

Smiths Group Interim Results 2007

London, Wednesday 21 March 2007

**Presentation by: Keith Butler-Wheelhouse, Chief Executive
John Langston, Finance Director**

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



Smiths Group: Interim Results 2007 - Highlights of the period

Chief Executive speaking

Growth in continuing activities

- ▶ Headline EPS and operating profit up by 7%
- ▶ Headline operating margins improved in all three businesses
- ▶ Growth achieved despite significant currency impact
- ▶ Cash conversion from profit at 84%
- ▶ Interim dividend increased by 6.6%

Good progress on transactions

- ▶ Shareholder approval secured for Aerospace sale
- ▶ Regulatory approval process underway
- ▶ Good progress towards reaching definitive agreement on Detection JV

Interim Results 2007

£m	2007		2006	
	Headline*	Statutory	Headline*	Statutory
Continuing activities				
Sales	1,021		1,007	
Operating profit	148	149	139	136
Pre-tax profit	134	136	125	124
Basic EPS (p)	17.4p	18.6p	16.3p	16.5p
<p><i>*In addition to statutory reporting, Smiths Group reports its continuing operations on a headline basis, which shows underlying performance. Headline profit is before exceptional items (incl. impairment of assets), amortisation of acquired intangible assets, profit/loss on disposal and financing gains/losses from currency hedging.</i></p>				
Discontinued activities				
Pre-tax profit		59		55
Basic EPS (p)		7.6p		7.1p
Interim dividend (pps)	10.5p		9.85p	

Headline performance - Continuing operations

£m	2007 @ \$1.92 €1.49	2006 @ \$1.77 €1.47	Reported	Underlying*
Sales	1,021	1,007	+1%	+7%
Operating profit	148	139	+7%	+14%
<i>Margins</i>	14.5%	13.8%		
Pre-tax profit	134	125	+8%	+15%
<p><i>*Underlying performance excludes the year-on-year impact of currency translation and acquisitions/disposals</i></p>				

Smiths Detection: Margin increased, strong profit growth

£m	2007	2006	Reported	Underlying
Sales	182	171	+6%	+10%
Operating profit	27	24	+16%	+22%
<i>Margin</i>	15.0%	13.7%		

- Deliveries for airports in Europe, Middle & Far East at high levels
- Strong growth in Ports & Borders
- Military sales flat, between contracts
- Aftermarket benefiting from larger installed base

Port & Borders



Transportation



Military



Smiths Medical: Strong underlying profit growth, margins improved

£m	2007	2006	Reported	Underlying
Sales	347	355	-2%	+3%
Operating profit	60	59	+2%	+9%
<i>Margin</i>	17.4%	16.7%		

- Temporary production constraints from transfer of manufacture to lower-cost locations
- Margins helped by efficiency gains and Medex synergies
- Business benefiting from trend to alternate sites & increased safety consciousness
- Strong growth in international sales, except Japan
- New products for catheter fixation, in vitro fertilisation and insulin delivery

Medication Delivery



Critical Care



Safety Devices



Specialty Engineering: Margin increased, exploiting market growth

£m	2007	2006	Reported	Underlying
Sales	492	481	+2%	+8%
Operating profit	61	56	+9%	+16%
<i>Margin</i>	12.3%	11.6%		
<i>Of which John Crane</i>				
Sales	252	245	+3%	+11%
Operating profit	31	27	+17%	+27%
<i>Margin</i>	12.4%	10.9%		

- John Crane benefiting from strong oil & gas market
- Interconnect growing in military & telecom sectors
- Flex-Tek affected by downturn in house construction in US





John Crane



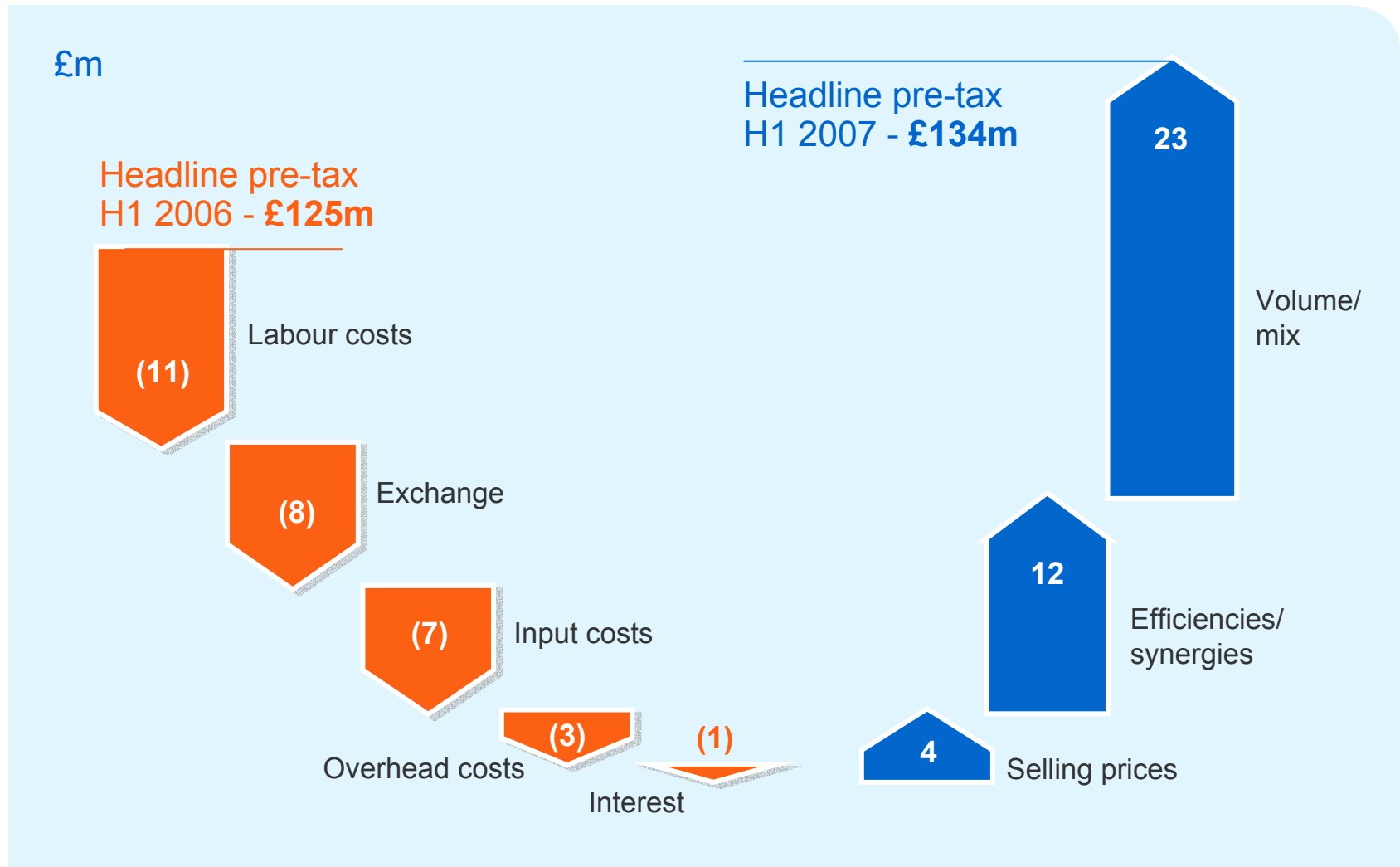
Interconnect



Continuing Acquisitions and Disposals

Acquisitions				
Comet:	August (H1 2007)	Specialty Engineering	 Italy	£3m
Tecnicas Medicas:	December (H1 2007)	Medical	 Spain	£12m
CDI:	March (H2 2007)	Specialty Engineering	 US	£19m
Disposals				
Bearing lubrication (John Crane):	August (H1 2007)	Specialty Engineering	 Finland	£15m

Profit progression from H1 2006 to H1 2007



Financial update

Finance Director speaking

▶	Currency translation impact: sales:	(£52m)
	headline operating profit:	(£9m)
▶	<i>Gross margin</i>	47%
▶	Interest charge	(£30m)
▶	Pensions financing benefit	£16m
▶	Effective headline tax rate	26%
▶	Net effect of items included in statutory accounts	£2m
▶	Update on legal matters	
▶	Continuing activities: H1/H2 split	

Operating cash conversion (for six months ended 3 February)

£m (for continuing activities)	2007
Headline operating profit	148
Share based payment	7
Property, plant & equipment (net of depreciation)	(3)
Development costs & other intangibles (net of amortisation and deferred income)	(11)
Changes in working capital	(17)
Operating cash-flow	124
Conversion rate	84%

Movement in net debt (for six months ended 3 February)

£m	2007
Net debt at start of period	(923)
Operating cash (after capex etc)	124
Interest and tax	(61)
Exceptionals	22
	85
Cash outflow from discontinued operations	(17)
Dividends	(122)
Acquisitions/disposals	(9)
Financing & exchange	48
Change in net debt	(15)
Net debt at end of period	(938)

Making good progress on transactions: Announcements of 15 January

Sale of Aerospace
for US \$4.8 billion

- Approved by shareholders at EGM
- Regulatory submissions filed by GE
- Treated as discontinued operations

Return of £2.1 billion
and share consolidation

- Class 1 circular to be issued once clearance obtained
- EGM circa 3 weeks later
- Capital to be returned after issue of 'B' shares

Letter of intent to form
Smiths-led Detection JV

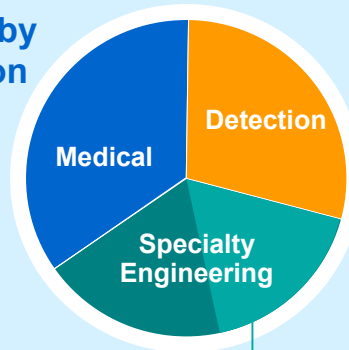
- Good progress on reaching definitive agreement
- Regulatory submissions being filed by Smiths
- Class 1 circular to be issued
- EGM circa 3 weeks later
- Businesses expected to combine early in FY08

The continuing Smiths Group

Chief Executive speaking

The new shape of Smiths Group

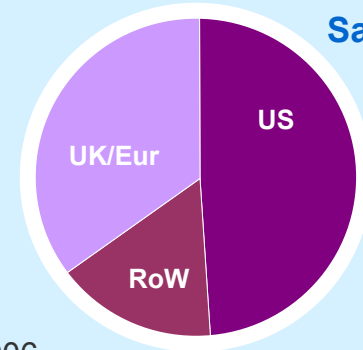
Sales by division



John Crane

Pro-forma 2006
£2.4 billion incl. JV

Sales by origin



Excellent long-term markets

- Markets with strong growth profiles
- Technology leadership and customer focus
- Better global footprint

Stronger financial performance

- Higher margin businesses
- Improved cash generation
- Less capital intensive

Opportunities for further growth

- Leveraging positions in fast-growing economies
- Driving for continuous productivity gains
- Adding adjacent products and services

Driving for Full Potential performance

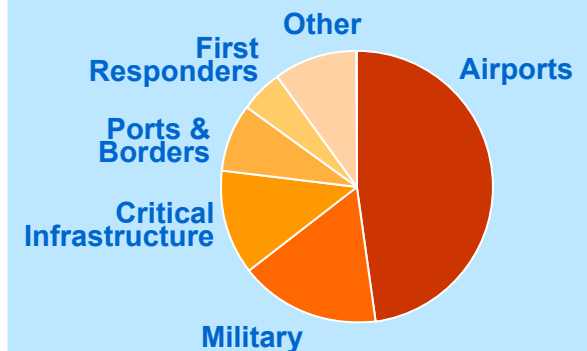
Smiths GE Detection Proposed Smiths-led joint venture

Fast-growing business
in an expanding market

GMD:
Stephen
Phipson



- Market still evolving rapidly, new threats create additional demand
- Smiths: comprehensive product range for airports and all other applications
- Close relationships with the key agencies: 85% of sales to governments
- Technology leadership, will benefit from GE's R&D support
- Growing service business from large installed base



Pro-forma 2006 sales of JV: £580m

The complementary strengths of Smiths and GE will enhance growth prospects

Smiths Medical

Attractive market dynamics,
significant opportunities for growth

GMD:
Sri
Seshadri



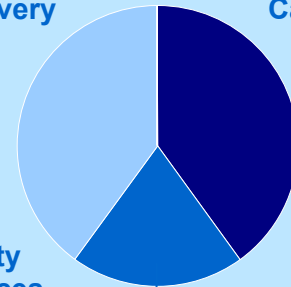
- Consistent 5% growth in world market for healthcare devices
- Smiths: good market positions, respected brands, constant product renewal
- Effective global distribution network: sales 50/50 US/RoW
- Efficient production in low-cost locations
- Device industry still unconsolidated, Smiths range can be extended



Medication
Delivery

Critical
Care

Safety
Devices



2006 sales:£737m

Smiths Medical : a recognised leader in specialist devices

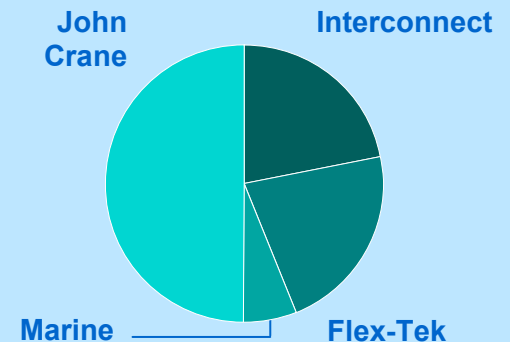
Smiths Specialty Engineering

Above-GDP growth
from specialised niches

GMD:
Paul
Cox



- Highly-engineered components designed for safety-critical environments
- John Crane: benefiting from sustained high capex in oil & gas industry
- Interconnect:
 - network-centric drives military business
 - demand for new infrastructure drives wireless network business
- Flex-Tek: US house construction down at present, growth in other products
- Acquisition opportunities with good synergies



Pro-forma 2006 sales: £1,031m (excl.TMS)

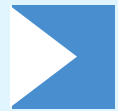
Strong growth through technology leadership and meeting customers' specialist needs

Smiths Group: driving for Full Potential

In summary, Smiths is:



Operating in attractive market-sectors



Going for global manufacturing, close to customers



Confirming technology leadership



Improving productivity in all activities



Achieving organic + acquisitive growth

Smiths is now well-positioned for further growth

Smiths Group: Looking ahead

“Looking ahead, Smiths is now focused on technology leadership and competitive market positions in sectors with attractive long-term prospects. In its new shape, the company has higher margins, better cash performance, an improved capital structure, resources for further development and a progressive dividend policy.”

“The outlook for the current financial year and beyond remains encouraging and is in line with management expectations.”

Questions and answers

A world leader in the practical application of advanced technologies



Smiths Detection



Equipment for homeland defence, business security and protection of the military

Smiths Medical



Specialist devices and equipment for critical healthcare

Specialty Engineering



Application-specific components in energy, communications and construction markets

Bringing technology to life