sales
- Focus on cash generation to fund growth

Investing in future growth

- Investing in targeted R&D to launch new products
- Growing our technology and reach through bolt-on acquisitions
- Expansion in developing markets

Questions & Answers





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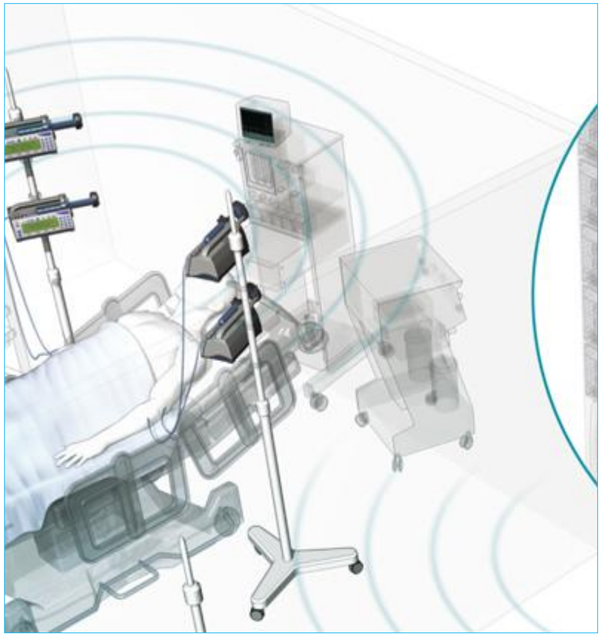

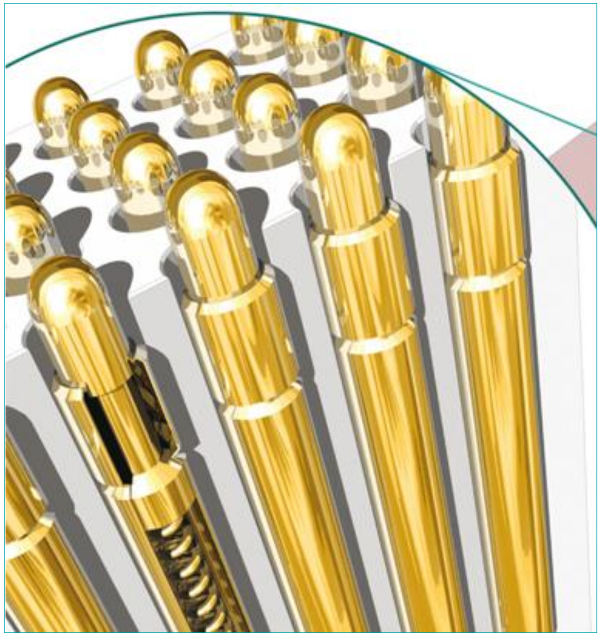

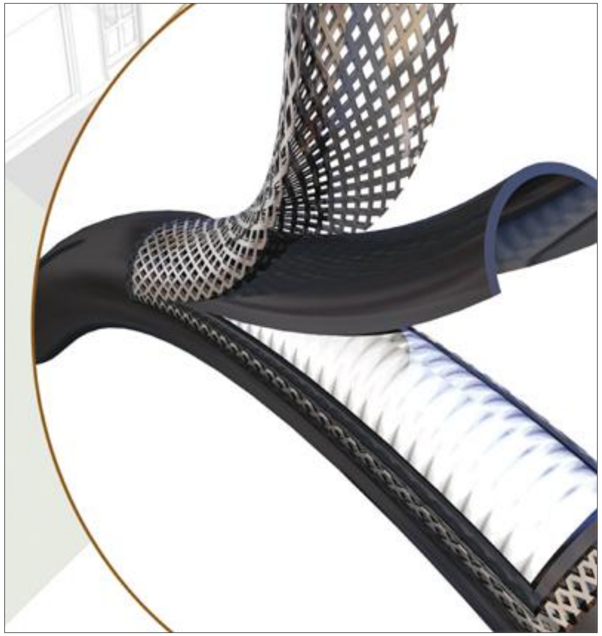

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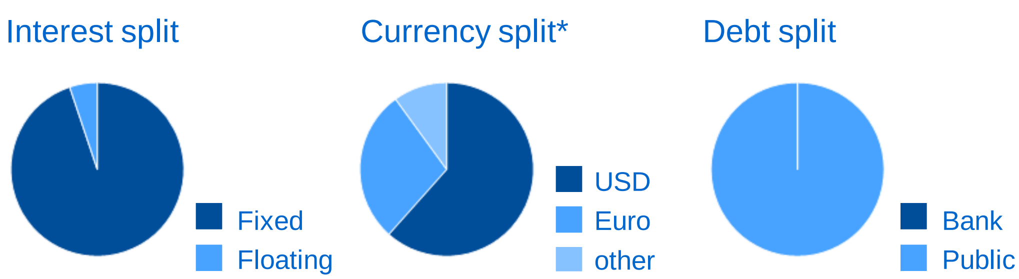
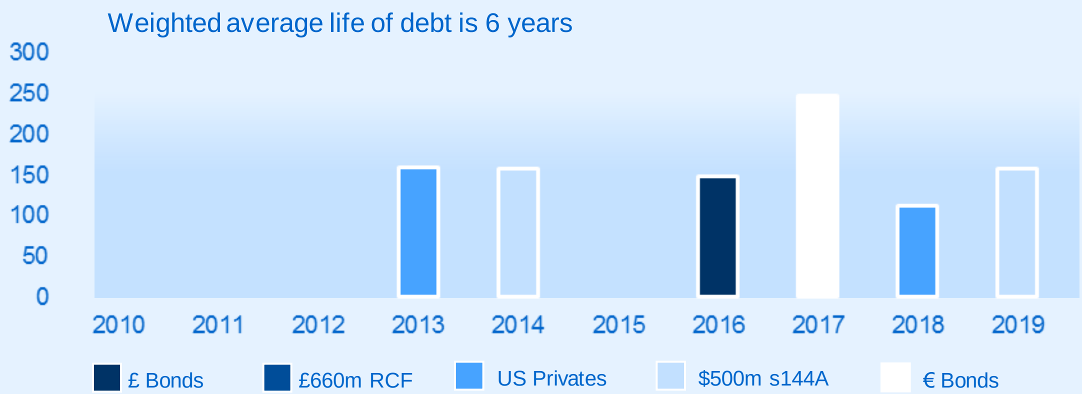
Strong balance sheet underpins our plans



Net debt	£m
Borrowings	1010
Less net cash	(173)
Net debt	837



Credit Rating:
BBB+ (neg)/ Baa2 (neg)

Net debt/ EBITDA:
1.4 times

Undrawn committed bank facilities of £660m at 31 July 2010