

**INVESTOR DAY CLOSING REMARKS AND Q&A – PHILIP BOWMAN – CEO,
SMITHS GROUP**

I thought, ladies and gentlemen, before we have the final question and answer session for those who have the burning questions you haven't asked or saved for the last minute. I would make one or two closing comments and I make no apology really for showing three of the slides I showed in the opening remarks this morning. And the first one, actions to drive long-term shareholder value, a change in emphasis, I think is important just to dwell on.

**SLIDE - SMITHS BUSINESS MODEL: ACTIONS TO DRIVE LONG-TERM
SHAREHOLDER VALUE – A CHANGE IN EMPHASIS**

We set ourselves four financial metrics, now nearly three years ago. We acknowledged that we set them at a time when the world looked a little bit more encouraging than it has done over the last three years. But nevertheless, we have made good progress certainly against three of those metrics -- margins, cash generation, and return on capital employed.

I think if we reflect on today, I hope that the presentations by my colleagues have helped illustrate to you why we believe that the five businesses in the portfolio are good businesses.

Over the next three years, we are committed to retain the focus that we have on the four key financial metrics that we have discussed earlier. I think one that is going to prove hardest will be driving top line growth. I talked this morning about increasing investments to drive organic growth in developing markets in particular. A number of the divisional presentations have given examples of that.

Having said that, I'm afraid I am back into the last very much half-empty view of world economists and I do think the next 12 to 18 months is going to be difficult. The

significant part of our business is driven by government expenditure and you've seen the impacts of that clearly in the comments we made on detection earlier this year and some of the comments Ralph and Srinu have made about Interconnect and about Medical.

I think the other area that I would comment on in terms of cash generation is to reassure you that we are committed to maintaining an efficient balance sheet. I did talk this morning about progressive dividend policy. Clearly, the financial position of the company, as illustrated by the improvement in the credit rating I commented on this morning, has improved. And we are committed and will maintain an efficient balance sheet going forward. - If I could have the next slide?

SLIDE – CAPITAL ALLOCATION: INCREASED EMPHASIS ON PORTFOLIO MANAGEMENT

I think in terms of capital allocation and portfolio management, I made a number of comments this morning about what I believe is a logical next step to better focus the portfolio that is Smiths. And you might ask, well, why do I believe that that is necessary or desirable other than clearly making reference to the almost visceral dislike of many of the UK investors to multi-industry or conglomerate businesses.

I think it is fair to say that Smiths is not only a complicated business to manage, it is a complicated investment story to communicate both to the sales side and to the buy side. We have put a lot of effort led by Peter Durman and his investor relations team, over the past three and half years, to try and present the individual businesses.

We will continue to do this and today's event was part of that ongoing process. But I do think, over time, if we had greater focus, then we would be able to better invest in developing truly market-leading positions in a smaller number of businesses. It would be an easier portfolio businesses to run and it would be a much easier investment story to tell.

I think what is important is that we do reflect on a regular basis as a board, are we the best owners of the individual businesses? What we are saying in terms of the comment today that I made in the opening remarks is having spent the best part of three and a half years improving the performance of the various businesses.

Having made approximately 14 both on acquisitions over the last four years, we do believe that the time subject to market conditions is appropriate to look at managing the portfolio more aggressively.

Having said that, managing the legacy liabilities is every bit as important as actually managing the portfolio of businesses. I think it's important to make the point as I did in the answer on the John Crane in-cash asbestos litigation, but firstly, it is a cash drain, secondly, there is significant management resource consumed by this.

But if I go in terms of looking at the pension schemes, the point I think I tried to get across this morning was very much the fact that if we see significant weakening of the company's covenant, then, clearly, the consequences in terms of cash demands from the pension fund trustees will be there and that is a source of value leakage.

And as I commented, I had hoped that by now we would have started to see a growth in real interest rates and that of course would have reduced the size of the actuarial deficit and made that less of a problem.

So we are committed, as we go forward, to continue to try and grow our businesses but there is in the background a very clear view from my part that we should be looking at focusing more closely in a smaller number of businesses over a period of time.

SLIDE – INVESTMENT CASE FOR SMITHS GROUP

If I can go then to the last slide, which is the investment case, we do have strong market positions in many of the sectors we operate in. And I think all of the areas we operate potentially have good long-term growth opportunities.

We do have leading-edge technologies. We have high service levels. And many of our businesses have either high or developing annuity-style aftermarket predictable revenues which are profitable.

There is further scope for operational improvement and margin enhancement. And that is something we have not lost track on. And I gave some examples of that in the case of Detection. And I think my other colleagues gave examples in terms of the other businesses.

We do have strong cash generation. We will continue to focus on cash generation. But as I said in the presentation on Detection, do not be surprised if you see peaks and troughs in the use of working capital by that business because as a government-contracting business where the contracts we are tendering for are growing larger, that is an inevitability, it should not be a surprise.

And as we demonstrated between the first half and the second half of this year where we build up working capital, we can equally unwind that position relatively quickly when we make deliveries and get site acceptance testing complete. We'll continue to focus in terms of return on capital employed. And finally, as I said, we do intend to be more active in terms of portfolio management.

So that I think in conclusion are my observations. And at the very back of the pack which you are handed this morning is a copy of the RNS that we released this morning, which probably summarizes that I've just said in a much more concise manner given the time that went into drafting the words.

I make no apologies putting the RNS at the very back of the document. It was probably an unsuccessful but nevertheless cunning ploy to stop everyone from reading it before we actually started the presentation.

So that's all for me in terms of presentation, but I would be very happy if my colleagues running the various divisions would come back onto the platform and then we can have the opportunity for a final question and answer session. So give us a moment while people come back up.

QUESTIONS AND ANSWERS

SANDY MORRIS – RBS

If I can come back to the subject of lots of portfolio, just bringing together some of your comments on the balance sheet usage and optimization but also pension coverage and so forth, is it right to think that the most likely use of any cash that you received from a disposal would then be for further acquisitions as opposed to returning shareholders?

And then related to that, the second question is, and given you obviously have so many fantastic businesses to invest in, how do you look at in particular when it comes to large deals when there has to be a choice, it's not possible to invest in everything, how do you look at those investments? Is it very simply a return of capital or do you ultimately see some markets as being the markets you want to be in relative to others?

Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

I think in terms of the application of proceeds for many disposal, were we to make any, clearly, much will depend on the circumstances. In the event that real interest rates had risen significantly and the demands of the pension fund trustees would be much less trident, and therefore the flexibility would be greater.

The one thing I would say very clearly is we are not going to simply spend money for the sake of spending money. That is absolutely clear. We will maintain our financial disciplines. And I think beyond that, I would simply say it will depend on the individual circumstances when we make any alterations to the portfolio.

I think beyond that in terms of where do we choose to invest, we have chosen very clearly to invest over the last four years behind John Crane. We saw the advantages

of widening its addressable market. We liked the strong annuity off the market revenue.

And we saw an opportunity to invest behind Interconnect, given that this was a very fragmented set of markets in which it operated. We like the returns of the business and we felt we had an opportunity to participate and actually drive some consolidation.

We will continue, I think, as we go forward, to look at the relative strengths of the various businesses and to look at what returns we can continue to see. So, thankfully, in terms of your answer, history would say we will continue to invest behind John Crane and Interconnect, but that does not mean we will not if we see the right opportunities necessarily invest behind other businesses as we have done over the course of the past four years.

Yes? Two rows back.

UNIDENTIFIED AUDIENCE MEMBER

Along the same lines, where does potentially using a stock buyback rather than looking at M&A come into the equation?

PHILIP BOWMAN – CEO – SMITHS GROUP

I think most people in this room whom I have, some of them, known quite a long time know I am not a great fan of stock buybacks. I do believe in a progressive dividend policy. I do believe if one has significant surplus of cash in paying a special dividend, but I am not a great believe in stock buybacks. And I'm not going to enter into the theory of that debate.

Or, I would simply say is that in my experience, the performance of stock, the stock that thrives off the buybacks rarely mirrors what theories said. And secondly, most companies make their stock buybacks at the right time. When the stock drives us

high, confidence is high, profitability is high, people tend to buy when it's actually a good time to buy. When the stock price is low, they neither have the confidence or sometimes don't have the money.

So I'm not a great believer in stock buybacks. If we do return cash, it is much more likely to be via a progressive dividend policy or a special dividend if we don't find appropriate investments.

Next question? Yes?

UNIDENTIFIED AUDIENCE MEMBER

I believe you mentioned earlier that with regards to the pension liability, that you put money in escrow to fund that. And I'm just curious as to what magnitude that that amount is, if you can put an amount on it, and --

PHILIP BOWMAN – CEO – SMITHS GROUP

Yes, by all means. I'll pass that one to Peter Turner.

PETER TURNER – FINANCE DIRECTOR – SMITHS GROUP

Yes. For the tri-annual evaluations of the Smiths Industries pension scheme, basically, the 10-year funding plan was GBP36 million a year, going into the pension plan itself, and in essence, GBP24 million a year going into escrow. The escrow sits on the Company's balance sheet. Ultimately, it secures the pension trustee's position in the event that a credit event -- for Smiths Group.

But if any intervening tri-annual evaluation between now and the end of that 10-year period, that fund is in surplus position, then that escrow gets fully released back to the Company.

PHILIP BOWMAN – CEO – SMITHS GROUP

Okay, next question? Nothing more from Sandy?

No more questions. Okay, what I'd like to do then is to thank all of you, particularly those from the UK, who made the trip here for today's event. Thank you for your interest in the Company. Thank you for your questions. Thank you for listening to the presentations.

It goes without saying that events such as today don't happen without a great deal of effort from a large number of people. I'd like to thank all my colleagues who have worked very hard on preparing then making the presentations.

I'd like to thank the folks from Taylor Rafferty who helped us organize this. And I'd like particularly to thank Peter Durman and Rebecca Cockram and the investor relations team, who put an enormous amount of work into making this happen.

And my thanks to everybody else who has participated in this event. Thank you very much, again, for being here. And I hope you found it a useful and as well as an enjoyable session.