

**Smiths Group**  
New York, June 28, 2011

**smiths**  
bringing technology to life



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.

# Agenda

Smiths Group overview

The last three years – Progress against strategic priorities

The next three years – Strategic focus

Smiths Group investment case

Investor day agenda

# Agenda



## Smiths Group overview

# Smiths Group: Five divisions in long-term growth markets

FY 2010 sales	£2.77bn	\$4.35bn
Headline op profit	£492m	\$772m
Operating margin	17.8%	17.8%
EPS	84.6p	\$1.33
Market cap*	£4.8bn	\$7.9bn

\* Market capitalization at June 7, 2011

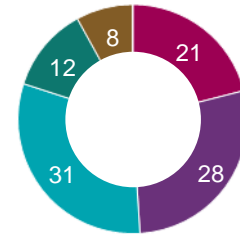
23,500 employees in over 50 countries

Listed in London: LSE: SMIN

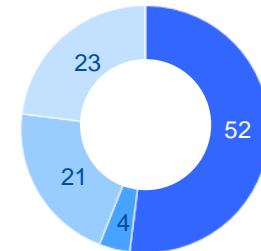
ADR program: OTC: SMGZY

## FY 2010 sales %

- Smiths Detection
- John Crane
- Smiths Medical
- Smiths Interconnect
- Flex-Tek



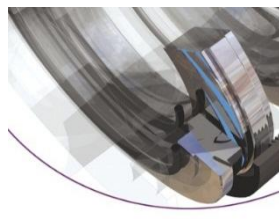
- North America
- UK
- Europe other
- Rest of World



Smiths  
Detection



John Crane



Smiths  
Medical



Smiths  
Interconnect



Flex-Tek



## A diversified portfolio with some common characteristics

### Exposure to long-term growth sectors

- Long-term sales growth
- Strong market positions

### High margins driven by leading-edge technology and high service levels

- Competitive advantage
- Repeat revenues through service and consumables

### Customer intimacy and product customisation

- Understand customer needs
- Application-specific products
- High margins

### New product development and product engineering

- Drives sales growth and margins
- Products that add value to customers processes

### Small-batch low-cost manufacturing

- Lean manufacturing
- Move to low cost manufacturing
- Procurement efficiencies

### Low capital intensity with strong cash generation

- Strong cash flows
- Scope for reinvestment

# Smiths business model: Actions to drive long-term shareholder value

## **Investing in driving top-line growth**

- Investing in growth opportunities – R&D, emerging markets
- Improving sales and marketing effectiveness

## **Enhancing margins**

- Operational improvement program to enhance margins
- Leveraging our scale, IT systems and focus on low-cost manufacturing

## **Focus on cash and balance sheet**

- Highly effective cash generation and balance sheet management
- Dividend growth while maintaining 2.5 times cover

## **High returns on capital and disciplined capital allocation**

- Consistent ROCE above WACC – opportunities to improve
- Enhance value through active portfolio management and capital allocation

## **Promoting corporate responsibility**

- Conducting our activities to achieve highest practicable standards of safety
- Minimizing the impact of our activities on the environment

# Agenda



**The last three years**  
Progress against strategic priorities

# Organic sales growth: Strong portfolio with long-term growth prospects

## Smiths Detection

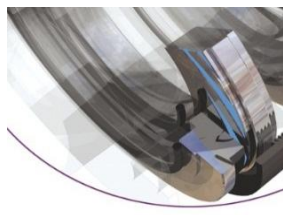


21% of sales

Driven by changing threats, technology & legislation

**10-12%**  
sales growth

## John Crane



28% of sales

Petrochemical investment driven by energy consumption

**6-8%**  
sales growth

## Smiths Medical



31% of sales

Driven by demographics, disposable income & legislation

**3-5%**  
sales growth

## Smiths Interconnect



12% of sales

Communications investment in military & telecoms

**6-10%**  
sales growth

## Flex-Tek



8% of sales

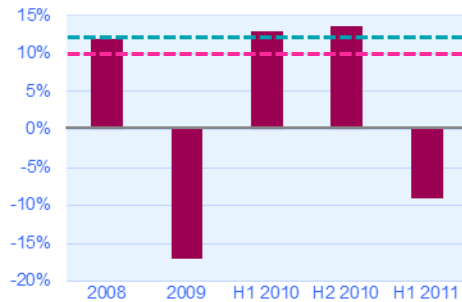
Lean manufacture & US residential construction

**0-7%**  
sales growth

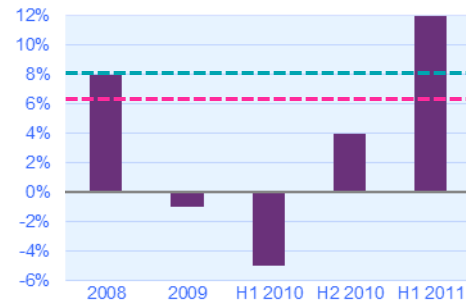
Sales growth targets: average annual organic growth over the medium term at constant currency

# Sales growth: Targeting underlying sales growth

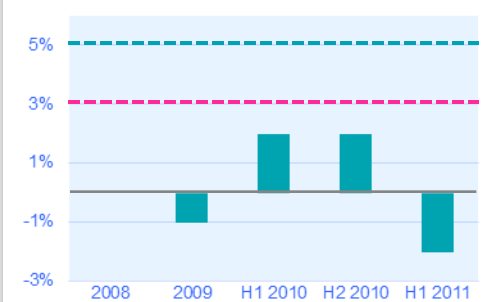
## Detection



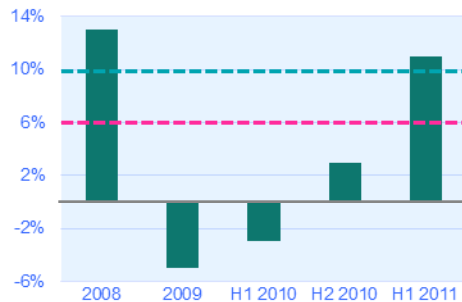
## John Crane



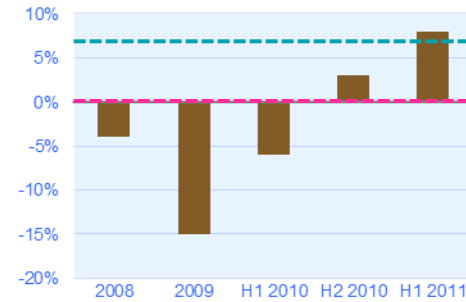
## Medical



## Interconnect



## Flex-Tek



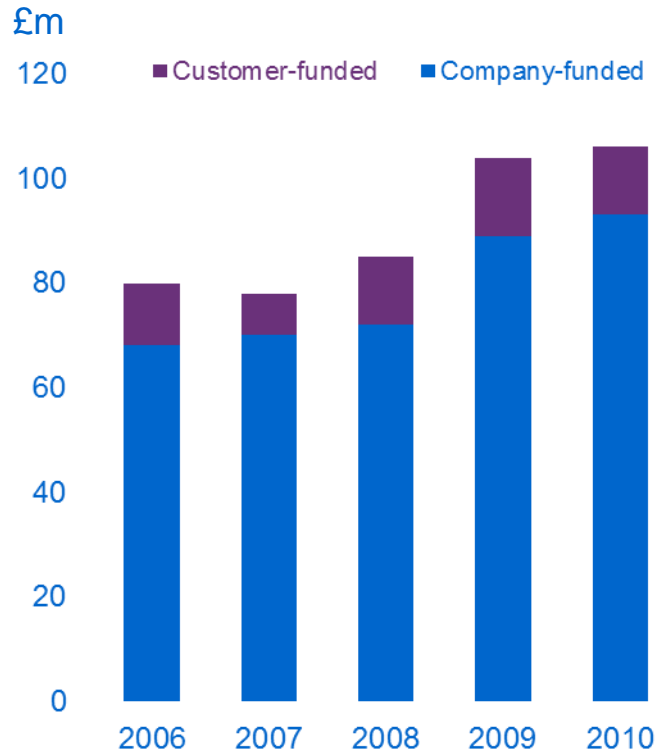
## Key

Target – high end ————

Target – low end - - - - -

Sales growth targets: average annual organic growth over the medium term at constant currency

## Organic sales growth: Increasing R&D to launch new products



### Smiths Detection

- Radseeker
- New checked baggage screener
- eqo – body image scanner

### Smiths Medical

- CADD®-Solis and Medfusion™
- CT Marker, Gripper®Micro

### John Crane

- Seals for carbon capture

### Smiths Interconnect

- KuStream antenna

### Flex-Tek

- Flash-Shield
- Fuel hoses for LPG vehicles

# Sales growth: Investing in growing markets

## Expansion of global network through organic investment

- John Crane service centres in Middle East, Asia and Latin America
- Smiths Medical building sales presence in Asia: China and India

## M&A focused on emerging markets

- Half of recent acquisitions have a presence in emerging markets
- Smiths Detection – expanded sales presence in India and Brazil
- Smiths Interconnect – built a business in China across key technology areas

## Improving our sales and marketing effectiveness

- Smiths Medical – sharing best practice and tools globally

## Enhancing margins: Through operational efficiencies

### Restructuring programme to deliver £70m of savings

- Delivered £45m of savings to date – £25m to be delivered over next two years
- Beginning to rationalise back office functions: HR, Finance and IT support

### Improvement of business systems

- New ERP systems in Smiths Detection, Smiths Medical and John Crane

### Portfolio profitability reviews are improving margins

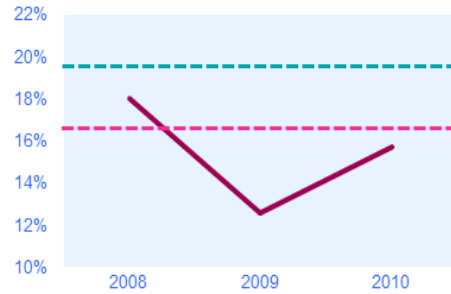
- Supporting pricing, value engineering, SKU rationalisation

### Better information enables us to leverage the Group scale

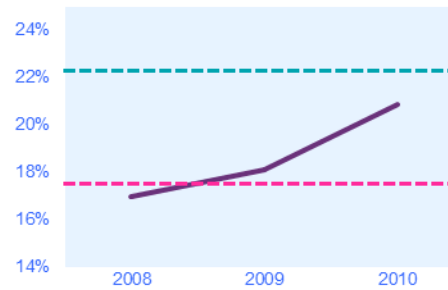
- Savings coupled with pricing is more than offsetting raw material inflation

# Enhancing margins: Targeting improved operating margins

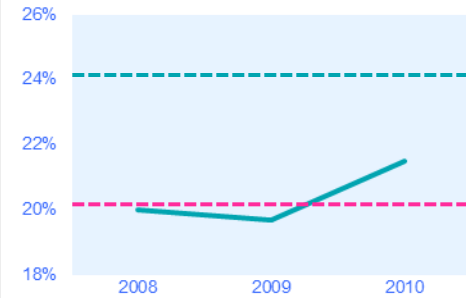
## Detection



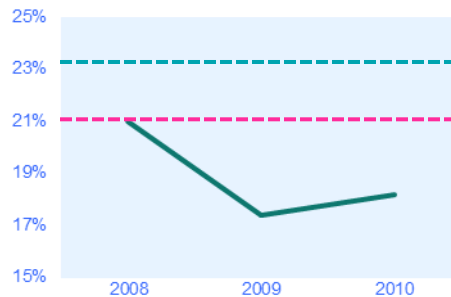
## John Crane



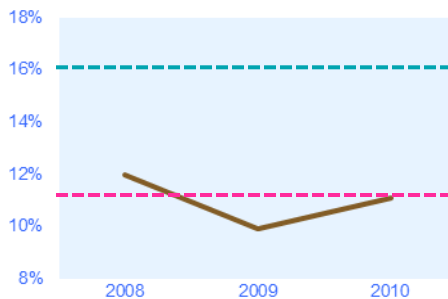
## Medical



## Interconnect



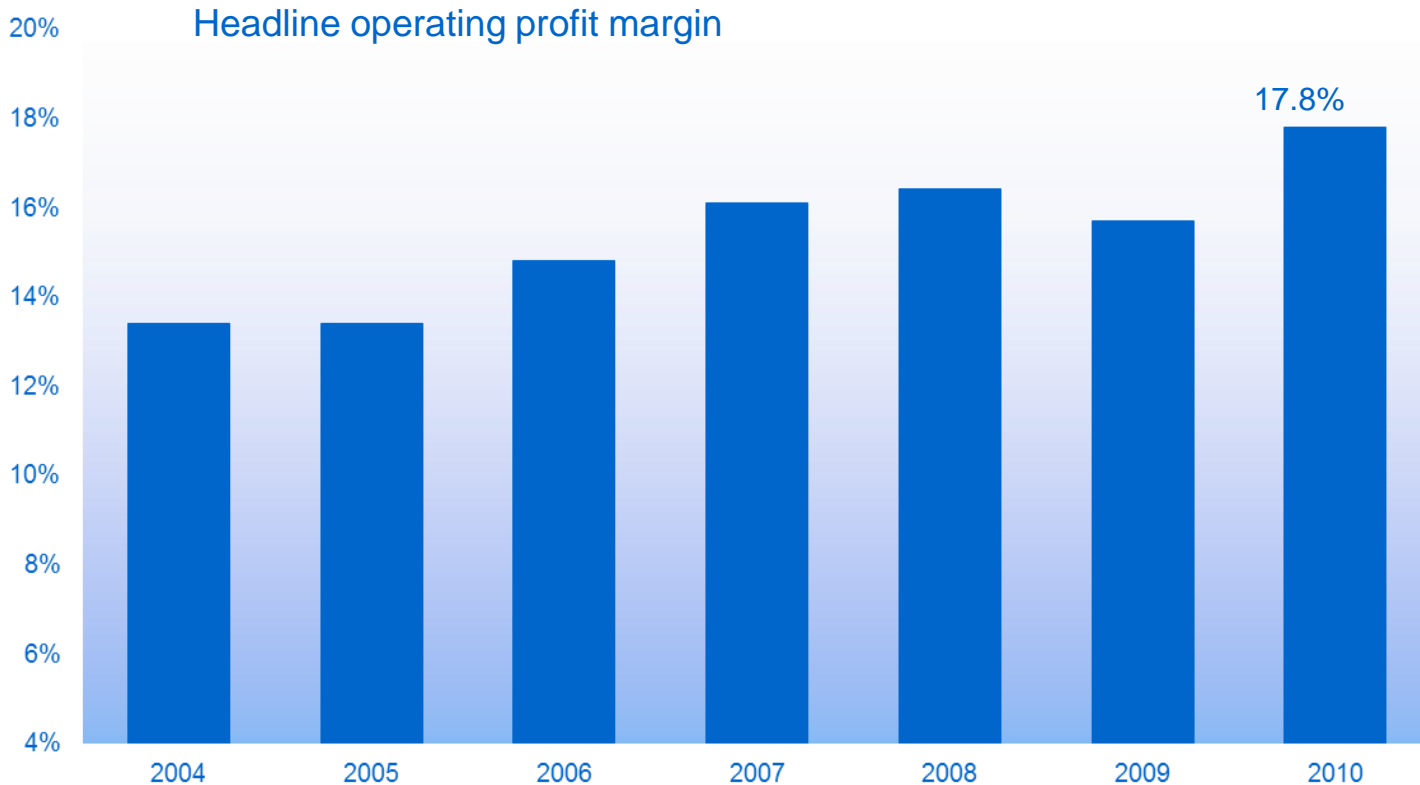
## Flex-Tek



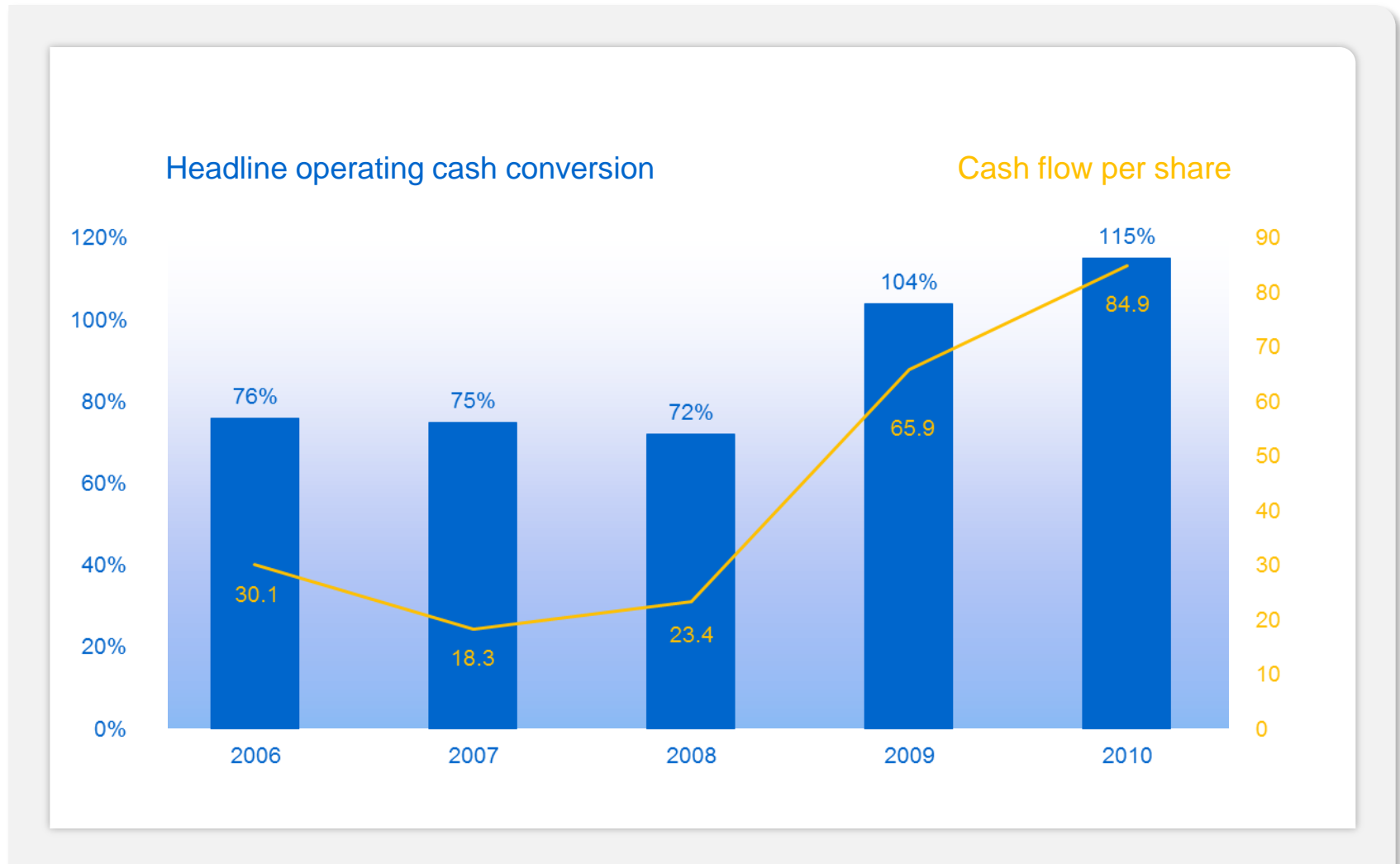
## Key

Target – high end ————  
Target – low end - - - - -

## Enhancing margins: Progress in Group margins

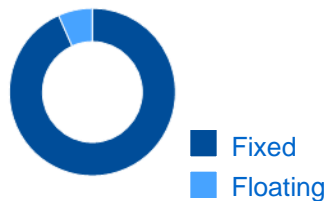


## Focus on cash and balance sheet: Improved operating cash conversion

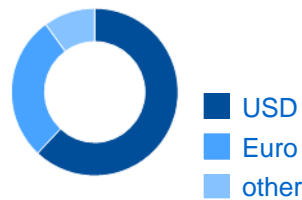


# Strong balance sheet provides financing capacity for growth

Interest split



Currency split

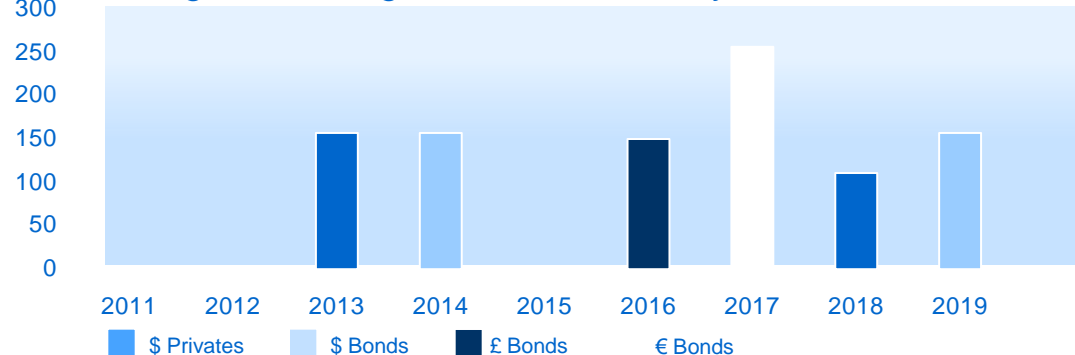


Debt split



Net debt	£m
Borrowings	1017
Liquid resources	(137)
<b>Net debt</b>	<b>880</b>

£m Weighted average life of debt is 5.4 years

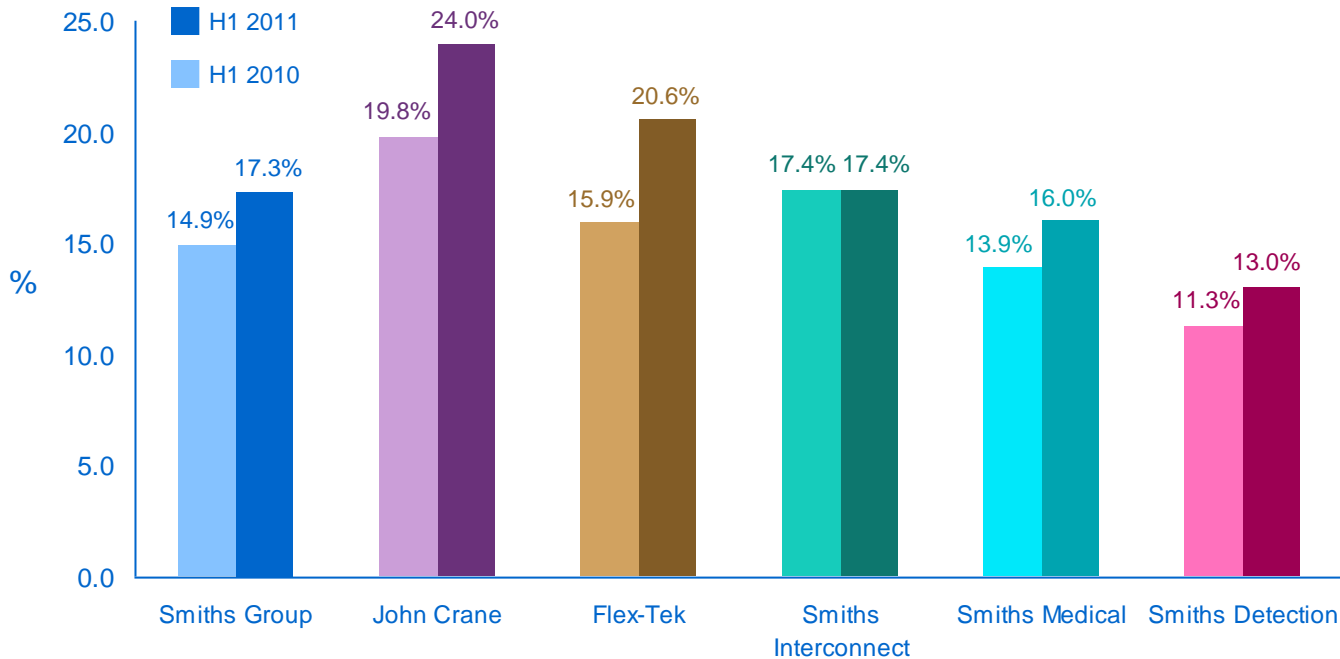


Credit Rating:  
**BBB+ (stable)**  
**Baa2 (stable)**

Target net debt to EBITDA:  
**1.5 – 2.0 times**  
**FY 2010: 1.5 times**

Undrawn committed bank facilities of US\$800m at 29 January 2011

## High returns on capital and disciplined capital allocation: Improved returns



Return on capital employed is calculated over a rolling 12-month basis and is the percentage that headline operating profit comprises of monthly average capital employed. Capital employed comprises total equity adjusted for goodwill recognised directly in reserves, net post-retirement benefit assets and liabilities and net debt.

## Capital allocation: Targeted acquisition strategy over past four years

	Date	Aqn cost £m	Complementary technologies	Extending geography	Leveraging infrastructure
<b>John Crane</b>					
CDI	Mar 07	£19m	✓✓		✓
Sartorius	Nov 07	£13m	✓✓	✓	✓✓
John Crane Japan*	Dec 07	£4m		✓✓	
Indufil	Apr 08	£71m	✓✓		✓✓
Fiberod	May 08	£47m	✓✓		✓
Orion	May 09	£48m	✓✓		✓✓
<b>Smiths Interconnect</b>					
Allrizon	May 08	£10m	✓	✓✓	✓
Triasx	July 08	£14m	✓✓	✓✓	✓✓
Dowin	April 09	£20m	✓	✓✓	✓
Channel Microwave	Oct 09	£4m	✓		✓
Interconnect Devices	April 10	£122m	✓✓	✓✓	✓✓
<b>Smiths Medical</b>					
Zumi	Nov 08	£38m	✓	✓✓	✓
<b>Smiths Detection</b>					
India distributor	Aug 10	£10m		✓✓	
Brazil distributor	May 11	N/A		✓✓	

\* Acquisition of 21% stake to take a controlling share of 70%

## Capital allocation: Bolt-on acquisitions follow strict financial criteria

### Sales growth

Support the divisional growth targets

### EBIT margin and growth

Support the divisional margin targets

### Cash conversion

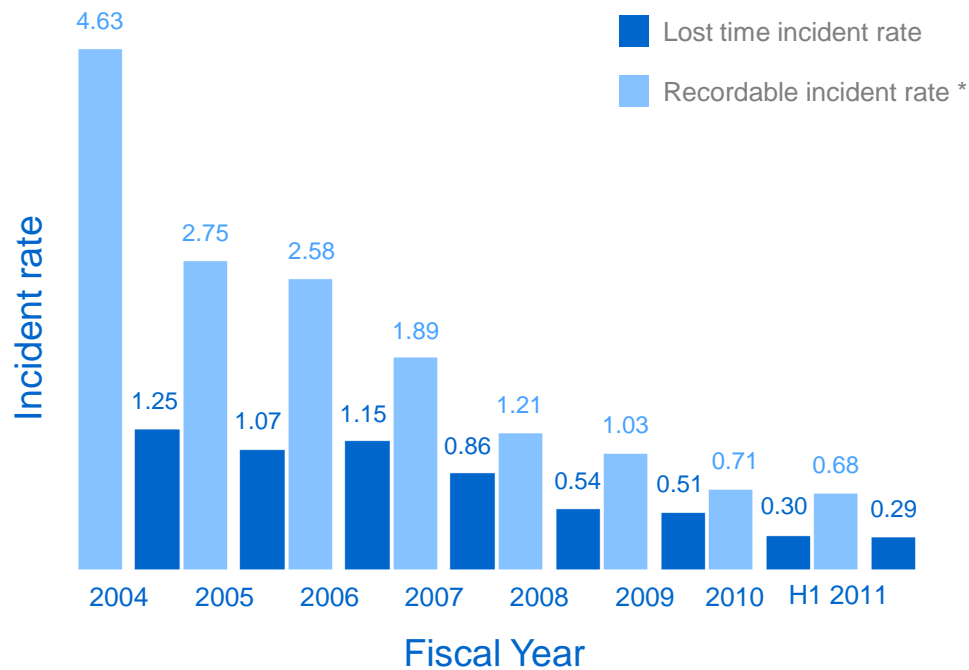
Generate strong cash flows in line with Group objectives

### Return on investment

Seek to generate a 12% post-tax return by third year of ownership

## Promoting responsibility: An increased focus is delivering improvements

### Recordable & lost time incident rates have been improving



\* Measured per 100 employees per year using US OSHA definition

- **Solid progress on environmental targets\*\***
- Greenhouse gas emissions - 8% reduction
- Total non-recycled waste - 38% reduction
- Water consumption - 21% reduction

\*\* Reduction between August 2007 and July 2010

# Agenda



**The next three years**  
– Strategic focus

## Actions to drive long-term shareholder value – a change in emphasis

	Last 3 years	Next 3 years
Driving top-line growth	Investment despite economic slowdown	Accelerate with continued investment
Enhancing margins	Transformational	Continuous improvement
Focus on cash and balance sheet	Transformational	Continued focus
Disciplined capital allocation	Bolt-on acquisitions	Portfolio management
Promoting responsibility	Solid progress	Sustained focus

# Capital allocation: Increased emphasis on portfolio management

## Option value on portfolio change

- Diversified portfolio – synergies and strategic rationale are limited
- Scope to realise value through active portfolio management
- Attractive opportunities for reinvestment

## Portfolio management – view of the past three years

- Focus on operational improvement – historically undermanaged assets
- Difficult markets – not been optimal environment for value creation

## Increased emphasis on portfolio management over next three years

- Business value enhanced through operational improvement initiatives
- Acquisitions and disposals to create a more focused business

## Managing a portfolio of liabilities

- Defined benefit pension plans and legacy product liabilities (asbestos)

# Agenda



## Smiths Group investment case

## Investment case for Smiths Group

Strong market positions in sectors well-placed for long-term profitable growth

Leading-edge technologies and high service levels command high margins

Further scope for operational improvement and margin enhancement

Strong cash generation to reinvest in top-line growth and grow dividends

High returns on investment above the cost of capital

Option to realise value through more active portfolio management

# Agenda



## Investor day agenda

## Key objectives for today

Provide an overview of each business: strategy and value drivers

Improve understanding of the divisions and their market positions

Highlight the opportunities for sales growth

Outline the scope for further operational improvement to enhance margins

Opportunity to see and handle a selection of our products

Demonstrate the strength of the divisional management teams

