

smiths

bringing technology to life

Smiths Group

Presentation by: John Langston, Finance Director

At the JP Morgan Capital Goods Conference

Pennyhill Park, Surrey, UK

Thursday, 14 June 2007

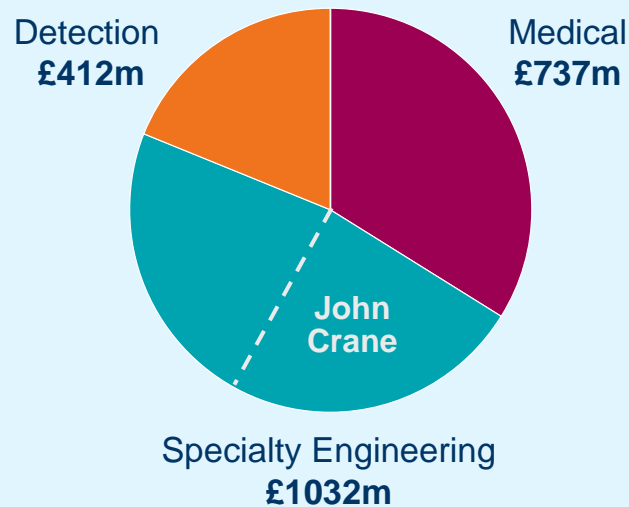
Making the world
safer, healthier and
more productive



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The shape of new Smiths

Continuing activities, Sales 2006: **£2,180m**



Following the disposal of Aerospace:

- In markets with strong growth, less cyclical
- Higher margin businesses
- Less capital intensive, better cash conversion
- More efficient balance sheet
- Adequate resource for targeted acquisitions
- Dividend payment ratio increased

Smiths Medical



Specialist devices and equipment for critical healthcare

Specialty Engineering



Application-specific components in energy, communications and construction markets

Smiths Detection



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

In markets with strong underlying growth

Market growth

Medical:

Healthcare spending continues to increase worldwide, driven by demographics

5%

Specialty Engineering:

High capital spending on energy production and on electronic networks

7%

Detection:

Homeland security now a top priority in all western countries

10%

Smiths is now in less cyclical, growth-focused market sectors

High margin businesses addressing the best growth opportunities

2006 EBIT margin*

Medical:

Premium products in strong niche markets

18%

Specialty
Engineering:

Meeting the most demanding
customer specifications

13%

Detection:

Technology leadership in
responding to new threats

18%

Smiths
Group

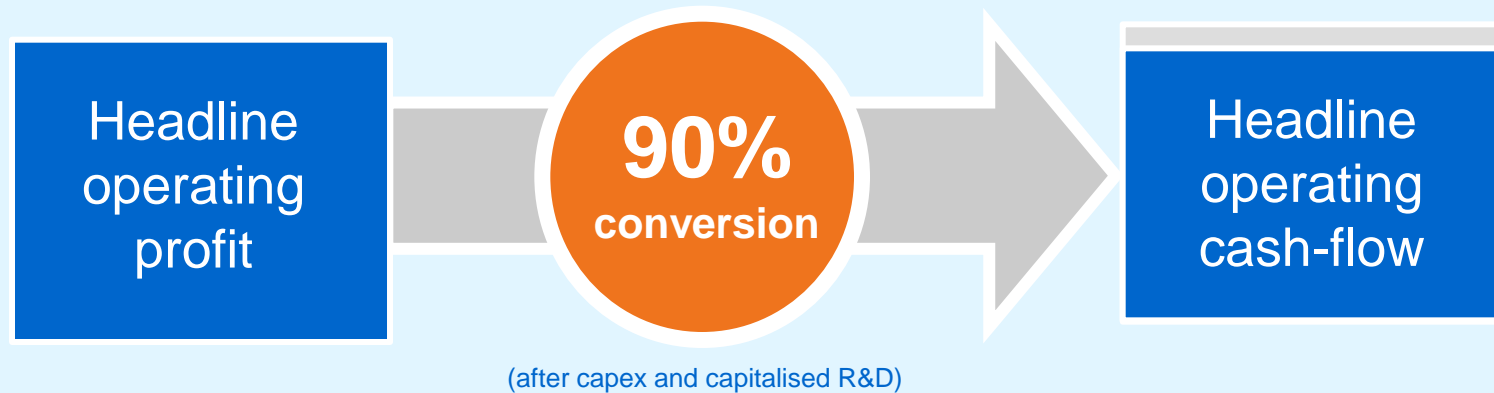
Sales growth and productivity gains will
drive continued margin enhancement

16%

*restated post-Aerospace

Now less capital intensive and able to achieve an improved cash generation

Target for Smiths from 2008



| Continuing activities £m | 2007E |
|---------------------------|--------------|
| Capex (PPE + intangibles) | circa (80) |
| Capitalised R&D | circa (20) |
| | (100) |
| Depreciation | circa 55 |
| Amortisation (R&D) | circa 10 |
| | 65 |

A more efficient Balance Sheet

New targets

Debt/Equity

20%

Debt/EBITDA

<2x

Interest cover

>7x

Credit rating

**BBB+
Baa2**

- The tightened B/S still provides adequate resource for a targeted acquisition programme
- The better cash generation allows a more generous dividend pay-out ratio: now targeting an average of 1.8x covered by earnings

Smiths Group: A strong management team driving Full Potential

Board



Donald Brydon
Chairman

4 non-executives

- Finance
- Industry
- Government

Executive Team



Keith Butler-Wheelhouse
Chief Executive



John Langston
Finance Director



David Lillycrop
General Counsel



Paul Cox
Specialty Engineering



Stephen Phipson
Detection



Srini Seshadri
Medical

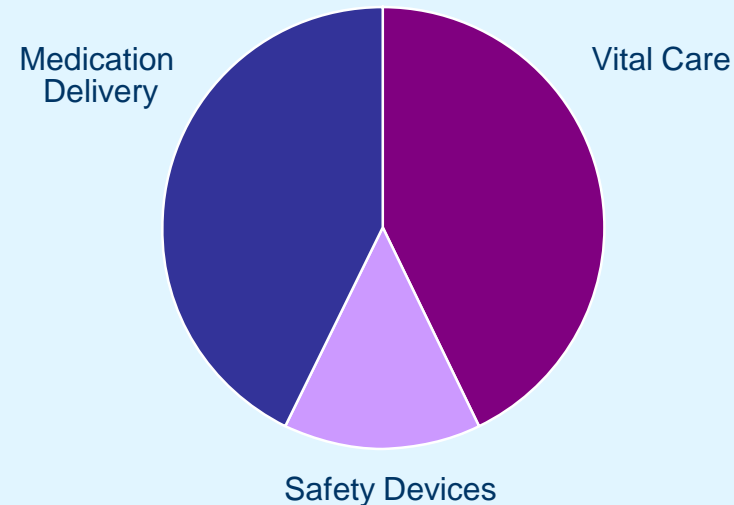
Executive remuneration - Variable elements depend on: Sales growth, Operating profit growth, Operating cash performance, 3-year TSR targets

Smiths Medical: focusing on improved outcomes for patients

Srini Seshadri
Medical






- Holding leading positions in key market segments
- Benefiting from patient demographics
- Driving growth through product innovation
- Extending global reach: design, production, distribution
- Realising operational efficiency improvements
- Seeking adjacencies to extend product range



2006 sales: £727m

A strong niche player in an addressable market of £3.5 billion p.a.

Smiths Medical: innovative products targeted at specialist users - Well-positioned in dynamic market sectors

| Smiths products | Market dynamics | Smiths sales |
|--|---------------------------------|------------------|
| Size | growth | (06-approx) |
| Medication Delivery  <ul style="list-style-type: none"> • Pain relief • Cancer treatment • Insulin delivery | <div>£1.5bn</div> <div>6%</div> | <div>£250m</div> |
| Vital Care  <ul style="list-style-type: none"> • Airway management • Respiratory Care • Body temperature • Vital signs • IVF therapy | <div>£1.5bn</div> <div>4%</div> | <div>£300m</div> |
| Safety Devices  <ul style="list-style-type: none"> • Blood sampling • Injections • Vaccinations • Intravenous drug delivery | <div>£0.5bn</div> <div>6%</div> | <div>£150m</div> |

Cost reduction and improved operating efficiency

Manufacturing strategy

- Fewer, world class, facilities
- High volume lines automated
- High labour content in LCCs

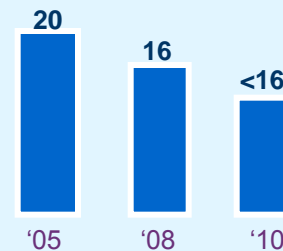
Operating strategy

- Business-wide ERP system
- Improved service levels
- Rationalised supply chain

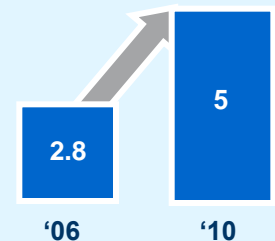
Gaining competitive advantage from continuous productivity drive



Number of facilities



Inventory Turns

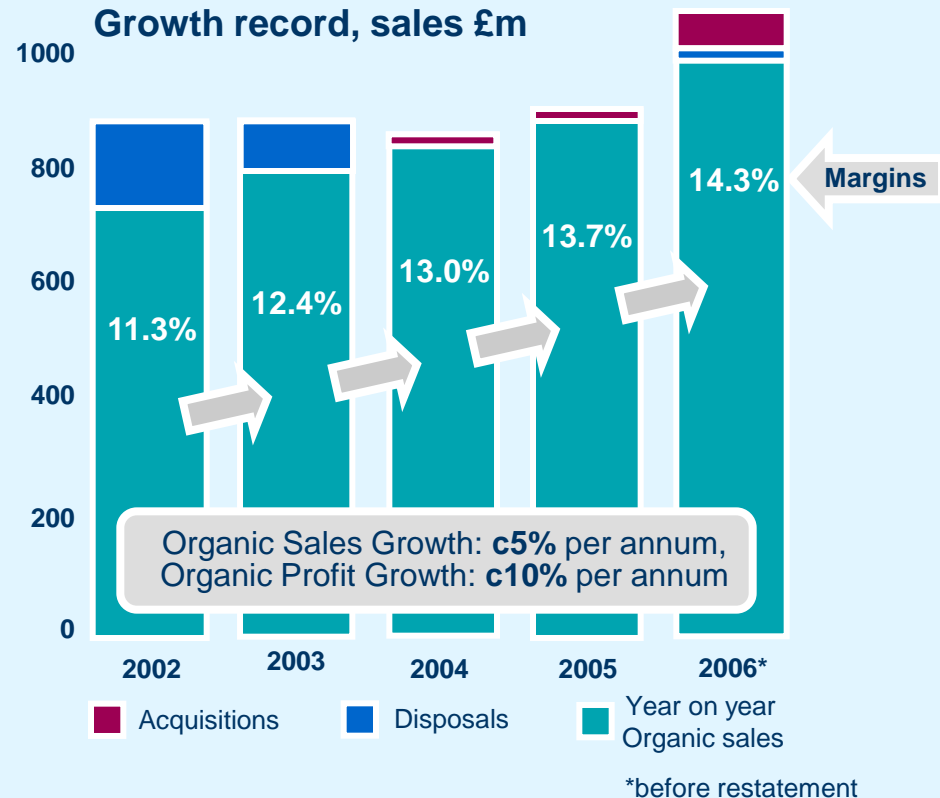
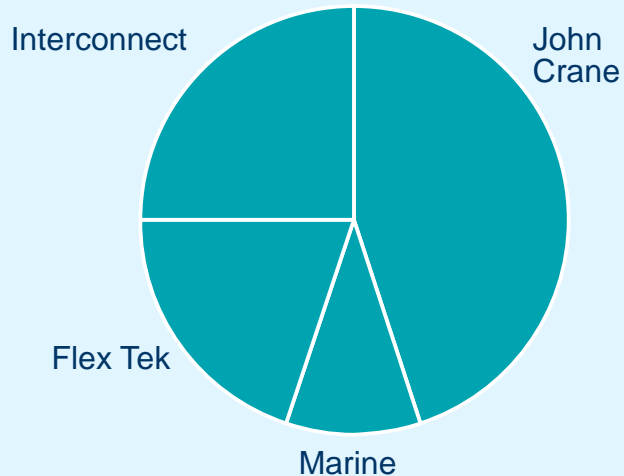


Specialty Engineering: changing the business mix to focus on growth markets

Paul Cox
Specialty Engineering



2006 sales: £1,032m



Strong organic growth, acquisitions and productivity gains
have driven consistent margin improvement

John Crane: a world leader in rotating mechanical seals



Products & services used throughout the energy sector



Two thirds of sales are into the petrochemical sector



Strong relationships with end-users



Global capital spend in this sector will continue to increase

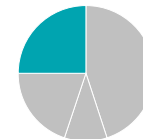
**Capex
growth:
6.7% CAGR**

Installed base generates healthy aftermarket



Global sales & service puts John Crane close to customers

Interconnect: highly specialised components for electronic networks



Military/aerospace

- Defence procurement focusing on force modernisation
 - UAVs
 - next-generation land vehicles
 - communications systems
 - battlespace surveillance
 - self-protection systems



Wireless infrastructure

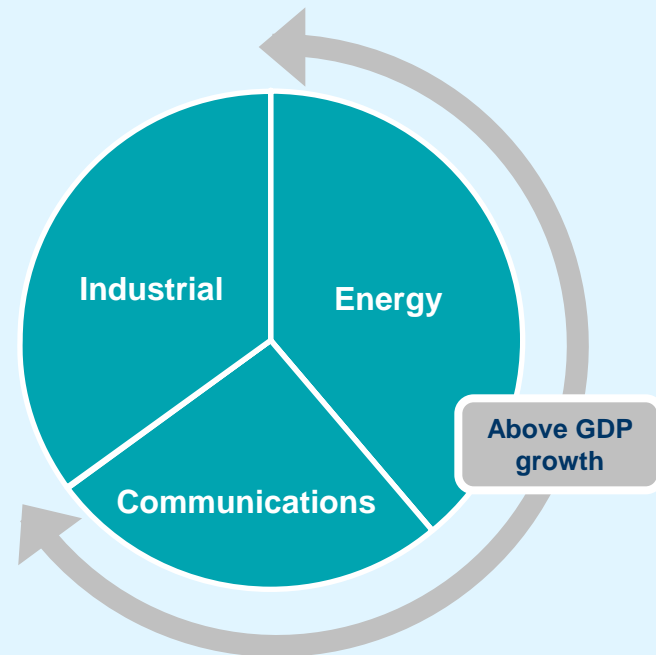
- Mobile telecoms growing at 9% worldwide
- Subscribers demanding:
 - greater coverage
 - better connectivity
 - increased functionality
- Driving investment in network expansion



Strong growth in military and commercial networks benefits Smiths Interconnect

Specialty Engineering: well-positioned for sustainable growth

- Two thirds of divisional sales are in strong growth markets
- Production being established in developing economies, incl. China
- Volume increase and efficiency improvements will drive further margin expansion
- Portfolio adjustment continues, incl. acquisition of adjacent products

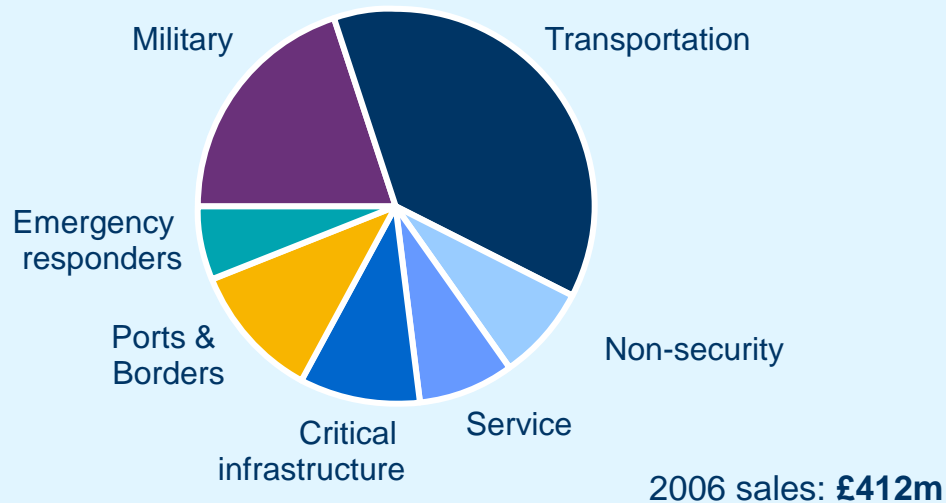


Revenues by market 2006: £1,032m

A significant contributor to the performance of Smiths Group

Smiths Detection: offering the widest range of detection technologies

Stephen Phipson
Detection



Smiths capabilities

- Chemical agent detection
- Bio-agent detection
- X-ray screening
- Infra-red chemical analysis
- Millimetre wave
- Sensor management systems



A fast-growing market with new opportunities occurring across the range of homeland protection requirements

Ports & Borders: a rapidly expanding sector



- Driven by two dynamics
 - Security screening
 - Prevention of tax evasion
- Current levels of screening are inadequate for perceived threat
- Smiths is the market leader, with mobile and fixed units
- Capable of detecting explosives, weapons, radioactive materials, narcotics



Smiths serves key markets from local production centres: Paris/Tennessee/St Petersburg

Military: providing the armed forces with total capability



- Equipment for battlefield detection of chemical, biological, radiological, nuclear and explosive threats
- Units are being miniaturised for individual protection
- Sizeable contracts with UK MoD, US DoD and other countries
- Technology spin-off opportunities into commercial applications



Governments are helping fund the development of advanced systems

Airport security: focusing on checkpoint, hold baggage, air cargo



Preventing explosives/weapons being taken on to aircraft

- Airport security demand will grow at c10% pa, due to:
 - traffic growth
 - new threats
 - improved efficiency
 - replacement of post 9/11 kit
 - systems integration
- Technology will be a major driver, eg: eliminating the need to remove laptops, coats & shoes at checkpoints
- The future checkpoint will be passenger-friendly, with higher throughput and lower staffing, releasing funds for new equipment

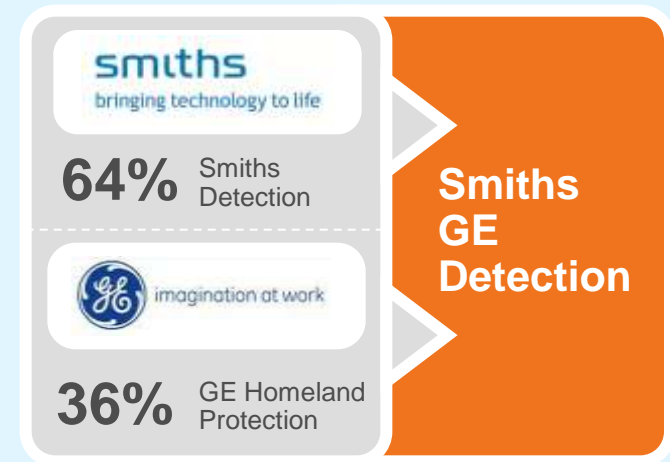


Smiths is a market leader in detection systems for the airport market

Bringing Smiths Detection and GE Homeland Protection together

- To offer a total solution for airport screening of hold baggage
- Including GE's Computed Tomography (CT) technology for Level3 screening
- Access to GE's research programmes

| | L3 | GE | Smiths | OSI |
|-----------------|----|----|--------|-----|
| High Throughput | X | | X | X |
| US certified CT | X | X | | |
| Recheck - XRD | | X | | |



Sales by sector

*pro-forma 2006



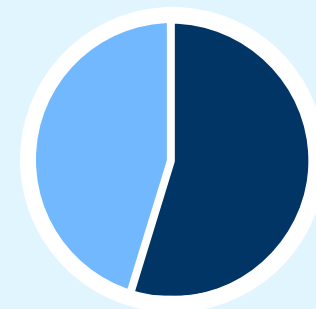
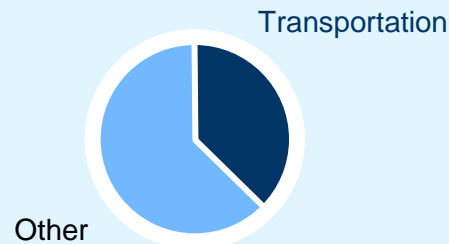
GE HLP £178m*



Smiths Detection £412M



Smiths GE Detection £590m*



Smiths Group: achieving Full Potential through the implementation of six fundamental strengths

Operating in sectors of high growth

Reaching deep into global markets

Developing technology to help customers succeed

Delivering constant improvement

Improving the business mix

Doing business the right way



Making the world, safer, healthier and more productive