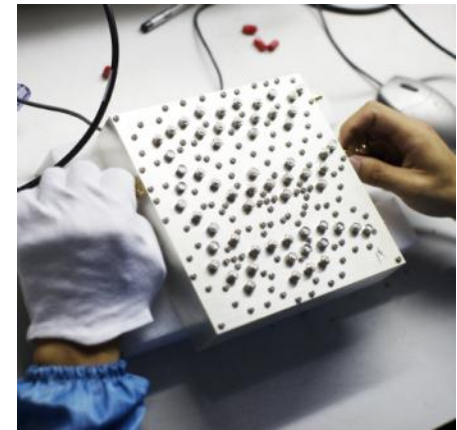


**smiths**  
bringing technology to life

**Smiths Interconnect Investor Day**  
Tampa, 22nd June 2010

Opportunities to create value



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 this presentation and the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

**Peter Turner**  
Finance Director, Smiths Group plc

## Observations on Smiths Interconnect: an attractive business model

Leading edge technologies and strong positions in attractive niche markets

Strong underlying growth characteristics

Strong growth track record

Organic growth through consistent investment in research and development

Opportunities for value-enhancing acquisitions in a fragmented market

Margin expansion through self-help and volume growth

## Key Themes for Today

Outline the business strategy and the key drivers of future growth

Explore Smiths Interconnect's strong competitive position in its markets

Examine the technology and business model

Demonstrate how we generating value through acquisitions

Visit our manufacturing facility and product demonstrations

Opportunity to meet the management team

# Ralph Phillips

## President, Smiths Interconnect

## Welcome to TRAK Microwave, Tampa



From its world-class Tampa facility, TRAK Microwave offers leading-edge design, manufacturing, assembly and testing of high-performance microwave assemblies for mission-critical applications.

# Investor Day Agenda

## **08:30 Presentations**

**Welcome and Introduction** Peter Turner, Finance Director, Smiths Group

**Smiths Interconnect** Ralph Phillips, President, Smiths Interconnect  
Roland Carter, Managing Director, Connectors  
Kent Whitney, President, Microwave Defence

**Break (~ 09.45 for 15 mins)**

**Presentations continued**

Jacqui McLaughlin, Managing Director, Microwave Telecoms  
Shawn Thompson, President, Protection  
Mike Hansen, VP Finance

**10:45 Q&A**

**11:30 Site Tour and Product Demonstrations**

**13:00 Buffet Lunch**

**14:00 Depart for Airport**



# Smiths Interconnect

- A recognised leader in technically differentiated electronic components and sub-systems providing signal, power and microwave solutions.
- Our products connect, protect and control critical systems for the global wireless telecommunications, aerospace, defence, space, medical, rail, test and industrial markets.



## Smiths Interconnect - an attractive investment case

Market leader within specialty electronic and radio frequency products market

Technologically differentiated products addressing high barriers to entry segments

Diverse end markets with strong underlying growth characteristics

Entrepreneurial culture plus controls and resources of FTSE100 plc

Margins leveraged to volume growth

Strong track record of creating value, organically and acquisitively

Unconsolidated market providing opportunity for further acquisitions

Smiths Interconnect targets: Sales growth: 6-10%\* Margins: 21-23%

\*Range of underlying organic growth at constant currency over 3 year period

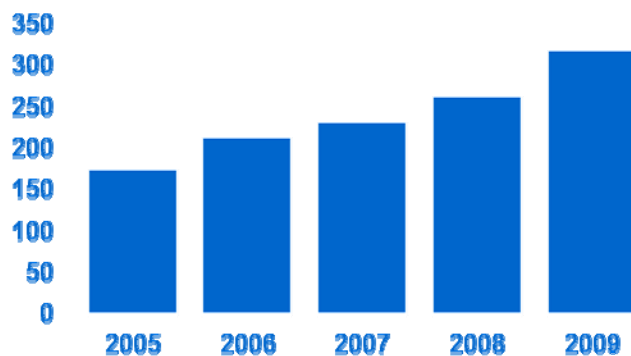
## Smiths Interconnect overview

### Financial performance 2009

Sales	£318 m
Trading profit	£55 m
Margin	17.4%

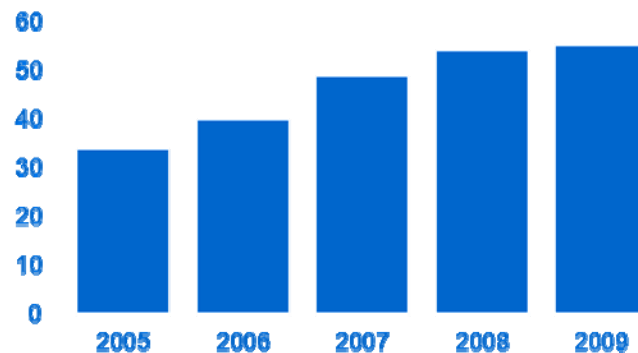
### Sales growth since 2005 (£m)

Total CAGR = 16.4%; Organic CAGR = 11.0%



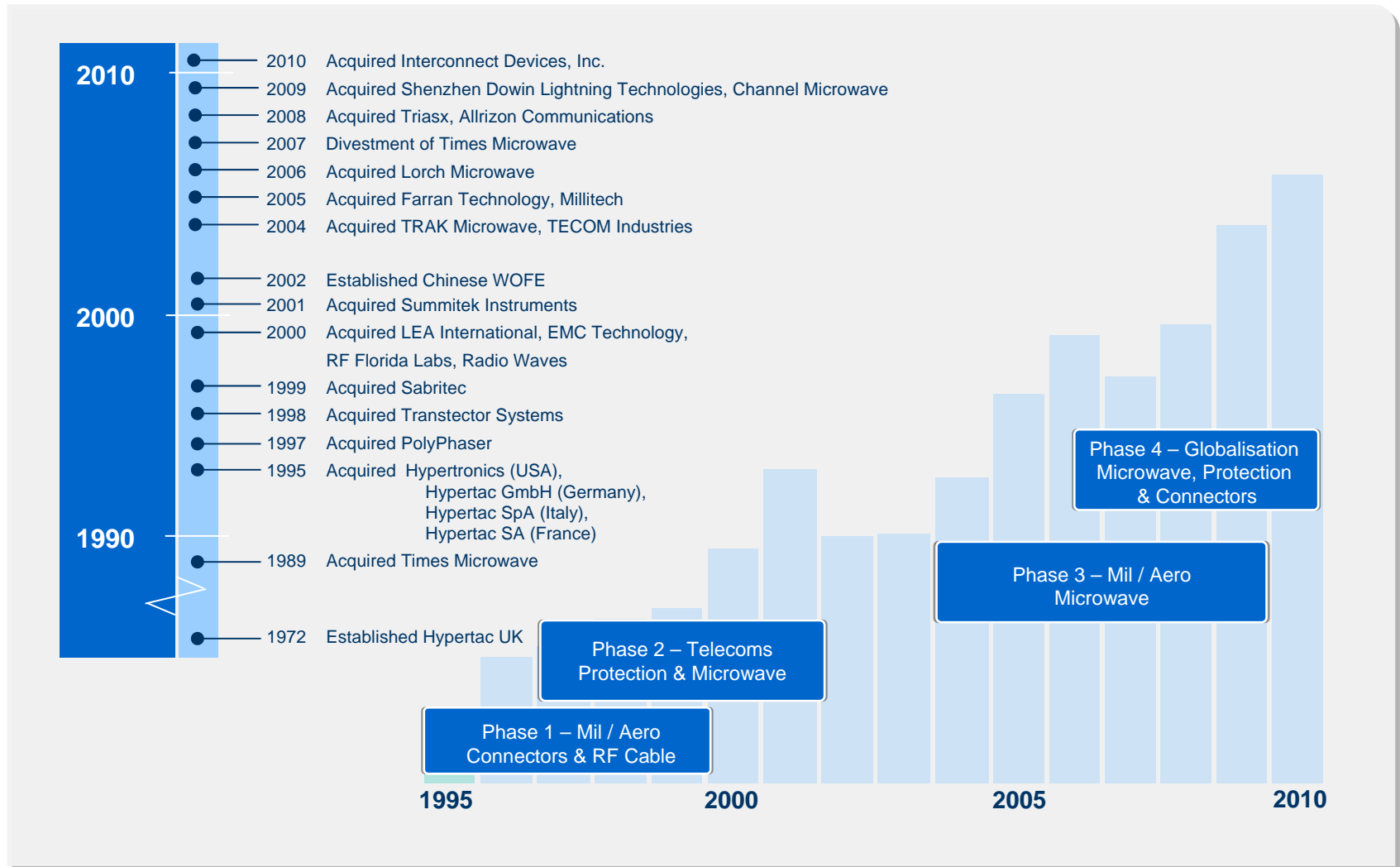
### Profit growth since 2005 (£m)

Total CAGR = 13.1%; Organic CAGR = 8.7%



\* Excludes divested business (Times Microwave)

# Built through a successful phased acquisition programme



# Evolution of Smiths Interconnect

From individual companies to technology focused  
cohesive business units

## Connectors



High reliability  
interconnect  
solutions

## Microwave Defence



RF and microwave  
components, sub-  
systems and  
antenna solutions

## Microwave Telecoms



Network  
optimisation  
products and test  
solutions

## Protection



Innovative power  
and signal integrity  
solutions

“Technology groups”

# Smiths Interconnect organisation



**Ralph Phillips**  
President

## Operational

Connectors

**Roland Carter**  
London, UK

Microwave Defence

**Kent Whitney**  
Massachusetts, USA

Microwave Telecoms

**Jacqui McLaughlin**  
Edinburgh, UK

Protection

**Shawn Thompson**  
Idaho, USA

Technology Groups combine entrepreneurial culture and responsiveness with controls and compliance of larger business

## Functional

Finance

**Mike Hansen**

Human Resources

Legal Counsel

**Jay Angelo**

Strategy / M&A

**Shaun Caraccio**

Information Technology

**Brian Bark**

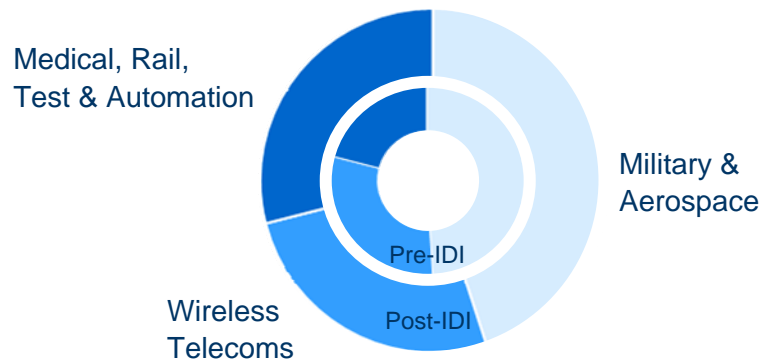
Investor Director

**Michael Herlihy**

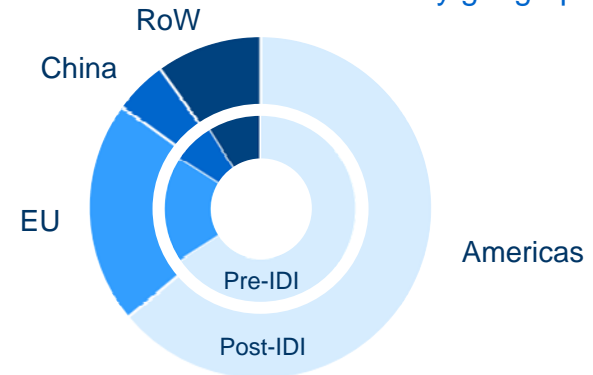
Resources added as became full division in Aug '08 (previously reported through Specialty Engineering division)

# Smiths Interconnect fact file

Sales by market



Sales by geography



- 33 facilities occupying 105,000 sq metres / 1.1m sq. ft. including approximately 25% in lower cost regions
- 4,000 employees; over 35% in emerging economies
- 550 engineers and scientists; over 30% outside US
- 20% employees in customer facing roles

# Smiths Interconnect global presence

## Global HQ,

### Thousand Oaks, California

#### Central Team: 10 employees:

Leadership / Finance / HR / Legal /  
Business Development / Projects

#### Connectors

##### HQ UK

#### 1700 employees:

USA (4 facilities) / UK / France /  
Italy / Germany / Mexico / Tunisia /  
India / China

#### Microwave Defence

##### HQ Massachusetts

#### 840 employees

USA (5 facilities) / UK / Ireland

#### Microwave Telecoms

##### HQ UK

#### 910 employees

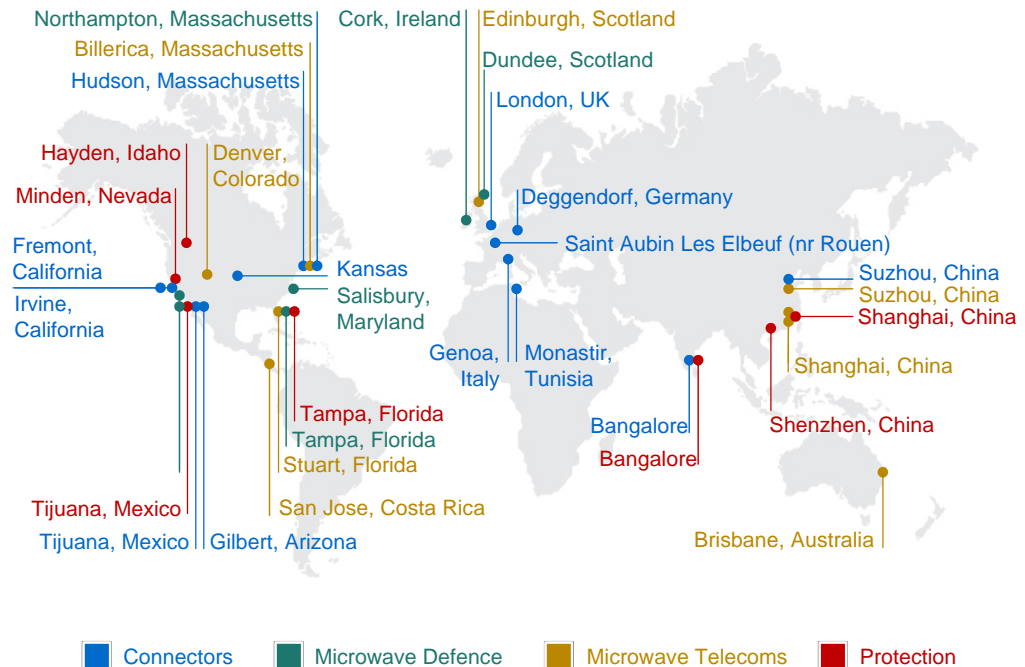
USA (3 facilities) / UK / Australia /  
Costa Rica / China (2 facilities)

#### Protection

##### HQ Idaho

#### 570 employees

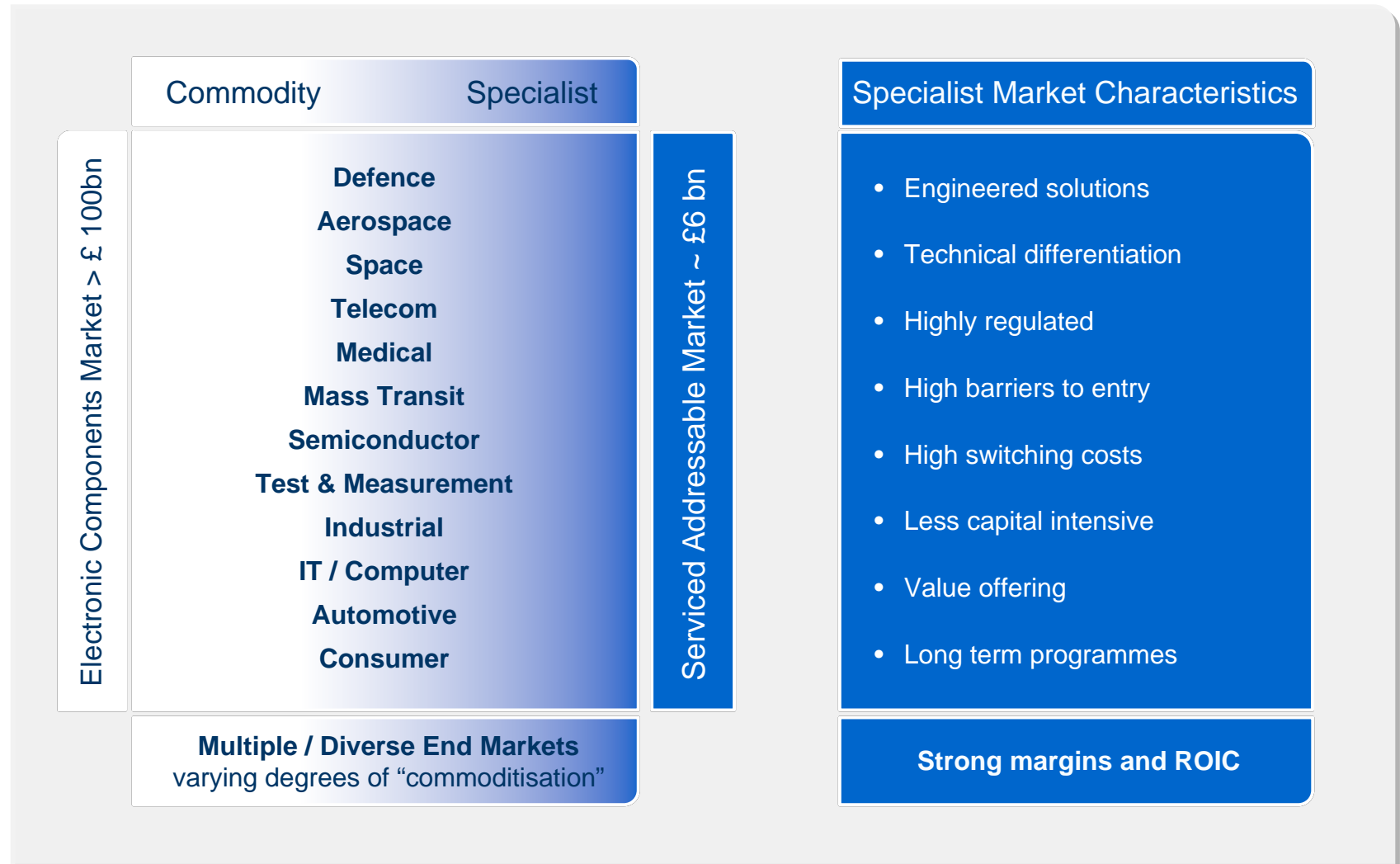
USA (2 facilities) / Mexico / India /  
China



Total employees 4000 globally, including over 400 R&D engineers



# Smiths Interconnect: providing specialist electronics products



# A broad range of technologies for multiple markets

Existing presence  
Opportunity

		Connectors			Microwave		Protection	
Technologies		High reliability	Spring probes	High speed and filtered	Components	Sub-Systems	RF	Power/Signal
	Markets							
Mil/Aero	Defence	Existing presence	Existing presence	Existing presence	Existing presence	Existing presence	Existing presence	Existing presence
	Civil Aerospace	Existing presence	Opportunity	Existing presence		Existing presence	Existing presence	Existing presence
	Space	Existing presence	Opportunity	Opportunity	Existing presence	Existing presence		
Telecoms	Network Operators				Existing presence	Existing presence	Existing presence	Existing presence
	Infrastructure OEMs				Existing presence		Existing presence	Existing presence
Other	Medical	Existing presence	Existing presence		Opportunity			Existing presence
	Rail	Existing presence	Opportunity	Existing presence		Opportunity	Opportunity	Existing presence
	Semiconductor	Opportunity	Existing presence	Opportunity				
	Test & Measurement	Existing presence	Existing presence			Existing presence		
	Industrial	Existing presence	Existing presence				Opportunity	Existing presence

# Market growth drivers

## Defence market

- Situational awareness
- Smart weapons
- Connectivity and mobility
- Force protection



**"information is power"**

## Telecoms market

- High data rate applications
- Technology refresh rates
- Connectivity and mobility
- Globalisation



**"everything, everywhere, anytime"**

## Other markets

- Electronics proliferation
- Leveraging technology
- Connectivity and mobility
- Globalisation



**"smart systems"**

Total market CAGR c. 4-6%

Core  
markets  
2010

~ £6bn

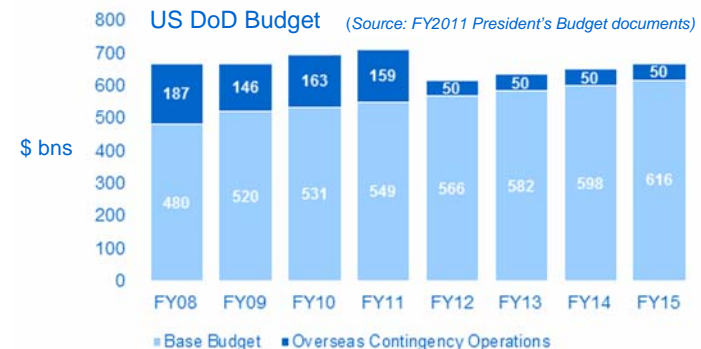
Core  
markets  
2013

~ £7bn

## Core markets: Defence

### US DoD budget priorities aligned with Interconnect capabilities

- Net-centric, battlespace awareness and force protection programmes remain strong
  - FY2011 C4ISR budget +5%
- Building capabilities of strategic partner nations
  - projected increases in international defence spending and foreign military sales



## Core markets: Telecoms

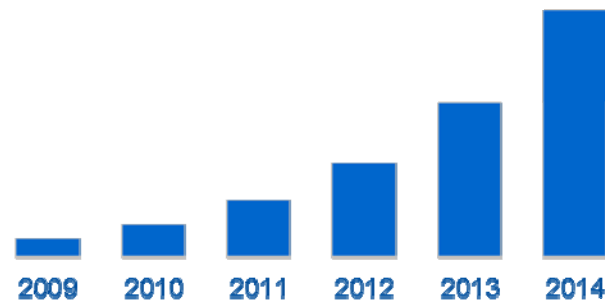
### Wireless sector entering next growth phase

- New, faster networks needed to support mobile broadband applications
- Network optimisation increasingly critical
- Microwave radio links for backhaul
- Developing geographies adopting mobile telecommunications



Mobile Data Traffic Consumption

(Source: ABI Research)

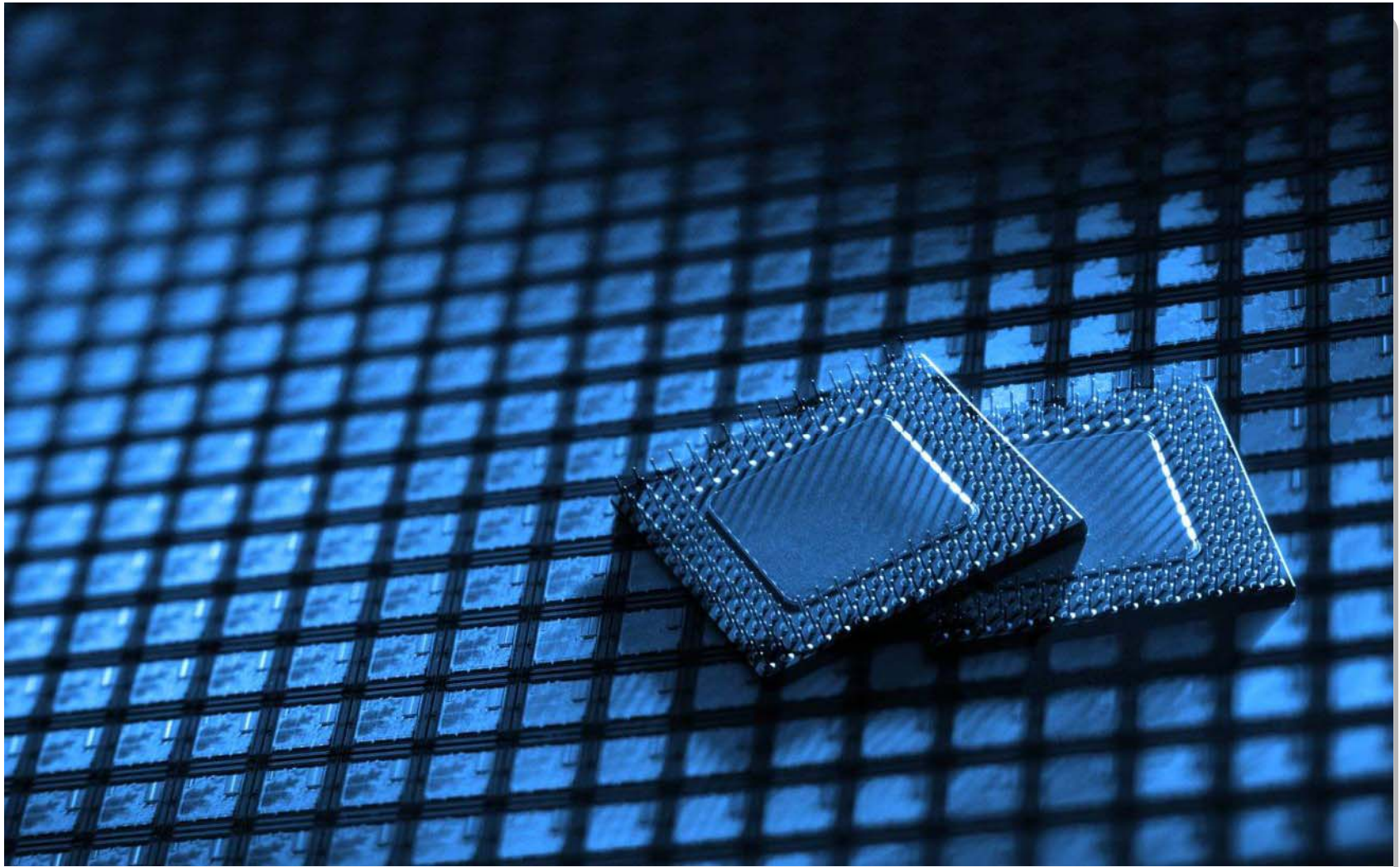


# Competitive landscape by technology

	Connectors			Microwave		Protection	
Technologies	High reliability	Spring probes	High speed and filtered	Components	Sub-Systems	RF	Power/Signal
Competitor examples	<div><div>Amphenol</div><div><div>DEUTSCH</div><div>YOKOWO</div><div>SOURIAU</div><div>Glenair</div><div>HARTING</div><div>ODU</div></div><div><div>EGI</div><div>EVERETT CHARLES TECHNOLOGIES</div><div>WINWAY TECHNOLOGY</div><div>precι-dip</div><div>MILL-MAX</div><div>CINCH</div></div><div><div>Amphenol</div><div>DEUTSCH</div><div>CARLISLE</div><div>Glenair</div><div>COOPER</div></div></div>			<div><div>CERAMIC &amp; MICROWAVE PRODUCTS</div><div>ANAREN</div><div>SPECTRUM CONTROL INC.</div><div>ROSENBERGER</div><div>Wireless Telecom Group</div><div>Powerwave</div></div> <div><div>COBHAM</div><div>ANAREN</div><div>HERLEY</div><div>EMS Technologies</div><div>CommScope</div><div>CRANE AEROSPACE &amp; ELECTRONICS</div></div>		<div><div>HUBER-SUHNER</div><div>DEHN</div><div>PHENIX CONTACT</div><div>Amphenol</div><div>CITEL</div></div> <div><div>EMERSON Network Power</div><div>DEHN</div><div>PHENIX CONTACT</div><div>SL INDUSTRIES</div><div>SPECTRUM CONTROL INC.</div><div>CORCOM tyco Electronics</div></div>	

Operating in specialist sectors within unconsolidated markets







Niche supplier of electro-mechanical and optical interconnect technologies for multiple applications requiring high quality, rugged and reliability solutions







### High reliability connectors

- Two piece connectors utilising hyperboloid contact technology
- Broad range of platform products and customer specific solutions
- Excellent performance in harsh environments



### Spring probe connectors

- One piece compression connectors
- Highly responsive organisation combined with strong technologists providing quick turn solutions to customer requirements
- Market leading characteristics: size, accuracy and durability



### High speed and filter connectors

- Customer specific solutions incorporating filter, high speed, fibre optic and hybrid technology
- Strong customer retention and programme positions

# Locations, markets and growth drivers

## Connectors

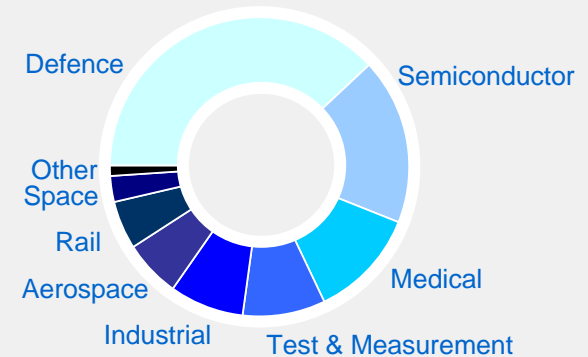


### Growth Drivers

- Proliferation of electronics in all end markets
- Demand for miniaturisation and higher speeds
- Applications getting closer to end user / demand
  - more rugged solutions for harsher environments
- High reliability electronics integrated into systems to improve efficiency and safety
- Industrialisation of emerging economies

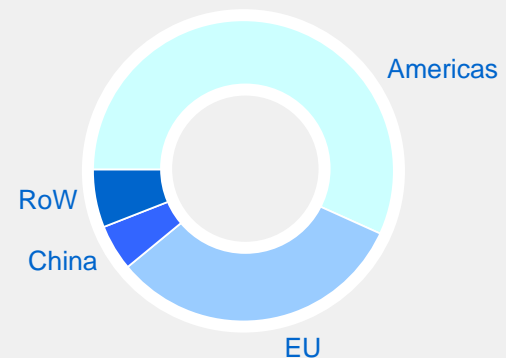
### Sales by market

*\* pro-forma post IDI*



### Sales by geography

*\* pro-forma post IDI*





- Global relationships with blue chip customer base across variety of end markets
- Relatively low customer concentration
- Addressing multiple tiers of supply chain
  - Government
  - Prime contractors
  - OEMs
  - Sub-systems manufacturers
  - Contract electronic manufacturers
  - Distribution



- Specialist divisions within major connector conglomerates
- Smaller privately held connector companies with:
  - specialist technological offering, or
  - particular market focus
- Few global players
  - most focused on specific geographies
- Differentiators
  - technology
  - delivery
  - engineering support
  - breadth of product offering

# Case Study 1: Innovation (Future soldier connectivity)

## Connectors

- Changing conflict scenario demanding battlespace awareness and connectivity at the soldier level
- Demanding environment: size, weight, robustness
- Global market but highly fragmented



- Thoroughly researched market size and consolidated divergent specifications
- Applied military design expertise to create platform product solutions
- Leveraged global S&M resources and customer relationships



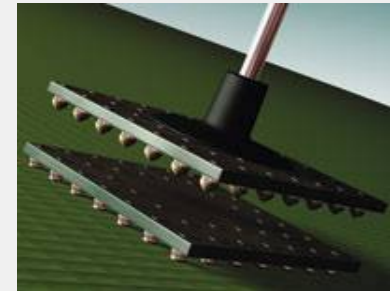
- Bidding on 29 projects across 11 countries
- Already selected for projects in USA, UK, France, Italy and India
- Multi million pound opportunity over next 5 years
- Potential to sell product range into other end markets



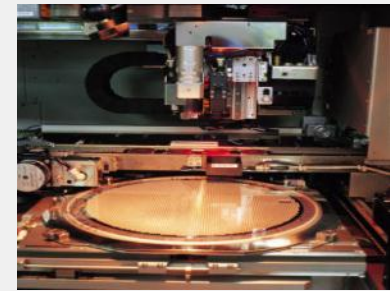
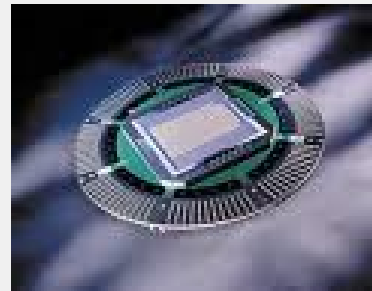
## Case Study 2: Market adjacency (Package-on-Package testing)

### Connectors

- Package-on-package: the preferred method of integrating logic and memory devices
- High growth potential
  - smart phones key driver
  - forecast CAGR ~25% for next 5 years



- Utilised strong relationships with PoP suppliers to gain a detailed understanding of requirements
- Innovative design allows for simple, reliable and repeatable testing of both sides of the semiconductor device



- Application knowledge and technical capabilities led to high reliability solution that compensates for the tolerances in the devices and test mechanism
- Opportunity to gain significant share of multi million pound market that was previously unaddressed





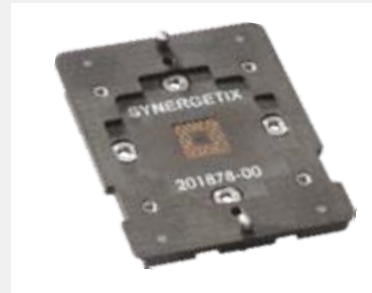
## Case Study 3: Value creating acquisition (IDI)

### Connectors

- Complementary technology
- Compatible value proposition
- Market / application diversification
- Potential for significant value creation through sales and operational synergies



- Carried out thorough due diligence
- Identified synergies:
  - Expansion of SE Asian Sales presence
  - NA Operations
  - European Sales

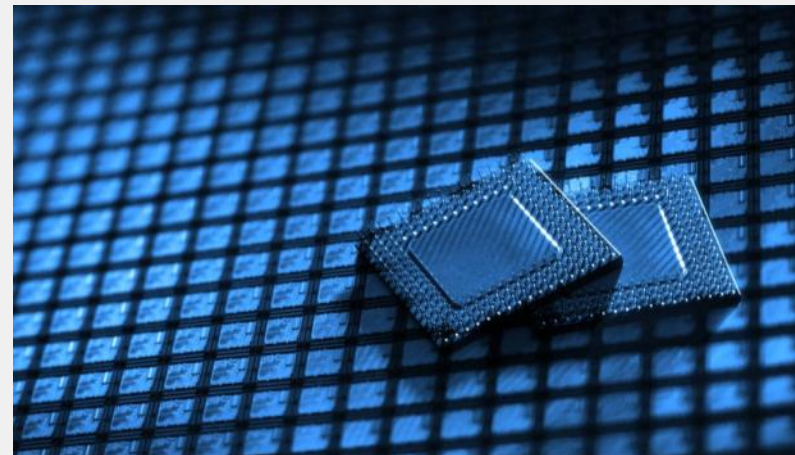


- Acquisition completed in April: integration on plan, will complete by end July 2010
- Sales synergies activities underway with some early success in Europe
- Building on previously fragmented sales in China and SE Asia
- Leveraging manufacturing operations: increased utilisation of Mexico and China facilities

# Summary

## Connectors

- Broad and deep capability in high reliability connector technologies
- Addressing diverse end markets
- Strong global presence with customer focused sales model
- Good growth opportunities
  - new products and programmes
  - geographic expansion
- Strong margins derived through technical product differentiation









Applying discriminating technology to provide microwave and millimetre wave system, sub-system and component solutions





### Antenna systems - Military

- Broad capability addressing multiple market segments including
  - SATCOM, radars, telemetry systems for UAVs and smart weapons
- Discriminating antenna technology and full integrated system capability



### Antenna systems – Commercial Aerospace

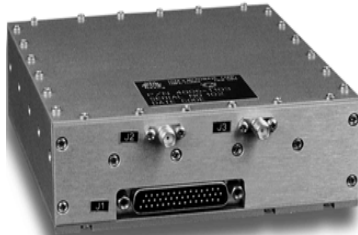
- Range of airborne communications antenna systems
- Newly developed broadband system providing high bandwidth connectivity
- Market leading technical performance: accuracy, sensitivity and data transmission rates



### Transceivers

- Transmit and receiver modules also used in multiple market segments including space applications
- Difficulty of performance specifications and system level qualification provide high barriers for potential new entrants





### Frequency sources

- Core technology at the heart of all microwave systems
  - creating the “waves”
- Very high quality sources (cleaner or lower noise) demanded for the highest performance applications



### Timing systems

- Extremely accurate internal clock systems
- Critical in high data rate and on-the-move applications
- High barriers to entry due to precision, ruggedness and anti-jamming requirements



### Components

- Broad range of microwave and millimetre wave components including
  - filters, isolators, circulators, waveguides
- Leveraged to access new opportunities and maximise content

# Locations, markets and growth drivers

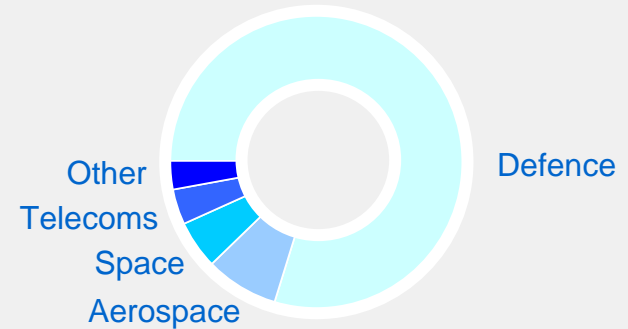
## Microwave Defence



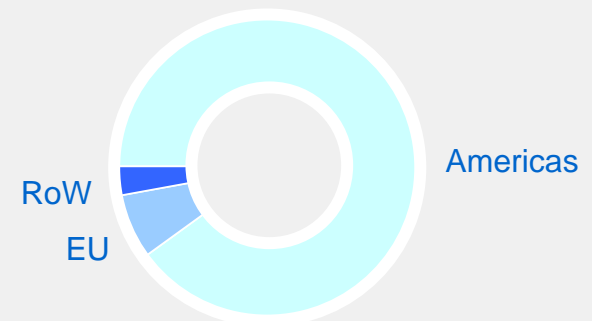
### Growth Drivers

- Irregular conflict scenarios driving need for improved situational awareness and force protection
- More data: more bandwidth: higher frequencies
- Connectivity: network centric and on-the-move
- Collateral damage limitation: smart weapons
- Primes focusing on integrating: outsourcing more

### Sales by market



### Sales by geography





- Addressing government agencies, primes and OEMs
- Currently focused on US and EU
- Strong relationships with major primes
- Diverse product line and customers provides stable revenue base
- Positioned on long term high dollar programmes to drive future growth
- Derivative products and other programmes provide additional opportunities

## Competitive position

### Microwave Defence



- Some consolidation but remains highly fragmented market with many small to medium sized businesses
- Internal capabilities within customers
- Most competitors have narrow technology focus
- US centric
- Key differentiators
  - heritage
  - technology expertise
  - quality
  - customer support

# Case Study 1: Innovation (Broadband on-the-move)

## Microwave Defence

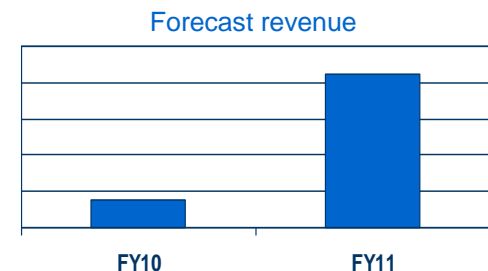
- Market demand for connectivity on-the-move for high data rate applications
  - live TV, internet, videoconferencing, sensor data
- Multiple markets: commercial and military
- Performance requirement (speed): just like at office or home



- Market surveyed and opportunities targeted
- Developed building blocks with internal funds
- Further internal investment to complete commercial system development
- Customer funded development for specific military applications



- First to market with high volume commercial airborne product
- Partnered with Row44 system supplier
  - selected by Southwest Airlines
  - under consideration by at least three other airlines
- Developed into other commercial and military variants





## Case Study 2: Entrepreneurial culture (Force protection)

### Microwave Defence

- Change in threat required previously deployed IED jamming systems to be upgraded (20,000 systems)
- Incumbent design had only component level Smiths Interconnect content
- Opportunity to provide higher level integrated microwave assembly (IMA)



- Approached customer with alternative IMA design providing improved performance at lower cost
- Internal R&D investment
- Extremely rapid design and development: skunk works approach



- Customer selected Smiths Interconnect as one of two suppliers
- Contract received for 50% of initial upgrade quantities
- Production over the next 2-3 years with total potential revenue in excess of £25m

## Case Study 3: Customer relationships (Naval SATCOM)

### Microwave Defence

- Legacy position on 1st and 2nd generation naval SATCOM systems with major customer due to unique capabilities at higher frequencies (millimetre wave)
- Created value to customer and added content by building and integrating entire system
- New requirement for 3rd generation system due to high data demands and new satellite constellations

- Teamed with customer for 3rd generation system
- Past performance key in selection process
- Customer won bid and initial system qualified

- Potential to become one of the largest programmes for Smiths Interconnect
- Production over 6 years
- Opportunities to increase programme content
  - adding content for Smiths Interconnect and value for customer



# Summary

## Microwave Defence

- Discriminating technologies leveraged to capture business and add content
- Design and manufacture partner to blue chip customer base
- Focused on growth segments of defence spending
  - C4ISR
  - On-the-move connectivity
  - Force protection
- Leveraging technology into adjacent markets



# Investor Day Agenda

## 08:30 Presentations

**Welcome and Introduction** Peter Turner, Finance Director, Smiths Group

**Smiths Interconnect** Ralph Phillips, President, Smiths Interconnect  
Roland Carter, Managing Director, Connectors  
Kent Whitney, President, Microwave Defence

**Break (~ 09.45 for 15 mins)**

**Presentations continued**

Jacqui McLaughlin, Managing Director, Microwave Telecoms  
Shawn Thompson, President, Protection  
Mike Hansen, VP Finance

**10:45 Q&A**

**11:30 Site Tour and Product Demonstrations**

**13:00 Buffet Lunch**

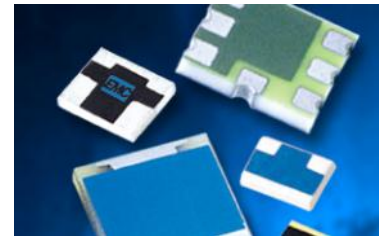
**14:00 Depart for Airport**





# Overview

## Microwave Telecoms



Global provider of specialised system critical products and solutions that enable optimal performance of wireless networks





### Radio link antennas

- The air interface to allow cell towers to communicate to each other
- Industry best lead-times and technology supporting ultra high capacity networks



### Network optimisation solutions

- Maximising signal coverage, blocking network interferers, combining multiple frequencies and networks
- Expertise in application knowledge is critical differentiator



### Network test instruments

- Validating the integrity of the radio frequency path
- Achieves unprecedented improvements in performance of existing networks by assessing and solving interference causing system anomalies

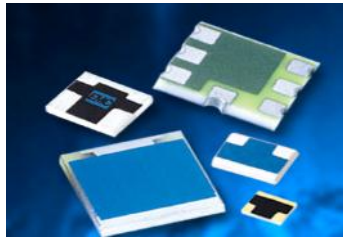






### Filter components

- Products that filter the frequency spectrum – blocking unwanted frequencies and noise – for both base station radio unit and backhaul units
- Providing custom engineered products and emerging market capabilities



### Signal processing components

- A range of core components used in microwave electronic systems to translate digital signals to radio frequency signals
- Market leading brands and heritage plus design and manufacturing processes know-how provide significant barriers to entry

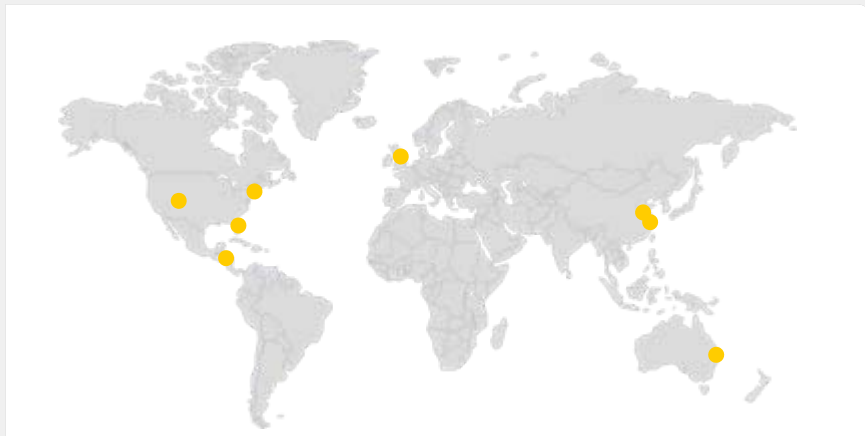


### Product test instruments

- Specialised equipment used to verify product performance
- Industry leading expertise
  - Summitek brand recognised globally

# Locations, markets and growth drivers

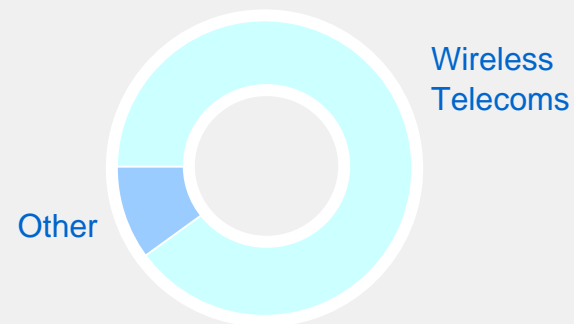
Microwave Telecoms



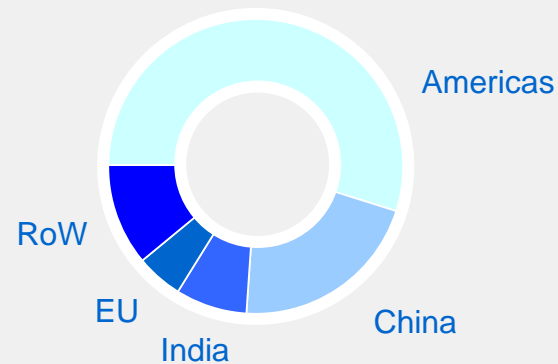
## Growth Drivers

- Proliferation of high data rate mobile applications
- Aging and congested networks
  - efficiency, capacity, health & environmental issues
- The digital dividend
- Frequency spectrum re-farming
- Emerging markets: geographic and new applications

## Sales by market



## Sales by geography





- Network operators
  - Partnership relationships with several large blue chips
  - Essentially regional strategies
  - Few global players; many looking to invest in developing economies
- Network equipment manufacturers
  - Small number of major players
  - Globally organised
  - Evolving business model from equipment suppliers to managing networks
- Network installers
  - Small and very regional
- Specialised equipment suppliers
  - Point to point radio (backhaul) suppliers

## Competitive position

### Microwave Telecoms



- Two consolidators focused on gaining market share – breaching the line between network operators and equipment manufacturers
- Emerging players from Asia focused on domestic markets but seeking access to global opportunities
- Multiple small suppliers with varying complexities of offerings and focused on specific geographies
- Test instrumentation companies tend to be specialists with limited exposure to system applications

# Case Study 1: Pioneering application (Portable PIM)

Microwave Telecoms

- Telecom networks are sensitive to interference caused by anomalies in the physical structure
- Smiths Interconnect test equipment used extensively to identify rogue product performance in the factory, however high quality components do not guarantee a high performance system
  - the physical interconnect is critical



- Identified a pioneering company, with limited market access, which had created a field solution to validate the integrity of the radio frequency path
- Created a teaming relationship to develop the concept to a product and methodology that could be used by operators to guarantee network quality
- Progressed to wholly owned acquisition
- Leveraging existing market brand (Summitek) to fast track industry adoption
- Leveraging Smiths global resources to access USA, Europe, India and China markets



- Over £15m of revenue achieved in two years
- Scratching surface of potential market
- Continued investment in product enhancements to maintain competitive advantages

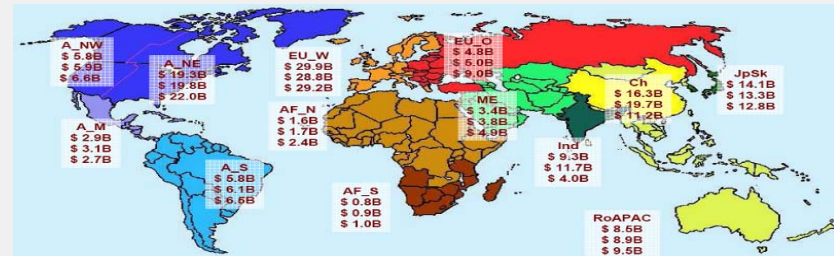
## Case Study 2: Leveraging resources (Globalisation)

### Microwave Telecoms

- Acquired a small Australian operation with market leading technology
- Strong relationships with Australian network operators but limited international access
- Australia represents only 0.3% of the global subscriber base



- Leveraged Smiths' global resources and established relationships with leading US network operators representing 4% of world subscriber base
- Developed applicable offerings for the market by applying technologies to new US frequency band allocations (4G LTE)
- Used leading edge technology to stay differentiated in fierce competition
- Undertaking higher volume manufacturing in larger scale and lower cost Smiths' facilities in China



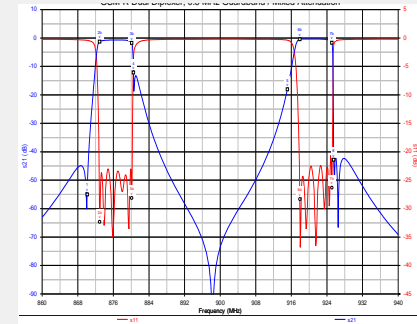
- Australian market consistently generates ~ £10m pa
- Potential value of first major US 4G LTE contract is ~ £60m over 3 years
- Approximately 100 network operators now committed to 4G LTE investments



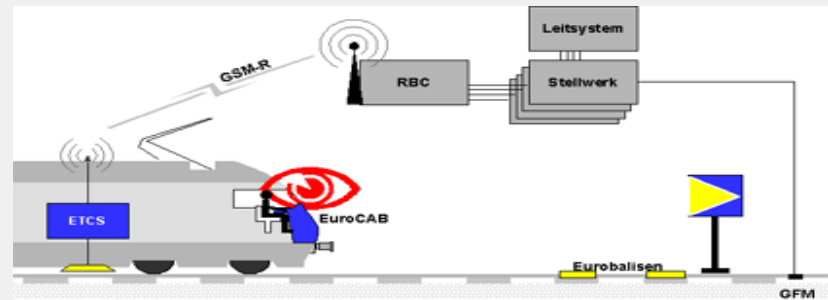
## Case Study 3: Applying know how to niches (GSM-R)

### Microwave Telecoms

- Congested frequency spectrum with competing demands from telecoms, military, broadcast and commercial applications
- Commercial wireless networks conflicting with safety critical rail control signals



- Applied technical and applications expertise to assess key issues and system requirements for rail communications
- Leveraged Smiths Interconnect customer relationships to gain access to industry experts, customers and specification writers



- Nine countries in Europe have reported severe issues including high speed trains being forced to stop
- The roll-out of spectrum hungry high data rate applications will only aggravate the potential problem for the 100,000 trains operating in the region
- Our products will be used by the ETSI (European Telecommunications Standards Institute) investigative committee to trial a solution



# Summary

## Microwave Telecoms

- Strong engineering capabilities providing market leading solutions
- Global resources addressing global market
- Strong fundamental growth drivers
  - demand for high speed and high capacity networks
  - frequency spectrum congestion
- Margins above industry average
  - opportunity to improve further







A complete systems approach providing power and signal integrity solutions for communications and critical electronic systems





### Radio frequency protection

- Radio frequency cable protection for tower electronics
- Innovative patented technology
- Industry leading engineering expertise



### AC | DC and data signal protection

- Power and signal surge protection for electronics and communications
- Custom engineered solutions
- Broad patented product offering
- Regulatory standards (UL, IEC, CE, RoHS, IEEE) are barriers to market



### Integrated power and signal cabinets

- Indoor/outdoor wireless communication main power interface
- Integrated power source, surge protection and generator connection
- Custom designs, market leading responsiveness



### DC power distribution

- Patented DC power distribution solution for high power requirements
- Smallest industry footprint designed to support space restrictions
- Specified by Alcatel Lucent, Ciena, AT&T and Cisco



### EMP | TVSS filters

- Electromagnetic pulse power and signal protection
- Combined protection expertise with electromagnetic filtering technology
- Increasing military demand for secure facilities and networks



### Power conditioning

- Regulate stable reliable power to critical patient diagnostic equipment
- Exceptional service and on-time delivery are key differentiators in medical market
- Safety and regulatory standards (FDA, UL and CE approval) provide barriers to entry

# Locations, markets and growth drivers

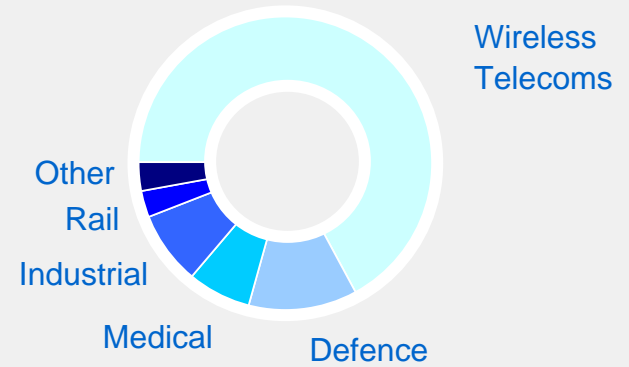
Protection



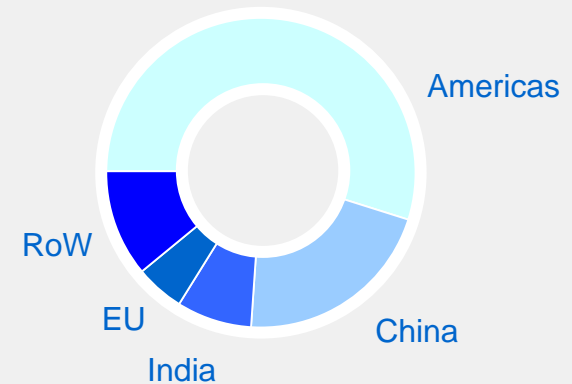
## Growth Drivers

- Proliferation of electronics
- Cost of damage to / downtime of critical equipment
- Aging and unreliable power grids
- Increasing power quality demands
- Safety and regulatory pressures
- Susceptibility to high energy weapons

## Sales by market



## Sales by geography





- Global partnerships with blue chips
- Addressing multiple levels of supply chain in variety of end markets
  - Network operators
  - Integrators
  - Government
  - Prime contractors
  - OEMs
  - Distribution
- Direct and indirect routes to market
  - Channels based on customer preferences and market drivers



## Competitive position

### Protection



- Mixture of small private businesses and divisions of major corporations
- Limited concentration / no dominant players
- Multiple regional markets (not one global) due to differing international standards and regulatory environment
- Differentiators
  - technology
  - delivery
  - engineering support
  - breadth of product offering

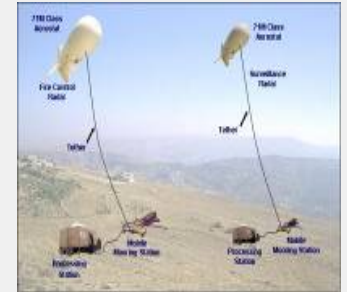
# Case Study 1: Market diversification (Military EMP)

Protection

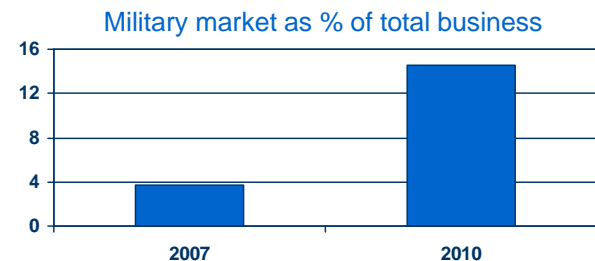
- Historically narrow market focus (telecoms)
- Opportunity identified to develop military market after customer request catalyst
- Research confirmed positive growth drivers supporting strong business case



- Recognised investment timescales
- Developed necessary R&D, S&M, service, operations and security capabilities
- Leveraged other Smiths Interconnect resources and relationships to accelerate market and customer access



- Partner of choice for key primes on multiple projects
- Leveraging position with military agencies
- Fastest growing segment of business



## Case Study 2: Operational leverage

### Protection

- Opportunity identified to strengthen margin, expand market share and broaden product offering through consolidation of two companies (PolyPhaser and Transtector) with similar products, customers and markets



- Capitalise on established Smiths Interconnect global manufacturing footprint (China, India, Mexico and USA)
- Leveraging resources through aligned infrastructure



- Detailed planning and execution led to successful project
- Approximately £2m ongoing annual savings
- Increased market share due to combined brand identity
- Customer loyalty maintained and increased

**PolyPhaser**

**TRANSTECTOR**

# Summary

## Protection

- Innovative technology and diverse product offering
- Growth sector driven by increasing power demands across multiple end markets
- Customer centric and solution driven business model
- Strong margins sustained through product differentiation and operational leverage

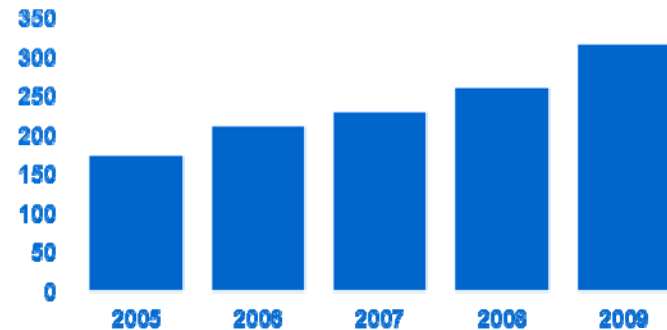


**Mike Hansen**  
VP Finance, Smiths Interconnect

## Positioned for growth

- Strong fundamental growth drivers for specialist electronic products
- Positions on several significant programmes now entering production
- Significant barriers to new entrants
- R&D investment
  - targeted at growth segments
  - higher than industry average
- Globalisation in early phases
- Diversity of end markets
  - opportunity to leverage existing resources to provide access for broader technology offering
  - mitigating any concentration risk
- Flexibility to align resources with higher growth markets

Sales growth since 2005 (£m)



**Consistently achieved  
target growth rates  
pre-economic downturn**

**Well positioned to return to  
target growth rates**



# Value creation: optimising resources

## Effective utilisation of resources and assets to maximise value creation

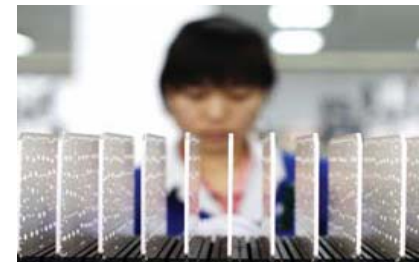
### New business

- Value-based process to direct R&D investment to projects generating the highest risk adjusted value
- Leveraging routes to market, customer relationships and program positions
  - sales channel optimizations (distributors and 3rd party representatives)
  - utilising common CRM (customer relationship management) tool
  - maximising Interconnect content per opportunity



### Operations

- Sharing facilities: multi-technology sites in Mexico, China and India
- Sharing operational best practices
- Leveraging sourcing opportunities
- Optimising functional organisations



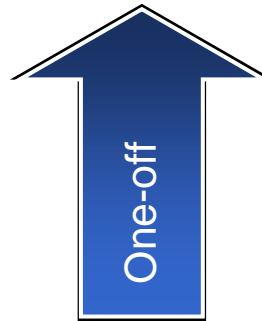
# Margin improvement opportunities

Target margin range: 21% to 23%



## Opportunities

- New products and programmes
- Leveraging LCMs
- Sourcing and other operational initiatives
- Corporate initiatives



## Opportunities

- Volume recovery
- Non-repetition of restructuring and acquisition related costs
- Fixed cost controls and back office initiatives
- Accretive impact of IDI including synergy opportunities

Current margin: 17% to 18%



## Pressures

- Competition
- Dilutive impact of price points in emerging geographies
- Input costs: material and labor inflation
- Retention of key talent: particularly technical
- Government regulations

# Stable balance sheet and strong cash flow

## Business characteristics

- High mix / low to medium volume
- Predominantly build to order
- Vendor managed inventory projects
- Blue chip customers

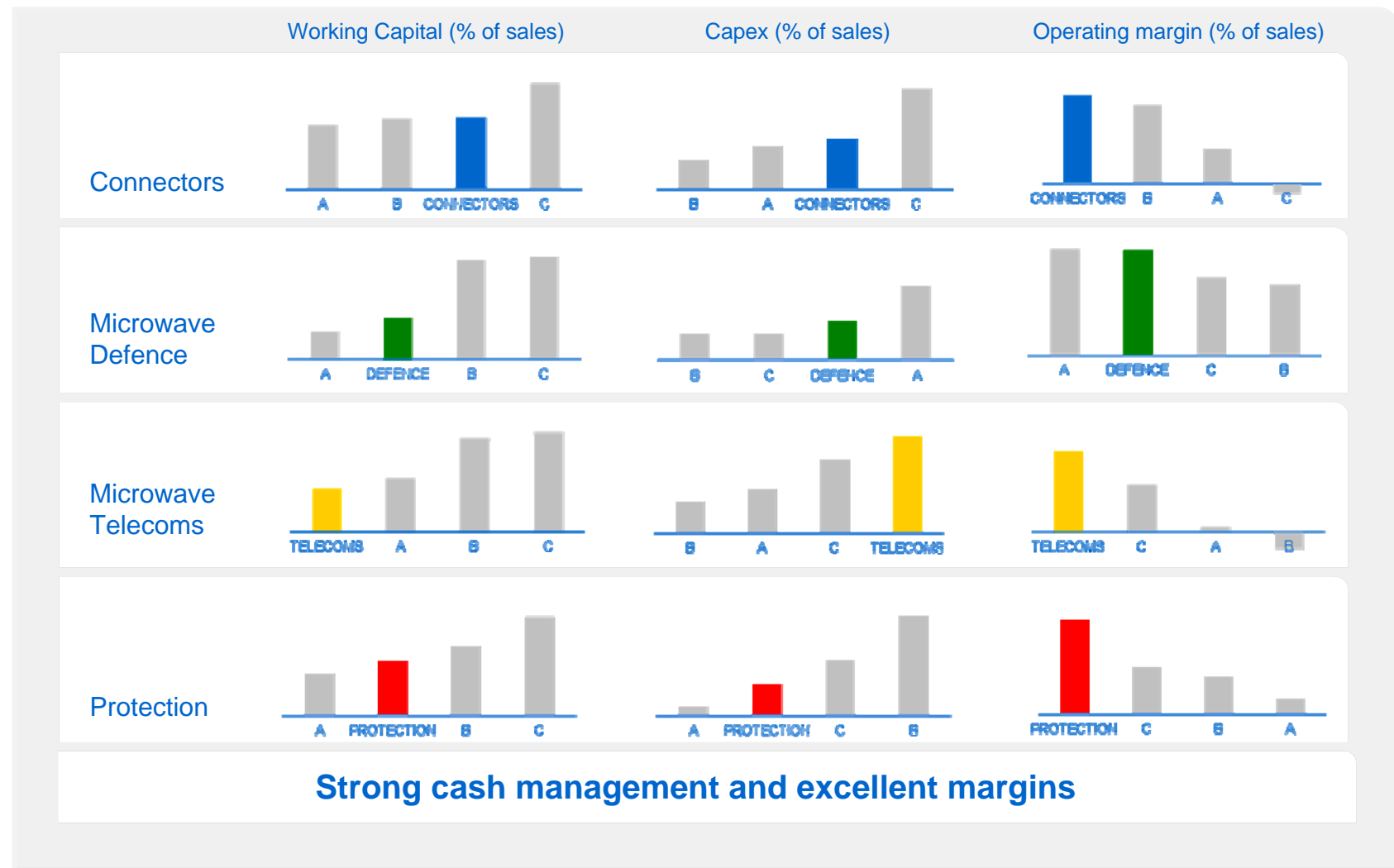
## Balance sheet

- Low capital investment
- Good working capital management
- Low bad debt exposure

Strong stable cash flow: conversion consistently > 90% of profits



# Comparative metrics



# Building the business through targeted acquisitions

## Track record: creating value

- Excellent record of selecting targets, acquiring, integrating and creating value
- Significantly exceeding expectations and return on investment criteria

### IDI

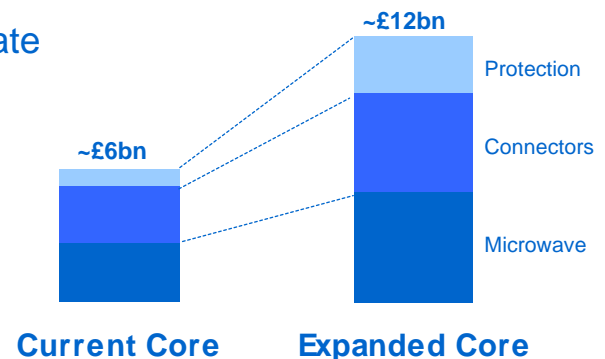
- Large acquisition of complementary technologies and manufacturing operations
- Integration running smoothly and to plan
- Performing ahead of expectations
- Immediately EPS accretive

### Channel

- Small bolt on acquisition building market leading presence in ferrite components
- Integration completed
- Performing ahead of expectations
- Immediately EPS accretive

## Opportunity: target rich environment

- Market remains fragmented; limited consolidation to date
- Adjacency opportunities for all technology segments
- Seeking to:
  - add complementary products and technologies
  - access new markets, programmes and customers
  - extend geographical presence and exposure to fast growing markets
  - leverage existing scale



# Ralph Phillips

## President, Smiths Interconnect



## Summary: value creation opportunities

**Strong track record**

**Positioned for future value creation**

**Fundamental business strengths driving growth strategies**

Entrepreneurial culture

Innovation

Optimised resources and scale

### **Organic growth**

- New programmes and products
- Targeted R&D investment in growth sectors
- Market expansion
- Margin improvements

### **Acquisitive opportunities**

- Excellent track record
- Sizeable and growing specialist market
- Target rich environment
- Opportunities to expand into adjacencies

**Smiths Interconnect: the leading provider of specialist electronic products**

**Creating shareholder value**

## Smiths Interconnect - an attractive investment case

Market leader within specialty electronic and radio frequency products market

Technologically differentiated products addressing high barriers to entry segments

Diverse end markets with strong underlying growth characteristics

Entrepreneurial culture plus controls and resources of FTSE100 plc

Margins leveraged to volume growth

Strong track record of creating value, organically and acquisitively

Unconsolidated market providing opportunity for further acquisitions

Smiths Interconnect targets:      Sales growth: 6-10%\*    Margins: 21-23%

\*Range of underlying organic growth at constant currency over 3 year period

# Investor Day Agenda

## 08:30 Presentations

**Welcome and Introduction** Peter Turner, Finance Director, Smiths Group

**Smiths Interconnect** Ralph Phillips, President, Smiths Interconnect  
Roland Carter, Managing Director, Connectors  
Kent Whitney, President, Microwave Defence

**Break (~ 09.45 for 15 mins)**

**Presentations continued**

Jacqui McLaughlin, Managing Director, Microwave Telecoms  
Shawn Thompson, President, Protection  
Mike Hansen, VP Finance

## 10:45 Q&A

**11:30 Site Tour and Product Demonstrations**

**13:00 Buffet Lunch**

**14:00 Depart for Airport**

# Investor Day Agenda

## 08:30 Presentations

**Welcome and Introduction** Peter Turner, Finance Director, Smiths Group

**Smiths Interconnect** Ralph Phillips, President, Smiths Interconnect  
Roland Carter, Managing Director, Connectors  
Kent Whitney, President, Microwave Defence

**Break (~ 09.45 for 15 mins)**

**Presentations continued**

Jacqui McLaughlin, Managing Director, Microwave Telecoms  
Shawn Thompson, President, Protection  
Mike Hansen, VP Finance

**10:45 Q&A**

**11:30 Site Tour and Product Demonstrations**

**13:00 Buffet Lunch**

**14:00 Depart for Airport**

## Groups for the site tour



Ralph Phillips



Mike Hansen



Shaun Caraccio



Jay Angelo



Camille Cox

*Note: Please leave all bags and phones in the auditorium*

# Investor Day Agenda

## 08:30 Presentations

**Welcome and Introduction** Peter Turner, Finance Director, Smiths Group

**Smiths Interconnect** Ralph Phillips, President, Smiths Interconnect  
Roland Carter, Managing Director, Connectors  
Kent Whitney, President, Microwave Defence

**Break (~ 09.45 for 15 mins)**

**Presentations continued**

Jacqui McLaughlin, Managing Director, Microwave Telecoms  
Shawn Thompson, President, Protection  
Mike Hansen, VP Finance

**10:45 Q&A**

**11:30 Site Tour and Product Demonstrations**

**13:00 Buffet Lunch**

**14:00 Depart for Airport**