

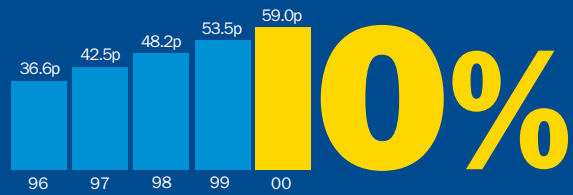
# A GROWTH COMPANY

Smiths Industries is a focused engineering company with an approach to innovation that has brought world leadership in its chosen sectors of advanced aerospace electronics, medical systems, and specialised industrial products.

## Financial highlights

	2000	1999	change
Turnover	<b>£1.46bn</b>	£1.32bn	+11%
Profit before tax and amortisation	<b>£266m</b>	£241m	+11%
Net borrowings	<b>£285m</b>	£93m	–
Earnings per share	<b>59.0p</b>	53.5p	+10%
Dividend for the year	<b>23.8p</b>	21.65p	+10%

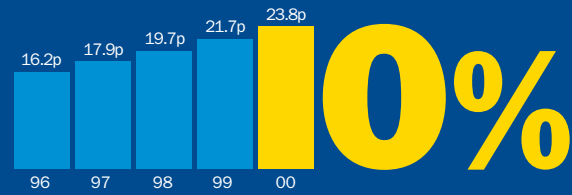
### Earnings per share increased by



**to 59p**

Reflecting continued growth in all three business sectors

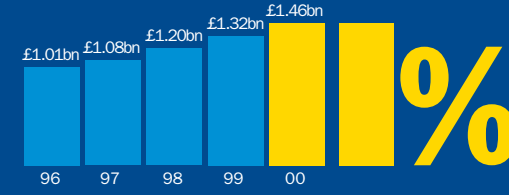
### Dividend per share increased by



**to 23.8p**

Year 2000 marks the 30th successive year of dividend increases

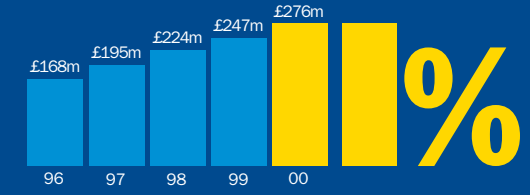
### Turnover increased by



**to £1.46bn**

Organic business development was a major contributor

### Operating profits increased by



**to £276m**

Double-digit profit growth for the sixth year running, with profits doubling in that period

# STRONG PERFORMANCE YEAR ON YEAR

Our five-year figures reveal solid, cumulative growth, with profits before tax rising 14% a year (including acquisitions, or 11% on an underlying basis). With double-digit growth in profits in all three areas of operation in 2000, we have a strong foundation for the future.

## Strategy

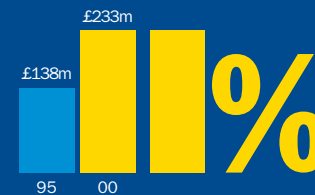
We are driving growth through the planned evolution of all three businesses. Our strategy is to broaden our capabilities in existing areas of expertise, both through organic growth and acquisition. This year, with nine new businesses, we spent more on acquisitions than at any time in our history.

On 18 September 2000, Smiths Industries plc announced its intention to merge with TI Group plc to form a company with a world-lead in four specialist engineering sectors. Since this occurred well after the year end, this significant move is not covered in this Report & Accounts. Shareholders have been informed separately, and full information is available on our website at [www.smiths-industries.com](http://www.smiths-industries.com)

### AEROSPACE

In Aerospace we have extended our expertise in advanced avionics into aircraft utilities and are building a world lead in this field, serving both civil and defence customers.

From organic growth we have achieved



annual growth rate in profits from existing businesses over 5 years

And this rises to



per annum with the inclusion of £675m of self-funded acquisitions over that period

# BUILDING ON OUR CORE CAPABILITIES

### MEDICAL SYSTEMS

Adding to Medical System's traditional business in single-use devices for critical care, we have established a strong position in products for the post-hospital recovery phase.

### INDUSTRIAL

Our skills in creating high integrity products for specialised engineering applications are now successfully being applied to equipment for the telecoms infrastructure market.

# Smiths Industries at a glance

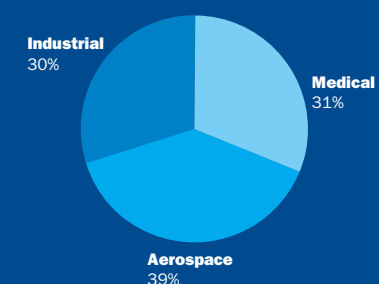
Aerospace	Financial performance	The marketplace	Product areas	Highlights of year	Growth opportunities
A first-tier supplier of advanced avionics to both civil and defence aircraft programmes, with a successful Customer Services organisation providing through-life support to airline and airforce operators.	Sales up 10% to £583m. Profits up 10% to £108m. Margins remained at 19%.	<ul style="list-style-type: none"> <li>Civil aviation business has come off the peak of its cycle, although demand for spares/repair services for existing aircraft is holding up well.</li> <li>Defence business is building up rapidly, and we are specified on many of the important programmes now going into production.</li> </ul>	<ul style="list-style-type: none"> <li>Advanced avionics systems used both for new-build aircraft and for retrofitting to existing aircraft, and electro-mechanical equipment used throughout the airframe.</li> </ul>	<ul style="list-style-type: none"> <li>Major military programmes incorporating our systems moved into the production phase.</li> <li>Acquired the aerospace activities of Invensys, and the actuation business of BAE Systems.</li> <li>Demand was sustained for our Customer Services from civil aircraft operators.</li> </ul>	<ul style="list-style-type: none"> <li>Exploiting our ownership of key avionics technologies.</li> <li>Participating in major new programmes such as the A3XX superjumbo and the Airbus military transporter.</li> <li>Stimulating organic growth as military demand accelerates.</li> <li>Moving further into aircraft utilities such as automated control systems.</li> </ul>
Medical Systems	Financial performance	The marketplace	Product areas	Highlights of year	Growth opportunities
A leading supplier of devices and equipment used during critical and intensive care procedures, and for continuing care during post-operative recovery.	Sales up 11% to £419m. Profits up 12% to £86m. Margins remained at 20%.	<ul style="list-style-type: none"> <li>Healthcare remains a priority for governments around the world.</li> <li>US healthcare sector – in which we have strengthened our position – is still expanding.</li> </ul>	<ul style="list-style-type: none"> <li>Premium, single-use devices mainly used in anaesthesia and respiratory care.</li> <li>Widening product range in the fast-growing field of infusion therapy.</li> </ul>	<ul style="list-style-type: none"> <li>US growth driven by larger sales force and more business with hospital buying groups.</li> <li>Japanese business performing well.</li> <li>Benefits from re-locating labour-intensive work into lower-cost locations.</li> <li>Currency factors affected exports from the UK, especially within Europe.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing market penetration by exploiting our global distribution system.</li> <li>Continued cost reduction through improvements in product development, manufacturing and distribution.</li> </ul>
Industrial	Financial performance	The marketplace	Product areas	Highlights of year	Growth opportunities
Producing high-specification components and products for demanding environments including aerospace, defence, telecoms and consumer durables which call for consistent performance and high reliability.	Sales up 10% to £462m. Profits up 13% to £82m. Margins up 1 point to 18%.	<ul style="list-style-type: none"> <li>Demand is expanding with the upturn in new wireless communications infrastructure and defence spending.</li> </ul>	<ul style="list-style-type: none"> <li>Interconnect – electrical/electronic connectors, protection systems, and cable management systems used in hazardous and safety-critical environments.</li> <li>Air movement – fans, ducting and hosing for commercial and domestic applications.</li> </ul>	<ul style="list-style-type: none"> <li>Four acquisitions widened Interconnect's capability in specialised electronic components for the communications marketplace.</li> <li>Air Movement benefited from the continuing strength of the US economy.</li> </ul>	<ul style="list-style-type: none"> <li>Further integration of our products to form systems that solve specific technical problems in high-growth markets.</li> <li>Taking our extensive range of telecom infrastructure components to customers beyond the US.</li> </ul>

## EXTENDING REACH, EXPANDING RANGE

We have gained strength both from extending the product ranges to give us a broader presence in our markets, and from balancing Smiths Industries as a transatlantic company.



**Profit by market sector**  
Total £276m



**Profit by origin**  
Total £276m

