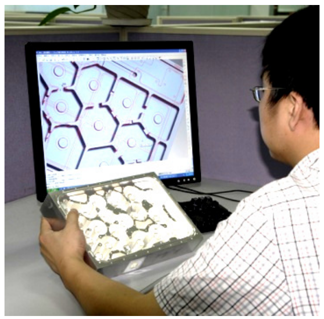
smiths
bringing technology to life

Smiths Group, Interim Results

London, 25 March 2009

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. 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 these Interim results and the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

Introduction

Philip Bowman, Chief Executive

Agenda

1 Highlights

2 Financial Review

3 Operational Review and Priorities

Business highlights

Challenging economic environment

Sales increased by 19%; underlying down 3%

Drivers of reported sales growth:

- Strong organic growth at John Crane
- Currency translation and recent acquisitions

Headline operating profit up 17%, underlying down 10%

Significant improvement in cash generation

Dividend unchanged at 10.5p - reflects opportunities to invest to generate value

Opportunities to create value - key steps

Restructuring ✓	Restructuring initiatives are already delivering savings
Acquisitions ✓	Extended our portfolio and presence through two acquisitions in China
Better systems ✓	Made good progress with the deployment of better business systems
SKU review ✓	Portfolio profitability review in Medical is underway - informed decision to exit diabetes
Increased R&D ✓	Increased R&D to drive future growth
Financing ✓	Successful issue of long-term debt capital extends debt maturity

John Langston, Finance Director

Interim results 2009

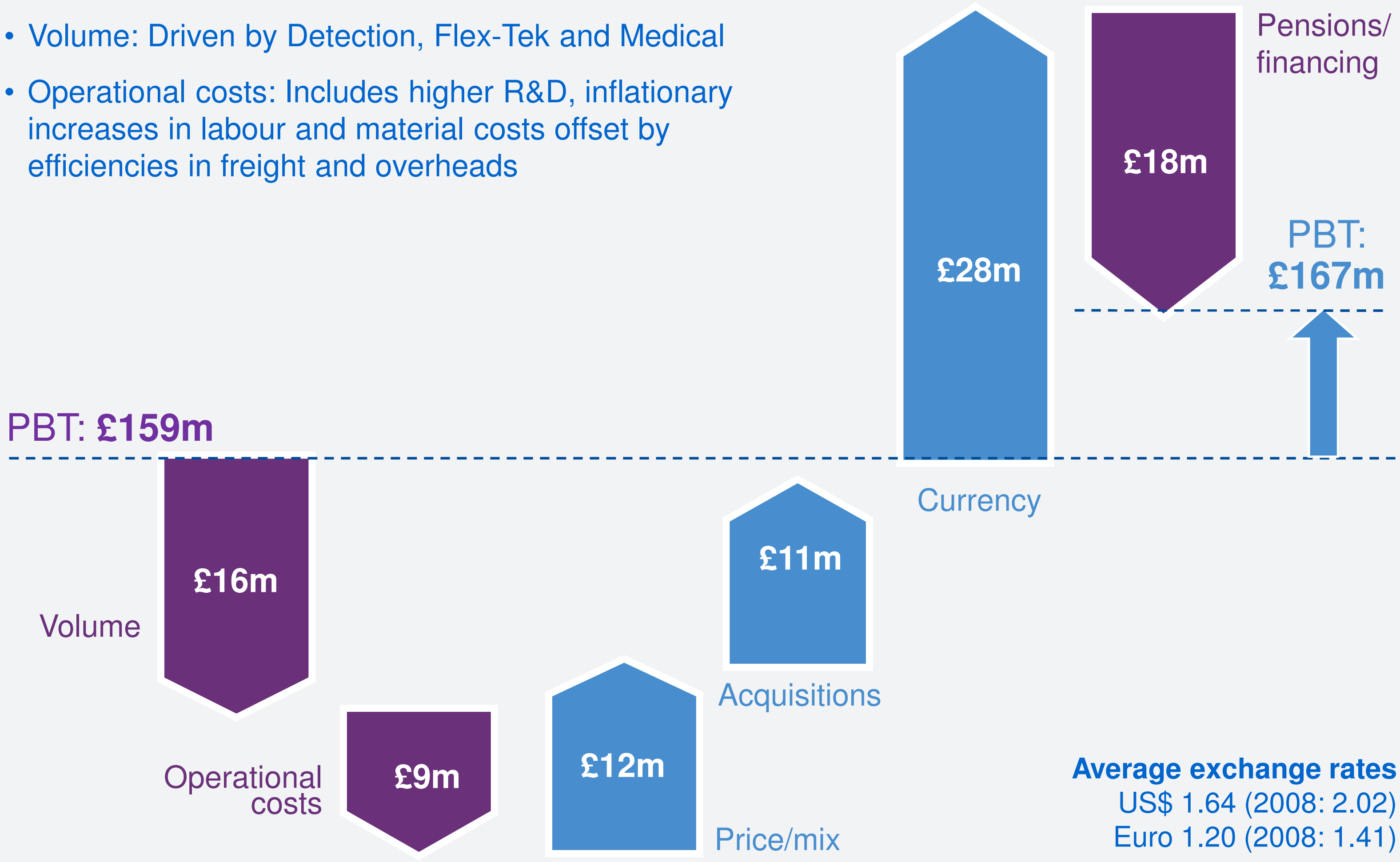
£m	Headline*				Statutory	
	2009	**2008**			**2009**	2008
Continuing activities			Reported	Underlying**		
Sales	**1,292**	1,088	19%	(3)%	**1,292**	1,088
Operating profit	**185**	158	17%	(10)%	**160**	170
Margin	***14.3%***	*14.5%*	-	-	***12.4%***	*15.6%*
Pre-tax profit	**167**	159	5%	(17)%	**135**	165
Basic EPS (p)	**32.5**	30.8	6%		**28.0**	34.3
Free cash flow	**104**	26				
Dividend (pps)	**10.5**	10.5			**10.5**	10.5

* 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 and financing gains/losses from currency hedging. Free cash flow is defined in the Financial review in the Interim report.

** Organic growth at constant currency

Profit progression 2008 to 2009

- Volume: Driven by Detection, Flex-Tek and Medical
- Operational costs: Includes higher R&D, inflationary increases in labour and material costs offset by efficiencies in freight and overheads



Average exchange rates
US$ 1.64 (2008: 2.02)
Euro 1.20 (2008: 1.41)

Smiths Detection: Affected by variable order flow - ports & borders

£m	**2009**	2008	reported	underlying
Sales	**233**	222	+5%	(11)%
Operating profit	**24**	35	(32)%	(45)%
Margin	***10.2%***	*15.8%*		

Operating profit	**£m**
2007/08	**35**
Volume	(14)
Mix	3
Operational costs	(3)
Net foreign exchange	3
2008/09	**24**

- Volume: Decline driven by ports and borders
- Mix: Improved contract mix
- Costs: Inflationary increases
- FX: Translation +£8m offset by transaction -£5m

John Crane: Strong petrochemical demand

£m	**2009**	2008	reported	underlying
Sales	**393**	283	+39%	+6%
Operating profit	**66**	41	+62%	+18%
Margin	***16.8%***	*14.4%*		

Operating profit	**£m**
2007/08	**41**
Volume	8
Price	5
Operational costs	(5)
Acquisitions	9
Foreign exchange	8
2008/09	**66**

- Volume: Strong OEM order book and high aftermarket demand
- Pricing: Net benefit
- Operational: Inflationary costs offset by cost saving initiatives
- Acquisitions: JC Bearings, Indufil, Fiberod and Japan JV
- FX: Translation benefit

Smiths Medical: Weak hardware market; recovery from supply chain issues

£m	**2009**	2008	reported	underlying
Sales	**403**	346	+16%	(3)%
Operating profit	**77**	67	+15%	(6)%
Operating margin	***19.1%***	*19.3%*		

Operating profit	**£m**
2007/08	**67**
Volume	(5)
Operational efficiencies	3
R&D	(2)
Acquisitions	1
Net foreign exchange	13
2008/09	**77**

- Volume: Lower hardware sales & recovery from supply chain issues
- Efficiencies: Cost savings partly offset by labour inflation of 3%
- R&D: increased investment
- Acquisitions: ZDMI syringe pumps
- FX: Translation +£14m offset by transaction -£1m

Smiths Interconnect: Good growth from military; wireless slower

£m	**2009**	2008	reported	underlying
Sales	**152**	121	+25%	(2)%
Operating profit	**24**	23	+3%	(20)%
Margin	***15.7%***	*19.2%*		

Operating profit	**£m**
2007/08	**23**
Mix	(2)
Restructuring costs	(2)
Acquisitions & disposals	1
Net foreign exchange	4
2008/09	**24**

- Mix: Lower wireless sales
- One-off restructuring costs
- M&A: Benefit from Allrizon and Triasx
- FX: Translation +£6m offset by transaction -£2m

Flex-Tek: Facing challenging markets; growth in aerospace

Specialty - Other (£m)	**2009**	2008	reported	underlying
Sales	**111**	100	+12%	(11)%
Operating profit	**11**	11	+3%	(17)%
Margin	***9.7%***	*10.6%*		

Operating profit	**£m**
2007/08	**11**
Volume	(6)
Price	5
Operational costs	(1)
Foreign exchange	2
2008/09	**11**

- Volume: Declines in US housing and appliances
- Price: Across all business units
- Costs: Raw material inflation offset by efficiencies in operations
- FX: Translation of £2m

Reconciliation: Headline operating profit to statutory profit

		£m
Headline operating profit		**185.1**
Profit on disposal of businesses	*0.7*	
Profit on disposal of property	*13.5*	
John Crane litigation - mark to market	*(8.6)*	
John Crane litigation - other	*(7.6)*	
Corporate and divisional restructuring	*(8.4)*	
Exceptional operating items		(10.4)
Amortisation of acquired intangible assets		(14.7)
Statutory operating profit		**160.0**

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Exceptional items: Restructuring costs and benefits

£m	Costs 2009	Costs to date	Total costs	Savings to date	Full annualised benefits
HQ	2	5	9	3	5
IT	-	-	6	-	8
John Crane	3	5	24	3	25
Medical	1	1	4	-	2
Flex-Tek	2	2	5	2	7
Total	**8**	**13**	**48**	**8**	**47**

Improved operating cash

£m (for continuing activities)	**2009**	2008
Headline operating profit	**185**	158
Changes in working capital	**(35)**	(55)
Share based payment	**8**	7
Capital expenditure (Property, plant & equipment)	**(26)**	(24)
Depreciation	**30**	24
Development costs & other intangibles (net of amortisation and deferred income)	**(8)**	(11)
Operating cash-flow	**154**	99
Conversion rate	**83%**	63%

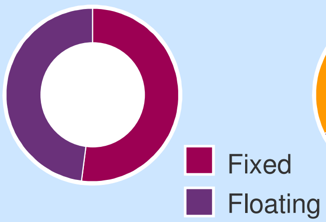
Net debt increased by £204m to £975m driven by FX and acquisitions

£m	2009
Net debt at start of period	(771)
Operating cash (after capex etc)	154
Interest and tax	(36)
Exceptionals	(14)
Free cash flow	104
Dividends	(91)
Acquisitions/disposals	(41)
Financing	(41)
Foreign exchange	(118)
Movement in fair value of swapped debt and interest accrual	(17)
Change in net debt	(204)
Net debt at end of period	(975)

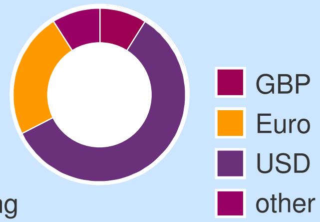
Pro-forma debt analysis - Post Pricoa $175m private placement

(as at 31st January 2009)

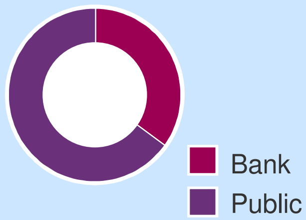
Interest split



Currency split*

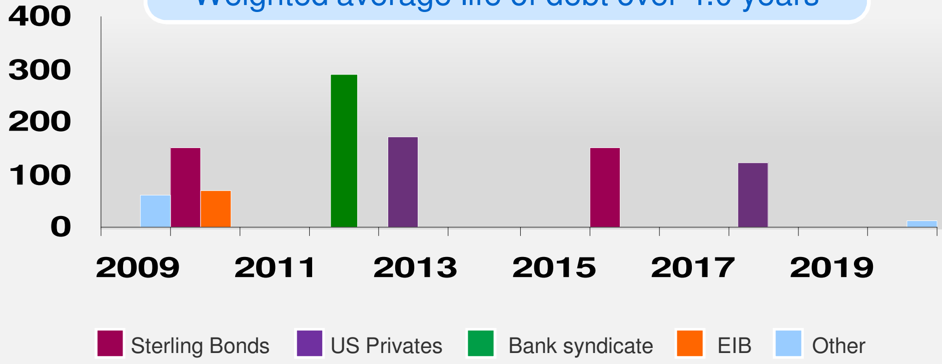


Debt split



Net debt	£m
Borrowings	998
Less net cash	(23)
Net debt	975

Weighted average life of debt over 4.0 years



Credit Rating
BBB+ / Baa2

EBITA/interest cover:
9.0x

EV gearing:
22%

Pro-forma - committed undrawn facilities of c. £370m at 31 January 2009

** After swaps*

Pensions: Increase in deficit

Funding and balance sheet

	31 January 2009	31 July 2008
Funded plans:		
UK plans - funding status	**94%**	106%
US plans - funding status	**64%**	89%
Other plans - funding status	**77%**	81%
Surplus/(deficit):	**£m**	**£m**
Funded plans	(330)	102
Unfunded plans	(134)	(113)
Total liability	(464)	(11)

P&L and cash

2009	
Finance income	**£2m**
Cash contributions	**£20m**
2008	
Finance income	**£21m**
Cash contributions	**£20m**

Financials: Conclusion

Significantly improved free cash flow

Investment in growth: R&D, acquisitions and restructuring

Strong balance sheet: Good available credit facilities to fund growth

A healthy platform for future growth and driving returns

Philip Bowman, Chief Executive

Key developments in the Group

HQ restructuring complete

- Reduction in headcount
- Moved to smaller offices in central London
- Delivered savings of £3m

Improvement of business systems

- Good progress on ERP systems in divisions
- Group information platform is creating procurement opportunities
  - 15k suppliers serve more than one division
  - 60 suppliers serve every division

Smiths Detection: Variable order flow has affected sales

2009 H1 Sales
£233m
(11)% growth

2009 H1 Op. profit
£24m
10% margin

Transportation - flat
- Good growth in US with roll-out of new technology
- Europe slower with project deferrals and outcome of technology trials pending

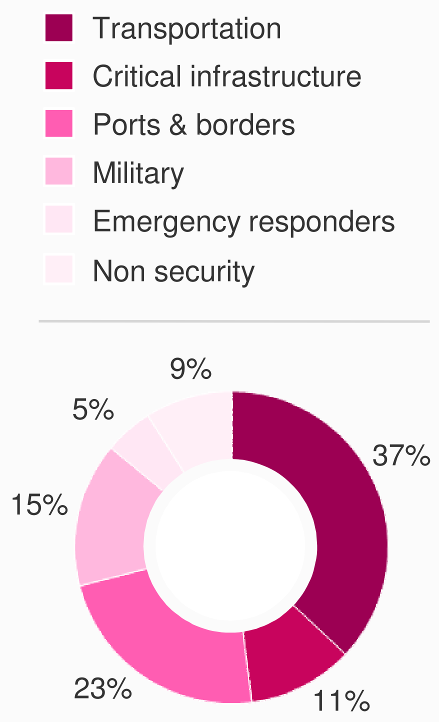
Ports & borders - sharp decline
- Strong prior year with large Russian contract

Military & emergency responders - strong growth
- JCAD and Meteorological Measuring Set-Profiler

Restructured and Chief Operating Officer appointed

ERP programme on track to conclude end 2009

FY 2008 sales by sector £m



Smiths Detection: Investing in future growth through R&D

- Company-funded R&D increased to £15m or 6.5% of sales
- Total spend increased to £22m; 9.4% of sales
- Developing next generation of cargo-screening
- Launched eqo - mm wave advanced people-screener
- Biological detection - veterinary and clinical applications

Smiths Detection: Operational priorities

- Roll out airport checkpoint & cargo screening systems
- Launch new generation products
- Implement cost reduction initiatives
- ERP implementation

Outlook

- Healthy level of tender activity and new business interest
- Benefits from leadership position, technologies, cost reduction
- Short term may be affected by variable order flow

John Crane: Strong growth driven by oil and gas

2009 H1 Sales
£393m
6% growth

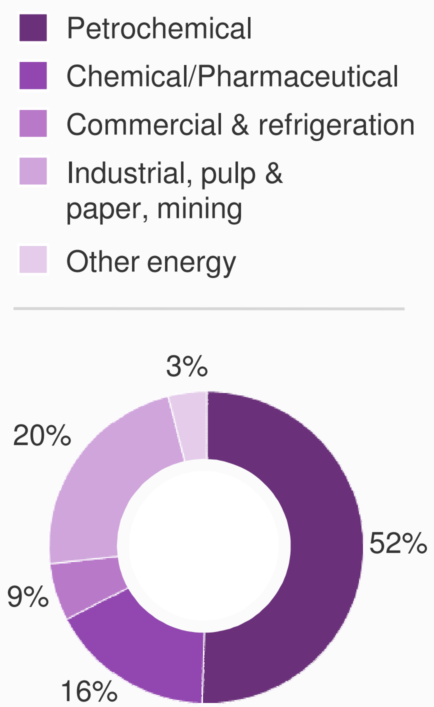
2009 H1 Op. profit
£66m
17% margin

Underlying demand from petrochemical sector

Expansion of global network of service centres
- 132 service centres in 54 markets
- Middle East - 4 new facilities
- Asia Pacific - 3 new facilities

ERP programme on track - 10 sites live in Europe

FY 2008 sales by sector £m



John Crane: Recent acquisitions performing well

John Crane Production Solutions has been formed

- Double digit growth rates
- CDI recently completed a major refit programme in Romania
- Fiberod supports launch of solar-powered pump

Indufil integration on track

- Beginning to leverage the global network

John Crane Bearing Technology created from Sartorius Bearings

- Good growth – particularly serving compressors and turbines

John Crane: Restructuring for better customer service and lower costs

- Integration of two regional organisations: Americas and RoW
- Strategy and planning managed centrally
- Global approach to engineering, supply chain, finance, IT, HR
- Sales and servicing close to customers in the regions
- Improve customer service, decision-making, delivery performance and communications

£m	Costs to date	Future costs	Benefits to date	Full annualised benefits
John Crane	**5**	**19**	**3**	**25**

John Crane: Operational priorities

- Implement restructuring programme - global John Crane
- Service centre growth
- ERP implementation
- Build the business through acquisitions

Outlook

- Aftermarket sales remain stable
- OEM order book remained strong and will underpin H2 sales
- OEM orders have begun to soften in past three months
- Cost reduction initiatives will support margins

Smiths Medical: Operational highlights

2009 H1 Sales
£403m
(3)% growth

2009 H1 Op. profit
£77m
19% margin

80% of sales from disposables - better performance

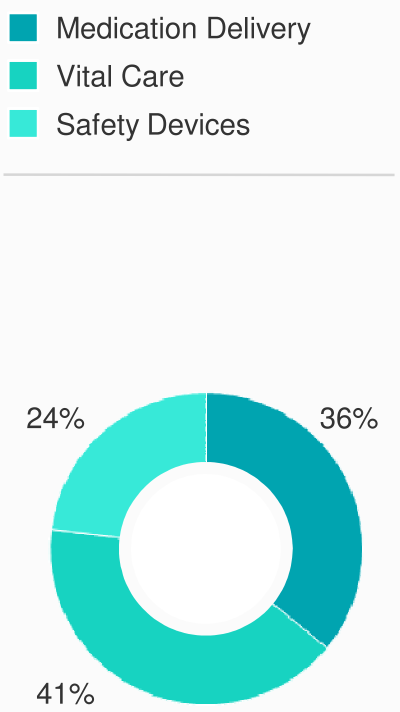
Pressure on hospital capital budgets

Medication Delivery - sales down 3.8%
• Pressure on hardware and competition in diabetes

Vital Care - sales down 4.5%
• Patient monitoring and temperature mgmt affected

Safety Devices - sales up 1.7%
• New product launches and growth in needle safety

FY 2008 sales by sector £m



Smiths Medical: Good progress in supply chain issues & restructuring

24 month improvement programme delivering results

Customer backorders have been reduced to a 5 year low

North America benefited most from improvements

International - contracting cycle is taking longer to win back customers

ERP implementation on schedule and within budget

- Gone live in Benelux, Japan, Spain and Southington
- More than 60% of sales and sites on new system

Consolidation of North America operations delivering savings

Smiths Medical: Portfolio profitability review and exit from diabetes

Opportunities: pricing, minimum order quantities, customer management and complexity reduction

Rationalisation of SKU portfolio - eliminate 3k out of 13k low volume SKUs

Early outcome is decision to exit diabetes business - Cozmo

- IP environment - significant risk and cost to develop next-generation product
- Small market share
- Margins constrained by combination of adverse legal settlement and costs of dedicated direct-to-consumer infrastructure in US

FY 2008 sales of £36m and operating profit of £6m - 16% margin

Exit will run over 4 years in line with product warranties

Smiths Medical: Investing in growth opportunities

R&D investment was £14m or 3.4% of sales (2008: 3.6%)

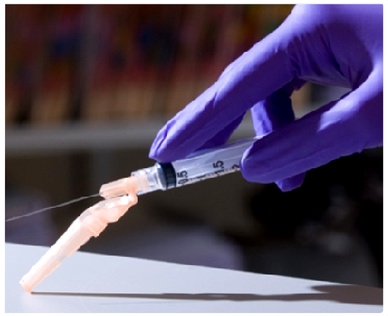
Selection of new product launches:

- SmartX - wireless blood pressure monitoring
- UniPerc - tracheostomy tube for large patients
- CADD Solis - new language variants

Investing in growth markets - China

- Acquisition of Zheijang Zheda Medical Instrument Co. Ltd (ZDMI)
- Syringe pumps and enteral feeding devices
- Access to large and growing market





Smiths Medical: Operational priorities

- Exploit opportunities from the SKU and customer profitability review
- Implement exit from diabetes business
- Continue ERP implementation and improve supply chain
- Optimise R&D spend across the portfolio and launch new products in growth markets

Outlook

- Prioritise margin improvement and operating efficiencies
- Portfolio review and diabetes exit will affect revenue growth
- Seek growth in developing markets and new products

Smiths Interconnect: Good growth from military; wireless slower

2009 H1 Sales
£152m
(2)% growth

2009 H1 Op. profit
£24m
16% margin

Margins impacted by restructuring costs

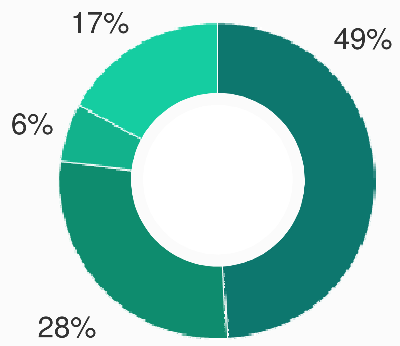
Military - sales increased through US programmes -
- MDAS - Mobile Directional Antenna Systems
- SOTM - Satellite Communications On The Move
- WIN-T - Warfighter Information Network-Tactical
- NMT - Navy Multiband Terminal

Wireless - sales affected by a slowdown in infrastructure spend

Other markets are challenging

FY 2008 sales by sector £m

- Military/Aerospace
- Wireless
- Medical
- Other



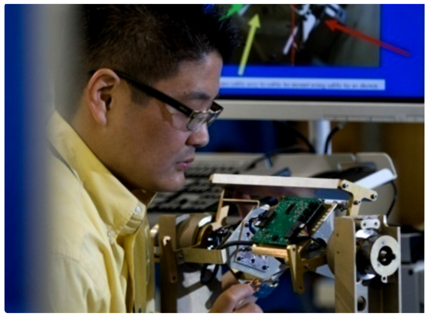
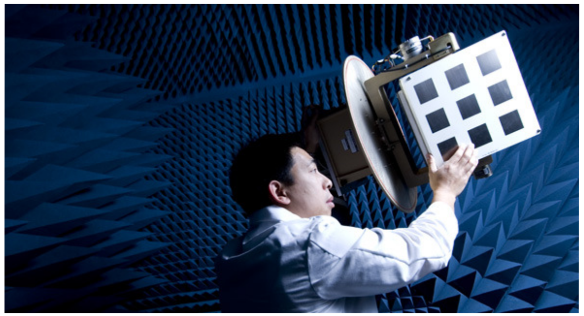
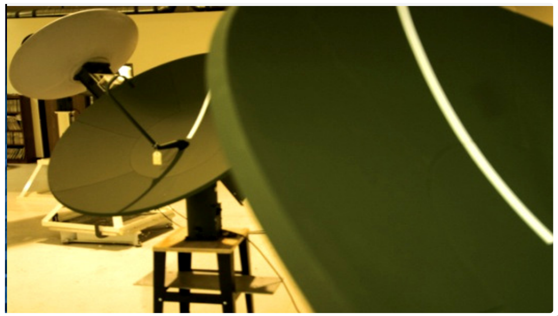
Smiths Interconnect: Building the business through acquisition

Allrizon Tongguang and Triasx

- Expanded RF filter footprint in Asia Pacific - design, manufacture and sales capabilities
- Acquisitions made in summer 2008 have integrated well

Dowin - based in Shenzhen, China

- Purchase agreed subject to regulatory approvals
- Power and signal protection devices - telecoms equipment

Smiths Interconnect: Operational priorities

- Focus on cost control
- Geographic expansion in Asia Pacific
- Deliver major customer requirements to maintain momentum in key contracts

Outlook

- Continued investment in military communications
- Wireless and other sectors are likely to remain challenging
- Next generation networks expected in 2010

Flex-Tek: Facing challenging markets; growth in aerospace

2009 H1 Sales
£111m
(11)% growth

2009 H1 Op. profit
£11m
10% margin

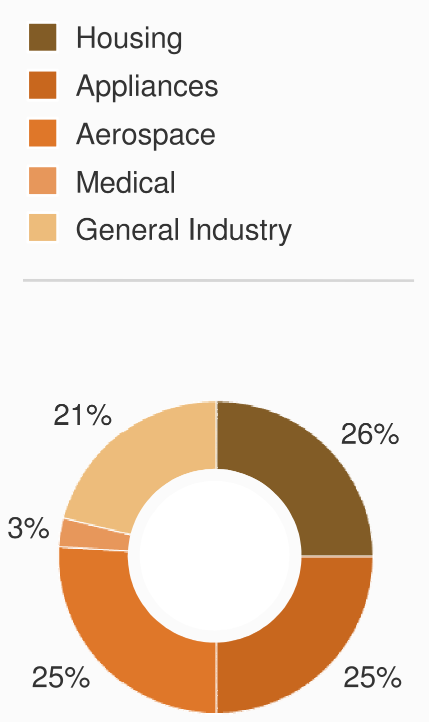
Aerospace - delivered continued growth in sales & profit

Flexible Solutions - affected by household appliance and general industrial sector

Heat Solutions - affected by US housing and dryer appliance markets

Greater presence in Asia - China, Philippines and India

FY 2008 sales by sector £m



Flex-Tek: Restructuring to drive operational efficiencies

Restructuring programme

- Drive efficiencies
- Leverage scale
- Closure of factories: Glasgow, UK and Elmhurst, Illinois

£m	Costs to date	Future costs	Benefits to date	Full annualised benefits
Flex-Tek	**2**	**3**	**2**	**7**

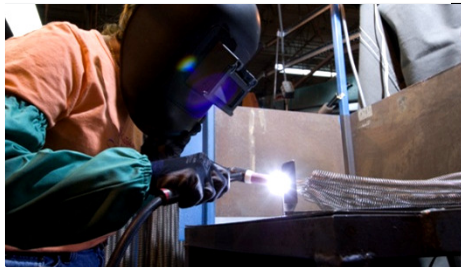
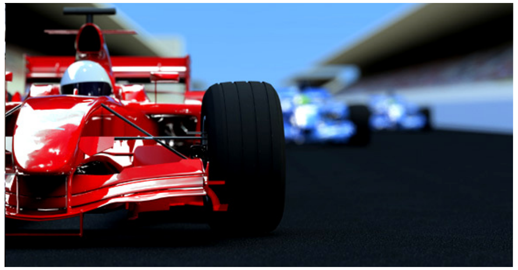
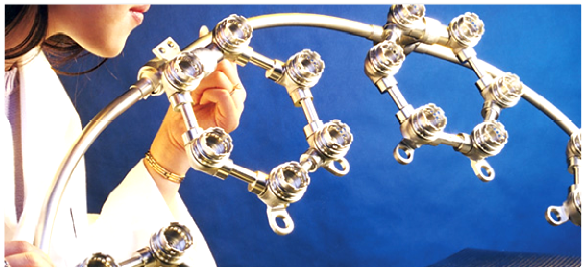


Flex-Tek: Operational priorities

- Expand non-construction markets, e.g. aerospace & medical
- Asian growth potential in industrial and appliance markets
- Deliver the restructuring programme

Outlook

- Uncertainty in US housing and appliances
- Seek growth opportunities in other markets while reducing costs

Smiths Group: Opportunities to create value

Business	Drivers	Sales growth*	Margins
Smiths Detection	*Driven by changing threats, technology & legislation*	10-12%	17-20%
John Crane	*Petrochemical investment driven by energy consumption*	6-8%	17-22%
Smiths Medical	*Driven by demography, outcomes & economics*	3-5%	20-24%
Smiths Interconnect	*Driven by military and communications investment*	6-10%	21-23%
Flex-Tek	*Lean manufacture and expanding non-housing areas*	0-7%	11-16%

** Range of annual underlying growth over three year period assuming a financial and macro-economic environment consistent with that of recent years.*

Smiths Group: Opportunities to create value

Portfolio well-placed to withstand pressures of a downturn

Expand margins through a programme of self-help

Deliver restructuring programmes to improve margins

Upgrading our business systems to drive faster data-based decisions

Revenue growth opportunities - pricing, innovation, developing markets

Investing in targeted R&D

Growing our technology and reach through bolt-on acquisitions

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bringing technology to life

Questions & Answers